SONOMA COUNTY TRANSPORTATION AUTHORITY
MEASURE M FUND

Financial Statements with Supplementary Information

June 30, 2008

(With Independent Auditors’ Report Thereon)
SONOMA COUNTY TRANSPORTATION AUTHORITY – MEASURE M FUND
Financial Statements
June 30, 2008

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INDEPENDENT AUDITORS’ REPORT

To the Citizens Advisory Committee
Sonoma County Transportation Authority

We have audited the accompanying financial statements of the Sonoma County Transportation Authority Measure M Fund as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Sonoma County Transportation Authority’s management. Our responsibility is to express an opinion on these 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 misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sonoma County Transportation Authority’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 described in Note 1, the financial statements present only the Sonoma County Transportation Authority Measure M Fund, and do not purport to, and do not present fairly, the financial position of the Sonoma County Transportation Authority, as of June 30, 2008 and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sonoma County Transportation Authority’s Measure M Fund as of June 30, 2008, and the changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Williams, Adley & Company, LLP
Oakland, California
October 27, 2008
SONOMA COUNTY TRANSPORTATION AUTHORITY - MEASURE M FUND
Balance Sheet (By Activity)
June 30, 2008

<table>
<thead>
<tr>
<th></th>
<th>Local Streets - Repairs</th>
<th>Local Streets - Projects</th>
<th>Highway 101</th>
<th>Transit</th>
<th>Passenger Rail</th>
<th>Bike/Pedestrian</th>
<th>Administration</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments</td>
<td>$ 504,668</td>
<td>$ 11,122,085</td>
<td>$ 63,089,708</td>
<td>$ 208,650</td>
<td>$ 2,204,246</td>
<td>$ 1,346,341</td>
<td>$ 70,810</td>
<td>$ 78,546,508</td>
</tr>
<tr>
<td>Restricted cash and investments</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 185,751</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 185,751</td>
</tr>
<tr>
<td>Sales and use tax receivable</td>
<td>$ 152,708</td>
<td>$ 152,708</td>
<td>$ 305,415</td>
<td>$ 76,354</td>
<td>$ 38,177</td>
<td>$ 30,542</td>
<td>$ 7,635</td>
<td>$ 763,539</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 657,376</td>
<td>$ 11,274,793</td>
<td>$ 63,580,874</td>
<td>$ 285,004</td>
<td>$ 2,242,423</td>
<td>$ 1,376,883</td>
<td>$ 78,445</td>
<td>$ 79,495,798</td>
</tr>
</tbody>
</table>

| **LIABILITIES AND FUND BALANCE:** |                      |                          |             |         |                |                 |                |           |
| **Liabilities**          |                         |                          |             |         |                |                 |                |           |
| Accounts payable         | $ -                     | $ 147,353                | $ 430,325   | $ 206,906| $ -            | $ 8,438         | $ -            | $ 793,022   |
| Intergovernmental payable | $ -                   | $ 5,181                  | $ 349,379   | $ -     | $ -            | $ 6,000         | $ -            | $ 360,560   |
| Contract retention payable | $ -                   | $ -                      | $ 342,319   | $ -     | $ -            | $ -             | $ -            | $ 342,319   |
| **Total liabilities**    | $ -                     | $ 152,534                | $ 1,122,023 | $ 206,906| $ -            | $ 14,438        | $ -            | $ 1,495,901 |
| **Fund balance**         |                         |                          |             |         |                |                 |                |           |
| Unreserved/undesignated  | 657,376                 | 11,122,259               | 54,537,812  | 78,098  | 2,242,423      | 1,362,445       | 78,445         | 70,078,858  |
| Reserved for encumbrances | $ -                   | $ -                      | $ 7,921,039 | -       | -              | -               | -              | $ 7,921,039 |
| **Total fund balance**   | 657,376                 | 11,122,259               | 62,458,851  | 78,098  | 2,242,423      | 1,362,445       | 78,445         | 77,999,897  |
| **Total liabilities and fund balance** | $ 657,376        | $ 11,274,793             | $ 63,580,874| $ 285,004| $ 2,242,423    | $ 1,376,883     | $ 78,445       | $ 79,495,798|

See accompanying notes to financial statements.
## SONOMA COUNTY TRANSPORTATION AUTHORITY - MEASURE M FUND

### Statement of Revenues, Expenditures and Changes in Fund Balance (By Activity)

#### Year Ended June 30, 2008

<table>
<thead>
<tr>
<th></th>
<th>Local Streets - Repairs</th>
<th>Local Streets - Projects</th>
<th>Highway 101</th>
<th>Transit</th>
<th>Passenger Rail</th>
<th>Bike/Pedestrian</th>
<th>Administration</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Measure M taxes</td>
<td>$ 3,774,005</td>
<td>$ 3,773,188</td>
<td>$ 7,543,396</td>
<td>$ 1,886,690</td>
<td>$ 943,405</td>
<td>$ 754,677</td>
<td>$ 188,700</td>
<td>$ 18,864,061</td>
</tr>
<tr>
<td>Interest on investments</td>
<td>59,899</td>
<td>387,737</td>
<td>1,188,821</td>
<td>10,930</td>
<td>72,012</td>
<td>46,868</td>
<td>3,858</td>
<td>1,770,125</td>
</tr>
<tr>
<td>Charges for services</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>3,833,904</td>
<td>4,160,925</td>
<td>8,783,171</td>
<td>1,897,620</td>
<td>1,015,417</td>
<td>801,545</td>
<td>192,558</td>
<td>20,685,140</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highways, streets and transportation projects</td>
<td>3,964,352</td>
<td>559,874</td>
<td>5,208,943</td>
<td>1,897,123</td>
<td>75,972</td>
<td>238,173</td>
<td>190,030</td>
<td>12,134,467</td>
</tr>
<tr>
<td>Debt service:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bond issuance costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>3,964,352</td>
<td>559,874</td>
<td>6,431,377</td>
<td>1,897,123</td>
<td>75,972</td>
<td>238,173</td>
<td>190,030</td>
<td>13,356,901</td>
</tr>
<tr>
<td>Excess (deficiency) of revenues over (under) expenditures</td>
<td>(130,448)</td>
<td>3,601,051</td>
<td>2,351,794</td>
<td>497</td>
<td>939,445</td>
<td>563,372</td>
<td>2,528</td>
<td>7,328,239</td>
</tr>
<tr>
<td><strong>OTHER FINANCING SOURCES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales tax revenue bonds issued</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Premium on bonds issued</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total other financing sources</strong></td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net change in fund balance</td>
<td>(130,448)</td>
<td>3,601,051</td>
<td>52,943,451</td>
<td>497</td>
<td>939,445</td>
<td>563,372</td>
<td>2,528</td>
<td>57,919,896</td>
</tr>
<tr>
<td>Beginning of period</td>
<td>787,824</td>
<td>7,521,208</td>
<td>9,515,400</td>
<td>77,601</td>
<td>1,302,978</td>
<td>799,073</td>
<td>75,917</td>
<td>20,080,001</td>
</tr>
<tr>
<td>End of period</td>
<td>$ 657,376</td>
<td>$ 11,122,259</td>
<td>$ 62,458,851</td>
<td>$ 78,098</td>
<td>$ 2,242,423</td>
<td>$ 1,362,445</td>
<td>$ 78,445</td>
<td>$ 77,999,897</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
SONOMA COUNTY TRANSPORTATION AUTHORITY - MEASURE M FUND  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual  
Year Ended June 30, 2008  

<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amounts</th>
<th>Actual Amounts</th>
<th>Variance with Final Budget - Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
<td></td>
</tr>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Measure M taxes</td>
<td>$ 20,400,000</td>
<td>$ 20,400,000</td>
<td>$ 18,864,061</td>
</tr>
<tr>
<td>Interest on investments</td>
<td>973,068</td>
<td>973,068</td>
<td>1,770,125</td>
</tr>
<tr>
<td>Charges for services</td>
<td>-</td>
<td>-</td>
<td>50,954</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>21,373,068</td>
<td>21,373,068</td>
<td>20,685,140</td>
</tr>
<tr>
<td><strong>EXPENDITURES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highways, streets and transportation projects</td>
<td>41,344,690</td>
<td>41,434,690</td>
<td>12,134,467</td>
</tr>
<tr>
<td>Debt service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>2,500,000</td>
<td>2,500,000</td>
<td>711,257</td>
</tr>
<tr>
<td>Bond issuance costs</td>
<td></td>
<td></td>
<td>511,177</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>43,844,690</td>
<td>43,934,690</td>
<td>13,356,901</td>
</tr>
<tr>
<td><strong>OTHER FINANCING SOURCES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales tax revenue bonds issued</td>
<td>55,000,000</td>
<td>55,000,000</td>
<td>46,075,000</td>
</tr>
<tr>
<td>Premium on bonds issued</td>
<td>-</td>
<td>-</td>
<td>4,516,657</td>
</tr>
<tr>
<td><strong>Total other financing sources</strong></td>
<td>55,000,000</td>
<td>55,000,000</td>
<td>50,591,657</td>
</tr>
<tr>
<td><strong>NET CHANGE IN FUND BALANCE:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>32,528,378</td>
<td>32,438,378</td>
<td>57,919,896</td>
</tr>
<tr>
<td><strong>FUND BALANCE:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>$ 15,530,352</td>
<td>$ 15,530,352</td>
<td>$ 20,080,001</td>
</tr>
<tr>
<td>End of year</td>
<td>$ 48,058,730</td>
<td>$ 47,968,730</td>
<td>$ 77,999,897</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Measure M Fund was created in November 2004 with the passage of the Traffic Relief Act for Sonoma County. Measure M is funded by a quarter cent sales tax and its activities are accounted for in a special revenue fund of the Sonoma County Transportation Authority (SCTA). Measure M creates a stable funding source for local transportation projects intended to make significant progress in widening Highway 101, maintaining local roads, improving local transit services, developing passenger rail service, providing safe bike and pedestrian routes, and making key local street improvements.

The Measure M 2005 Strategic Plan serves as the guiding policy and programming document for the implementation of Measure M projects. It covers a five year period and will be updated every two years in order to reflect the actual revenues received.

The allocation of Measure M funds is as follows:

- 20% of the funds will be used to fix pot holes and maintain local streets.
- 20% of the funds will be used for key local road projects throughout Sonoma County (the County).
- 40% of the funds will be used to help fund Highway 101 widening throughout the County.
- 10% of the funds will go to improving local bus transit service.
- 5% of the funds will go to SMART for the development of passenger rail service.
- 4% of the funds will be used for bicycle and pedestrian routes.

There is an overall limitation of one percent on the administrative expenses of Measure M operations.

The financial statements of the Measure M Fund present only the financial activities of the Measure M Fund and are not intended to fairly present the financial position and changes in financial position of the Sonoma County Transportation Authority in conformity with accounting principles generally accepted in the United States of America.

Measurement Focus and Basis of Accounting

The accompanying financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the SCTA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are available if they are collected within 60 days of the end of the current fiscal period.
Fund Balance

Reservations of fund balance indicate those portions of fund equity that are not available for appropriation for expenditure or which have been legally restricted to a specific use. Encumbrances outstanding at fiscal year end are reported as reservation of fund balance and the related appropriation is automatically carried forward into the next fiscal year. Encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year.

When both restricted and unrestricted fund balances are available, restricted resources are used only after unrestricted resources are depleted.

Estimates

The preparation of 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 balances. Accordingly, actual results could differ from those estimates.

2. CASH AND INVESTMENTS

Cash and investments for the Measure M Fund are maintained in the Sonoma County Treasury’s cash and investment pool. Funds are invested according to the investment policy adopted by the County. The County Treasurer is the ex officio treasurer of each of the participating entities, which therefore are legally required to deposit their cash receipts and revenues in the County treasury. Under State law, withdrawals by such mandatory participants are allowed only to pay for expenses that have become due. Investments are generally carried at fair value. The market value of the portfolio as of June 30, 2008, was at 100.22% of cost. Market values were obtained from Sungard Financial Systems and Bloomberg. Relevant information about the separate portion of the investment pool related to the Measure M Fund is not available. Income earned or losses arising from the investment of pooled cash are allocated on a quarterly basis to the participating funds based on their proportionate share of the average daily cash balance. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the treasury pool.

Authorized investments shall match the general categories established by the California Government Code Sections 5360, et. seq. and 53635, et. seq. Authorized investments shall also include, in accordance with California Government Code Section 16429.1, investments into the State Local Agency Investment Fund. No investment may be made in any security with a maturity greater than five years, unless the Board of Supervisors has granted express authority to make that investment. No investments may be authorized that have the possibility of returning a zero or negative yield if held to maturity. These include inverse floaters, range notes, and interest only strips derived from a pool of mortgages.

Permitted investments include the following:
- U. S. Treasury and agency securities
- Bonds issued by the local agencies
- Registered state warrants and municipal notes
- Bankers acceptances
- Commercial paper
- Negotiable certificates of deposit
- Repurchase agreements
- Reverse repurchase agreements
- Medium term corporate notes
- Shares of a mutual fund
- Collateralized mortgage obligations
- Joint powers agreement

As of June 30, 2008, the pool had no reverse repurchase agreements.

Information regarding the characteristics of the entire investment pool can be found in the County’s web site at http://sonoma-county.org/tax/quarterly.htm. A copy of the treasury pool investment policy is available from the County’s web site at http://sonoma-county.org/tax/about_treasurer.htm#investment. The SCTA Investment Policy may also be accessed from the County’s website.

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.

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 a depository regulated under state 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 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).
Collateral

Repurchase agreements executed with approved broker-dealers must be collateralized with either: (1) U.S. Treasury or agency securities with a market value of 102% for collateral marked to market daily; or (2) money market instruments which are on the approved list of the County and which meet the qualification of the policy, with a market value of 102%. Use of mortgage backed securities for collateral is not permitted. For purposes of investing the daily excess bank balance, the collateral provided by the County’s depository bank can include mortgage-backed securities valued at 100%.

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2008 Sonoma County CAFR.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the treasury pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2008, the weighted average days to maturity was 394 days.

3. SALES TAX REVENUE BONDS

The Authority issued $46,075,000 in Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2008 on January 24, 2008. 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 the Measure M Sales Tax Revenues. The bonds carry interest rates ranging from 4% to 5% and mature June 1, 2025. The first interest payment of $711,257 was due and paid June 1, 2008. The annual debt service requirements are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Annual Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$</td>
<td>$ 2,207,350</td>
<td>$ 2,207,350</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td>2,207,350</td>
<td>2,207,350</td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td>2,207,350</td>
<td>2,207,350</td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td>2,207,350</td>
<td>2,207,350</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td>2,207,350</td>
<td>2,207,350</td>
</tr>
<tr>
<td>2014-2018</td>
<td>15,950,000</td>
<td>9,122,500</td>
<td>25,072,500</td>
</tr>
<tr>
<td>2019-2023</td>
<td>20,485,000</td>
<td>4,590,375</td>
<td>25,075,375</td>
</tr>
<tr>
<td>2024-2025</td>
<td>9,640,000</td>
<td>389,400</td>
<td>10,029,400</td>
</tr>
<tr>
<td></td>
<td>46,075,000</td>
<td>25,139,025</td>
<td>71,214,025</td>
</tr>
</tbody>
</table>
4. INSURANCE COVERAGE

SCTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SCTA is covered for its general, automobile, crime, and errors and omissions liability through Alliant Insurance Services. SCTA participates in the County of Sonoma self-insurance program for workers’ compensation claims and has excess reinsurance with the California State Association of Counties.

5. COMMITMENTS AND CONTINGENCIES

SCTA has the following outstanding construction contract commitments related to its programs as of June 30, 2008:

<table>
<thead>
<tr>
<th>Project</th>
<th>Outstanding Commitment Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highway 101</td>
<td>$44,604,113</td>
</tr>
<tr>
<td>Local Streets – Project 15</td>
<td>15,510,778</td>
</tr>
<tr>
<td>Bicycle &amp; Pedestrian Project 1</td>
<td>11,056,288</td>
</tr>
<tr>
<td>Passenger Rail</td>
<td>22,243,953</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$93,415,132</strong></td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITORS’ REPORT ON MEASURE M COMPLIANCE

To the Citizens Advisory Committee
Sonoma County Transportation Authority

We have examined the Sonoma County Transportation Authority’s (SCTA) compliance with requirements applicable to Measure M specified in the 2007 Measure M Strategic Plan related to the Measure M Fund for the year ended June 30, 2008. Management is responsible for SCTA’s compliance with those requirements. Our responsibility is to express an opinion on SCTA’s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about SCTA’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on SCTA’s compliance with the specified requirements.

In our opinion SCTA has complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2008.

This report is intended solely for the information and use of the Citizens Advisory Committee and SCTA’s management and is not intended to be and should not be used by anyone other than these specified parties.

[Signature]
Oakland, California
October 27, 2008
SONOMA COUNTY TRANSPORTATION AUTHORITY
MEASURE M FUND

MANAGEMENT LETTER REPORT

JUNE 30, 2008
To the Citizens Advisory Committee
Sonoma County Transportation Authority:

In planning and performing our audit of the financial statements of the Sonoma County Transportation Authority (SCTA) Measure M Fund (the Measure M Fund) as of and for the year ended June 30, 2008, we considered SCTA’s internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of an opportunity to strengthen internal control related to reporting letters from jurisdictions. Our comment and suggestion regarding this matter follows. This letter does not affect our report dated October 27, 2008, on the financial statements of the Measure M Fund.

We have already discussed the comments and recommendations with the Citizens Advisory Committee and various Sonoma County Transportation Authority personnel.

Oakland, California
October 27, 2008
1. ALL EXPENDITURE REPORTS SHOULD BE SUBMITTED IN A TIMELY MANNER

Finding

As part of our tests of compliance with the Measure M Strategic Plan we reviewed expenditure reports filed by the various jurisdictions for fiscal year 2006/2007, which were due by September 15, 2007. We noted that 5 of 10 road maintenance expenditure reports were filed late.

Annual reporting letters were sent to each jurisdiction regarding filing deadlines. In addition, a staff report regarding the letters was provided to the Technical Advisory Committee and an email dated June 16, 2008 was also sent to each jurisdiction regarding filing of the reports.

Recommendation

While we acknowledge SCTA’s due diligence in providing adequate notice of filing requirements to the various jurisdictions, we recommend that SCTA consider the issuance of non-compliance letters to the appropriate governing bodies responsible for compliance with Measure M fund requirements.

Management Response

A recommendation to draft the proposed letter(s) will be forwarded to the Citizens Advisory Committee and SCTA Board for consideration.