

Sonoma County Transportation Authority

**Annual Report
For the Fiscal Year Ended
June 30, 2009**



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

Sonoma County Transportation Authority

**Annual Report
For the Fiscal Year Ended
June 30, 2009**

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RODNEY A. DOLE
AUDITOR-CONTROLLER
TREASURER -TAX COLLECTOR



DONNA M. DUNK
ASSISTANT
AUDITOR-CONTROLLER

ROBERT BOITANO
ASSISTANT
TREASURER

PAM JOHNSTON
ASSISTANT
TAX COLLECTOR / AUDITOR

Board of Directors
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 year ended June 30, 2009, 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 did not audit the financial statements of the Measure M special revenue fund, whose statements reflect total assets of \$73,359,779 and total revenues of \$18,665,686 for the fiscal year ending June 30, 2009. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the Measure M special revenue fund, is based solely on the report of the other auditors.

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 and the report of the other auditors provide a reasonable basis for our opinion.

As described in Note III.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 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, 2009, 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) 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

Sonoma County Auditor-Controller

October 26, 2009

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 year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with SCTA's financial statements and the accompanying notes to the financial statements.

Financial Highlights

- The assets of SCTA exceeded their liabilities at the close of the most recent fiscal year by \$22,205,284 (*net assets*).
- SCTA's total net assets decreased by \$7,530,075 from 2007-2008. This decrease is the result of increased expenses related to the Highway 101 projects.
- As of the close of the current fiscal year, SCTA reported an ending fund balance of \$72,016,094; a decrease of \$7,706,477 in comparison with 2007-08. This decrease is a result of use of funds received from the Sales Tax Bonds for the Highway 101 projects.
- Unrestricted net assets for SCTA as of June 30, 2009 are \$21,017,404. This is an increase of \$66,299 compared to the ending unreserved fund balance of \$204,872 at the end of fiscal year 2007-2008.
- As of the close of the current fiscal year, unreserved fund balance for the general fund was \$407,330 or 26% of total general fund expenditures.

Overview of the Financial Statements

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

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of 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 - 8 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 objective, SCTA like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of SCTA are governmental funds.

Governmental funds are used to account for essentially the same functions reported in 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 statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The 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 the general fund, and for the special revenue funds and adopts an annual appropriated budget for those funds.

The governmental fund financial statements can be found on pages 9 - 12 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 - 24.

Required supplementary information

Schedules presenting budgetary comparison information for the SCTA's governmental funds can be found on pages 26 - 28. The notes to required supplementary information can be found on pages 29.

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 \$22,205,284 at the close of the most recent fiscal year.

A large portion of the SCTA's net assets \$21,017,404 reflects amounts restricted for Measure M, the ¼ cent sales tax initiative approved by Sonoma County voters in 2004 for various transportation improvement projects. The SCTA provides oversight and administrative services for all Measure M related activity.

Sonoma County Transportation Authority's Net Assets

	2007-08	2008-09
Current and other Assets	\$ 81,801,718	\$ 75,281,250
Capital Assets	9,113	5,281
Total Assets	81,810,831	75,286,531
Current and other liabilities	1,593,529	2,805,097
Long-term liabilities	50,481,943	50,276,150
Total Liabilities	52,075,472	53,081,247
Invested in capital assets	9,113	5,281
Restricted for TFCA	1,401,683	911,428
Restricted for Measure M	28,119,691	21,017,404
Unrestricted	204,872	271,171
Total Net Assets	\$ 29,735,359	\$ 22,205,284

The government's net assets decreased to \$22,205,284 during the current fiscal year. This decrease of \$7,530,075 is primarily the result of using Measure M bond proceeds for expenses related to Highway 101 projects

Governmental Activities

Governmental activities decreased SCTA's net assets by \$7,530,075. Key elements of these activities are identified below:

- SCTA recognized sales tax revenues for Measure M totaling \$16,923,047 for fiscal year 2008-09, a decrease of \$1,941,014 from 2007-2008.
- SCTA received \$1,648,057 from state and federal sources towards various transportation improvement projects, including Planning and Program Management for Highway 101, a decrease of \$15,043 from 2007-2008.

- The Transportation Fund for Clean Air (TFCA) received \$587,037 from the Bay Area Air Quality Management District (BAAQMD) towards various projects, a decrease of \$60,373 from 2007-2008.
- Expenses for transportation improvement projects, including Planning and Program Management for Highway 101 total \$1,589,382 for fiscal year 2008-2009, a decrease of \$94,562 from 2007-2008.
- Measure M expenses totaled \$25,767,973 for fiscal year 2008-2009, an increase of \$13,122,523 from 2007-2008.
- Expenses related to the TFCA program totaled \$1,077,292 for fiscal year 2008-2009, an increase of \$518,977 from 2007-2008.

Sonoma County Transportation Authority's Changes in Net Assets

	2007-08	2008-09
Revenues:		
Program Revenues:		
Transportation Improvements	\$ 1,663,100	\$ 1,648,057
TFCA	647,410	587,037
Measure M	1,821,079	1,742,639
General Revenues:		
Sales tax revenues	18,864,061	16,923,047
Unrestricted investment earnings	2,735	3,792
Total Revenues	22,998,385	20,904,572
Expenses:		
Transportation Improvements	1,683,944	1,589,382
TFCA	558,315	1,077,292
Measure M	12,645,450	25,767,973
Total Expenses	14,887,709	28,434,647
Net revenues (expenses)	8,110,676	(7,530,075)
Net Assets - Beginning of Year	21,624,683	29,735,359
Net Assets - End of Year	\$ 29,735,359	\$ 22,205,284

Financial Analysis of the Government's Funds

As noted earlier, SCTA uses fund accounting to ensure and demonstrate compliance with legal and governmental accounting 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 the 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 \$72,016,094. This decrease of \$7,706,477 is due to use of fund balance from the 2008 Series sales tax revenue bonds fund. SCTA has an unreserved fund balance of \$68,392,594 and a fund balance reserve for encumbrances of \$3,623,500.

The general fund is the chief operating fund of the SCTA. At the end of the current fiscal year, unreserved fund balance of the general fund is \$407,330 with no funds encumbered in the general fund at the end of fiscal year 2008-2009.

General Fund Budgetary Highlights

The differences between the original budget and the final amended budget for fiscal year 2008-2009 is the result of SCTA hiring a Climate Change Coordinator to work on countywide climate change polices. This 18 month contracted position is being funded by contributions from the County of Sonoma, the Sonoma County Water Agency, the Sonoma County Agricultural Preservation and Open Space District and the nine incorporated cities.

Capital Asset and Debt Administration

Capital Assets

SCTA's investment in capital assets as of June 30, 2009 amounts to \$5,281 (net of accumulated depreciation). This investment in capital assets represents equipment. No additional equipment was either purchased or retired during the fiscal year.

Sonoma County Transportation Authority's Capital Assets

		2007-08		2008-09
Equipment	\$	25,609	\$	25,609
Accumulated Depeciation		(16,496)		(20,328)
Total Capital Assets	\$	9,113	\$	5,281

Additional information on SCTA’s capital assets can be found in Note II.B on page 19 of the notes to the basic financial statements.

Debt Administration

At the end of fiscal year 2008-09, SCTA had long-term liabilities of \$50,276,150. The decrease from the prior fiscal year is the result of the current year portion of the premium being recognized for the Highway 101 2008 Series Bonds netted against the increase in compensated absences.

Sonoma County Transportation Authority’s Long-Term Liabilities

	2007-08	2008-09
Series 2008 Revenue Bonds	\$ 50,365,824	\$ 50,139,991
Compensated absences	116,119	136,159
Total Long-Term Liabilities	\$ 50,481,943	\$ 50,276,150

Additional information on SCTA’s long-term liabilities can be found in Note II.D on page 20 of the notes to the basic financial statement.

Economic Factors and Next Year’s Budgets

SCTA activities are primarily funded from both federal and state programs, which can be significantly impacted by the current budget crises. Measure M revenues, funded through a local ¼ cent sales tax, decreased about 10% from the prior fiscal year. Sales tax revenues are expected to be either flat or experience additional negative growth in fiscal year 2009-2010, which will directly impact the Transit and Local Street Repairs (LSR) programs. The Highway 101 North and Central projects will be primarily funded through use of the bond proceeds and will not be impacted by the current decrease in sales tax revenues. The Local Street Projects (LSP), Passenger Rail and Bike/Pedestrian programs are paid on a reimbursement basis, but will be indirectly impacted by the decrease in sales tax revenues as the matching funding sources for the various jurisdictions will probably decrease along with sales tax revenues.

Request for Additional Information:

This financial report is designed to provide a general overview of SCTA’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sonoma County Transportation Authority, 490 Mendocino Avenue, Suite 206, Santa Rosa, CA 95401.

Sonoma County Transportation Authority
Statement of Net Assets
June 30, 2009

Assets

Cash and investments	\$ 73,717,885
Restricted cash and investments	189,311
Sales Tax Receivable	640,569
Due from other governments	273,426
Non-current assets:	
Deferred charges	460,059
Capital assets (net of accumulated depreciation)	
Equipment	5,281
Total assets	75,286,531

Liabilities

Accounts payable	701,113
Due to other governments	1,893,082
Contract retention payable	75,848
Deferred revenue	135,054
Long-term liabilities:	
Due in one year	225,833
Due in more than one year, net	49,914,158
Compensated absences payable	136,159
Total liabilities	53,081,247

Net Assets

Invested in capital assets	5,281
Restricted for:	
Transportation for clean air	911,428
Measure M	21,017,404
Unrestricted	271,171
Total net assets	\$ 22,205,284

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, 2009

Functions / Programs	<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	\$ 25,767,973	\$ 1,742,639	\$ (24,025,334)
Transportation Fund for Clean Air (TFCA)	1,077,292	587,037	(490,255)
Transportation Improvement	<u>1,589,382</u>	<u>1,648,057</u>	<u>58,675</u>
General government	<u>\$ 28,434,647</u>	<u>\$ 3,977,733</u>	<u>\$ (24,456,914)</u>
General revenues:			
Sales tax revenue			16,923,047
Investment earnings			<u>3,792</u>
Total general revenues			<u>16,926,839</u>
Change in net assets			(7,530,075)
Net assets, beginning of year			<u>29,735,359</u>
Net assets, end of year			<u>\$ 22,205,284</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, 2009

	General	TFCA Special Revenue	Measure M Special Revenue	Total Governmental Funds
Assets				
Cash and investments	\$ 276,558	\$ 911,428	\$ 72,529,899	\$ 73,717,885
Restricted cash and investments	-	-	189,311	189,311
Sales tax receivable	-	-	640,569	640,569
Due from other governments	273,426	-	-	273,426
Total assets	\$ 549,984	\$ 911,428	\$ 73,359,779	\$ 74,821,191
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 7,600	\$ -	\$ 693,513	\$ 701,113
Due to other governments	-	-	1,893,082	1,893,082
Deferred revenue	135,054	-	-	135,054
Contract retention payable	-	-	75,848	75,848
Total liabilities	142,654	0	2,662,443	2,805,097
Fund balances:				
Unreserved	407,330	123,303	67,861,961	68,392,594
Reserved for encumbrances	-	788,125	2,835,375	3,623,500
Total fund balances	407,330	911,428	70,697,336	72,016,094
Total liabilities and fund balances	\$ 549,984	\$ 911,428	\$ 73,359,779	\$ 74,821,191

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, 2009

Fund balances - total government funds	\$ 72,016,094
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.	5,281
Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period which the debt is outstanding. The costs are reported as expenditures of the current period in the governmental funds.	
	460,059
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	(136,159)
Due in one year	(225,833)
Due in more than one year, net	<u>(49,914,158)</u>
Net assets of governmental activities	<u>\$ 22,205,284</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, 2009**

	<u>General</u>	<u>TFCA Special Revenue</u>	<u>Measure M Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues				
Intergovernmental revenue	\$ 1,648,057	\$ 564,775	\$ -	\$ 2,212,832
Sales tax revenue	-	-	16,923,047	16,923,047
Investment income	3,792	22,262	1,742,639	1,768,693
Total revenues	<u>1,651,849</u>	<u>587,037</u>	<u>18,665,686</u>	<u>20,904,572</u>
Expenditures				
Current:				
Salaries and employee benefits	1,125,668	-	-	1,125,668
Services and supplies	708,069	-	3,905,325	4,613,394
Cost applied	(268,227)	-	-	(268,227)
Administration	-	31,571	-	31,571
Contributions to other governments	-	1,045,721	15,472,972	16,518,693
Conservation credits	-	-	4,382,600	4,382,600
Debt service:				
Interest	-	-	2,207,350	2,207,350
Total expenditures	<u>1,565,510</u>	<u>1,077,292</u>	<u>25,968,247</u>	<u>28,611,049</u>
Excess (deficiency) of revenues over (under) expenditures	<u>86,339</u>	<u>(490,255)</u>	<u>(7,302,561)</u>	<u>(7,706,477)</u>
Net change in fund balances	86,339	(490,255)	(7,302,561)	(7,706,477)
Fund balance, beginning of year	<u>320,991</u>	<u>1,401,683</u>	<u>77,999,897</u>	<u>79,722,571</u>
Fund balance, end of year	<u>\$ 407,330</u>	<u>\$ 911,428</u>	<u>\$ 70,697,336</u>	<u>\$ 72,016,094</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, 2009**

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

Net change in fund balance - governmental funds	\$ (7,706,477)
<p>Governmental funds report capital outlay 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>	
Current year depreciation	(3,832)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>	
Change in compensated absences	(20,040)
Amortization of issuance costs	(25,559)
Amortization of bond premium	<u>225,833</u>
Change in net assets of governmental activities	<u>\$ (7,530,075)</u>

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, 2009

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 is 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, 2009

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

In accordance with GASB Statement No. 31 the Authority reports cash and investments at fair value in the statement of net assets and recognizes the corresponding change in the fair value of investments in the year in which the change occurred.

Restricted cash and investments are held by a third party trustee and are restricted for debt service payments pursuant to various bond covenants. Included in these amounts are sales tax revenues that are being collected by the trustee for making the annual principal and interest payments on the Sales Tax Revenue Bonds issued by SCTA during the year ended June 30, 2008.

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.

**Sonoma County Transportation Authority
Notes to the Basic Financial Statements
June 30, 2009**

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.

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

<u>Assets</u>	<u>Years</u>
Equipment	5 – 20 years

3. Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In the fund financial statements bond premiums, discounts, and issuance costs are recognized in the period incurred. The face amount of the debt issued and premiums are reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. Deferred Revenue

Deferred revenue represents contributions from other governments related to the Regional Climate Protection Control Program, which have been received but not yet earned as of June 30, 2009.

5. 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.

Sonoma County Transportation Authority
Notes to the Basic Financial Statements
June 30, 2009

6. Net Assets

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

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by outstanding debt related to financing the acquisition of capital assets.
- Restricted net assets – This component of net assets consists of net assets with limits on their use that are imposed by outside parties.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definitions of “restricted” or “invested in capital assets, net of related debt”.

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

7. Fund Equity

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

8. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Sonoma County Transportation Authority
Notes to the Basic Financial Statements
June 30, 2009

II. 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 the Authority. The fair value of the SCTA's investment in this pool is reported in the accompanying financial statements at amounts based upon the 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 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, 2009, the fair value of cash investments with the Treasurer is \$169,878 more than the cost of those investments. An adjustment was not made for the difference between cost and fair value.

Investment Guidelines

The Authority'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 Auditor-Controller Treasurer-Tax Collector 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,

Sonoma County Transportation Authority
Notes to the Basic Financial Statements
June 30, 2009

one of the ways that the Treasury Pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2008, approximately 63 percent of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, 4% had a maturity of more than five years.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization.

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

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C. Operating lease

The Authority is obligated under a 5 year lease agreement for the use of office space. The Authority may terminate the lease by giving 180 days notice and by paying \$6,071 times the number of whole months between the effective date of the termination and the expiration date of the lease. Lease expenditures for the fiscal year ended June 30, 2009 were \$102,481. Future minimum lease payments required by this lease agreement are as follows:

Fiscal Year Ending June 30:	<u>Balance</u>
2010	\$ 72,852
2011	72,852
2012	<u>54,639</u>
Total future minimum lease payments	<u>\$ 200,343</u>

D. Long-term liabilities

Long-term liability activity for the year ended June 30, 2009 was as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Revenue bonds:					
Series 2008 Revenue Bonds	\$ 46,075,000	\$ 0	\$ 0	\$ 46,075,000	\$ 0
Less deferred amounts:					
For issuance premiums	<u>4,290,824</u>		<u>(225,833)</u>	<u>4,064,991</u>	<u>225,833</u>
Subtotal revenue bonds	<u>50,365,824</u>	<u>0</u>	<u>(225,833)</u>	<u>50,139,991</u>	<u>225,833</u>
Other long-term liabilities					
Compensated absences	<u>116,119</u>	<u>20,040</u>		<u>136,159</u>	<u>0</u>
Total long-term liabilities	<u>\$ 50,481,943</u>	<u>\$ 20,040</u>	<u>\$ (225,833)</u>	<u>\$ 50,276,150</u>	<u>\$ 225,833</u>

E. Sales Tax Revenue Bonds

The Authority issued \$46,075,000 in Sales Tax Revenue Bonds (Limited Tax Bonds) on January 24, 2008, with a maturity date of December 1, 2024. The bonds were issued at a premium of \$4,516,657 and bond issuance costs paid were \$511,177. The bonds are limited obligations of the Authority secured solely by a pledge of approximately \$71,214,025 from measure M sales Tax Revenues. Pledged sales Tax Revenues represent approximately 17% of estimated total revenues from the measure

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June 30, 2009

M sale Tax. The bonds carry interest rates ranging from 4% to 5%, the bonds were issued for the purpose of financing certain transportation projects included in the Measure M Expenditure Plan. Total debt service payments of \$2,207,350 made during Fiscal Year 2008-2009 represent 13% of measure M sales Tax Revenues of \$16,923,047 recognized during the same period.

**Sonoma County Transportation Authority
Notes to the Basic Financial Statements
June 30, 2009**

The annual debt service requirements are as follows:

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2010	\$ 0	\$ 2,207,350	\$ 2,207,350
2011	0	2,207,350	2,207,350
2012	0	2,207,350	2,207,350
2013	0	2,207,350	2,207,350
2014	2,880,000	2,135,350	5,015,350
2015- 2019	16,770,000	8,304,500	25,074,500
2020- 2024	21,510,000	3,564,125	25,074,125
2025	4,915,000	98,300	5,013,300
Total requirements	<u>46,075,000</u>	<u>22,931,675</u>	<u>69,006,675</u>
Plus: unamortized premium	4,064,991		4,064,991
Total	<u>\$ 50,139,991</u>	<u>\$ 22,931,675</u>	<u>\$ 73,071,666</u>

F. 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.

G. Sales Tax Revenues

Sales tax revenues represent tax revenues generated by Measure M.

III. Other Information

A. Risk Management

SCTA is covered for general, automobile and crime and errors and omissions liability through 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.

Sonoma County Transportation Authority
Notes to the Basic Financial Statements
June 30, 2009

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) 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.

SCERA issues a publicly available financial report that includes financial statements and required supplementary information for the pension plan. That report may be obtained by writing to Sonoma County 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, 2009, 2008, and 2007 were \$167,328, \$134,485, and \$127,909, respectively.

Sonoma County Transportation Authority
Notes to the Basic Financial Statements
June 30, 2009

C. Postemployment Benefits

Plan Description

In addition to the pension benefits described in Note B the Authority participates in the County's Post-employment Healthcare Plan (PHP), a cost-sharing multiple employer defined benefit post-employment Healthcare Plan Administered by the County. The PHP provides retiree health care benefits, in accordance with County resolutions, to all active, covered employees that (a) participate in the defined benefit pension plan and (b) who retire from the Authority on or after attaining the age of 50 with at least 10 years of service. The retiree can choose one of three health care providers.

Funding Policy

For employees hired before January 1, 2009 the County contributes a value equivalent to 85% of the lowest health care insurance premium for retirees and their eligible dependents. The County reimburses a fixed amount per month for Medicare supplement for each retiree aged 65 and over covered under Medicare Part B. For employees hired on or after January 1, 2009, the County contributes to a Defined Contribution plan in the form of a deposit into a Health Reimbursement Arrangement (HRA) account. Any eligible employee and eligible dependent(s), may enroll in a County offered medical plan, but the retiree is responsible for all costs (including County offered retire medical plan and Medicare B premiums.). Authority to establish and amend benefit provision of the PHP resides with the County Board of Supervisors.

The PHP funding policy provides for periodic contributions by the County. The contribution rate is determined by SCERA on an annual basis and authorized by the Board of Supervisors. The contribution rate is based on the annual required contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, that if paid on a ongoing basis, is projected to cover the normal cost of each year and amortize any unfunded actuarial liabilities (or funding excess) of the PHP over a period not to exceed thirty years.

The financial statements for the County of Sonoma (the plan sponsor) contain the financial information for the post-employment benefits, which is not presented here because the Authority's share cannot be separated from the whole.

Sonoma County Transportation Authority
Notes to the Basic Financial Statements
June 30, 2009

D. Commitments and Contingencies

SCTA has the following outstanding contract commitments related to its Activities as of June 30, 2009:

<u>Activity</u>	<u>Outstanding Commitment Balance</u>
Measure M	\$ 111,041,377
Transportation Fund for Clean Air (TFCA)	809,319
Transportation Improvement	353,291
Total	\$ 112,203,987

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.

F. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has released the following new standards:

Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, issued in February 2009. This Statement establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. GASB Statement No. 54 is effective for financial statements for fiscal years beginning after June 15, 2010.

Required Supplementary Information

Sonoma County Transportation Authority
Schedule of Revenues, Expenditures and Changes in Fund Balance-
Budgets and Actual
General Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Intergovernmental revenue	\$ 1,900,700	\$ 2,090,200	\$ 1,648,057	\$ (442,143)
Investment income	2,000	2,000	3,792	1,792
Total revenues	1,902,700	2,092,200	1,651,849	(440,351)
 Expenditures				
Current:				
Salaries and employee benefits	1,145,000	1,145,000	1,125,668	19,332
Services and supplies	939,213	1,088,963	708,069	380,894
Cost applied	(276,500)	(276,500)	(268,227)	(8,273)
Total expenditures	1,807,713	1,957,463	1,565,510	391,953
Net change in fund balance, budgetary and GAAP basis	\$ 94,987	\$ 134,737	\$ 86,339	\$ 48,398

The notes to required supplementary information are an integral part of this statement.

Sonoma County Transportation Authority
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budgets and Actual
Special Revenue Fund (TFCA)
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
Revenues	Original	Final	Amounts	
Intergovernmental revenue	\$ 631,414	\$ 631,414	\$ 564,775	\$ (66,639)
Investment income			22,262	22,262
Total revenues	631,414	631,414	587,037	(44,377)
 Expenditures				
Current:				
Administration	31,571	31,571	31,571	0
Contributions to other governments	1,843,609	1,843,609	1,833,846	9,763
Total expenditures	1,875,180	1,875,180	1,865,417	9,763
Net change in fund balance, budgetary basis	\$ (1,243,766)	\$ (1,243,766)	(1,278,380)	\$ (34,614)
 Budget adjustments				
Encumbrances			788,125	
Net change in fund balance, GAAP basis			\$ (490,255)	

The notes to required supplementary information are an integral part of this statement.

Sonoma County Transportation Authority
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budgets and Actual
Special Revenue Fund (Measure M)
For the Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales tax revenue	\$ 18,007,900	\$ 18,007,900	\$ 16,923,047	\$ (1,084,853)
Investment income	<u>1,309,936</u>	<u>1,309,936</u>	<u>1,742,639</u>	<u>432,703</u>
Total revenues	<u>19,317,836</u>	<u>19,317,836</u>	<u>18,665,686</u>	<u>(652,150)</u>
Expenditures				
Current:				
Services and supplies	6,117,400	6,117,400	3,960,071	2,157,329
Conservation credits	5,950,000	5,950,000	4,382,600	1,567,400
Contributions to other governments	32,107,314	32,107,314	18,253,601	13,853,713
Debt service:				
Interest	<u>2,207,350</u>	<u>2,207,350</u>	<u>2,207,350</u>	<u>0</u>
Total expenditures	<u>46,382,064</u>	<u>46,382,064</u>	<u>28,803,622</u>	<u>17,578,442</u>
Net change in fund balance, budgetary basis	<u>\$ (27,064,228)</u>	<u>\$ (27,064,228)</u>	(10,137,936)	<u>\$ 16,926,292</u>
Budget adjustments				
Encumbrances			<u>2,835,375</u>	
Net change in fund balance, GAAP basis			<u>\$ (7,302,561)</u>	

The notes to required supplementary information are an integral part of this statement.

**Sonoma County Transportation Authority
Notes to Required Supplementary Information
June 30, 2009**

I. Stewardship, Compliance, And Accountability

A. Budgetary Information

Budgetary revenue estimates represent original estimates modified for any authorized adjustment which was contingent upon new or additional revenue sources. Budgetary expenditure amounts represent original appropriations adjusted by budget transfers and authorized appropriation adjustments made during the year. All budgets are adopted on a non-GAAP basis. The Authority's budgetary information was amended during the year by resolution of the Board of Directors.

B. Encumbrances

SCTA, as a whole, had encumbrances at June 30, 2009 of \$3,623,500. These encumbrances represent commitments by SCTA for services related to the TFCA Fund and Measure M.

The allocation of encumbrances is as follows:

TFCA	\$ 788,125
Measure M	<u>2,835,375</u>
	<u>\$ 3,623,500</u>

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 October 26, 2009.

Board of Directors	City
Mike Kerns, Chair	County of Sonoma
Jake Mackenzie, Vice Chair	City of Rohnert Park
Carol Russell	City of Cloverdale
Patricia Gilardi	City of Cotati
Mike McGuire	City of Healdsburg
David Glass	City of Petaluma
Gary Wysocky	City of Santa Rosa
Sarah Gurney	City of Sebastopol
Valerie Brown	County of Sonoma
Paul Kelley	County of Sonoma
Sam Salmon	Town of Windsor
Alternate Joe Palla	City of Cloverdale
Alternate George Barich	City of Cotati
Alternate Tom Chambers	City of Healdsburg
Alternate Tiffany Renee	City of Petaluma
Alternate Joseph Callinan	City of Rohnert Park
Alternate John Sawyer	City of Santa Rosa
Alternate Guy Wilson	City of Sebastopol
Alternate Laurie Gallian	City of Sonoma
Alternate Steve Allen	Town of Windsor
Suzanne Smith	Executive Director