

**SONOMA COUNTY TRANSPORTATION AUTHORITY**

**ANNUAL REPORT  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2005 AND 2004**

**SONOMA COUNTY TRANSPORTATION AUTHORITY**

**Annual Report  
For the Fiscal Year Ended  
June 30, 2005 and 2004**

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**SONOMA COUNTY TRANSPORTATION AUTHORITY**

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**RODNEY A. DOLE**  
AUDITOR-CONTROLLER



**DONNA M. DUNK**  
ASSISTANT  
AUDITOR-CONTROLLER

Board of Directors  
Sonoma County Transportation Authority  
Santa Rosa, CA

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

We have audited the accompanying financial statements of the Sonoma County Transportation Authority, (SCTA) as of and for the years ended June 30, 2005 and 2004, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of SCTA'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 discussed in Note I.E of the Notes to the Basic Financial Statements, SCTA implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments – Omnibus*, GASB Statement No. 38, *Certain Financial Statement and Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements*, effective July 1, 2003. As a result of implementation of GASB Interpretation No. 6, the beginning fund balance was restated at July 1, 2003. Details of this restatement are described in Note III.D of the Notes to the Basic Financial Statements. SCTA implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an Amendment of GASB Statement No. 3*, effective July 1, 2004.

As described in Note IV.C in the Notes to the Basic Financial Statements, management has violated the terms of the Transportation Funds for Clean Air (TFCA) contract as it pertains to the use of funds. Section 2.1 of the TFCA contract states "these funds may only be used for the

reimbursement of costs to implement approved (TFCA) projects. Failure to comply shall constitute grounds for termination". We are unable to determine the effect of this violation.

As described in Note IV.D of the Notes to the Basic Financial Statements, we have been unable to determine if management has met the audit requirements of the Single Audit Act of 1984 as implemented by OMB A-133 for the fiscal years ending June 30, 2005 and 2004. If management has failed to meet the above described single audit requirements, project funding may be suspended until the audit is complete.

As described in Note IV.E 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 TFCA contract violation, the Single Audit Act of 1984 audit requirements and the impairment to auditor independence, the basic financial statements referred to above present fairly, in all material respects, the financial position of SCTA as of June 30, 2005 and 2004, 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 5 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 29, 2006

## Management's Discussion and Analysis

As management of the Sonoma County Transportation Authority (SCTA), we offer readers of SCTA's financial statements this narrative overview and analysis of the financial activities of SCTA for the fiscal years ended June 30, 2005 and 2004. We encourage readers to consider the information presented here in conjunction with SCTA's financial statements (pages 7 – 23) and the accompanying notes to the basic financial statements (pages 24 – 37).

### Financial Highlights

- The assets of SCTA exceeded its liabilities at the close of the most recent fiscal year by \$4,511,375 (net assets). Of this amount, (\$837,513) (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- SCTA's total net assets increased by \$3,433,908 from 2004. This increase is primarily the result of the implementation of a 1/4 cent sales tax on April 1, 2005 from the passage of Measure M by Sonoma County voters in 2004.
- As of the close of the current fiscal year, SCTA's governmental funds reported an ending fund balance of \$4,531,139, an increase of \$3,426,802, in comparison with 2004.
- Unreserved fund balance for SCTA has a deficit balance as of June 30, 2005 of (\$806,435) due primarily to \$1,829,185 in fund balance that is reserved for encumbrances. Expenses resulting from these encumbrances are fully reimbursable by the State.

### Overview of the Financial Statements

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

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

The statement of net assets presents information on all of SCTA'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 SCTA 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., earned but unused vacation leave). The government-wide financial statements can be found on pages 7 – 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. SCTA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. SCTA’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.

SCTA maintains three individual governmental funds; a general fund and two special revenue funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for each of the funds. An annual budget is adopted for each of the funds.

The basic governmental fund financial statements can be found on pages 11 – 23 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 24 – 37 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 SCTA, assets exceeded liabilities by \$4,511,375 at the close of the most recent fiscal year.

A large portion of SCTA’s net assets (69.3 percent) reflects amounts restricted for Measure M. In 2004 Sonoma County voters approved a 1/4 cent sales tax initiative towards various transportation improvement projects. SCTA provides oversight and administration for all Measure M related activity.

<b>Net Assets</b>		<u>2005</u>	<u>2004</u>
Current and other assets	\$	5,403,946	\$ 1,971,446
Non-current assets			
Due from other governments		205,288	131,517
Capital assets			
Equipment		11,314	6,030
Total assets		<u>5,620,548</u>	<u>2,108,993</u>
Long-term liabilities outstanding		236,366	164,417
Other liabilities		<u>872,807</u>	<u>867,109</u>
Total liabilities		<u>1,109,173</u>	<u>1,031,526</u>
Net assets:			
Invested in capital assets, net of related debt		11,314	6,030
Restricted		5,337,574	1,623,971
Unrestricted		<u>(837,513)</u>	<u>(552,534)</u>
Total net assets	\$	<u><u>4,511,375</u></u>	\$ <u><u>1,077,467</u></u>

SCTA's unrestricted net assets at June 30, 2005 and 2004 have deficit balances of (\$837,513) and (\$552,534), respectively. This is due primarily to \$5,337,574 and \$1,623,971 of net assets restricted for encumbrances. The balance of the unrestricted assets is generally used to meet the entity's ongoing obligations to citizens and vendors.

SCTA's net assets increased to \$4,511,375 during the current fiscal year. The increase is primarily the result of the implementation of the 1/4 cent sales tax for Measure M.

**Governmental activities.** Governmental activities increased SCTA's net assets by \$3,433,908. Key elements of these governmental activities are identified below:

- SCTA recognized sales tax revenues for Measure M totaling \$3,433,255 for fiscal year 2004-05. This amount represents proceeds from the 1/4 cent sales tax approved by Sonoma County voters that was implemented April 1, 2005.
- SCTA received \$2,197,488 from state and federal sources towards various transportation improvement projects, including Highway 101.
- SCTA's Transportation Fund for Clean Air program received \$608,056 from the Bay Area Air Quality Management District towards various projects.
- SCTA recognized expenses totaling \$2,795,944 which are primarily related to various transportation improvement projects. Included in this total is \$308,488 within Measure M for election costs.

### Changes in Net Assets

	<u>2005</u>	<u>2004</u>
Revenues:		
Program Revenues:		
Measure M	\$ 3,433,255	\$
Transportation Fund for Clean Air (TFCA)	608,056	573,926
Transportation improvements	2,197,488	2,424,072
General Revenues:		
Investment income and other	<u>(8,947)</u>	<u>(6,645)</u>
Total revenues	<u>6,229,852</u>	<u>2,991,353</u>
Expenses:		
Program Expenses:		
Measure M	308,448	
Transportation Fund for Clean Air (TFCA)	327,997	539,588
Transportation Improvement	<u>2,159,499</u>	<u>2,449,234</u>
General government	<u>2,795,944</u>	<u>2,988,822</u>
Increase in net assets	3,433,908	2,531
Net assets, beginning of year	<u>1,077,467</u>	<u>1,074,936</u>
Net assets, end of year	<u>\$ 4,511,375</u>	<u>\$ 1,077,467</u>

### Financial Analysis of the Government's Funds

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

#### Governmental Funds

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

As of the end of the current fiscal year, SCTA's governmental funds reported ending fund balances of \$4,531,139, an increase of \$3,426,802 in comparison with the prior year. SCTA has a deficit unreserved fund balance of (\$806,435). Generally, the unreserved fund balance is

available for spending at the government's discretion. The remainder of fund balance is reserved.

The general fund is the chief operating fund of SCTA. At the end of the current fiscal year, unreserved fund balance of the general fund was (\$806,435) while total general fund balance reached \$46,233. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents (37.2%) of total general fund expenditures, while total fund balance represents 2.1% of that same amount.

### **General Fund Budgetary Highlights**

Material differences between the original budget and the final amended budget can be briefly summarized as follows:

- \$40,000 increase in sales tax revenue as a result of the passage of Measure M.
- \$45,000 decrease in salaries and benefits due to vacant Deputy position.
- \$85,000 increase in services and supplies due to new expenses associated with the implementation of Measure M.

### **Capital Asset and Debt Administration**

**Capital assets.** SCTA's investment in capital assets, as of June 30, 2005 and 2004, amounts to \$11,314 and \$6,030, respectively, (net of accumulated depreciation). This investment in capital assets represents equipment. The total increase in SCTA's investment in capital assets for the current fiscal year was \$5,284. The total decrease in SCTA's investment in capital asset for fiscal year 2003-04 was \$21,036.

Major capital asset events during the current fiscal year under audit included the following:

- Depreciation of the capital assets (inception of GASB 34).
- Purchase of VIPER software. (\$6,030).
- Purchase of Urban Analysis Group software. (\$6,490).
- Retirement of items with historic cost below the new capital asset threshold of \$5,000 (\$21,036).

Additional information on SCTA's capital assets can be found in Note III.B on page 31 of this report.

**Debt administration.** At the end of the current fiscal year, SCTA had long-term obligations outstanding of \$236,366. This amount is comprised of \$31,078 for compensated absences and \$205,288 for retention payables due to Parsons Transportation Group. During the current year SCTA's total debt increased by \$71,949.

### **Economic Factors and Next Year's Budgets and Rates**

SCTA activities are primarily funded from both federal and state programs which can be significantly impacted by potential budget crisis at both the federal and state level. The recent passage of Measure M, a local 1/4cent sales tax, will provide an additional funding source towards Highway 101 improvement expenses incurred by SCTA.

Due to outstanding encumbrances of \$1,829,185, SCTA's general fund unreserved fund balance at the end of the 2004-05 fiscal year was (\$806,435). The 2005-06 final budget reflects the anticipated expense of the encumbrances along with the associated reimbursements from both federal and state programs.

### **Request for Information**

This financial report is designed to provide a general overview of SCTA'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 SCTA, 520 Mendocino Avenue, Suite 240 Santa Rosa, CA 95401.

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Net Assets**  
**June 30, 2005**

**Assets**

Cash and investments	\$	2,203,337
Due from other governments		3,200,609
Non-current assets:		
Due from other governments		205,288
Capital assets (net of accumulated depreciation)		
Equipment		11,314
Total assets		<u>5,620,548</u>

**Liabilities**

Accounts payable		354,324
Due to other governments		518,483
Non-current liabilities:		
Due in more than one year		<u>236,366</u>
Total liabilities		<u>1,109,173</u>

**Net Assets**

Invested in capital assets		11,314
Restricted for TFCA		383,582
Restricted for Measure M		3,124,807
Restricted for encumbrances		1,829,185
Unrestricted		<u>(837,513)</u>
Total net assets	\$	<u><u>4,511,375</u></u>

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

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Net Assets**  
**June 30, 2004**

**Assets**

Restricted cash and investments	\$	1,080,040
Due from other governments		891,406
Non-current assets:		
Due from other governments		131,517
Capital assets (net of accumulated depreciation)		
Equipment		6,030
		2,108,993
Total assets		2,108,993

**Liabilities**

Accounts payable		152,469
Due to other governments		714,640
Non-current liabilities:		
Due in more than one year		164,417
		1,031,526
Total liabilities		1,031,526

**Net Assets**

Invested in capital assets		6,030
Restricted for TFCA		184,764
Restricted for encumbrances		1,439,207
Unrestricted		(552,534)
		1,077,467
Total net assets	\$	1,077,467

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

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2005**

<b>Functions / Programs</b>	<u>Expenses</u>	<u>Program Revenues</u> <u>Operating Grants</u> <u>and Contributions</u>	<u>Net (Expense)</u> <u>Revenue and</u> <u>Change in</u> <u>Net Assets</u>
Primary Government			
Governmental activities:			
Measure M	\$ 308,448	\$ 3,433,255	\$ 3,124,807
Transportation Fund for Clean Air (TFCA)	327,997	608,056	280,059
Transportation Improvement	<u>2,159,499</u>	<u>2,197,488</u>	<u>37,989</u>
General government	<u>\$ 2,795,944</u>	<u>\$ 6,238,799</u>	<u>\$ 3,442,855</u>
General revenues:			
Unrestricted investment earnings			<u>(8,947)</u>
Total general revenues			<u>(8,947)</u>
Change in net assets			3,433,908
Net assets, beginning of year			<u>1,077,467</u>
Net assets, end of year			<u>\$ 4,511,375</u>

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

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2004**

Functions / Programs	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Change in Net Assets</u>
<b>Primary Government</b>			
Governmental activities:			
Transportation Fund for			
Clean Air (TFCA)	\$ 539,588	\$ 573,926	\$ 34,338
Transportation Improvement	<u>2,449,234</u>	<u>2,424,072</u>	<u>(25,162)</u>
General government	<u>\$ 2,988,822</u>	<u>\$ 2,997,998</u>	<u>\$ 9,176</u>
General revenues:			
Unrestricted investment earnings			<u>(6,645)</u>
Total general revenues			<u>(6,645)</u>
Change in net assets			2,531
Net assets, beginning of year, as restated			<u>1,074,936</u>
Net assets, end of year			<u><u>\$ 1,077,467</u></u>

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

**SONOMA COUNTY TRANSPORTATION AUTHORITY**

**Balance Sheet**

**Governmental Funds**

**June 30, 2005**

	<u>General</u>	<u>TFCA Special Revenue</u>	<u>Measure M Special Revenue</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Restricted cash and investments \$		\$ 1,360,099	\$ 843,238	\$ 2,203,337
Due from other governments	<u>1,115,897</u>		<u>2,290,000</u>	<u>3,405,897</u>
Total assets	\$ <u><u>1,115,897</u></u>	\$ <u><u>1,360,099</u></u>	\$ <u><u>3,133,238</u></u>	\$ <u><u>5,609,234</u></u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 345,893		\$ 8,431	\$ 354,324
Retention payable	205,288			205,288
Due to other governments	<u>518,483</u>			<u>518,483</u>
Total liabilities	\$ <u><u>1,069,664</u></u>	\$ <u><u>0</u></u>	\$ <u><u>8,431</u></u>	\$ <u><u>1,078,095</u></u>
Fund balances:				
Unreserved	\$ (806,435)			\$ (806,435)
Reserved for TFCA		383,582		383,582
Reserved for Measure M			3,124,807	3,124,807
Reserved for encumbrances	<u>852,668</u>	<u>976,517</u>		<u>1,829,185</u>
Total fund balances	<u>46,233</u>	<u>1,360,099</u>	<u>3,124,807</u>	<u>4,531,139</u>
Total liabilities and fund balances	\$ <u><u>1,115,897</u></u>	\$ <u><u>1,360,099</u></u>	\$ <u><u>3,133,238</u></u>	\$ <u><u>5,609,234</u></u>

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

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Assets**  
**June 30, 2005**

Fund balances - total government funds	\$ 4,531,139
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.	11,314
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	<u>(31,078)</u>
Net assets of governmental activities	<u><u>\$ 4,511,375</u></u>

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

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2004**

	General	Special Revenue	Total Governmental Funds
<b>Assets</b>			
Restricted cash and investments	\$	\$ 1,080,040	\$ 1,080,040
Due from other governments	1,022,923		1,022,923
Total assets	\$ 1,022,923	\$ 1,080,040	\$ 2,102,963
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 152,469	\$	\$ 152,469
Retention payable	131,517		131,517
Due to other governments	714,640		714,640
Total liabilities	\$ 998,626	\$ 0	\$ 998,626
Fund balances:			
Unreserved	\$ (519,634)	\$	\$ (519,634)
Reserved for TFCA		184,764	184,764
Reserved for encumbrances	543,931	895,276	1,439,207
Total fund balances	24,297	1,080,040	1,104,337
Total liabilities and fund balances	\$ 1,022,923	\$ 1,080,040	\$ 2,102,963

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

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Assets**  
**June 30, 2004**

Fund balances - total government funds	\$ 1,104,337
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.	6,030
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	<u>(32,900)</u>
Net assets of governmental activities	<u>\$ 1,077,467</u>

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

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2005**

	<u>General</u>	<u>TFCA Special Revenue</u>	<u>Measure M Special Revenue</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Intergovernmental revenue	\$ 2,197,458	\$ 581,352	\$	\$ 2,778,810
Sales tax revenue			3,435,033	3,435,033
Investment income	(8,947)	26,704	(1,778)	15,979
Miscellaneous	30			30
	<u>2,188,541</u>	<u>608,056</u>	<u>3,433,255</u>	<u>6,229,852</u>
<b>Expenditures</b>				
Current:				
Salaries and employee benefits	422,798			422,798
Services and supplies	1,789,799		308,448	2,098,247
Cost applied	(52,482)			(52,482)
Administration		27,127		27,127
Contributions to other governments		300,870		300,870
Capital outlay	6,490			6,490
	<u>2,166,605</u>	<u>327,997</u>	<u>308,448</u>	<u>2,803,050</u>
Net change in fund balances	21,936	280,059	3,124,807	3,426,802
Fund balance, beginning of year	<u>24,297</u>	<u>1,080,040</u>	<u></u>	<u>1,104,337</u>
Fund balance, end of year	<u>\$ 46,233</u>	<u>\$ 1,360,099</u>	<u>\$ 3,124,807</u>	<u>\$ 4,531,139</u>

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

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balance of Governmental Funds to the**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2005**

**Amount reported for governmental activities in the statement of activities  
is different because:**

Net change in fund balance - governmental funds	\$ 3,426,802
<p>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.</p>	
Expenditure for capital assets	6,490
Current year depreciation	(1,206)
<p>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.</p>	
	1,822
Change in net assets of governmental activities	\$ 3,433,908

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

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Intergovernmental revenue	\$ 2,423,356	\$ 558,876	\$ 2,982,232
Investment income	(6,645)	15,050	8,405
Miscellaneous	716		716
	<u>2,417,427</u>	<u>573,926</u>	<u>2,991,353</u>
<b>Expenditures</b>			
Current:			
Salaries and employee benefits	389,247		389,247
Services and supplies	2,057,057		2,057,057
Cost applied	(14,872)		(14,872)
Administration		14,872	14,872
Contributions to other governments		524,716	524,716
Other charges	5,000		5,000
Capital outlay	6,030		6,030
	<u>2,442,462</u>	<u>539,588</u>	<u>2,982,050</u>
Net change in fund balances	(25,035)	34,338	9,303
Fund balance, beginning of year, as restated	<u>49,332</u>	<u>1,045,702</u>	<u>1,095,034</u>
Fund balance, end of year	<u>\$ 24,297</u>	<u>\$ 1,080,040</u>	<u>\$ 1,104,337</u>

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

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balance of Governmental Funds to the**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2004**

**Amount reported for governmental activities in the statement of activities is different because:**

Net change in fund balance - governmental funds	\$	9,303
<p>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.</p>		
Expenditure for capital assets		6,030
<p>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.</p>		
		<u>(12,802)</u>
Change in net assets of governmental activities	\$	<u><u>2,531</u></u>

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

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Revenues, Expenditures and Changes in Fund Balance-**  
**Budgets and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2005**

<b>Revenues</b>	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	(Negative)
Intergovernmental revenue	\$ 2,771,400	\$ 2,811,400	\$ 2,197,458	\$ (613,942)
Investment income	(5,000)	(5,000)	(8,947)	(3,947)
Miscellaneous			30	30
Total revenues	2,766,400	2,806,400	2,188,541	(617,859)
<b>Expenditures</b>				
Current:				
Salaries and employee benefits	514,148	469,148	422,798	46,350
Services and supplies	2,816,781	2,901,781	1,773,522	1,128,259
Cost applied	(20,000)	(20,000)	(52,482)	32,482
Other charges	5,000	5,000	0	5,000
Capital outlay			6,490	(6,490)
Total expenditures	3,315,929	3,355,929	2,150,328	1,205,601
Net change in fund balance	(549,529)	(549,529)	38,213	587,742
Fund balance, beginning of year	24,297	24,297	24,297	0
Fund balance, end of year,				
budgetary basis	\$ (525,232)	\$ (525,232)	62,510	\$ 587,742
<b>Budgetary Adjustments:</b>				
Basis adjustments:				
Encumbrances			(16,277)	
Fund balance, end of year,				
GAAP basis			\$ 46,233	

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

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Revenues, Expenditures and Changes in Fund Balance-**  
**Budgets and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2004**

	Budgeted Amounts		Actual	Variance with
<b>Revenues</b>	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Intergovernmental revenue	\$ 3,175,000	\$ 3,175,000	\$ 2,423,356	\$ (751,644)
Investment income			(6,645)	(6,645)
Miscellaneous			716	716
Total revenues	3,175,000	3,175,000	2,417,427	(757,573)
 <b>Expenditures</b>				
Current:				
Salaries and employee benefits	422,100	422,100	389,247	32,853
Services and supplies	3,882,789	3,882,789	2,023,488	1,859,301
Cost applied	(20,000)	(20,000)	(14,872)	(5,128)
Other charges	5,000	5,000	5,000	0
Capital outlay			6,030	(6,030)
Total expenditures	4,289,889	4,289,889	2,408,893	1,880,996
Net change in fund balance	(1,114,889)	(1,114,889)	8,534	1,123,423
Fund balance, beginning of year, as restated	49,332	49,332	49,332	0
Fund balance, end of year budgetary basis	\$ (1,065,557)	\$ (1,065,557)	57,866	\$ 1,123,423
 <b>Budgetary Adjustments:</b>				
Basis adjustments:				
Encumbrances			(33,569)	
Fund balance, end of year, GAAP basis			\$ 24,297	

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

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budgets and Actual**  
**Special Revenue Fund (TFCA)**  
**For the Fiscal Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive
	<u>Original</u>	<u>Final</u>		(Negative)
<b>Revenues</b>				
Intergovernmental revenue	\$ 574,001	\$ 574,001	\$ 581,352	\$ 7,351
Investment income			26,704	26,704
Total revenues	<u>574,001</u>	<u>574,001</u>	<u>608,056</u>	<u>34,055</u>
<b>Expenditures</b>				
Current:				
Administration	25,000	25,000	27,127	(2,127)
Contributions to other government:	<u>1,314,387</u>	<u>1,314,387</u>	<u>300,870</u>	<u>1,013,517</u>
Total expenditures	<u>1,339,387</u>	<u>1,339,387</u>	<u>327,997</u>	<u>1,011,390</u>
Net change in fund balance	(765,386)	(765,386)	280,059	1,045,445
Fund balance, beginning of year	<u>1,080,040</u>	<u>1,080,040</u>	<u>1,080,040</u>	<u>0</u>
Fund balance, end of year	<u>\$ 314,654</u>	<u>\$ 314,654</u>	<u>\$ 1,360,099</u>	<u>\$ 1,045,445</u>

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

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budgets and Actual**  
**Special Revenue Fund (Measure M)**  
**For the Fiscal Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive
	<u>Original</u>	<u>Final</u>		(Negative)
<b>Revenues</b>				
Sales tax revenue	\$ 4,414,662	4,414,662	3,435,033	(979,629)
Investment income			(1,778)	(1,778)
Total revenues	<u>4,414,662</u>	<u>4,414,662</u>	<u>3,433,255</u>	<u>(981,407)</u>
<b>Expenditures</b>				
Current:				
Services and supplies	<u>317,934</u>	<u>317,934</u>	<u>308,448</u>	<u>9,486</u>
Total expenditures	<u>317,934</u>	<u>317,934</u>	<u>308,448</u>	<u>9,486</u>
Net change in fund balance	4,096,728	4,096,728	3,124,807	(971,921)
Fund balance, beginning of year				<u>0</u>
Fund balance, end of year	<u>\$ 4,096,728</u>	<u>\$ 4,096,728</u>	<u>\$ 3,124,807</u>	<u>\$ (971,921)</u>

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

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budgets and Actual**  
**Special Revenue Fund (TFCA)**  
**For the Fiscal Year Ended June 30, 2004**

<b>Revenues</b>	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Intergovernmental revenue	\$ 572,231	\$ 572,231	\$ 558,876	\$ (13,355)
Investment income			15,050	15,050
Total revenues	572,231	572,231	573,926	1,695
 <b>Expenditures</b>				
Current:				
Services and supplies	30,000	30,000		30,000
Administration			14,872	(14,872)
Contributions to other government:	1,462,202	1,462,202	524,716	937,486
Total expenditures	1,492,202	1,492,202	539,588	952,614
Net change in fund balance	(919,971)	(919,971)	34,338	954,309
Fund balance, beginning of year	1,045,702	1,045,702	1,045,702	0
Fund balance, end of year	\$ 125,731	\$ 125,731	\$ 1,080,040	\$ 954,309

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

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**June 30, 2005 and 2004**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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").

**B. Government-wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**June 30, 2005 and 2004**

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. Revenues are considered available when they are collectible within the period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues available if they are collected within 60 days of the end of the current fiscal 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.

Amounts recorded as program revenues include operating grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues.

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Cash and Investments**

SCTA adopted the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment 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, SCTA has stated certain investments at fair value.

**2. Capital Assets**

Capital assets, equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by SCTA as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The cost of a capital asset may include not only its purchase or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use. Ancillary costs may include costs of freight and transportation charges, site preparation expenses, professional fees, legal fees and interest cost directly attributable to asset acquisition.

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.

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**June 30, 2005 and 2004**

SCTA's equipment is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Equipment	5 – 20 years

**3. Compensated Absences**

It is SCTA's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred 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.

**4. 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 (if any) – 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 (if any) – This component of net assets consists of net assets with limits on their use that are imposed by outside parties.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definitions of “restricted” or “invested in capital assets, net of related debt”.

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

**5. 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

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**June 30, 2005 and 2004**

restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**E. Implementation of Governmental Accounting Standards Board (GASB) Statements**

Effective July 1, 2003, SCTA implemented the following new GASB Statements:

**GASB Statement Nos. 34 and 37**

GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments – Omnibus* provide for the most significant change in financial reporting in over twenty years and are scheduled for a phased implementation (based on the size of the government) starting with fiscal years ending 2002. As a part of these statements, there is a new reporting requirement regarding the local government’s infrastructure (roads, bridges, traffic signals, etc.)

**GASB Statement No. 38**

GASB Statement No. 38, *Certain Financial Statement Note Disclosures* modifies, adds and deletes various note disclosure requirements. Those requirements address revenue recognition policies, actions taken in response to legal violations, debt service requirements, variable-rate debt, receivable and payable balances, inter-fund transfers and balances, and short-term debt.

**GASB Interpretation No. 6**

GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**June 30, 2005 and 2004**

Effective July 1, 2004, SCTA implemented the following new GASB Statement:

**GASB Statement No. 40**

GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an Amendment of GASB Statement No. 3*, addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

**F. Non-Current Governmental Assets/Liabilities**

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the government-wide statement of net assets.

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

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**June 30, 2005 and 2004**

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, 2005 and 2004, the SCTA's share of the decrease in fair value of investments were \$2,053 and \$661, respectively.

Investment Guidelines

The SCTA'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, 2005, approximately 60 percent of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, only 2 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

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**June 30, 2005 and 2004**

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 2005 Sonoma County CAFR

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**June 30, 2005 and 2004**

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &amp; Adjustments</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 0	\$	\$	\$	\$ 0
Total capital assets, not being depreciated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital assets, being depreciated:					
Buildings and improvements	0	0			0
Equipment	12,480	6,490			18,970
Total capital assets, being depreciated	<u>12,480</u>	<u>6,490</u>	<u>0</u>	<u>0</u>	<u>18,970</u>
Less accumulated depreciation for:					
Equipment	<u>(6,450)</u>	<u>(1,206)</u>			<u>(7,656)</u>
Total accumulated depreciation	<u>(6,450)</u>	<u>(1,206)</u>	<u>0</u>	<u>0</u>	<u>(7,656)</u>
Total capital assets, being depreciated, net	<u>6,030</u>	<u>5,284</u>	<u>0</u>		<u>11,314</u>
Capital assets, net	<u>\$ 6,030</u>	<u>\$ 5,284</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,314</u>

Depreciation expense was charged to functions/programs of the Sonoma County Transportation Authority government as follows:

Governmental activities:

Transportation improvements	\$ <u>1,206</u>
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**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**June 30, 2005 and 2004**

Capital asset activity for the year ended June 30, 2004 was as follows:

	Beginning Balance (As Restated)	Additions	Retirements	Transfers & Adjustments	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 0	\$	\$	\$	\$ 0
Total capital assets, not being depreciated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital assets, being depreciated:					
Buildings and improvements	0	0			0
Equipment	6,450	6,030			12,480
Total capital assets, being depreciated	<u>6,450</u>	<u>6,030</u>	<u>0</u>	<u>0</u>	<u>12,480</u>
Less accumulated depreciation for:					
Equipment	<u>(6,450)</u>	<u>0</u>			<u>(6,450)</u>
Total accumulated depreciation	<u>(6,450)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(6,450)</u>
Total capital assets, being depreciated, net	<u>0</u>	<u>6,030</u>	<u>0</u>		<u>6,030</u>
Capital assets, net	<u>\$ 0</u>	<u>\$ 6,030</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,030</u>

There was no depreciation expense was charged to functions/programs of the Sonoma County Transportation Authority government for the fiscal year ending June 30, 2004

The beginning capital asset balance has been restated to reflect the removal of \$21,036 of capital assets (equipment) that fall below SCTA's new capitalization threshold of \$5,000.

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**June 30, 2005 and 2004**

**C. Long-term Debt**

Changes in long-term debt

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due within</u> <u>One Year</u>
Long-term liabilities:					
Due to other governments	\$ 131,517	\$ 73,771	\$	\$ 205,288	\$ 0
Compensated absences	<u>32,900</u>	<u></u>	<u>(1,822)</u>	<u>31,078</u>	<u>0</u>
Total long-term liabilities	<u>\$ 164,417</u>	<u>\$ 73,771</u>	<u>\$ (1,822)</u>	<u>\$ 236,366</u>	<u>\$ 0</u>

Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning</u> <u>Balance</u> <u>(As Restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due within</u> <u>One Year</u>
Long-term liabilities:					
Due from to governments	\$ 43,889	\$ 87,628	\$	\$ 131,517	\$ 0
Compensated absences	<u>20,098</u>	<u>12,802</u>	<u></u>	<u>32,900</u>	<u>0</u>
Total long-term liabilities	<u>\$ 63,987</u>	<u>\$ 100,430</u>	<u>\$ 0</u>	<u>\$ 164,417</u>	<u>\$ 0</u>

**D. Restatement of Equity**

Governmental fund balance at July 1, 2003 has been restated to remove previously reported compensated absences which are not due and payable.

Fund balance, general fund	
June 30, 2003 as previously reported	\$ 2,283
Restatements:	
GASB Interpretation No. 6 - compensated absences	5,025
Correction of accounts payable	42,024
Correction of retention payable	(43,889)
Correction of retention receivable	<u>43,889</u>
Total fund balance at July 1, 2003, as restated	<u>\$ 49,332</u>

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Fund balances at June 30, 2003, as previously reported	
or restated-governmental fund types:	
General	\$ 49,332
Special revenue	1,045,702
Total fund balances at June 30, 2003, as previously reported	1,095,034
GASB Statement No. 34 adjustments:	
Addition of:	
Long-term liabilities	(20,098)
Net assets as of July 1, 2003	\$ 1,074,936

**E. Intergovernmental Revenues**

Intergovernmental revenues represent sales tax revenues generated by funds passed through the Metropolitan Transportation Commission, TFCA funding received from the Bay Area Air Quality Management District and contributions from SCTA member governments.

**F. Sales Tax Revenues**

Sales tax revenues represent tax revenues generated by Measure M.

**G. Reconciliation of Unreserved Fund Balance to GAAP**

SCTA had encumbrances at June 30, 2005 and 2004 of \$1,812,909 and \$1,405,638 respectively. These encumbrances represent commitments by SCTA for services related to TFCA and transportation improvement projects.

The allocation of encumbrances is as follows:

	2005	2004
General Fund	\$ 836,392	\$ 510,362
Special Revenue Fund - TFCA	976,517	895,276
Total encumbrances	\$ 1,812,909	\$ 1,405,638

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**IV. OTHER INFORMATION**

**A. Risk Management**

SCTA is covered for general, automobile and crime and errors and omissions liability through Driver Alliant Insurance Services. Limits of these coverages are \$1,000,000 per occurrence.

SCTA participates in the County of Sonoma self-insurance program providing \$300,000 per occurrence for workers' compensation claims.

The County of Sonoma is covered for amounts in excess of \$300,000 per occurrence for worker's compensation claims within statutory limits through participation in the CSAC Excess Insurance Authority-Excess Workers' Compensation Program.

**B. Employee Retirement Plan**

Plan Description

SCTA participates in a cost sharing multiple-employer Defined Benefit Pension Plan (DBPP) and a Post-employment 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 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.

SCERA issues a publicly available financial report that includes financial statements and required supplementary information for the pension plan. That report may be

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
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obtained by writing to Sonoma County Employee's Retirement Association, 433 Aviation Blvd., Suite 100, 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, 2005, 2004 and 2003 were \$39,855, \$30,238 and \$14,455 respectively.

Post employment healthcare benefits are funded by employer contributions made on a periodic basis. The rate is determined annually by SCERA 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 SCTA's portion cannot be separated from the whole.

**C. Violation of Transportation Fund for Clean Air (TFCA) Contract**

During the periods under audit, the SCTA general fund has been consistently overdrawn. SCTA has been using the TFCA special revenue fund to cover this overdraft. Per the TFCA contract, use of these funds in this manner is grounds for termination.

**D. Possible Single Audit Act Violation**

The Single Audit Act of 1984 as implemented by OMB Circular A-133 requires agency's who have expended in excess of \$500,000 of federal funds from all sources during the course of a fiscal year submit a Single Audit Report in accordance with OMB A-133.

We have confirmed that SCTA has received/expended \$390,000 in federal funds during the fiscal years ending June 30, 2005 and 2004, respectively. In addition to these funds, the Metropolitan Transportation Commission (MTC) has awarded SCTA in excess of \$8 million for the widening of Highway 101 (North and South). As of the date of this report SCTA has been unable to determine the percentage of federal funds

**SONOMA COUNTY TRANSPORTATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
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contained within the MTC award. In the event that a Single Audit is required for one or both fiscal years, MTC has the ability to suspend all funds until the Single Audit Act requirements have been met.

**E. 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.

# 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 June 29, 2006.

<b>Board of Directors</b>	<b>City</b>
Robert Jehn, Chair	City of Cloverdale
Mike Kerns, V. Chair	Sonoma County
Bob Blanchard	City of Santa Rosa
Stanley Cohen	City of Sonoma
Patricia Gilardi	City of Cotati
Mike Healy	City of Petaluma
Linda Kelley	City of Sebastopol
Paul Kelley	Sonoma County
Jake Mackenzie	City of Rohnert Park
Warin Parker	Town of Windsor
Mike Reilly	Sonoma County
Lisa Schaffner	City of Healdsburg
Alternate Larry Barnett	City of Sonoma
Alternate Geoffrey Fox	City of Cotati
Alternate Mike Harris	City of Petaluma
Alternate Craig Litwin	City of Sebastopol
Alternate Mike McGuire	City of Healdsburg
Alternate Gail Pardini-Plass	City of Cloverdale
Alternate Sam Salmon	Town of Windsor
Alternate John Sawyer	City of Santa Rosa
Alternate Vicki Vidak-Martinez	City of Rohnert Park
Suzanne Wilford	Executive Director