



**Measure M Special Revenue and
Debt Service Funds
Financial Statements
and Required Supplementary
Information**

For the Fiscal Year Ended June 30, 2012

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Independent Auditors' Report

Citizens Advisory Committee
Sonoma County Transportation Authority
Santa Rosa, California

We have audited the accompanying financial statements of the activities of the Measure M Special Revenue and Debt Service Funds (the "Measure M Funds") of the Sonoma County Transportation Authority ("SCTA"), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the management of the SCTA. Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 the Measure M Funds' internal control over financial reporting. Accordingly, we express no such opinion. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the activities of the Measure M Funds as of June 30, 2012, 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

As discussed in Note A, the financial statements presented depict only the activities of the Measure M Special Revenue and Debt Service Funds of SCTA, and do not purport to, and do not present fairly the financial information for SCTA as a whole.

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Independent Auditors' Report (continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, on our consideration of the activities of the Measure M Funds' internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, grants and agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

Santa Rosa, California
December 14, 2012

Sonoma County Transportation Authority - Measure M Special Revenue and Debt Service Funds

Balance Sheets - by Activity

June 30, 2012

	Measure M Special Revenue Activities							Special Revenue Sub-Total	Measure M Debt Service Activities		Debt Service Sub-Total	Total
	Local Streets Rehabilitation	Local Streets - Projects	Highway 101	Transit	Passenger Rail	Bike/ Pedestrian	Administration		Passenger Rail	Highway 101		
Assets												
Cash and investments	\$ 468,158	\$ 21,637,448	\$ 29,552,400	\$ 193,849	\$ 545,838	\$ 840,856	\$ 104,990	\$ 53,343,539	\$ -	\$ -	\$ -	\$ 53,343,539
Sales tax receivable	505,600	505,600	476,691	252,800	70,860	101,120	25,280	1,937,951	55,540	534,509	590,049	2,528,000
Deposits with others	-	-	108,500	-	-	-	-	108,500	-	-	-	108,500
Due from other governments	-	-	439,888	-	-	-	-	439,888	-	-	-	439,888
Pre-paid expense	-	-	-	-	-	-	2,800	2,800	-	-	-	2,800
Restricted cash:												
Revenue bonds	-	-	8,133,257	-	6,107,989	-	-	14,241,246	-	-	-	14,241,246
Revenue bond reserves	-	-	-	-	-	-	-	-	630,000	6,497,500	7,127,500	7,127,500
Debt service	-	-	-	-	-	-	-	-	75,457	415,686	491,143	491,143
Total assets	\$ 973,758	\$ 22,143,048	\$ 38,710,736	\$ 446,649	\$ 6,724,687	\$ 941,976	\$ 133,070	\$ 70,073,924	\$ 760,997	\$ 7,447,695	\$ 8,208,692	\$ 78,282,616
Liabilities and fund balance												
Liabilities												
Accounts payable	\$ 467,204	\$ -	\$ 2,957,376	\$ 190,361	\$ -	\$ 928	\$ 5,778	\$ 3,621,647	\$ -	\$ -	\$ -	\$ 3,621,647
Due to other governments	-	-	36,825	-	-	103,550	-	140,375	-	-	-	140,375
Due to other funds	-	-	15,116	-	-	-	3,666	18,782	-	-	-	18,782
Total liabilities	467,204	-	3,009,317	190,361	-	104,478	9,444	3,780,804	-	-	-	3,780,804
Fund balance												
Restricted - Measure M Debt Service	-	-	-	-	-	-	-	-	760,997	7,447,695	8,208,692	8,208,692
Restricted - Measure M Programs	506,554	22,143,048	35,701,419	256,288	6,724,687	837,498	123,626	66,293,120	-	-	-	66,293,120
Total fund balance	506,554	22,143,048	35,701,419	256,288	6,724,687	837,498	123,626	66,293,120	760,997	7,447,695	8,208,692	74,501,812
Total liabilities and fund balance	\$ 973,758	\$ 22,143,048	\$ 38,710,736	\$ 446,649	\$ 6,724,687	\$ 941,976	\$ 133,070	\$ 70,073,924	\$ 760,997	\$ 7,447,695	\$ 8,208,692	\$ 78,282,616

See accompanying Notes to the Financial Statements

Sonoma County Transportation Authority - Measure M Special Revenue and Debt Service Funds

Statements of Revenues, Expenditures and Changes in Fund Balances - by Activity

For the Fiscal Year Ended June 30, 2012

	Measure M Special Revenue Activities							Special Revenue Sub-Total	Measure M Debt Service Activities		Debt Service Sub-Total	Total
	Local Streets Rehabilitation	Local Streets - Projects	Highway 101	Transit	Passenger Rail	Bike/ Pedestrian	Administration		Passenger Rail	Highway 101		
Revenues												
Measure M sales tax	\$ 3,488,929	\$ 3,488,929	\$ 3,676,304	\$ 1,744,464	\$ 507,497	\$ 697,786	\$ 174,446	\$ 13,778,355	\$ 364,735	\$ 3,301,554	\$ 3,666,289	\$ 17,444,644
Intergovernmental revenue	-	-	2,497,969	-	-	-	-	2,497,969	-	-	-	2,497,969
Investment income	5,210	191,127	434,723	2,079	98,820	10,245	749	742,953	-	-	-	742,953
Miscellaneous revenue	-	-	-	-	-	-	1,021	1,021	-	-	-	1,021
Total revenues	3,494,139	3,680,056	6,608,996	1,746,543	606,317	708,031	176,216	17,020,298	364,735	3,301,554	3,666,289	20,686,587
Expenditures												
Current:												
Services and supplies	-	-	5,756,607	-	688	-	159,059	5,916,354	-	-	-	5,916,354
Conservation credits	-	-	195,080	-	-	-	-	195,080	-	-	-	195,080
Contributions to other governments	3,965,520	2,464,379	9,005,810	1,759,811	4,594,099	1,297,943	-	23,087,562	-	-	-	23,087,562
Debt service:												
Principal	-	-	-	-	-	-	-	-	87,500	262,500	350,000	350,000
Interest	-	-	-	-	-	-	-	-	277,234	3,039,053	3,316,287	3,316,287
Total expenditures	3,965,520	2,464,379	14,957,497	1,759,811	4,594,787	1,297,943	159,059	29,198,996	364,734	3,301,553	3,666,287	32,865,283
Net change in fund balance	(471,381)	1,215,677	(8,348,501)	(13,268)	(3,988,470)	(589,912)	17,157	(12,178,698)	1	1	2	(12,178,696)
Fund balance at June 30, 2011	977,935	20,927,371	44,049,920	269,556	10,713,157	1,427,410	106,469	78,471,818	760,996	7,447,694	8,208,690	86,680,508
Fund balance at June 30, 2012	\$ 506,554	\$ 22,143,048	\$ 35,701,419	\$ 256,288	\$ 6,724,687	\$ 837,498	\$ 123,626	\$ 66,293,120	\$ 760,997	\$ 7,447,695	\$ 8,208,692	\$ 74,501,812

See accompanying Notes to the Financial Statements

**Sonoma County Transportation Authority
Measure M Special Revenue and Debt Service Funds**

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Note 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. SCTA'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.

SCTA 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).

The financial statements of SCTA's Measure M Special Revenue and Debt Service Funds (the Measure M Funds) present only the financial activities of the Measure M Funds and are not intended to fairly present the financial position and changes in financial position of SCTA in conformity with accounting principles generally accepted in the United States of America.

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 one quarter percent sales tax and its activities are accounted for in a special revenue and debt service fund of 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 Debt Service Fund was established as of July 1, 2010 in order to implement the provisions *GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions* by separating Measure M debt service activities from the Measure M Special Revenue Fund.

The Measure M 2011 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 Measure M 2011 Strategic Plan allocates Measure M Sales tax revenues as follows:

- Local Streets – Rehabilitation – 20% to fix pot holes and maintain local streets.
- Local Streets – Projects – 20% for key local road projects throughout Sonoma County (the County).
- Highway 101 – 40% to help fund Highway 101 widening throughout the County.
- Transit – 10% to improve local bus transit service.
- Passenger Rail – 5% will go to Sonoma-Marín Area Rail Transit (SMART) for the development of passenger rail service.
- Bike / Pedestrian – 4% will be used for bicycle and pedestrian routes.

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

Note B. Summary of Significant Accounting Policies

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. Sales tax revenue is recognized in the period that the exchange transaction occurs on which the tax is imposed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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 and judgments are recorded only when payment is due.

Fund Balance

Governmental funds report fund balance as non-spendable, restricted, committed, assigned or unassigned based primarily on the extent to which SCTA is bound to honor constraints on how specific amounts can be spent. The fund balance classifications are defined below.

- Nonspendable – amounts that are not in a spendable form or are to be maintained intact.
- Restricted – amounts that can be spent only for the specific purpose stipulated by external resource providers or through enabling legislation.
- Committed – amounts that can be used only for the specific purpose determined by a formal action of the entity's highest level of decision making authority.
- Assigned – amounts intended to be used by the government for specific purposes determined either by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – the residual classification for the general fund and includes all amounts not contained in the other classifications. This amount is technically available for any purpose.

In general, when both restricted and unrestricted resources are available, restricted resources are used first. When expenditures are made of unrestricted resources, SCTA first applies committed, then assigned, and then unassigned resources.

Cash and Investments

The Measure M Funds report cash and investments in the balance sheets by activity at amortized cost, which approximates fair value.

**Sonoma County Transportation Authority
Measure M Special Revenue and Debt Service Funds**

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Note B. Summary of Significant Accounting Policies (continued)

Restricted cash is held by a third party trustee and is restricted for debt service payments and Measure M expenditures pursuant to various bond covenants. Included in these amounts are proceeds from Sales Tax Revenue Bonds, Series 2011, to be used for Measure M activities, bond reserve requirements for the Series 2008 and 2011 bonds, and sales tax revenues collected by the trustee for making the annual interest payments on the bonds.

Sales Tax Revenue and Receivable

Sales tax receivable represents sales tax amounts allocated to SCTA through Measure M but uncollected at year end. Due to the nature of the sales tax receivable, management does not consider any portion uncollectible.

Sales tax revenues are presented net of administrative assessments by the State Board of Equalization in the amount of \$346,600 for the year.

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.

Note C. Cash and Investments

Investment in the Sonoma County Treasurer's Investment Pool

Cash and investments are comprised of cash pooled with the Sonoma County Treasury Pool (the Treasury Pool), an external investment pool. The Sonoma County Treasurer's office also acts as a disbursing agent for the Measure M Funds. The fair value of the Measure M Funds' investment in this pool is based upon the Measure M Funds' 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) and is \$203,674 greater than that reported in the total column of the balance sheets – by activity.

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 Treasury Pool is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Treasury Oversight Committee of the Treasury Pool has oversight for all monies deposited into the Treasury Pool.

**Sonoma County Transportation Authority
Measure M Special Revenue and Debt Service Funds**

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Note C. Cash and Investments (continued)

Treasury Pool Investment Guidelines

The Measure M Funds' 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, Santa Rosa, California, 95403.

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 to changes in market interest rates. Due to the highly liquid nature of the Measure M Funds' investment with the Treasury Pool, the Measure M Funds' exposure to interest rate risk is deemed by management to be insignificant.

The weighted average maturity of Treasury Pool investments at June 30, 2012 was 1,176 days.

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

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 SCTA, which is responsible for the investment decisions of the Measure M Funds, contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no non-pooled investments in any one issuer that represent 5% or more of total Measure M Funds' investments.

**Sonoma County Transportation Authority
Measure M Special Revenue and Debt Service Funds**

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Note D. Measure M Sales Tax Revenue Bonds

SCTA issued \$46,075,000 in Sales Tax Revenue Bonds, Series 2008 (Limited Tax Bonds) (the 2008 Bonds) on January 24, 2008. The 2008 Bonds were issued at a premium of \$4,516,657 and bond issuance costs totaled \$511,177. The 2008 Bonds carry interest rates ranging from 4% to 5%, and were issued for the purpose of financing certain transportation projects included in the Measure M Expenditure Plan.

The 2008 Bonds begin to mature in December 2013, and all 2008 Bonds will be matured by December 2024. Bonds maturing subsequent to December 2017 are subject to redemption at the option of SCTA at any time on or after December 1, 2017 at a price equal to 100% of the principal amount outstanding and any accrued interest thereon.

SCTA issued \$25,200,000 in Sales Tax Revenue Bonds, Series 2011, (Limited Tax Bonds) (2011 Bonds) on January 26, 2011, with a maturity date of December 1, 2024. The 2011 Bonds were issued at a premium of \$1,863,706 and bond issuance costs totaled \$416,692. The 2011 Bonds carry interest rates ranging from 2% to 5%, and were issued for the purpose of financing certain transportation projects included in the Measure M Expenditure Plan.

The 2011 Bonds began to mature in December 2011, and all 2011 Bonds will be matured by December 2024. Bonds maturing subsequent to December 2020 are subject to redemption at the option of SCTA at any time on or after December 1, 2020 at a price equal to 100% of the principal amount outstanding and any accrued interest thereon.

The 2008 and 2011 Bonds are limited obligations of SCTA secured solely by a pledge of \$102,370,560 from Measure M sales tax revenues. Pledged sales tax revenues represent 22% of estimated total revenues from the Measure M sales tax.

Debt service payments made from the Measure M Debt Service Fund were equal to \$3,666,287 for the fiscal year ended June 30, 2012, representing 21% of the \$17,444,644 in Measure M sales tax revenue recognized during the same period. The debt service payments consisted of a \$350,000 principal payment on the 2011 Bonds, and interest payments totaling \$3,316,287 for both the 2008 and 2011 Bonds.

**Sonoma County Transportation Authority
Measure M Special Revenue and Debt Service Funds**

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Note D. Measure M Sales Tax Revenue Bonds (continued)

The annual debt service requirements to maturity for the 2008 Bonds are as follows as of June 30, 2012:

Fiscal Year Ending June 30:	Principal	Interest	Total
2013	\$ -	\$ 2,207,350	\$ 2,207,350
2014	2,880,000	2,135,350	5,015,350
2015	3,025,000	1,987,725	5,012,725
2016	3,185,000	1,832,475	5,017,475
2017	3,345,000	1,669,225	5,014,225
2018-2022	19,485,000	5,589,625	25,074,625
2023-2025	14,155,000	887,875	15,042,875
Total requirements	\$ 46,075,000	\$ 16,309,625	\$ 62,384,625

The annual debt service requirements to maturity for the 2011 Bonds are as follows as of June 30, 2012:

Fiscal Year Ending June 30:	Principal	Interest	Total
2013	\$ 360,000	\$ 1,098,338	\$ 1,458,338
2014	365,000	1,089,263	1,454,263
2015	380,000	1,076,188	1,456,188
2016	1,915,000	1,020,713	2,935,713
2017	2,015,000	922,463	2,937,463
2018-2022	11,530,000	3,143,788	14,673,788
2023-2025	8,285,000	524,066	8,809,066
Total requirements	\$ 24,850,000	\$ 8,874,819	\$ 33,724,819

Debt service payments for the 2008 and 2011 Bonds are made from the Measure M Debt Service Fund.

**Sonoma County Transportation Authority
Measure M Special Revenue and Debt Service Funds**

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Note E. Risk Management

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. As funds of SCTA, the Measure M Funds are covered for general, automobile, crime and errors and omissions liability through Alliant Insurance Services. The limits of coverage 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 and has excess reinsurance with the California State Association of Counties up to statutory limits.

Note F. Commitments

The Measure M Special Revenue Fund has the following outstanding commitments related to its programs as of June 30, 2012:

<u>Project</u>	<u>Outstanding Commitment Balance</u>
Highway 101	\$ 60,406,075
Local Streets - Projects	22,499,648
Bike / Pedestrian	8,377,019
Passenger Rail	17,649,166
	<hr/>
	\$ 108,931,908

Required Supplementary Information

**Sonoma County Transportation Authority -
Measure M Special Revenue and Debt Service Funds**

**Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Special Revenue & Debt Service Funds (Measure M)**

For the Fiscal Year Ended June 30, 2012

	Total Measure M Budgeted Amounts		Actual Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Special Revenue	Debt Service	Total Measure M	
Revenues						
Sales tax revenue	\$ 17,031,314	\$ 17,031,314	\$ 13,778,355	\$ 3,666,289	\$ 17,444,644	\$ 413,330
Intergovernmental revenue	3,744,000	3,744,000	2,497,969	-	2,497,969	(1,246,031)
Investment income	485,785	485,785	742,953	-	742,953	257,168
Miscellaneous revenue	-	-	1,021	-	1,021	1,021
Total revenues	21,261,099	21,261,099	17,020,298	3,666,289	20,686,587	(574,512)
Expenditures						
Current:						
Services and supplies	6,353,472	6,353,472	5,916,354	-	5,916,354	437,118
Conservation credits	2,340,000	2,340,000	195,080	-	195,080	2,144,920
Contributions to other governments	49,865,306	49,865,306	23,087,562	-	23,087,562	26,777,744
Debt service:						
Principal	350,000	350,000	-	350,000	350,000	-
Interest	3,316,289	3,316,289	-	3,316,287	3,316,287	2
Total expenditures	62,225,067	62,225,067	29,198,996	3,666,287	32,865,283	29,359,784
Net change in fund balance	(40,963,968)	(40,963,968)	(12,178,698)	2	(12,178,696)	28,785,272
Fund balance at June 30, 2011	86,680,508	86,680,508	78,471,818	8,208,690	86,680,508	-
Fund balance at June 30, 2012	\$ 45,716,540	\$ 45,716,540	\$ 66,293,120	\$ 8,208,692	\$ 74,501,812	\$ 28,785,272

See Note to Budgetary Comparison Information

**Sonoma County Transportation Authority
Measure M Special Revenue and Debt Service Funds**

Note to Budgetary Comparison Information

For the Fiscal Year Ended June 30, 2012

Note A. Stewardship, Compliance and Accountability

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. Budgets are adopted on a basis consistent with generally accepted accounting principles. The Measure M Special Revenue and Debt Service Funds' budgetary information was not amended during the year.

Compliance

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Citizens Advisory Committee
Sonoma County Transportation Authority
Santa Rosa, California

We have audited the financial statements of the activities of the Measure M Special Revenue and Debt Service Funds (the "Measure M Funds") of the Sonoma County Transportation Authority ("SCTA"), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of SCTA is responsible for establishing and maintaining effective internal control over financial reporting of the Measure M Funds. In planning and performing our audit, we considered the Measure M Funds' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Measure M Funds' internal control over financial reporting

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Local partnership. Global solutions.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
Government Auditing Standards (continued)**

We noted certain matters that we reported to management of SCTA in a separate letter dated December 14, 2012.

This report is intended solely for the information and use of the board of directors, management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP

Santa Rosa, California
December 14, 2012