

**AUDIT REPORT
OF
SONOMA COUNTY TRANSPORTATION AUTHORITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2001**

**AUDIT REPORT
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SONOMA COUNTY TRANSPORTATION AUTHORITY
JUNE 30, 2001**

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Directors
Sonoma County Transportation Authority

We have audited the accompanying general-purpose financial statements of the Sonoma County Transportation Authority (SCTA), as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Sonoma County Transportation Authority's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Sonoma County Transportation Authority, as of June 30, 2001 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2002 on our consideration of SCTA's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Audit Staff:

Gregory J. McGuirk, Audit Manager
Onna S. Rayos, Auditor

January 15, 2002

**SONOMA COUNTY TRANSPORTATION AUTHORITY
COMBINED BALANCE SHEET
GOVERNMENTAL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

	Governmental Fund Type		Account Group		Totals (Memorandum Only)
	General	Special Revenue	General Long-Term Debt	General Fixed Assets	
ASSETS AND OTHER DEBITS					
Assets:					
Cash in treasury	\$ 20,753	\$ 983,015	\$	\$	\$ 1,003,768
Due from other governments	150,450				150,450
Fixed assets:					
Equipment				23,940	23,940
Other debits:					
Amount to be provided for compensated absences			5,310		5,310
Total assets	<u>\$ 171,203</u>	<u>\$ 983,015</u>	<u>\$ 5,310</u>	<u>\$ 23,940</u>	<u>\$ 1,183,468</u>
LIABILITIES, EQUITY AND OTHER CREDITS					
Liabilities:					
Accounts payable	\$ 5,712	\$ 31,439	\$	\$	\$ 37,151
Compensated absences	1,770		5,310		7,080
Total liabilities	<u>7,482</u>	<u>31,439</u>	<u>5,310</u>	<u>0</u>	<u>44,231</u>
Equity and other credits:					
Investment in general fixed assets				23,940	23,940
Fund balance:					
Reserve for encumbrances		509,870			509,870
Unreserved, undesignated	163,721	441,706			605,427
Total equity and other credits	<u>163,721</u>	<u>951,576</u>	<u>0</u>	<u>23,940</u>	<u>1,139,237</u>
Total liabilities, equity and other credits	<u>\$ 171,203</u>	<u>\$ 983,015</u>	<u>\$ 5,310</u>	<u>\$ 23,940</u>	<u>\$ 1,183,468</u>

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

**SONOMA COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

<u>Governmental Fund Types</u>		Totals	
<u>General</u>	Special Revenue	(Memorandum Only)	
REVENUES:			
Interest earned	\$ 9,408	\$ 49,879	\$ 59,287
Intergovernmental	295,990	555,243	851,233
Reimbursements	<u>9,081</u>	<u> </u>	<u>9,081</u>
Total revenues	<u>314,479</u>	<u>605,122</u>	<u>919,601</u>
EXPENDITURES:			
Current:			
Salaries and benefits	200,403		200,403
Services and supplies	138,395		138,395
Administration		9,081	9,081
Contribution to other governments		224,188	224,188
Fixed asset	<u>709</u>	<u> </u>	<u>709</u>
Total expenditures	<u>339,507</u>	<u>233,269</u>	<u>572,776</u>
Excess (deficiency) of revenues over (under) expenditures	(25,028)	371,853	346,825
Fund balance, July 1	<u>188,749</u>	<u>579,723</u>	<u>768,472</u>
Fund balance, June 30	<u>\$ 163,721</u>	<u>\$ 951,576</u>	<u>\$ 1,115,297</u>

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

SONOMA COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	General Fund			Special Revenue Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Interest earned	\$ 3,000	\$ 9,408	\$ 6,408	\$ 43,490	\$ 49,879	\$ 6,389
Intergovernmental	281,400	295,990	14,590	532,506	555,243	22,737
Reimbursements	29,900	9,081	(20,819)			0
Total revenues	314,300	314,479	179	575,996	605,122	29,126
EXPENDITURES:						
Current:						
Salaries and benefits	220,152	200,403	19,749			0
Services and supplies	133,178	138,395	(5,217)			0
Contribution to other government			0	549,050	361,242	(187,808)
Other transfers			0	29,900	9,081	(20,819)
Fixed asset		709	(709)			0
Total expenditures	353,330	339,507	13,823	578,950	370,323	(208,627)
Excess (deficiency) of revenues over (under) expenditures	(39,030)	(25,028)	14,002	(2,954)	234,799	237,753
Fund balance, July 1	188,749	188,749	0	579,723	579,723	0
Fund balance, June 30	\$ 149,719	\$ 163,721	\$ 20,391	\$ 576,769	\$ 814,522	\$ 237,753

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

SONOMA COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

1. Description of Sonoma County Transportation Authority:

The Sonoma County Transportation Authority (SCTA) was created by the Sonoma County Board of Supervisors, under Resolution No. 90-1522 on August 7, 1990 in accordance with California Public Utilities Code Section 180000 et seq. The Sonoma County Transportation Authority's Board of Directors consists of one council member from each of the County's nine cities and three members of the Sonoma County Board of Supervisors.

The Sonoma County Transportation Authority was established to accomplish the stated purpose and goals of the Public Utilities Code Section 180000 et seq, also known as the "Local Transportation Authority and Improvement Act" (the "Act").

2. Summary of Significant Accounting Policies:

a) Basis of Presentation

Governmental Fund Types

General Fund

The SCTA's general fund is the operating fund of Sonoma County Transportation Authority. It is used to account for the acquisition and use of all of SCTA's financial resources except those accounted for in another fund.

Special Revenue Fund

Funds received from the Bay Area Air Quality Management District referred to as the Transportation Fund for Clean Air (TFCA) are accounted for in this fund. Allowable expenditures include reimbursements for cost of projects designed to reduce pollution from motor vehicles.

General Fixed Asset Account Group

Fixed assets used in governmental fund type operations are accounted for in the general fixed assets account group rather than in the governmental fund types (general fund). Fixed assets are stated at cost. Donated fixed assets are stated at their fair market value on the date donated. No depreciation has been charged against general fixed assets.

SONOMA COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

2. Summary of Significant Accounting Policies (Continued):

a) Basis of Presentation (Continued)

Vacation and Sick Leave (Compensated Absences)

Each SCTA employee will accrue and may use vacation leave with full pay providing the maximum accumulation will be no more than 280 hours. Part-time employees will accrue vacation on a prorated basis; usage and accrual are governed by the same rules applicable to full-time employees.

Each SCTA regular full-time or regular part-time employee will accrue and accumulate sick leave at the rate of 3.680 hours for each completed 80 hour pay period.

Accrued vacation is payable upon termination. Each SCTA employee who separates from service will be entitled to payment of the monetary equivalent of 25% of all unused sick leave at the time of separation.

The accrued liability for vacation and sick leave expected to be paid in the ensuing year are recorded in the general fund and the remainder is recorded in the General Long-Term Debt Account Group.

b) Basis of Accounting

The modified accrual basis of accounting is used for all governmental fund types, which includes the general fund of the SCTA. Under the modified accrual basis of accounting, revenues are recognized when they are susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

Intergovernmental revenues, which are received as reimbursement for specific purposes or projects, are recognized based upon the expenditures recorded. Intergovernmental revenues that are virtually unrestricted as to purpose of expenditure and revocable only for failure to meet prescribed compliance requirements are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

SONOMA COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

2. Summary of Significant Accounting Policies (Continued):

c) Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

d) Accounting System Maintained by Other Government

The SCTA uses the County of Sonoma's Financial Accounting and Management Information System (FAMIS) and the County's budgetary recording and accounting control policies to record and control transactions affecting SCTA funds. However, the SCTA is an independent governmental organization and is not a component unit of the County of Sonoma as defined by NCGA Statement No. 3, "Defining the Reporting Entity".

e) Encumbrances

Encumbrance accounting is used to reserve appropriations of financial resources for which commitments for expenditure have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written and are liquidated when the related goods or services are received.

Encumbrances serve to limit planned expenditures to the amounts appropriated by the Board.

f) Cash in Treasury

The Authority's cash is pooled with the Sonoma County Treasurer, who also acts as a disbursing agent for the Authority. 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.

SONOMA COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

2. Summary of Significant Accounting Policies (Continued):

f) Cash in Treasury (Continued)

The Authority applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Pools*, which require governmental entities, including governmental external investment pools, to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. In accordance with GASB Statement No. 31, the Authority has stated certain investments at fair value.

g) General Fixed Assets

General fixed assets are recorded as expenditures in the general fund.

h) Total Columns - Memorandum Only

Total columns on the financial statements are presented to aggregate financial data. Data in these columns does not present financial position or results of operations in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation.

3. Budgets and Budgetary Accounting:

The budget of the Sonoma County Transportation Authority is a detailed operating plan that identifies estimated costs and results in relation to estimated revenues. The budget includes: 1) services and activities to be provided during the fiscal year; 2) the estimated revenue available to finance the operating plan; and, 3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented, and controlled. State law prohibits expending funds for which there is no legal appropriation except under court order, for an emergency, or as otherwise provided by law. All annual appropriations lapse at fiscal year-end.

Revised Budget

The legal level of control for appropriations is exercised by the SCTA Executive Director. Appropriations may be adjusted during the year with the approval of the SCTA Board of Directors.

**SONOMA COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001**

3. Budgets and Budgetary Accounting (Continued):

Revised Budget (Continued)

Budgets are adopted on a non-GAAP (generally accepted accounting principles) basis. For the purposes of a budgetary presentation, actual GAAP expenditures have been adjusted to include current year encumbrances and to exclude expenditures against prior year encumbrances. This allows a comparison of a fiscal year's expenditures and commitments with related appropriations.

The results of "actual" operations on a budgetary basis are reconciled to the results of operations on a GAAP basis as follows:

	<u>Special Revenue Fund</u>
Excess (deficit) of revenues over/under expenditures - budgetary basis	\$ 228,410
Expenditures charged against prior year encumbrances	(88,549)
Current year encumbrances	<u>225,603</u>
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	<u>\$ 365,464</u>

There were no outstanding encumbrances in the General Fund account at June 30, 2001. Therefore, the results of actual operations on a budgetary basis are consistent with the results of operations on the GAAP basis.

4. Due from Other Governments:

Due from other governments represents the amounts that other governments agreed to provide SCTA during the fiscal year that had not been collected as of June 30, 2001.

**SONOMA COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001**

5. Changes in General Fixed Assets:

Equipment is stated at its original cost. The cost of a fixed asset may include not only its purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use. Ancillary charges may include costs of freight and transportation charges, site preparation expenditures, professional fees, legal claims and interest costs directly attributable to asset acquisition. No provision is made for the possible decrease in the values because of wear and tear or obsolescence, and income is not charged for the depreciation of such assets.

A summary of changes in general fixed assets is as follows:

<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2001</u>
<u>\$ 23,231</u>	<u>\$ 709</u>	<u>\$ 0</u>	<u>\$ 23,940</u>

6. Reserve for Encumbrances:

Encumbrances under the Special Revenue Fund amounting to \$509,870 as of June 30, 2001 include the following: \$305,086 in prior years Transportation Fund for Clean Air (TFCA) contract commitments to the cities and \$204,784 for Fiscal Year 2000-2001.

7. Intergovernmental Revenue:

Intergovernmental revenue represents contributions from SCTA member governments, TFCA funding received from the Bay Area Air Quality Management District, and Federal funds passed through the Metropolitan Transportation Commission for the Overall Work Program.

SONOMA COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

7. Intergovernmental Revenue (Continued):

Intergovernmental Revenue for the period ended June 30, 2001:

	<u>General Fund</u>	<u>Special Revenue</u>
SCTA Members:		
Cloverdale	\$ 1,457	\$
Cotati	1,660	
Healdsburg	2,877	
Petaluma	12,149	
Rohnert Park	8,729	
Santa Rosa	35,260	
Sebastopol	1,936	
Sonoma	2,317	
Town of Windsor	4,796	
County of Sonoma	<u>66,219</u>	
Subtotal - SCTA Members	137,400	
Other - Sonoma/Marin Rail Transit Study	18,590	
Bay Area Air Quality Management		
District - TFCA Fund		555,243
Metropolitan Transportation		
Commission - Federal Funds		
Overall Work Program (1998-2002)	<u>140,000</u>	<u> </u>
Total intergovernmental revenue	<u>\$ 295,990</u>	<u>\$ 555,243</u>

8. Insurance Coverage:

Sonoma County Transportation Authority is an independent legal entity. Aside from the Executive Director who is a contract employee, SCTA has one transportation planner and one executive assistant. Currently, Sonoma County's self-insurance program covers SCTA's risk for Workers' Compensation Insurance claims. There is no coverage for general liability; however, SCTA is in the process of obtaining quotations for general liability coverage, since some of their functions will change in the future.

SONOMA COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

9. Employees' Retirement Plan

Plan Description

The Sonoma County Transportation Authority contributes to Sonoma County's cost sharing multiple-employer Defined Benefit Pension Plan (DBPP) and serves as a distribution agent for a Post-employment Healthcare Plan (PHP) that is administered by the Sonoma County Employees' Retirement Association (the "Retirement Association"). The Sonoma County Transportation Authority joined the Retirement Association as of July 7, 1999. Substantially all full-time employees of the Sonoma County Transportation Authority participate in this plan.

All permanent employees working at least three-fourths of a full-time position for the Sonoma County Transportation Authority are eligible. Benefits are based on the employee's final average salary, years of service, and age at the time of retirement. The Plan is governed by the California Government Code, Title 3, Division 4, Part 3, Chapter 3.

The financial statements for the County of Sonoma (the primary government) contain additional financial information for the defined pension benefits, which is not presented here because the Sonoma County Transportation Authority portion cannot be separated from the whole. In addition, an audit report of the Retirement Association regarding the financial position of the Plan and other information for the year ended December 31, 2000 is on file at the County Auditor's Office.

Funding Status

Plan members were required to contribute between 4.00% - 10%, depending upon their age at their date of entry, of their annual covered salary at June 30, 2001. The Sonoma County Transportation Authority is required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates. The Sonoma County Transportation Authority contributions to the Plan during the year ended June 30, 2001 was \$9,669, equal to the required contribution for the year.

**SONOMA COUNTY TRANSPORTATION AUTHORITY
ROSTER OF BOARD MEMBERS**

The following is a roster of the Sonoma County Transportation Authority Board of Directors and the Executive Director at January 15, 2002.

GEOFFREY FOX
PATRICIA GILARDI, ALT.
City of Cotati
201 W Sierra Ave.
Cotati, CA 94931

SAM SALMON
STEVE SCOTT, ALT.
Town of Windsor
PO Box 100
Windsor, CA 95492

MIKE KERNS
Board of Supervisors
575 Administration Dr., 100A
Santa Rosa, CA 95403

JAKE MACKENZIE, CHAIR
ARMANDO FLORES, ALT.
City of Rohnert Park
6750 Commerce Blvd.
Rohnert Park, CA 94928

TIM SMITH
Board of Supervisors
575 Administration Dr., 100A
Santa Rosa, CA 95403

SHARON WRIGHT
JANET CONDRON, ALT.
City of Santa Rosa
PO Box 1678
Santa Rosa, CA 95402-1678

PAUL KELLY, VICE CHAIR
Board of Supervisors
575 Administration Dr., 100A
Santa Rosa, CA 95403

SAM SPOONER
LARRY ROBINSON, ALT.
City of Sebastopol
PO Box 1776
Sebastopol, CA 95473

ROBERT JEHN
MARY ANN BRIGHAM, ALT.
City of Cloverdale
124 N Cloverdale Blvd.
Cloverdale, CA 95425

JOE COSTELLO
LARRY BARNET, ALT.
City of Sonoma
#1 The Plaza
Sonoma, CA 95476

LISA SCHAFFNER
MARK GLEASON, ALT.
City of Healdsburg
PO Box 578
Healdsburg, CA 95448

MIKE HEALY
BRYANT BOYNIHAN, ALT.
City of Petaluma
PO Box 61
Petaluma, CA 94953

SUZANNE WILFORD, Executive Director

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the Sonoma County Transportation Authority, as of and for the year ended June 30, 2001 and have issued our report thereon dated January 15, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Sonoma County Transportation Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sonoma County Transportation Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Directors of the Sonoma County Transportation Authority, the Metropolitan Transportation Commission, and the Bay Area Air Quality Management District and is not intended to be and should not be used by anyone other than these specified parties.

January 15, 2002