



Auditor-Controller-Treasurer-Tax Collector's

Annual Report

Fiscal Year Ended June 30, 2010



ROD DOLE

AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR

TREASURY OVERSIGHT COMMITTEE

DON DUTIL, CHAIR, PUBLIC MEMBER

JERRY ALLEN, SONOMA COUNTY EMPLOYEES RETIREMENT BOARD

DENISE CALVERT, SONOMA COUNTY OFFICE OF EDUCATION

ROD DOLE, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR

VERONICA FERGUSON, COUNTY ADMINISTRATOR

JOE PANDOLFO, RINCON VALLEY UNIFIED SCHOOL DISTRICT

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AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR'S MESSAGE



I am pleased to release the Annual Report of the Auditor-Controller-Treasurer-Tax Collector's (ACTTC) office for the fiscal year 2009/10. This report presents the investment performance and collection activity for the period from July 2009 through June 2010.

This fiscal year we are experiencing a relatively weak economic recovery from the most devastating recession in decades. There is some question among leading economists whether the economy will continue with a weak recovery or tip back into a recession, even the Federal Reserve has indicated it is extremely concerned about the slowing economic activity and is taking steps to try to stop the slide. The Federal Reserve recently reinstated its Treasury buying program and this has resulted in further downward pressure on already historically low interest rates, especially shorter maturities. It is almost a certainty that interest rates will remain at or near current levels for some time. This situation coupled with the state of the State of California does not bode well for future interest earnings for the Sonoma County Pooled Investment Fund.

With the continued budget gridlock at the State of California it has become increasingly difficult to project the Pool's cash flow. The State has announced the postponing of cash payments to be sent to the County, local School Districts and Special Districts that deposit to the Sonoma County Investment Pool. As of September 30, 2010 the State has not adopted a budget and may be issuing State Warrants in lieu of payments as they did last year. With these unknowns the Investment Pool is much more liquid than it normally would be. This has resulted in shorter maturity investments and lower yields. We will continue to monitor this situation until the State adopts a budget.

Our mission is to provide reliable and relevant financial information and quality financial services in an efficient, ethical and effective manner to the citizens of Sonoma County, while promoting fiscal responsibility and accountability.

As your Auditor-Controller-Treasurer-Tax Collector, I will continue to work closely with the County, Cities, School Districts and Special Districts that participate in the County Investment Pool to provide a safe, liquid and strong yield for their investment future. Please call me at (707) 565-2631 if you have any questions or suggestions. Additional information is also available on website at www.sonoma-county.org.

Sincerely,

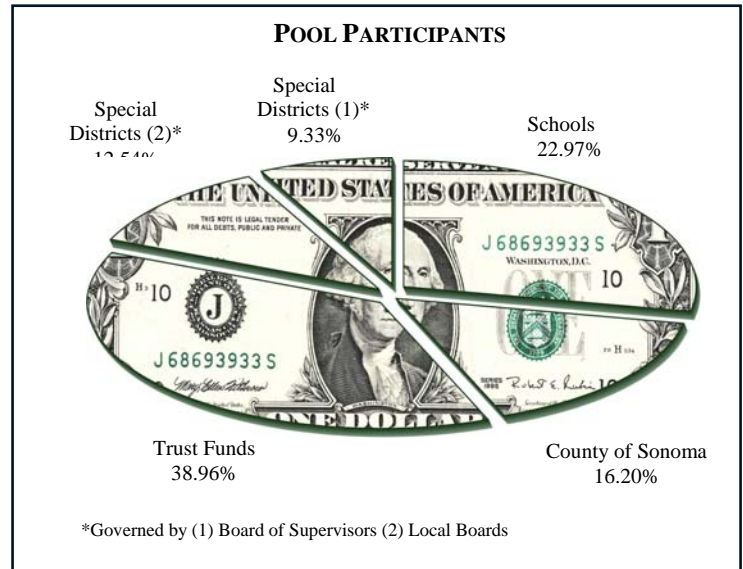


Rod Dole
Auditor-Controller-Treasurer-Tax Collector

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TREASURY REPORT

All public financing is coordinated through the Treasury, as well as tax and revenue anticipation notes for the County and School Districts and General Obligation bonds for the School Districts. The Treasury manages over \$1,560,000,000 in County funds and has been one of the top performers in interest earnings for the past 10 years in the state of California. This has been accomplished with state of the art technology that allows the department to process, deposit and invest collections on the same day that they are received. Using a comprehensive cash flow system allows the Treasury to extend the yield



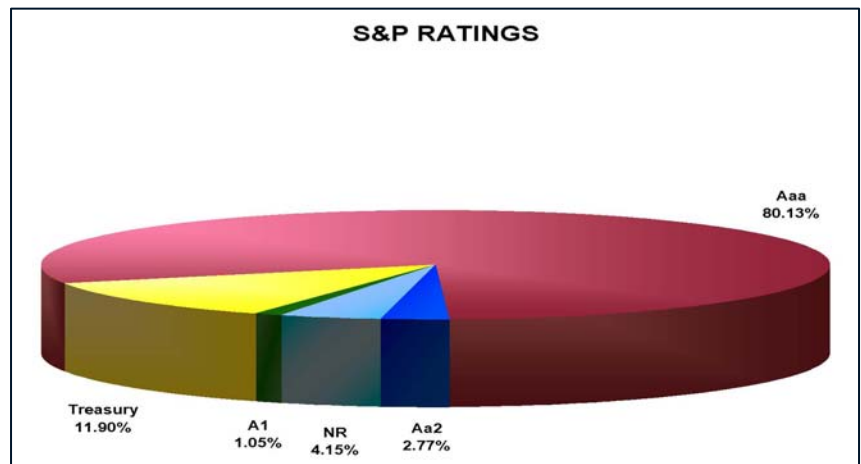
SONOMA COUNTY POOLED INVESTMENT PROGRAM	
BEGINNING FUND BALANCE as of 7/01/09	\$1,537,408,461
ENDING FUND BALANCE as of 6/30/10	\$1,507,717,309
AVERAGE DAILY FUND BALANCE	\$1,568,971,868
TOTAL INTEREST EARNED BEFORE FEES	\$ 15,025,220
TOTAL INTEREST EARNED AFTER FEES	\$ 13,058,483
INTEREST RATES BEFORE FEES	.933%
INTEREST RATES AFTER FEES	.794%
MARKET VALUE AS OF 6/30/10	100.31%
WEIGHTED AVERAGE MATURITY AS OF 6/30/10	486 days
TOTAL FUNDS MANAGED BY TREASURY	
BALANCE AS OF 6/30/10 (includes Deferred Comp)	\$1,779,990,182

curve when necessary, and still have the comfort to know that there is enough liquidity to meet the current monetary needs of the pool participants. The investment policy is structured around the goals of SAFETY, LIQUIDITY and YIELD.

This fiscal year the County earned over \$15,000,000 in interest. The interest provides the residents of Sonoma County with public services that otherwise would have to be eliminated or financed by another source.

The portfolio has over 92% of its funds invested in AAA rated securities (the highest rating given by Moody's and S & P). This includes U.S. Treasuries. The balance of the portfolio is invested in A rated securities or better. 70% of the portfolio matures in less than one year. The weighted average maturity of the Investment Pool is 486 days in order to take advantage of the positive yield curve.

The Treasury is proud of its investment performance and will continue to manage the funds entrusted to us with the same planning and diligence that has been so successful in the past.



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TREASURER-TAX COLLECTOR FUNCTIONS

The Tax Collection Division collects secured, supplemental and unsecured property taxes on behalf of the County, the County's 9 incorporated cities, over 40 school districts, and all other taxing agencies located in the County, including over 70 special districts (e.g., flood control districts, sanitation districts). Upon collection of these taxes by the County, appropriate distribution is made to the various taxing agencies. The division also oversees delinquent taxes and the selling of tax defaulted properties. In FY 2009/10 there were 176,111 secured tax bills, 13,616 supplemental tax bills and 22,813 unsecured tax bills processed.

TAX COLLECTION PROGRAM 2009/10	
Secured Tax Bills processed	176,111
Unsecured Tax Bills processed	22,813
Supplemental Tax Bills processed	13,616
Total Taxes Collected	\$790,532,709
Central Collections Debt Recovery	\$4,758,917

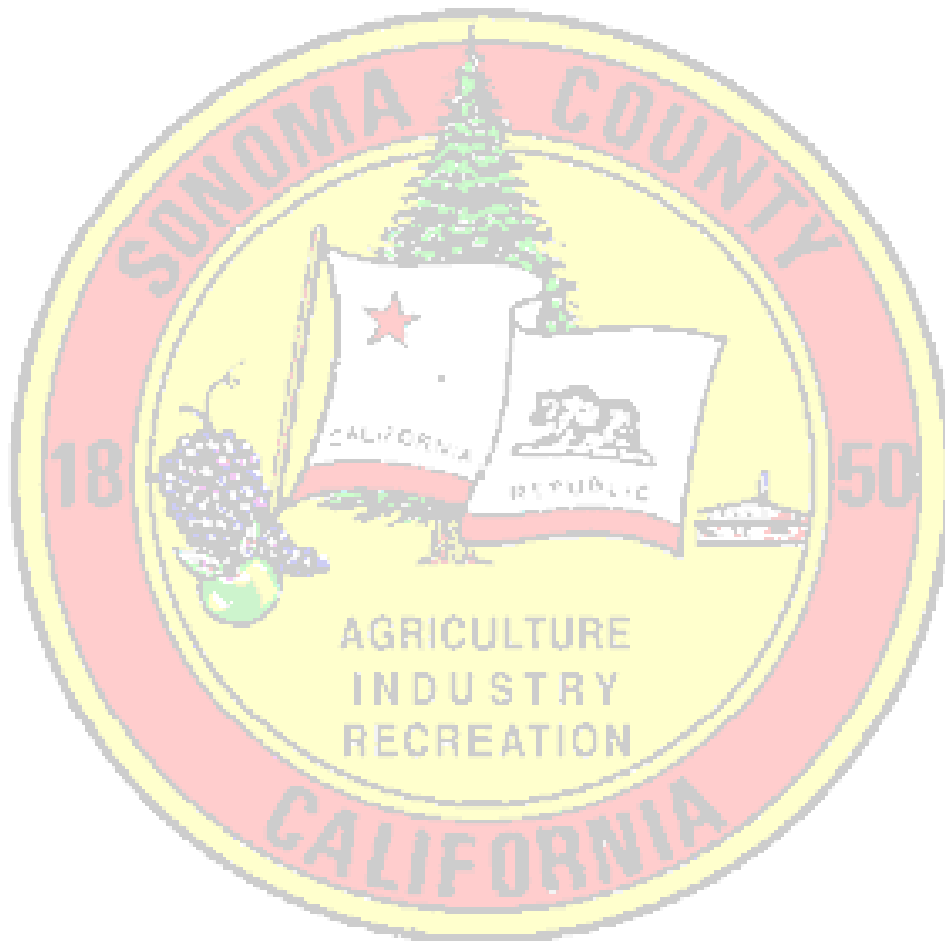
The Revenue and Debt Division is responsible for the centralized functions of debt issuance and post-issuance management which includes Central Collections, Parking, Transient Occupancy Tax (TOT) and Deferred Compensation.

Central Collections is responsible for the collection of current and delinquent accounts owed to various County Departments by individuals, businesses and other local government agencies. This division collected revenue of approximately \$4.7 million in fiscal year 2009/10 for programs including Unsecured Property Taxes, Hazardous Materials, Probation, Social Services and Public Works.

Deferred Compensation, under the direction of the Auditor-Controller-Treasurer-Tax Collector, administers three employee benefit pre-tax savings programs on behalf of County employees. These programs are intended to encourage employees to save additional funds for retirement similar to 401(K) programs in the private sector. They are the voluntary 457 plan, the mandatory 457 plan and the 401 (a) plan. Under the 457 plan, the section currently administers 4,599 accounts. Under the 401 (a) plan, the section administers 1,175 accounts.

The Treasury Division is responsible for the safekeeping and investment of funds for the County, Cities, School Districts and Special Districts. The Treasury oversees all banking operations for the County and its Departments, and is the paying agent for the majority of all debt and Special Assessments. The Treasury also manages an investment portfolio in excess of \$1.5 billion dollars and allocates over \$15 million in interest earnings annually.

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