

**SONOMA COUNTY SHERIFF-CORONER  
INMATE WELFARE TRUST AND JAIL STORES TRUST**

**ANNUAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2008**



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

**SONOMA COUNTY SHERIFF-CORONER  
INMATE WELFARE TRUST AND JAIL STORES TRUST**

**Annual Report  
For the Fiscal Year Ended  
June 30, 2008**

**TABLE OF CONTENTS**

	<u>Page</u>
Auditor-Controller's Report	
Management's Discussion and Analysis.....	1-4
Inmate Welfare Trust – Basic Financial Statements:	
Proprietary Funds:	
Statement of Net Assets .....	5
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	6
Statement of Cash Flows .....	7
Jail Stores Trust – Basic Financial Statements:	
Proprietary Funds:	
Statement of Net Assets .....	8
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	9
Statement of Cash Flows .....	10
Notes to the Basic Financial Statements .....	11 – 17

**RODNEY A. DOLE**  
AUDITOR-CONTROLLER  
TREASURER -TAX COLLECTOR



**DONNA M. DUNK**  
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Bill Cogbill, Sheriff-Coroner  
County of Sonoma  
2796 Ventura Avenue  
Santa Rosa, CA 95403

### **Auditor-Controller's Report**

We have audited the accompanying basic financial statements of the business-type activities and the aggregate remaining fund information of the Sheriff-Coroner's Inmate Welfare Trust and Jail Stores Trust as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the management of the Sheriff-Coroner's Department. Our responsibility is to express an opinion on those basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 our audit provides a reasonable basis for our opinion.

As discussed in Note I.A, the basic financial statements of the Sheriff-Coroner's Inmate Welfare Trust and Jail Stores Trust are intended to present only the financial position, and changes in financial position and cash flows of only the Inmate Welfare Trust and Jail Stores Trust, which are held in trust by the Sonoma County Sheriff-Coroner. They do not purport to, and do not, present fairly the financial position of the County of Sonoma as of June 30, 2008, and changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 Sheriff-Coroner's Inmate Welfare Trust and Jail Stores Trust as of June 30, 2008 and the respective changes in financial position and cash flows thereof 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 4 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*

June 8, 2009

## Management's Discussion and Analysis

As management of the Inmate Welfare and Jail Stores Trust Funds (IWT and JST) we offer readers of IWT and JST's financial statements this narrative overview and analysis of the financial activities of IWT and JST for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with IWT and JST's financial statements and the accompanying notes to the basic financial statements.

The Inmate Welfare Trust Fund was established by the Board of Supervisors, Resolution No. 20172, June 21, 1960, to hold and account for all funds designated for use by inmates as defined by Penal Code, Section 4025.

The Jail Stores Trust Fund was established by the Board of Supervisors, Resolution No. 20165 to be a working fund for the inmate commissary operation from which merchandise is purchased and the cost of operations is deducted. In accordance with Penal Code, Section 4025, profits of the inmate commissary are transferred from this fund to the Inmate Welfare Trust Fund.

### Financial Highlights

- The assets of IWT exceeded its liabilities at the close of the most recent fiscal year June 30, 2008 by \$87,297 (net assets) all of which is unrestricted net assets and may be used to meet IWT's ongoing obligations to inmates and creditors.
- The assets of JST exceeded its liabilities at the close of the most recent fiscal year June 30, 2008 by \$336,653 (net assets) all of which is unrestricted net assets and may be used to meet JST's ongoing obligations to inmates and creditors.
- IWT's total net assets decreased by \$36,382 compared to the prior year. This decrease is a result of a decrease in telephone commissions due to a lower inmate population.
- JST's total net assets increased by \$30,937 compared to the prior year. This increase is primarily a result of reduced expenditures related commissary items.

### Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to IWT and JST's basic financial statements. IWT and JST's basic financial statements are comprised of two components: 1) basic financial statements and 2) notes to the basic financial statements.

**Proprietary fund basic financial statements.** Proprietary fund reporting focuses on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds, which are used to account for business type activities. IWT and JST follow the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." IWT and JST uses enterprise funds to account for their business type activities, which include commissary and vending operations, all activities are presented in the following three basic financial statements.

- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Fund Net Assets
- Statement of Cash Flows

## Management's Discussion and Analysis

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the basic financial statements.

### Financial Analysis

*Net Assets.* Over time, increases or decreases in net assets may indicate whether the financial position of IWT and JST is improving or deteriorating. IWT net assets decreased to \$87,297 for June 30, 2008 from \$123,679 for June 30, 2007. JST net assets increased to \$336,653 for June 30, 2008 from \$305,716 for June 30, 2007. The following are tables summarizing the net assets for IWT and JST's activities:

#### Inmate Welfare Trust Fund Net Assets

	<u>2008</u>	<u>2007</u>
Current assets	\$ <u>174,528</u>	\$ <u>197,283</u>
Liabilities outstanding	<u>87,231</u>	<u>73,604</u>
Net assets:		
Unrestricted	<u>87,297</u>	<u>123,679</u>
Total net assets	\$ <u><u>87,297</u></u>	\$ <u><u>123,679</u></u>

#### Jail Stores Trust Fund Net Assets

	<u>2008</u>	<u>2007</u>
Current assets	\$ <u>369,011</u>	\$ <u>367,233</u>
Liabilities outstanding	<u>32,358</u>	<u>61,517</u>
Net assets:		
Unrestricted	<u>336,653</u>	<u>305,716</u>
Total net assets	\$ <u><u>336,653</u></u>	\$ <u><u>305,716</u></u>

## Management's Discussion and Analysis

*Change in Net Assets IWT.* Total revenues and transfers for the year ended June 30, 2008 were \$ 726,859 compared with expenses of \$749,114 for June 30, 2007. The following table summarizes the changes in net assets for each year.

### Inmate Welfare Trust Fund Changes in Net Assets

	2008	2007
Revenues:		
Operating Revenues:	\$ 331,844	\$ 400,426
Non-Operating Revenues	29,167	30,020
Total revenues	361,011	430,446
Expenses:		
Operating Expenses	7,570	7,606
Non-Operating Expenses	755,671	706,201
Toal expenses	763,241	713,807
Transfers in	365,848	318,668
Change in net assets	(36,382)	35,307
Net assets - beginning of year	123,679	88,372
Net assets - end of year	\$ 87,297	\$ 123,679

*Change in Net Assets JST.* Total revenues for the year ended June 30, 2008 were \$ 1,352,355 compared with expenses and transfers of \$1,358,474 for June 30, 2007. The following table summarizes the changes in net assets for each year.

### Jail Stores Trust Fund Changes in Net Assets

	2008	2007
Revenues:		
Operating Revenues:	\$ 1,352,355	\$ 1,358,474
Expenses:		
Operating Expenses	980,570	1,015,024
Transfers out	340,848	318,668
Change in net assets	30,937	24,782
Net assets - beginning of year	305,716	280,934
Net assets - end of year	\$ 336,653	\$ 305,716

## **Management's Discussion and Analysis**

### **Capital Assets**

IWT and JST has no investment in capital assets, as of June 30, 2008. All of the capital assets used by IWT and JST with useful lives of more than one year are owned by the Sonoma County Sheriff's Department. Additional information on capital assets can be found in the Notes to the Basic Financial Statements.

### **Economic Outlook**

The FY 08-09 budgets, for Inmate Welfare and Jail Stores Trusts, reflect a combined net increase in fund balances of \$60,865. This projected increase is due to a change in the dollar limit that an inmate may spend, each commissary day, from \$35 to \$50. The spending limit had not been increased for several years and because of inflation inmates purchased fewer items with the same dollars.

The Inmate Welfare Trust Committee is continually seeking new ways to generate revenue and decrease expenses to insure that both funds remain financially sound. This has become increasingly difficult as expenses, mainly salaries/benefits for commissary staff and program officers, have continued to grow while revenues have remained stable.

All of these factors were considered in preparing IWT and JST's budget for the fiscal year ending June 30, 2009.

### **Request for Information**

This financial report is designed to provide a general overview of IWT and JST's finances for all those with an interest in IWT and JST's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Inmate Welfare and Jail Stores Trust Funds, 2796 Ventura Avenue, Santa Rosa, CA 95403.

**SONOMA COUNTY SHERIFF-CORONER  
INMATE WELFARE TRUST  
Statement of Net Assets  
Proprietary Fund  
June 30, 2008**

**Assets**

Current assets:

Cash and investments	\$	154,236
Accounts receivable		<u>20,292</u>
Total assets		<u>174,528</u>

**Liabilities**

Current liabilities:

Accounts payable		2,502
Due to other funds		60,729
Deferred credit		<u>24,000</u>
Total liabilities		<u>87,231</u>

**Net Assets**

Unrestricted		<u>87,297</u>
Total net assets	\$	<u><u>87,297</u></u>

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

**SONOMA COUNTY SHERIFF-CORONER  
INMATE WELFARE TRUST  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2008**

<b>Operating Revenues</b>	
Vending commissions	\$ 309,062
Other revenues	22,782
Total operating revenues	<u>331,844</u>
<b>Operating Expenses</b>	
Administrative	<u>(7,570)</u>
Total operating income	<u>324,274</u>
<b>Non-operating Revenues (Expenses)</b>	
Inmate programs:	
Service and supplies	(286,578)
Salaries and benefits	<u>(469,093)</u>
Total inmate programs	(755,671)
Investment income	<u>29,167</u>
Total non-operating revenues (expenses)	(726,504)
Income (loss) before transfers	(402,230)
<b>Transfers in</b>	
Jail Stores Trust Fund	340,848
Jail Industries	25,000
Total transfers in	<u>365,848</u>
Change in net assets	(36,382)
Net assets, beginning of year	<u>123,679</u>
Net assets, end of year	<u>\$ 87,297</u>

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

**SONOMA COUNTY SHERIFF-CORONER  
INMATE WELFARE TRUST  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2008**

**Cash flows from operating activities:**

Cash received from vending commissions	\$ 339,552
Cash payments to suppliers for goods and services	<u>(7,570)</u>
Net cash provided by (used in) operating activities	<u>331,982</u>

**Cash flows from noncapital financing activities:**

Inmate programs:	
Transfer payments for salaries and benefits	(469,093)
Cash payments to suppliers for goods and services	<u>(270,951)</u>
Total cash payments for inmate programs	(740,044)
Transfers received	<u>365,848</u>
Net cash provided by (used in) noncapital financing activities	<u>(374,196)</u>

**Cash flows from investing activities:**

Interest received on investments	<u>29,167</u>
Net cash provided by (used in) investing activities	<u>29,167</u>
Net increase (decrease) in cash and cash equivalents	(13,047)
Cash and cash equivalents, beginning of year	<u>167,283</u>
Cash and cash equivalents, end of year	<u><u>\$ 154,236</u></u>

**Reconciliation of operating income to net cash provided by (used in) operating activities:**

Operating income	\$ 324,274
Changes in operating assets and liabilities:	
Decrease in deferred credit	(2,000)
Decrease in accounts receivable	<u>9,708</u>
Net cash provided by (used in) operating activities	<u><u>\$ 331,982</u></u>

**Noncash transactions from noncapital financing activities**

Decrease in accounts payable	(9,890)
Increase in due to other funds	25,517

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

**SONOMA COUNTY SHERIFF-CORONER**  
**JAIL STORES TRUST**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2008**

**Assets**

Current assets:

Cash and investments	\$ 273,442
Accounts receivable	22,000
Merchandise inventory	<u>73,569</u>
Total assets	<u>369,011</u>

**Liabilities**

Current liabilities:

Accounts payable	<u>32,358</u>
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**Net Assets**

Unrestricted	<u>336,653</u>
Total net assets	<u><u>\$ 336,653</u></u>

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

**SONOMA COUNTY SHERIFF-CORONER**  
**JAIL STORES TRUST**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2008**

<b>Operating Revenues</b>	
Commissary sales	\$ 1,233,767
Vending sales	117,269
Other revenues	<u>1,319</u>
Total revenues	<u>1,352,355</u>
<b>Operating Expenses</b>	
Salaries and benefits	205,064
Cost of merchandise sold	715,100
Service and supplies	<u>60,406</u>
Total expenditures	<u>980,570</u>
Operating income before transfers	371,785
<b>Transfers Out</b>	
Inmate Welfare Trust Fund	<u>(340,848)</u>
Change in net assets	30,937
Net assets, beginning of year	<u>305,716</u>
Net assets, end of year	<u><u>\$ 336,653</u></u>

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

**SONOMA COUNTY SHERIFF-CORONER  
JAIL STORES TRUST  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2008**

**Cash flows from operating activities:**

Cash received from customers	\$ 1,352,355
Cash payment to suppliers of goods and services	(750,589)
Transfer payments:	
Salaries and benefits	(205,064)
Goods and services	(30,706)
Net cash provided by (used in) operating activities	<u>365,996</u>

**Cash flows from noncapital financing activities:**

Transfers to Inmate Welfare Trust	<u>(340,848)</u>
Net cash provided by (used in) noncapital financing activities	<u>(340,848)</u>

Net increase (decrease) in cash and cash equivalents	25,148
Cash and cash equivalents, beginning of year	<u>248,294</u>
Cash and cash equivalents, end of year	<u>\$ 273,442</u>

**Reconciliation of operating income to net cash provided by (used in) operating activities:**

Operating income	\$ 371,785
Changes in operating assets and liabilities:	
Increase in accounts receivable	(22,000)
Decrease in inventories	45,370
Decrease in accounts payable	<u>(29,159)</u>
Net cash provided by (used in) operating activities	<u>\$ 365,996</u>

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

**SONOMA COUNTY SHERIFF-CORONER  
INMATE WELFARE TRUST AND JAIL STORES TRUST  
Notes to the Basic Financial Statements  
June 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Inmate Welfare Trust (IWT) and Jail Stores Trust (JST) were established by the County of Sonoma Board of Supervisors Resolutions 20172 and 20165, dated June 21, 1960. The Jail Stores Trust was established to operate a commissary to enable inmates in Sonoma County detention facilities to purchase stationery, personal hygiene items, snacks and entertainment which would otherwise not be available. Profits from this trust are transferred to the IWT. The IWT was established to hold and account for all funds designated for inmate use as defined in Penal Code Section 4025. The Code specifies that the IWT shall be expended by the Sheriff primarily for the benefit, education and welfare of the inmates. Any funds that are not needed for the welfare of the inmates may be expended for the maintenance of County jail facilities. The Inmate Welfare Fund may not be used to pay required County expenses of confining inmates, such as meals, clothing, housing or medical services or expenses, except that inmate welfare funds may be used to augment those required County expenses as determined by the Sheriff to be in the best interest of the inmates. The Inmate Welfare Trust Committee prepares an annual budget for the IWT and recommends programs and expenditures for the approval of the Sheriff-Coroner. The Committee is composed of Sheriff-Coroner Department personnel and one civilian representative, as documented in the Sheriff-Coroner's manual of policy and procedures.

**B. Measurement Focus, Basis of Accounting and Basis of Presentation**

The IWT and JST conform to generally accepted accounting principles as applicable to governmental units. The accounts of the County of Sonoma are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

The IWT and JST use proprietary fund accounting. Proprietary fund operating revenue results from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses include services and supplies and salaries and employee benefits. All expenses not falling within these categories are reported as non-operating expenses.

Financial statements for the IWT and JST are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities

**SONOMA COUNTY SHERIFF-CORONER  
INMATE WELFARE TRUST AND JAIL STORES TRUST  
Notes to the Basic Financial Statements  
June 30, 2008**

associated with the operation of the IWT and JST are included on the statement of net assets. Revenues are recorded when earned and expenses are recorded at the time when liabilities are incurred, regardless of when the related cash flows take place.

The IWT and JST have elected under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), are accounting principles generally accepted in the United States of America.

**C. Assets, Liabilities, and Net Assets**

**1. Cash and investments**

The IWT and JST reports certain 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.

For the purposes of the accompanying statement of cash flows, all investments in the County Treasurer's Pool are considered to be cash equivalents.

**2. Capital Assets**

Capital assets, which include land, buildings and improvements, and equipment, are reported in the statement of net assets. Capital assets are defined by the IWT and JST as assets with an initial, individual cost of more than \$1,000. 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. The IWT and JST do not own land, buildings or improvements.

**3. Inventories**

Inventories are valued at cost using the first-in, first-out method.

**SONOMA COUNTY SHERIFF-CORONER  
INMATE WELFARE TRUST AND JAIL STORES TRUST  
Notes to the Basic Financial Statements  
June 30, 2008**

**4. Net Assets**

Net assets represent the difference between assets and liabilities. Unrestricted Net Assets consists of net assets not restricted for any project or other purpose.

**5. Interfund Transactions**

Interfund transactions between the IWT and the JST are reflected as transfers. The IWT and JST are trust accounts under the trusteeship of the Sonoma County Sheriff-Coroner. Transactions with the Sheriff's Department are related party transactions and are not interfund transactions.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Process**

The IWT and JST are not included in the annual budget of the County of Sonoma. The Inmate Welfare Committee prepares an annual budget for planning purposes. The Inmate Welfare Committee does not exercise control over the authorization of expenditures, which is strictly at the discretion of the Sheriff-Coroner.

**III. DETAILED NOTES**

**A. Cash and Investments**

Investment in the Sonoma County Treasurer's Investment Pool

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

**SONOMA COUNTY SHERIFF-CORONER  
INMATE WELFARE TRUST AND JAIL STORES TRUST  
Notes to the Basic Financial Statements  
June 30, 2008**

As of June 30, 2008, there is no material difference between fair value and amortized cost of investments.

Investment Guidelines

The IWT and JST'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, 2008, approximately 63 percent of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, only 4% 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.

**SONOMA COUNTY SHERIFF-CORONER**  
**INMATE WELFARE TRUST AND JAIL STORES TRUST**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

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 2008 Sonoma County CAFR.

**B. Deferred Credit**

The contract between the IWT and its' telephone service provider includes \$150,000 in rebates. The rebates effectively reduce the cost of telephone service over five years. During the fiscal year 2004-05 the IWT received rebate payments in advance. At June 30, 2008 the unearned portion of the rebate received in advance is \$24,000, which is applicable to telephone services to be provided in a subsequent year.

**SONOMA COUNTY SHERIFF-CORONER  
INMATE WELFARE TRUST AND JAIL STORES TRUST  
Notes to the Basic Financial Statements  
June 30, 2008**

**IV. OTHER INFORMATION**

**A. Risk Management**

The Sheriff-Coroner as trustee for the IWT and JST participates in the County of Sonoma self-insurance program 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/\$3,000,000 per individual lifetime benefit. 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 (shared) per occurrence and \$50,000 deductible for "All Risk" and flood, earthquake deductible at \$352,000 with a deductible of 5% of the building value. Boiler and machinery coverage is included in the All-Risk coverage.

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

**B. Related Party Transactions**

The Inmate Welfare Trust (IWT) and Jail Stores Trust (JST) are treated as agency funds by the County of Sonoma. Status as agency funds is based upon the following criteria:

1. The Sheriff-Coroner of the County of Sonoma has discretionary use of the funds of the IWT limited only by the requirements of Penal Code Section 4025 and Sheriff-Coroner policies.

**SONOMA COUNTY SHERIFF-CORONER  
INMATE WELFARE TRUST AND JAIL STORES TRUST  
Notes to the Basic Financial Statements  
June 30, 2008**

**B. Related Party Transactions (continued)**

2. The IWT and JST are not included in the budget of the County of Sonoma.
3. The Sheriff-Coroner has fiduciary responsibility for the funds, and accordingly, transactions with the Sheriff-Coroner are related party transactions. The following schedule lists the approximate amount of significant payments to the Sheriff-Coroner:

Purpose	IWT	JST
Inmate programs	\$ 484,053	\$
Commissary operations		205,064
Administration		25,657
Totals	\$ 484,053	\$ 230,721

4. During Fiscal Year 2007-2008 Detention Jail Industries transferred a partial repayment in the amount \$25,000 to repay funds loaned by the Inmate Welfare Trust. The remaining \$36,595 was transferred from Detention Jail Industries to the Inmate Welfare Trust during Fiscal Year 2008-2009.

**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 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.