



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

**For the Fiscal Year Ended June 30, 2017**

**Sonoma County Transportation Authority  
Measure M Special Revenue and Debt Service Funds  
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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 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, 2017, and the related notes to the financial statements, which collectively comprise the Measure M Funds' financial statements 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.

## **Independent Auditor's Report** (continued)

### ***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, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

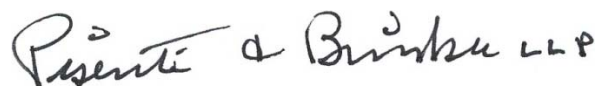
Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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.

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.

### **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 the Measure M Funds' 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. Those reports are integral parts of the 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

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

Balance Sheets - by Activity

June 30, 2017

	Measure M Special Revenue Activities							Special Revenue Sub-Total	Measure M Debt Service		Debt Service Sub-Total	Total
	Local Street - Rehabilitation	Local Street - Projects	Highway 101	Transit	Passenger Rail	Bike/ Pedestrian	Administration		Passenger Rail	Highway 101		
<b>Assets</b>												
Cash and investments	\$ 603,714	\$ 20,294,530	\$ 23,655,255	\$ 252,840	\$ 48,299	\$ 1,160,673	\$ 439,638	\$ 46,454,949	\$ -	\$ -	\$ -	46,454,949
Sales tax receivable	727,400	727,400	134,289	363,700	57,596	145,480	36,370	2,192,235	124,254	1,320,511	1,444,765	3,637,000
Prepaid expenses	-	-	-	-	-	-	9,179	9,179	-	-	-	9,179
Due from other governments	-	-	510,627	-	-	-	17	510,644	-	-	-	510,644
Interfund receivable	-	1,450,000	-	-	-	-	-	1,450,000	-	-	-	1,450,000
Restricted cash - revenue bond reserves	-	-	-	-	-	-	-	-	627,456	1,882,366	2,509,822	2,509,822
Restricted cash - debt service	-	-	-	-	-	-	-	-	325,877	4,542,185	4,868,062	4,868,062
<b>Total assets</b>	<b>\$ 1,331,114</b>	<b>\$ 22,471,930</b>	<b>\$ 24,300,171</b>	<b>\$ 616,540</b>	<b>\$ 105,895</b>	<b>\$ 1,306,153</b>	<b>\$ 485,204</b>	<b>\$ 50,617,007</b>	<b>\$ 1,077,587</b>	<b>\$ 7,745,062</b>	<b>\$ 8,822,649</b>	<b>\$ 59,439,656</b>
<b>Liabilities and fund balance</b>												
<b>Liabilities</b>												
Accounts payable	\$ 606,098	\$ 54,326	\$ 111,589	\$ 254,034	\$ -	\$ 37,845	\$ 254	\$ 1,064,146	\$ -	\$ -	\$ -	1,064,146
Retention payable	-	78,476	-	-	-	-	-	78,476	-	-	-	78,476
Interfund payable	-	-	-	-	1,450,000	-	-	1,450,000	-	-	-	1,450,000
Due to other governments	-	15,860	40,580	-	-	131,204	-	187,644	-	-	-	187,644
<b>Total liabilities</b>	<b>606,098</b>	<b>148,662</b>	<b>152,169</b>	<b>254,034</b>	<b>1,450,000</b>	<b>169,049</b>	<b>254</b>	<b>2,780,266</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,780,266</b>
<b>Fund Balance</b>												
Nonspendable	-	1,450,000	-	-	-	-	9,179	1,459,179	-	-	-	1,459,179
Restricted - Measure M Debt Service	-	-	-	-	-	-	-	-	1,077,587	7,745,062	8,822,649	8,822,649
Restricted - Measure M Programs	725,016	20,873,268	24,148,002	362,506	(1,344,105)	1,137,104	475,771	46,377,562	-	-	-	46,377,562
<b>Total fund balance (deficit)</b>	<b>725,016</b>	<b>22,323,268</b>	<b>24,148,002</b>	<b>362,506</b>	<b>(1,344,105)</b>	<b>1,137,104</b>	<b>484,950</b>	<b>47,836,741</b>	<b>1,077,587</b>	<b>7,745,062</b>	<b>8,822,649</b>	<b>56,659,390</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,331,114</b>	<b>\$ 22,471,930</b>	<b>\$ 24,300,171</b>	<b>\$ 616,540</b>	<b>\$ 105,895</b>	<b>\$ 1,306,153</b>	<b>\$ 485,204</b>	<b>\$ 50,617,007</b>	<b>\$ 1,077,587</b>	<b>\$ 7,745,062</b>	<b>\$ 8,822,649</b>	<b>\$ 59,439,656</b>

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

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

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

For Fiscal Year Ended June 30, 2017

	Measure M Special Revenue Activities							Special Revenue Sub-Total	Measure M Debt Service		Debt Service Sub-Total	Total
	Local Street - Rehabilitation	Local Street - Projects	Highway 101	Transit	Passenger Rail	Bike/ Pedestrian	Administration		Passenger Rail	Highway 101		
<b>Revenues</b>												
Measure M sales tax	\$ 4,608,974	\$ 4,608,974	\$ 1,315,754	\$ 2,304,487	\$ 406,362	\$ 921,795	\$ 230,449	\$ 14,396,795	\$ 745,881	\$ 7,902,194	\$ 8,648,075	\$ 23,044,870
Intergovernmental revenue	-	-	1,308,761	-	-	-	-	1,308,761	-	-	-	1,308,761
Investment income (loss)	3,722	102,714	130,268	1,786	6,520	3,532	1,693	250,235	(3,417)	(5,819)	(9,236)	240,999
Miscellaneous revenue	-	-	-	-	-	-	310	310	-	-	-	310
<b>Total revenue</b>	<b>4,612,696</b>	<b>4,711,688</b>	<b>2,754,783</b>	<b>2,306,273</b>	<b>412,882</b>	<b>925,327</b>	<b>232,452</b>	<b>15,956,101</b>	<b>742,464</b>	<b>7,896,375</b>	<b>8,638,839</b>	<b>24,594,940</b>
<b>Expenditures</b>												
Current:												
Services and supplies	33	386,281	1,072,893	16	352	7	142,527	1,602,109	-	-	-	1,602,109
Contributions to other governments	4,597,976	578,086	403,538	2,298,907	-	359,164	-	8,237,671	-	-	-	8,237,671
Debt Service:												
Interest	-	-	-	-	18,987	-	-	18,987	230,615	2,780,797	3,011,412	3,030,399
Principal	-	-	-	-	-	-	-	-	503,750	5,631,250	6,135,000	6,135,000
<b>Total expenditures</b>	<b>4,598,009</b>	<b>964,367</b>	<b>1,476,431</b>	<b>2,298,923</b>	<b>19,339</b>	<b>359,171</b>	<b>142,527</b>	<b>9,858,767</b>	<b>734,365</b>	<b>8,412,047</b>	<b>9,146,412</b>	<b>19,005,179</b>
Net change in fund balance	14,687	3,747,321	1,278,352	7,350	393,543	566,156	89,925	6,097,334	8,099	(515,672)	(507,573)	5,589,761
<b>Fund balance at June 30, 2016</b>	<b>710,329</b>	<b>18,575,947</b>	<b>22,869,650</b>	<b>355,156</b>	<b>(1,737,648)</b>	<b>570,948</b>	<b>395,025</b>	<b>41,739,407</b>	<b>1,069,488</b>	<b>8,260,734</b>	<b>9,330,222</b>	<b>51,069,629</b>
<b>Fund balance at June 30, 2017</b>	<b>\$ 725,016</b>	<b>\$ 22,323,268</b>	<b>\$ 24,148,002</b>	<b>\$ 362,506</b>	<b>\$ (1,344,105)</b>	<b>\$ 1,137,104</b>	<b>\$ 484,950</b>	<b>\$ 47,836,741</b>	<b>\$ 1,077,587</b>	<b>\$ 7,745,062</b>	<b>\$ 8,822,649</b>	<b>\$ 56,659,390</b>

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

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

**Notes to the Financial Statements**

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**For the Fiscal Year Ended June 30, 2017**

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**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 2017 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 periodically in order to reflect the actual revenues received.

The Measure M 2017 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-Marin 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.

- 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.

*Cash and Investments*

The Measure M Funds report cash and investments in the balance sheet by activity in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools" and GASB Statement No. 72, "Fair Value Measurement and Application".



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

**Notes to the Financial Statements**

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**For the Fiscal Year Ended June 30, 2017**

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**Note B. Summary of Significant Accounting Policies (continued)**

*Cash and Investments (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 and 2015, to be used for Measure M activities and bond reserve requirements for the Series 2011 and 2015 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 \$541,160 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).

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**

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**For the Fiscal Year Ended June 30, 2017**

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**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, 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, 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**

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**For the Fiscal Year Ended June 30, 2017**

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**Note C. Cash and Investments (continued)**

*Fair Value Measurements*

Measure M 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. Measure M has the fair value measurements as of June 30, 2017:

- Investment in Money Market Mutual Funds which are valued using quoted prices in active markets (Level 1).
- Investment in the Sonoma County Treasury Pool which is valued using significant other observable inputs (Level 2).

**Note D. Measure M 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.

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

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

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

Debt service payments made from the Measure M Fund were \$9,165,399 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 \$3,030,399 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
<b>Total requirements</b>	<b>\$ 19,815,000</b>	<b>\$ 3,667,855</b>	<b>\$ 23,482,855</b>

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
<b>Total requirements</b>	<b>\$ 40,955,000</b>	<b>\$ 8,726,375</b>	<b>\$ 49,681,375</b>

Debt service payments for the 2011 and 2015 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, 2017**

**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. Interfund Balance**

Measure M entered into a cooperative funding agreement in order to provide an inter-program loan from the Local Street Projects fund to the Passenger Rail fund. The purpose of the interfund loan was to provide reimbursement for the Sonoma-Marín Area Rail Transit project in advance of receipt of the sales tax revenue allocation for rail as allowed by the Strategic Plan.

Interfund Balance:

Receivable Fund	Payable Fund	Amount
Local Streets - Projects	Passenger Rail	\$ 1,450,000

**Note G. Commitments**

The Measure M Special Revenue Fund has the following outstanding commitments related to its programs as of June 30, 2017:

Project	Outstanding Commitment Balance
Highway 101	\$ 8,002,393
Local Streets - Projects	22,190,095
Bicycle and Pedestrian	2,471,539
Passenger Rail	443,844
Total	\$ 33,107,871

**Required Supplementary Information**

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

**Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budgets and Actual - Special Revenue & Debt Service Funds**

**For the Fiscal Year Ended June 30, 2017**

	Total Measure M Budgeted Amounts		Actual Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Special Revenue	Debt Service	Total Measure M	
<b>Revenues</b>						
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	<u>23,338,778</u>	<u>23,878,486</u>	<u>15,956,101</u>	<u>8,638,839</u>	<u>24,594,940</u>	<u>716,454</u>
<b>Expenditures</b>						
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)
Advances	-	-	-	-	-	-
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	<u>33,392,756</u>	<u>36,241,599</u>	<u>9,858,767</u>	<u>9,146,412</u>	<u>19,005,179</u>	<u>(17,236,420)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	32,559	-	-	-	-	-
Transfers out	(32,559)	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(10,053,978)</u>	<u>(12,363,113)</u>	<u>6,097,334</u>	<u>(507,573)</u>	<u>5,589,761</u>	<u>17,952,874</u>
<b>Fund Balance at June 30, 2016</b>	<u>51,069,629</u>	<u>51,069,629</u>	<u>41,739,407</u>	<u>9,330,222</u>	<u>51,069,629</u>	<u>-</u>
<b>Fund Balance at June 30, 2017</b>	<u>\$ 41,015,651</u>	<u>\$ 38,706,516</u>	<u>\$ 47,836,741</u>	<u>\$ 8,822,649</u>	<u>\$ 56,659,390</u>	<u>\$ 17,952,874</u>

The note to budgetary comparison information is an integral part of this statement.

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

**Note to Budgetary Comparison Information**

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**For the Fiscal Year Ended June 30, 2017**

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**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 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***

**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 and 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 activities of the Measure M Special Revenue and Debt Service Funds (the "Measure M Funds") of the Sonoma County Transportation Authority ("SCTA") which comprise the balance sheets – by activity as of June 30, 2017, the related statements of revenues, expenditures and changes in fund balance – by activity for the year then ended, and the notes to the financials 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 the Measure M Funds' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Measure M Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the Measure M Funds' 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 the Measure M Funds' 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 the Measure M Funds' 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 the Measure M Funds' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Measure M Funds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Presenti & Brink LLP". The signature is written in a cursive, flowing style.

Santa Rosa, California  
November 28, 2017