



SONOMA COUNTY TRANSPORTATION AUTHORITY

**Basic Financial Statements,
Required Supplementary Information, and
Other Supplementary Information**

For the Fiscal Year Ended June 30, 2017

**Sonoma County Transportation Authority
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Independent Auditor's Report

Board of Directors
Sonoma County Transportation Authority
Santa Rosa, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sonoma County Transportation Authority ("SCTA") and the notes to the financial statements, which collectively comprise the basic financial statements, as of and for the year ended June 30, 2017, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of SCTA as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report (continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, management's discussion and analysis and supplemental schedules of pension 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 basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SCTA's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the related notes to the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the related notes are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Roster of Board Members has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, on our consideration of SCTA's internal control over financial reporting and our tests of its 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.



Santa Rosa, California
November 28, 2017

The management of SCTA offers the readers of SCTA's basic financial statements this narrative overview and analysis of the financial activities of SCTA for the fiscal year ended June 30, 2017.

Financial highlights

- The assets and deferred outflows of resources of SCTA were less than liabilities and deferred inflows of resources at June 30, 2017 by approximately \$8.1 million.
- SCTA's total net position increased by \$13 million from June 30, 2016 to June 30, 2017. This increase was primarily due continued growth in sales tax revenues (increased 4.4% to \$23 million from the prior fiscal year) in conjunction with lower expenses in the Measure M fund (decreased 25.4% to \$11.6 million from the prior fiscal year) during the fiscal year ended June 30, 2017.
- At June 30, 2017 SCTA reported ending total fund balances of \$58.1 million, an increase of \$5,823,420 in comparison with the June 30, 2016 total ending fund balances.
- Unrestricted net position for SCTA as of June 30, 2017 was a deficit of approximately \$11.3 million. This is a decrease to the deficit of approximately \$12.9 million compared to the deficit of approximately \$24.1 at June 30, 2016.
- As of June 30, 2017, unassigned fund balance for the general fund was \$786,137 or 45% of total general fund expenditures for the fiscal year ended June 30, 2017.

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. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The *government-wide financial statements*, as listed in the table of contents, provide a broad overview of SCTA's activities as a whole, and are comprised of the *statement of net position* and the *statement of activities*.

The *statement of net position* provides information about the financial position of SCTA as a whole on the full accrual basis, similar to that used in the private sector.

The *statement of activities* presents information about SCTA's revenues and expenses, also on the full accrual basis, with the emphasis on measuring net revenues and expenses of each of SCTA's programs. The *statement of activities* explains the change in *net position* for the fiscal year.

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 compensated absences).

Fund financial statements

The governmental fund financial statements are as listed in the table of contents.

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SCTA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of SCTA are governmental type 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.

SCTA maintains four individual governmental funds; a general fund, two special revenue funds, and a debt service fund. 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 other funds. SCTA adopts an annual appropriated budget for those funds.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required supplementary information

Schedules presenting budgetary comparison information for SCTA's funds can be found in the table of contents.

Sonoma County Transportation Authority

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Government-wide financial analysis

Condensed Statement of Net Position

June 30,	2016	2017
Assets		
Current assets	\$ 46,469,998	\$ 52,423,410
Restricted cash	7,899,132	7,377,884
Other non-current assets	6,395	5,330
Total assets	54,375,525	59,806,624
Deferred outflows of resources	2,052,574	1,660,206
Liabilities		
Current liabilities	8,448,611	8,430,125
Total non-current liabilities	68,932,723	61,023,145
Total liabilities	77,381,334	69,453,270
Deferred inflows of resources	147,679	74,293
Net Position		
Invested in capital assets	6,395	5,330
Restricted for TFCA	506,992	685,107
Restricted for Measure M debt service	2,523,492	2,509,822
Unrestricted	(24,137,793)	(11,260,992)
Total net position deficit	\$ (21,100,914)	\$ (8,060,733)

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of SCTA, assets and deferred outflows of resources were less than liabilities and deferred inflows of resources by approximately \$8.1 million at June 30, 2017 as compared to a deficit net position of approximately \$21.1 million at June 30, 2016.

A portion of SCTA's net position, approximately \$2.5 million, is restricted for Measure M Sales Tax Revenue Bonds. Measure M is a one-quarter percent sales tax initiative approved by Sonoma County voters in 2004 for various transportation improvement projects and is overseen by SCTA. SCTA's unrestricted net position is negative as result of having \$66.1 million in revenue bonds outstanding.

Government-wide financial analysis (continued)

During the fiscal year ended June 30, 2017, SCTA's net position increased by \$13 million to an approximate net position of a negative \$8.1 million. This increase is primarily the result of continued growth in sales tax revenues in conjunction with lower expenses in the Measure M fund. Measure M expenses were approximately \$4 million lower than the prior fiscal year due primarily to two Highway 101 projects (Marin Sonoma Narrows Phase B2 and Central Phase C – Old Redwood Highway Interchange) that began project closeout in this fiscal year.

Governmental activities increased SCTA's net position by \$13 million. Key elements of these activities during the fiscal year ended June 30, 2017 are identified below:

- SCTA recognized sales tax revenues for Measure M totaling \$23 million, which is an increase of \$978,534 from the prior fiscal year. This increase is due to continuing improvements to the local economy.
- SCTA received \$1.8 million from state and federal sources towards various transportation improvement projects. The amount received decreased by \$52,014 from the prior fiscal year as a result of fluctuations in state grant funding.
- SCTA expenses for transportation improvement projects totaled \$1.9 million, an increase of \$203,243 from the previous year. This increase is primarily the result of an increase in salaries and benefits including the addition of a new position (Administrative Assistant I/II - Contract Manager Bookkeeper) that was filled in December of 2016.
- Measure M expenses totaled \$11.6 million, representing a decrease of \$4 million from the previous year, due primarily to two Highway 101 projects (Marin Sonoma Narrows Phase B2 and Central Phase C – Old Redwood Highway Interchange) that began project closeout in this fiscal year. Additionally, Bike/Pedestrian and Local Street project expenses decreased as compared to the prior year.

Sonoma County Transportation Authority

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Government-wide financial analysis (continued)

Condensed Statement of Activities

Fiscal Year ended June 30,	2016	2017
Revenues:		
Program revenues:		
Transportation improvements	\$ 1,850,380	\$ 1,801,654
Transportation Fund for Clean Air	617,790	635,257
Measure M	825,372	1,550,070
General revenues:		
Sales tax revenues	22,066,336	23,044,870
Total revenues	25,359,878	27,031,851
Expenses:		
Transportation improvements	1,685,872	1,889,115
Transportation Fund for Clean Air	827,251	457,142
Measure M	15,614,718	11,645,413
Total expenses	18,127,841	13,991,670
Change in net position	7,232,037	13,040,181
Net position, beginning of year	(28,332,951)	(21,100,914)
Net position, end of year	\$ (21,100,914)	\$ (8,060,733)

Financial analysis of SCTA's funds

Governmental funds

As noted earlier, SCTA uses fund accounting to ensure and demonstrate compliance with legal and governmental accounting requirements.

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, unassigned fund balance may serve as a useful measure of SCTA's net resources available for spending at the end of the fiscal year.

As of June 30, 2017, SCTA's governmental funds reported ending fund balances of \$58.1 million, an increase of \$5,823,420 from June 30, 2016. SCTA had a restricted fund balance of approximately \$57.3 million as of June 30, 2017.

The general fund is the chief operating fund of SCTA. At June 30, 2017, the unassigned fund balance of the general fund was \$786,137.

Financial analysis of SCTA's funds (continued)

Budgetary Highlights

- The SCTA General Fund budget was adjusted during the fiscal year to increase appropriations for State grants with an associated decrease in budgeted cost applied reimbursements.
- The TFCA budget was adjusted to reflect the budgeted encumbrances outstanding as of June 30, 2016.
- Measure M budgets were adjusted during the fiscal year for projected sales tax revenues, investment income, contributions to other governments and debt service payments.

Debt Administration

At the end of the June 30, 2017, SCTA had long-term liabilities of \$67.4 million, a decrease of \$7.5 million from the prior fiscal year. The decrease is a result of reduced principal balances on the 2011 and 2015 Series Bonds from regular debt service payments. Reductions resulting from debt service payments were partially offset by increases to net pension liability and compensated absences liability. The net pension liability decreased by \$50,118 primarily as a result of the change in actuarial assumptions.

Year ended June 30,	2016	2017
Sales Tax Revenue Bond, Series 2011, including unamortized premium	\$ 22,621,524	\$ 20,439,441
Sales Tax Revenue Bond, Series 2015, including unamortized premium	51,002,369	45,699,268
Net pension liability	1,309,554	1,259,436
Total long-term liabilities	\$ 74,933,447	\$ 67,398,145

Additional information on SCTA's long-term liabilities can be found in Note E of the notes to the basic financial statements.

Economic Factors and Next Year's Budgets:

SCTA activities receive significant funding from both federal and state programs, which can be significantly impacted by changes in the state and federal budgets. Measure M revenues, funded through a local one quarter percent sales tax, increased from the prior fiscal year ended June 30, 2016 and the State Board of Equalization (BOE) is projecting continued slow growth in sales tax revenues for the next fiscal year. This will directly impact the apportionment programs including Transit and Local Street Repairs (LSR) programs and indirectly affect the project programs of Highway 101, Local Streets Projects (LSP), Passenger Rail and Bike/Pedestrian programs.

Proceeds from the 2015 Series Sales Tax Revenue Bonds, are anticipated to be exhausted by the end of fiscal year 2018.

The Local Street Projects (LSP), Passenger Rail and Bike/Pedestrian programs are paid on a reimbursement basis, however, those programs can be impacted by state and federal budget changes as each of those programs require matching funds from the various project sponsors, which are still dependent on local, state and federal funds.

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.

Government-Wide Financial Statements

Sonoma County Transportation Authority

Statement of Net Position

	June 30, 2017
	Governmental Activities
Assets	
Cash and investments	\$ 47,479,668
Sales tax receivable	3,637,000
Due from other governments	1,290,676
Pre-paid expense	16,066
Non-current assets:	
Restricted cash and investments:	
Revenue bonds debt service fund	4,868,062
Revenue bonds reserve fund	2,509,822
Capital assets - equipment, net	5,330
Total assets	59,806,624
Deferred outflows of resources	
Deferred pensions	534,764
Deferred charge on refunding	1,125,442
Total deferred outflows of resources	1,660,206
Liabilities	
Accounts payable	1,090,738
Due to other governments	333,559
Retention payable	78,476
Deferred revenue	161,000
Interest payable	243,319
Bonds payable, current	6,375,000
Compensated absences payable	148,033
Noncurrent liabilities:	
Bonds payable	59,763,709
Net pension liability	1,259,436
Total liabilities	69,453,270
Deferred inflows of resources	
Deferred pensions	74,293
Total deferred inflows of resources	74,293
Net Position	
Net investment in capital assets	5,330
Restricted for:	
Transportation Fund for Clean Air (TFCA)	685,107
Measure M debt service	2,509,822
Unrestricted	(11,260,992)
Total net position deficit	\$ (8,060,733)

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, 2017

Functions / Programs	Expenses	<u>Program Revenues</u> Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Governmental activities:			
Measure M	\$ 11,645,413	\$ 1,550,070	\$ (10,095,343)
Transportation fund for clean air (TFCA)	457,142	635,257	178,115
Transportation improvement	1,889,115	1,801,654	(87,461)
Total governmental activities	\$ 13,991,670	\$ 3,986,981	(10,004,689)
General revenues:			
Sales tax revenue			23,044,870
Total general revenues			23,044,870
Change in net position			13,040,181
Net position - beginning of year			(21,100,914)
Net position - end of year			\$ (8,060,733)

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

Fund Financial Statements

Sonoma County Transportation Authority

Balance Sheet - Governmental Funds

June 30, 2017

	General	TFCA Special Revenue	Measure M Special Revenue	Measure M Debt Service	Total Governmental Funds
Assets					
Cash and investments	\$ 491,591	\$ 533,128	\$ 46,454,949	\$ -	\$ 47,479,668
Sales tax receivable	-	-	2,192,235	1,444,765	3,637,000
Prepaid expense	6,887	-	9,179	-	16,066
Due from other governments	464,652	315,380	510,644	-	1,290,676
Restricted cash - revenue bond reserve	-	-	-	2,509,822	2,509,822
Restricted cash - debt service	-	-	-	4,868,062	4,868,062
Total assets	\$ 963,130	\$ 848,508	\$ 49,167,007	\$ 8,822,649	59,801,294
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 5,742	\$ 20,850	\$ 1,064,146	\$ -	\$ 1,090,738
Due to other governments	3,364	142,551	187,644	-	333,559
Unearned (deferred) revenue	161,000	-	-	-	161,000
Retention payable	-	-	78,476	-	78,476
Total liabilities	170,106	163,401	1,330,266	-	1,663,773
Fund balances:					
Nonspendable	6,887	-	9,179	-	16,066
Restricted	-	685,107	47,827,562	8,822,649	57,335,318
Unassigned	786,137	-	-	-	786,137
Total fund balances	793,024	685,107	47,836,741	8,822,649	58,137,521
Total liabilities and fund balance	\$ 963,130	\$ 848,508	\$ 49,167,007	\$ 8,822,649	\$ 59,801,294

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

Sonoma County Transportation Authority

**Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position**

June 30, 2017

Total fund balances - governmental funds:	\$ 58,137,521
Total net position reported in the statement of net position is different because	
Deferred outflows of resources reported in the statement of net position:	1,660,206
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the governmental funds:	
Capital assets - equipment, net	5,330
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable including unamortized premium	(66,138,709)
Accrued interest payable	(243,319)
Compensated absences payable	(148,033)
Pension liability	(1,259,436)
Deferred inflows of resources reported in the statement of net position	(74,293)
<hr/>	
Total net position deficit	\$ (8,060,733)

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, 2017

	General	TFCA Special Revenue	Measure M Special Revenue	Measure M Debt Service	Total Governmental Funds
Revenues					
Sales tax	\$ -	\$ -	\$ 14,396,795	\$ 8,648,075	\$ 23,044,870
Intergovernmental	1,740,848	614,042	1,308,761	-	3,663,651
Investment income (loss)	1,795	3,321	250,235	(9,236)	246,115
Miscellaneous	59,010	17,894	310	-	77,214
Total revenues	1,801,653	635,257	15,956,101	8,638,839	27,031,850
Expenditures					
Current:					
Salaries and employee benefits	1,323,761	-	-	-	1,323,761
Services and supplies	404,372	-	1,602,109	-	2,006,481
Administration	-	29,646	-	-	29,646
Contributions to other governments	17,976	427,496	8,237,671	-	8,683,143
Debt service:					
Principal	-	-	-	6,135,000	6,135,000
Interest	-	-	18,987	3,011,412	3,030,399
Total expenditures	1,746,109	457,142	9,858,767	9,146,412	21,208,430
 Net change in fund balances	 55,544	 178,115	 6,097,334	 (507,573)	 5,823,420
Fund balances at June 30, 2016	737,480	506,992	41,739,407	9,330,222	52,314,101
Fund balances at June 30, 2017	\$ 793,024	\$ 685,107	\$ 47,836,741	\$ 8,822,649	\$ 58,137,521

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 Balances - Governmental Funds to the Statement of Activities**

For the Fiscal Year Ended June 30, 2017

Net change in fund balances - total governmental funds: \$ 5,823,420

Amounts reported for governmental activities in the statement of activities
are different because:

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:

Depreciation expense (1,065)

Repayment of debt principal is an expenditure in the governmental funds and reduces
long term liabilities in the statement of net position: 6,135,000

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:

Change in compensated absences (13,756)

Change in interest payable liability 15,263

Change in net pension liability (128,184)

Amortization of bond premiums and deferred charge on refunding 1,209,503

Change in net position \$ 13,040,181

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

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 is governed by a twelve member board. Nine of these members are chosen from the councils of the nine incorporated cities or towns of Sonoma County and three are chosen from 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).

Note B. Summary of Significant Accounting Policies

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of SCTA.

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

Separate financial statements are provided for governmental funds. Governmental funds are reported in separate columns in the fund financial statements.

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. 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.

Note B. Summary of Significant Accounting Policies (continued)

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(continued)*

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, SCTA considers revenues available if they are collected within 365 days of the end of the current fiscal period. Sales tax revenue, intergovernmental revenue when eligibility requirements are met, and investment income, are considered measurable and are recognized if available. 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 are recorded only when payment is due.

Cash and Investments

In accordance with GASB Statement No. 31 and No. 72, SCTA reports cash and investments at fair value in the balance sheet and recognizes the corresponding change in the fair value of investments in the year in which the change occurred.

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 2015 to be used for Measure M activities, and sales tax revenues collected by the trustee for making the annual principal and interest payments on the Series 2011 and 2015 bonds.

Sales Tax Revenue and Receivable

Sales tax receivable represents sales tax amounts allocated to SCTA through Measure M as discussed in Note I below, 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 \$541,160 for the year.

Note B. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital asset balances at year end are reported in the government-wide financial statements in the statement of net position. 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 one year. 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

SCTA's equipment is depreciated using the straight-line method over estimated useful lives of 5 to 10 years.

Bonds Payable and Bond Premium

In the government-wide financial statements bonds payable, inclusive of unamortized bond premiums, are reported as a liability in the statement of net position. Bond premiums are amortized to interest expense over the life of the bonds using the straight-line method, which approximates the effective interest method.

In the fund financial statements, bond premiums are recognized in the period that the underlying bonds are issued. The face amount of the bonds issued and related premiums are reported as other financing sources.

Compensated Absences

It is SCTA's policy to permit employees to accumulate earned but unused vacation benefits. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for this amount is reported in the governmental funds only for matured portions, for example, as a result of known employee resignation or retirement.

Net Position

Net position is classified into three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation.
- Restricted net position – This component of net position consists of net position with limits on its use that are imposed by outside parties or enabling legislation.
- Unrestricted net position – This component of net position consists of net position that does not meet the definitions of "restricted" or "invested in capital assets".

Note B. Summary of Significant Accounting Policies (continued)

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.

- Non-spendable – 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.

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.

Note B. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

The following Governmental Standards Board (GASB) Statements have been implemented in the current financial statements:

GASB Statement No. 77 – Tax Abatement Disclosures

Effective for reporting periods beginning after December 15, 2015, this Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements such as a description, taxes being abated, dollar amount of taxes abated during the period and commitments made by a government other than to abate taxes, as part of a tax abatement agreement.

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 SCTA. The fair value of SCTA's investment in this pool is based upon SCTA's pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio).

The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the 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.

Treasury Pool Investment Guidelines

SCTA's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity, and yield.

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 Sonoma County 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.

Note C. Cash and Investments (continued)

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 SCTA's investment with the Treasury Pool, SCTA's exposure to interest rate risk is deemed by management to be insignificant.

The weighted average maturity of Treasury Pool investments at June 30, 2017 was 569 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 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 SCTA investments.

Fair Value Measurements

SCTA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. SCTA has a recurring fair value measurement for its investment in the Sonoma County Treasury Pool which is valued using significant other observable inputs (Level 2).

Sonoma County Transportation Authority

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2017

Note D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Transfers & Reclassification	Ending Balance
Capital assets, being depreciated:					
Equipment	\$ 29,629	\$ -	\$ -	\$ -	\$ 29,629
Less accumulated depreciation for:					
Equipment	(23,234)	(1,065)	-	-	(24,299)
Capital assets, net	\$ 6,395	\$ (1,065)	\$ -	\$ -	\$ 5,330

Note E. Long-term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Sales Tax Revenue Bonds,					
Series 2011	\$ 21,830,000	\$ -	\$ (2,015,000)	\$ 19,815,000	\$ 2,110,000
Unamortized bond premium	791,524	-	(167,083)	624,441	-
Total 2011 Series Bonds	22,621,524	-	(2,182,083)	20,439,441	2,110,000
Sales Tax Revenue Bonds,					
Series 2015	45,075,000	-	(4,120,000)	40,955,000	4,265,000
Unamortized bond premium	5,927,369	-	(1,183,101)	4,744,268	-
Total 2015 Series Bonds	51,002,369	-	(5,303,101)	45,699,268	4,265,000
Total bonds	73,623,893	-	(7,485,184)	66,138,709	6,375,000
Net pension liability	1,309,554	154,066	(204,184)	1,259,436	-
Total long-term liabilities	\$ 74,933,447	\$ 154,066	\$ (7,689,368)	\$ 67,398,145	\$ 6,375,000

Sonoma County Transportation Authority

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2017

Note F. Sales Tax Revenue Bonds

The Authority has issued bonds in 2008, 2011 and 2015 for the purpose of financing certain transportation projects included in the Measure M Expenditure Plan.

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%.

The 2011 Bonds began to mature in December 2011, and all 2011 Bonds will mature 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.

On June 23, 2015 SCTA refunded the outstanding 2008 Bonds and issued \$49,265,000 in Sales Tax Revenue Bonds, Series 2015 (Limited Tax Bonds). The 2015 Bonds were issued at a premium of \$7,225,509 and bond issuance costs totaled \$347,463. The 2015 Bonds carry interest rates ranging from 1% to 5%.

The 2011 and 2015 Bonds are limited obligations of SCTA secured solely by a pledge of \$92,910,907 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 Fund were \$9,146,412 for the fiscal year ended June 30, 2017, representing 40% of the \$23,044,870 in Measure M sales tax revenue recognized during the same period. The debt service payments consisted of \$6,135,000 of principal payments on the 2011 and 2015 Bonds, and interest payments totaling \$3,011,412 for both the 2011 and 2015 Bonds.

The annual debt service requirements to maturity for the 2011 Bonds are as follows as of June 30, 2017:

Fiscal Year Ending June 30:	Principal	Interest	Total
2018	\$ 2,110,000	\$ 829,887	\$ 2,939,887
2019	2,190,000	743,887	2,933,887
2020	2,290,000	642,837	2,932,837
2021	2,410,000	525,338	2,935,338
2022	2,530,000	401,837	2,931,837
2023-2025	8,285,000	524,069	8,809,069
Total requirements	\$ 19,815,000	\$ 3,667,855	\$ 23,482,855

Sonoma County Transportation Authority

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2017

Note F. Sales Tax Revenue Bonds (continued)

Future years' amortization of bond premium for the 2011 Bonds are as follows as of June 30, 2017:

Fiscal Year Ending June 30:		Premium
2018	\$	149,291
2019		130,824
2020		111,515
2021		91,194
2022		69,860
2023-2025		71,757
Total requirements	\$	624,441

The annual debt service requirements to maturity for the 2015 Bonds are as follows as of June 30, 2017.

Fiscal Year Ending June 30:	Principal	Interest	Total
2018	\$ 4,265,000	\$ 1,941,125	\$ 6,206,125
2019	4,495,000	1,722,125	6,217,125
2020	4,725,000	1,491,625	6,216,625
2021	4,955,000	1,249,625	6,204,625
2022	5,215,000	995,375	6,210,375
2023-2025	17,300,000	1,326,500	18,626,500
Total requirements	\$ 40,955,000	\$ 8,726,375	\$ 49,681,375

Sonoma County Transportation Authority

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2017

Note F. Sales Tax Revenue Bonds (continued)

Future years' amortization of bond premium for the 2015 Bonds are as follows as of June 30, 2017:

<u>Fiscal Year Ending June 30:</u>	<u>Premium</u>
2018	\$ 1,066,526
2019	944,556
2020	816,209
2021	681,486
2022	539,900
2023-2025	695,591
<hr/>	
Total requirements	\$ 4,744,268

Debt service payments for the 2011 and 2015 Bonds are made from the Measure M Debt Service Fund.

Note G. Intergovernmental Revenues

Intergovernmental revenues represent grant and contract revenues received from the Metropolitan Transportation Commission, Transportation Fund for Clean Air funding received from the Bay Area Air Quality Management District, State of California Transportation and Federal Highway Administration Funds received from the California Department of Transportation (Caltrans) and contributions from SCTA member governments.

Note H. Due to Other Governments

Due to other governments represents amounts owed to Caltrans, the County of Sonoma, and the cities of Petaluma and Santa Rosa.

Note I. Measure M Sales Tax Revenues

The Measure M Special Revenue Fund was created in November 2004 with the passage of the Traffic Relief Act for Sonoma County to account for the related sales tax revenues and expenditures of Measure M. Measure M is funded by a one-quarter percent sales tax in Sonoma County and 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 2014 Strategic Plan (the Strategic Plan) serves as the guiding policy and programming document for the implementation of Measure M projects. It covers a five year period and is updated periodically in order to reflect the actual revenues received.

According to the Strategic Plan, the Measure M sales tax revenues are to be allocated as follows:

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

There is an overall limitation of 1% of Measure M sales tax revenues for administrative expenses.

Note J. 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. SCTA is covered for general, automobile, crime and errors and omissions liability through Alliant Insurance Services. Limits of this 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 K. Employees' Retirement Plan

Plan Description

SCTA contributes to the County's cost sharing multiple-employer defined benefit pension plan (the Plan) that is administered by the Sonoma County Employees' Retirement Association (SCERA), a public employee retirement system. Substantially all full-time employees of SCTA participate in this plan. The Plan provides retirement, disability, death and survivor benefits and cost-of-living adjustments to plan members and beneficiaries. All permanent employees working at least half time of a full-time position for SCTA are eligible. The Plan is governed by the California Government Code, Title 3, Division 4, Part 3, Chapter 3. The Board of Retirement has the authority to establish and amend benefit provisions and these shall then be adopted by the County Board of Supervisors.

The California Public Employees' Pension Reform Act of 2013 (PEPRA) was signed into law by Governor Jerry Brown on September 12, 2012, with an effective date of January 1, 2013. All General and Safety employees hired on or after January 1, 2013, with the exception of employees who are eligible for reciprocity with another qualified California retirement system, are part of a new tier called Plan B.

SCERA issues an annual financial report that includes financial statements and required supplementary information for the Plan which can be obtained by writing to the Sonoma County Employees' Retirement Association, 433 Aviation Blvd., Suite 100, Santa Rosa, CA 95403-1069.

The financial statements for the County of Sonoma contain additional financial information for the defined pension benefits, which is not presented here.

Funding Policy

The contribution requirements of Plan members and the County are determined by an independent actuary, approved by the SCERA Board of Retirement, and adopted by the Board of Supervisors. The contribution rates for the fiscal year ended June 30, 2017 were based on the Plan's valuation dated December 31, 2014. The contribution rates determined in each actuarial valuation take effect at the beginning of the fiscal year starting at least twelve months after the beginning of the valuation year, except when significant benefit or actuarial assumption changes occur. Plan A members are required to contribute 10.35% - 13.52% of their annual covered salary based upon the member's age at the date of entry into the system and Plan B general members are required to contribute 10.45% of their annual covered salary. The County is required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates. Employer and member contributions are funded and recognized through the County payroll system via employer benefit payments and employee deductions. For the fiscal year ended June 30, 2017, the SCTA contributed \$204,184 or approximately 17.23% of covered payroll.

Sonoma County Transportation Authority

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2017

Note K. Employees' Retirement Plan (continued)

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2017, SCTA reported a liability of \$1,259,436 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. SCTA's proportion of the net pension liability was based on a projection of the SCTA's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At December 31, 2016, SCTA's proportion was 0.32%, which represents no change from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, SCTA recognized pension expense of \$128,184. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits. At June 30, 2017, SCTA reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

Pension Liability, Pension Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pension (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,199	\$ 69,053
Changes in assumptions	124,882	-
Net difference between projected and actual earnings on retirement plan investments	265,455	-
Changes in proportion and in differences between SCTA contributions and proportionate share of contributions	41,446	5,240
SCTA contributions subsequent to the measurement date	98,782	-
	\$ 534,764	\$ 74,293

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

Sonoma County Transportation Authority

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2017

Note K. Employees' Retirement Plan (continued)

Deferred outflows of resources related to pensions resulting from SCTA contributions subsequent to the measurement date totaling \$98,782 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense (reduction of expense) as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 129,727
2019	168,151
2020	77,953
2021	(14,142)
	<u>\$ 361,689</u>

Actuarial Assumptions

The total pension liability was determined based on the December 31, 2016 actuarial valuation, using the following actuarial assumptions:

Valuation Date	December 31, 2016
Measurement Date	December 31, 2016
Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumption:	
Inflation	3.00%
Projected Salary Increase	4.00% - 9.50%
Investment Rate of Return	7.25%

Note K. Employees' Retirement Plan (continued)

Sensitivity of SCTA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of December 31, 2016, the measurement date. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates.

The following presents SCTA's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what SCTA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
SCTA's proportionate share of the net pension plan liability \$	2,288,912	\$ 1,259,436	\$ 399,239

Note L. Postemployment Benefits

Plan Description

The employees of SCTA participate in the County of Sonoma administered postemployment healthcare plan (PH Plan), a cost sharing multiple-employer defined benefit postemployment healthcare plan. On June 30, 2008, the County of Sonoma established another postemployment health benefit (OPEB) trust with the Public Agency Retirement Services (PARS) which is used to accumulate resources to fund future benefits, however it does not represent the activities of the PH Plan. In addition, the County entered into a Memorandum of Understanding (MOU) with the Retirement Association to perform retiree health benefit administrative services, although retiree healthcare eligibility is determined by the Human Resources-Risk Management Division of the County.

The County of Sonoma offers either a defined benefit or defined contribution plan. Retirees may choose one of four medical plans for either the defined benefit or defined contribution plan. Authority to establish and amend benefit provisions of the PH Plan resides with the County Board of Supervisors. For purposes of accounting and financial reporting, the PH Plan is treated as a single employer plan as the majority of the participants are employees of the County.

Participants must retire from SCTA service, be covered under a medical plan of the County at the time of retirement, and be eligible to receive a monthly pension from the Retirement Association's defined benefit pension plan at the time of retirement. Benefits are as follows:

Note L. Postemployment Benefits (continued)

Plan Description (continued)

- Employees hired prior to January 1, 1990 receive ‘retiree plus family’ coverage without any service requirements. Employees hired on or after January 1, 1990 but before January 1, 2009 (a) with ten years of service are eligible to receive subsidized ‘retiree only’ medical coverage or (b) with twenty years of service are eligible to receive subsidized ‘retiree and one dependent’ medical coverage, with the retiree bearing the full cost of premiums for covering additional dependents.
- Effective June 1, 2009, the SCTA began to phase in a contribution maximum toward the cost of the PH Plan over a five year period. Since the end of the phase-in period, the SCTA contributes the same dollar amount for retirees as it contributes for active unrepresented Administrative Management employees. The contribution level during the fiscal year ended June 30, 2017 was \$500 per month.

Retirees may enroll eligible dependents in SCTA’s offered medical plan elected by the retiree, but the retiree is responsible for all premium costs in excess of SCTA’s contribution. Effective April 1, 2007, disability retirees are subject to the same service requirements as regular retirees.

For employees hired on or after January 1, 2009, SCTA contributes to a Defined Contribution Retiree Medical Benefit Plan for each employee in the form of a deposit into a Health Reimbursement Arrangement (HRA) account. Any eligible retiree and eligible dependent(s) may enroll in a County offered medical plan, but the retiree is responsible for all costs. Upon completion of two full years of consecutive Sonoma County regular service in pay status the SCTA provides (a) an initial contribution of \$2,400 to an HRA account established in the employees name, the initial contribution of \$2,400 is based on full-time status and is prorated based on their allocated position and (b) contributes \$.58 per pay status hour, not including overtime, for each eligible employee. Once the employee has worked two full years of service and the initial contribution to their HRA account is made, there are no further service requirements and no requirement to be covered under a medical plan sponsored by the County at the time of retirement or in retirement to receive this benefit.

For employees hired before January 1, 2009, SCTA reimburses retirees for Medicare Part B premiums. The reimbursement amount has been frozen at the 2008 rate of \$96.40 per month

Note L. Postemployment Benefits (continued)

Funding Policy

The PH Plan funding policy provides for periodic contributions by SCTA. The contribution rate is determined on an annual basis and is authorized by the County Board of Supervisors.

SCTA recognizes expenditures for the cost of retiree health care benefits on a bi-weekly basis as part of the payroll process. The expenditures recognized are based upon the contribution rate which is applied to SCTA's covered payroll. The amount of supplemental health care premiums, inclusive of both the defined benefit plan and defined contribution plan, paid for fiscal years ended June 30, 2017, 2016, and 2015 were \$116,040, \$102,393 and \$256,637, respectively.

The financial statements for the County of Sonoma contain the financial information for the postemployment benefits, which is not presented here because SCTA's share cannot be separated from the whole.

Note M. Deferred Compensation

The Deferred Compensation Benefit Plans are administered through a third-party administrator. Since SCTA does not perform the investing function and has no fiduciary accountability for these plans, plan assets and any related liability to plan participants are excluded from the SCTA's financial statements. The Deferred Compensation Benefit Plan is an employer discretionary, defined contribution plan established and governed under Internal Revenue Code Sections 401(a) and 457(b). The plan is available to employee groups based on bargaining unit and job class.

Employer-only annual contributions are calculated based upon a percentage of employee compensation. For the fiscal year ended June 30, 2017 SCTA's contribution was \$10,582. SCTA offers employees an optional deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. This plan is available to substantially all employees and allows participants to defer a portion of their current income until future years, up to a maximum of \$18,000 per calendar year.

Note N. Commitments

SCTA has the following contractual commitments related to its activities as of June 30, 2017:

Activity	Outstanding Commitment Balance
Measure M	\$ 33,107,871
Transportation Fund for Clean Air (TFCA)	545,650
Transportation Improvement	27,161
Total	
	\$ 33,680,682

Note O. Future Governmental Accounting Standards

GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

Effective for fiscal years beginning after June 15, 2017, This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

GASB Statement No. 83, Certain Asset Retirement Obligations

Effective for reporting periods beginning after June 15, 2018, this Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.

GASB Statement No. 85, Omnibus 2017

Effective for reporting periods beginning after June 15, 2017, the objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Note O. Future Governmental Accounting Standards (continued)

GASB Statement No. 86, Certain Debt Extinguishment Issues

Effective for reporting periods beginning after June 15, 2017, the primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

GASB Statement No. 87, Leases

Effective for reporting periods beginning after December 15, 2019, the objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

The impact on the basic financial statements of SCTA of these pronouncements which have not yet been adopted is unknown at this time.

Required Supplementary Information

Sonoma County Transportation Authority

**Schedule of SCTA's Proportionate Share of the Net Pension Liability and
and Schedule of SCTA's Contributions**

For the Fiscal Year Ended June 30, 2017

Sonoma County Employee Retirement Association - Schedule of SCTA's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years *

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
SCTA's proportion of the net pension liability	0.32%	0.32%	0.31%	0.32%
SCTA's proportionate share of the net pension liability	\$ 1,259,436	\$ 1,309,554	\$ 672,050	\$ 779,172
SCTA's covered employee payroll	\$ 1,185,073	\$ 1,099,977	\$ 1,007,787	\$ 1,030,693
SCTA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	106.27%	119.05%	66.69%	75.60%
Plan fiduciary net position as a percentage of the total pension liability	85.92%	84.63%	90.88%	89.76%

Sonoma County Employee Retirement Association - Schedule of SCTA's Contributions

Last 10 Fiscal Years *

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Actuarially determined contribution	\$ 204,184	\$ 217,823	\$ 185,083
Contributions in relation to the actuarially determined contributions	204,184	217,823	185,083
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SCTA's covered-employee payroll	\$ 1,185,073	\$ 1,099,977	\$ 1,007,787
Contributions as a percentage of covered-employee payroll	17.23%	19.80%	18.37%

* Amounts presented above were determined as of December 31st (the pension liability measurement date). Additional years will be presented as they become available.

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 1,887,732	\$ 1,959,337	\$ 1,796,570	\$ (162,767)
Investment income	-	1,000	1,795	795
Other	2,500	2,500	3,288	788
Total revenues	<u>1,890,232</u>	<u>1,962,837</u>	<u>1,801,653</u>	<u>(161,184)</u>
Expenditures				
Current				
Salaries and benefits	1,404,442	1,367,442	1,323,761	43,681
Services and supplies	597,321	620,821	404,372	216,449
Contributions to other governments	-	50,000	17,976	32,024
Total expenditures	<u>2,001,763</u>	<u>2,038,263</u>	<u>1,746,109</u>	<u>292,154</u>
Net change in fund balance	<u>(111,531)</u>	<u>(75,426)</u>	<u>55,544</u>	<u>130,970</u>
Fund Balance at June 30, 2016	<u>737,480</u>	<u>737,480</u>	<u>737,480</u>	<u>-</u>
Fund Balance at June 30, 2017	<u>\$ 625,949</u>	<u>\$ 662,054</u>	<u>\$ 793,024</u>	<u>\$ 130,970</u>

See accompanying Note to Required Supplementary Information.

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, 2017

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenue	\$ 608,412	\$ 608,412	\$ 631,936	\$ 23,524
Investment income	5,630	5,630	3,321	(2,309)
Total revenues	<u>614,042</u>	<u>614,042</u>	<u>635,257</u>	<u>21,215</u>
Expenditures				
Current:				
Administration	29,650	29,651	29,646	5
Contributions to other governments	978,156	977,984	427,496	550,488
Total expenditures	<u>1,007,806</u>	<u>1,007,635</u>	<u>457,142</u>	<u>550,493</u>
Net change in fund balance	<u>(393,764)</u>	<u>(393,593)</u>	<u>178,115</u>	<u>571,708</u>
Fund Balance at June 30, 2016	<u>506,992</u>	<u>506,992</u>	<u>506,992</u>	<u>-</u>
Fund Balance at June 30, 2017	<u>\$ 113,228</u>	<u>\$ 113,399</u>	<u>\$ 685,107</u>	<u>\$ 571,708</u>

See accompanying Note to Required Supplementary Information.

Sonoma County Transportation Authority

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

For the Fiscal Year Ended June 30, 2017

	Total Measure M		Actual Amounts			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Special Revenue	Debt Service	Total Measure M	
	Original	Final				
Revenues						
Sales tax revenue	\$ 22,164,278	\$ 22,207,870	\$ 14,396,795	\$ 8,648,075	\$ 23,044,870	\$ 837,000
Intergovernmental revenue	1,043,000	1,418,000	1,308,761	-	1,308,761	(109,239)
Investment income (loss)	131,000	252,116	250,235	(9,236)	240,999	(11,117)
Other	500	500	310	-	310	(190)
Total revenues	23,338,778	23,878,486	15,956,101	8,638,839	24,594,940	716,454
Expenditures						
Current:						
Services and supplies	4,670,510	4,686,660	1,602,109	-	1,602,109	3,084,551
Contributions to other governments	19,558,833	22,381,526	8,237,671	-	8,237,671	14,143,855
Debt service:						
Principal	6,135,000	6,139,000	-	6,135,000	6,135,000	4,000
Interest	3,028,413	3,034,413	18,987	3,011,412	3,030,399	4,014
Total expenditures	33,392,756	36,241,599	9,858,767	9,146,412	19,005,179	17,236,420
Other Financing Sources						
Transfers in	32,559	-	-	-	-	-
Transfers out	(32,559)	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-
Net change in fund balance	(10,053,978)	(12,363,113)	6,097,334	(507,573)	5,589,761	17,952,874
Fund Balance at June 30, 2016	51,069,629	51,069,629	41,739,407	9,330,222	51,069,629	-
Fund Balance at June 30, 2017	\$ 41,015,651	\$ 38,706,516	\$ 47,836,741	\$ 8,822,649	\$ 56,659,390	\$ 17,952,874

See accompanying Note to Required Supplementary Information.

Note 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. Budgets are adopted on a basis consistent with generally accepted accounting principles. SCTA budgetary information was amended during the year by the Board of Directors.

Supplementary Information

Sonoma County Transportation Authority

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation			
California Department of Transportation Highway Planning and Construction (Federal-Aid Highway Program)	20.205	HPLUL-6364(015)	\$ 523,692
California Department of Transportation Highway Planning and Construction (Federal-Aid Highway Program)	20.205	CMNI-6364(018)	4,234
Metropolitan Transportation Commission Highway Planning and Construction (Federal-Aid Highway Program)	20.205	STPL-6084(175)	766,910
Metropolitan Transportation Commission Highway Planning and Construction (Federal-Aid Highway Program)	20.205	STPLNI-6084(199)	23,573
Metropolitan Transportation Commission Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	74A0814	1,603
Total U.S. Department of Transportation			1,320,012
Total expenditures of federal awards			\$ 1,320,012

See accompanying Notes to Schedule of Expenditures of Federal Awards.

Note A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards the Schedule includes the federal grant activity of the Sonoma County Transportation Authority (SCTA) under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of SCTA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of SCTA.

Note B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded when incurred, regardless of the timing of the related cash flow. Such expenditures are recognized following, where applicable, either the cost principles contained in the Uniform Guidance or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note C. Indirect Cost Rate

SCTA has elected not to use the 10% de minimis cost rate as allowed under the Uniform Guidance.

Note D. Pass Through Funding

SCTA did not provide pass through funding to sub recipients during the fiscal year ended June 30, 2017.

Sonoma County Transportation Authority

Roster of Board Members

For the Fiscal Year Ended June 30, 2017

The following is a roster of the Sonoma County Transportation Authority Board of Directors and the Executive Director at June 30, 2017.

Board of Directors	Agency
David Rabbitt, Chair	County of Sonoma
Carol Russell, Vice Chair	City of Cloverdale
Mark Landman	City of Cotati
Brigette Mansell	City of Healdsburg
Kathy Miller	City of Petaluma
Jake Mackenzie	City of Rohnert Park
Chris Coursey	City of Santa Rosa
Sarah Gurney	City of Sebastopol
Madolyn Agrimonti	City of Sonoma
Susan Gorin	County of Sonoma
Shirlee Zane	County of Sonoma
Sam Salmon	Town of Windsor
Alternate Joe Palla	City of Cloverdale
Alternate Susan Harvey	City of Cotati
Alternate Joe Naujokas	City of Healdsburg
Alternate Chris Albertson	City of Petaluma
Alternate Gina Belforte	City of Rohnert Park
Alternate Julie Combs	City of Santa Rosa
Alternate Michael Carnnachi	City of Sebastopol
Alternate Rachel Hundley	City of Sonoma
Alternate Bruce Okrepkie	Town of Windsor
Executive Director	
Suzanne Smith	Executive Director



**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***

Independent Auditor's Report

Board of Directors
Sonoma County Transportation Authority
Santa Rosa, California

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Sonoma County Transportation Authority ("SCTA"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise SCTA's basic financial statements, and have issued our report thereon dated November 28, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SCTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SCTA's internal control. Accordingly, we do not express an opinion on the effectiveness of SCTA's internal control.

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 SCTA's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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)

Independent Auditor's Report (continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SCTA's financial statements are free of material misstatement, we performed tests of its 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SCTA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Perenti & Brinku LLP

Santa Rosa, California
November 28, 2017



**Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditor's Report

Board of Directors
Sonoma County Transportation Authority
Santa Rosa, California

Report on Compliance for Each Major Federal Program

We have audited the Sonoma County Transportation Authority's ("SCTA") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SCTA's major federal programs for the year ended June 30, 2017. SCTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SCTA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes 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 audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of SCTA's compliance.

Opinion on Each Major Federal Program

In our opinion, SCTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance (continued)**

Independent Auditor's Report (continued)

Report on Internal Control Over Compliance

Management of SCTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SCTA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SCTA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Perenti & Brink LLP

Santa Rosa, California
November 28, 2017

I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statement audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No
 Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No
 Significant deficiencies identified? None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

Federal CFDA Number	Federal Program Name
20.205	Highway Planning and Construction (Federal-Aid Highway Program)

Dollar threshold used to distinguish between type A and type B program: \$750,000

Auditee qualified as low-risk auditee? Yes

II. Financial Statement Findings

No matters are reportable

III. Federal Award Findings and Questioned Costs

No matters are reportable

No matters were reported in the prior year.