

*Sonoma County  
Transportation Authority –  
Measure M*

*Report to the Citizens  
Advisory Committee  
October 29, 2018*



**PISENTI & BRINKER** LLP  
Certified Public Accountants & Advisors

An independently owned member  
**RSM US Alliance**



# Pisenti & Brinker Background

2018 Audit Team:

- Brett Bradford – Partner
- Greg Fontana – Concurring Reviewer
- Kellin Gilbert – Audit Manager
- Jenna Blanchard – Audit Supervisor

# Audit of the Year Ended June 30, 2018

## Financial Statements

### Relative Roles & Responsibilities

- **Management** is responsible for preparing the Financial Statements and establishing a system of internal control
- **Auditor** is responsible for auditing the Financial Statements
  - Considering risks of material misstatement in the Financial Statements – Inherent risk
  - Considering internal controls relevant to the Financial Statements – Control risk
  - Performing tests of year-end balances based on risk assessment
  - Evaluating adequacy of disclosures

# Risk Assessment Process - What We Considered

- Guidance from authoritative bodies (AICPA, GASB)
- Internal factors
  - Expertise of accounting staff, employee turnover, etc.
  - Susceptibility of account balances to error based on complexity and volume of underlying transactions
- External factors
  - Macroeconomic – level of sales tax or other local support
  - Regulatory environment – any new compliance requirements

# Risk Assessment Results for Year Ended June 30, 2018 Audit

- Significant areas of focus
  - Compliance with Strategic Plan
  - Revenue Recognition and related receivables – Measure M Sales Tax
  - Revenue Bonds – Compliance with bond indentures and adequacy of the financial statement disclosures
  - Cash and Investments – Valuation and Disclosure
  - Financial Statement Note Disclosure – Complete and without bias

## Focus of the 2018 Audit

Significant areas of focus:	Percent of effort
○ Cash & investments	10%
○ Compliance	30%
○ Revenue recognition and accounts receivable	25%
○ Accounts payable and other liabilities	10%
○ Financial statement presentation and disclosure	20%

# Measure M Compliance Testing

- **Areas tested for compliance with Measure M include:**
  - Sales tax revenue allocation to Measure M Activities in compliance with the Strategic Plan
  - Expenditures are in accordance with the Strategic Plan and consistent with the Measure M Activity
  - Measure M Bond activity compliance:
    - Timely bond payments
    - Maintenance of debt service reserve
    - Segregation and use of debt proceeds

# Audit of the Year Ended June 30, 2018 Financial Statements

- Audit is almost complete at this point in time
- We expect to report:
  - Unqualified opinion – financial statements are materially accurate
  - Compliance with Measure M – one instance of material non-compliance noted



# Material Non-Compliance

- We identified one instance of material non-compliance
  - The allocation of Measure M Funds for the Local Street Rehabilitation program was miscalculated.
  - The miscalculation resulted in nine jurisdictions receiving additional funding and the County of Sonoma was underfunded.

# Material Weakness in Internal controls

- The material non-compliance was a result of a material weakness in internal control over the allocation of Local Street Rehabilitation funds.
- Management has adopted additional internal controls over allocations as a result of this finding.

# Reporting

- The material weakness in internal control is discussed in our report on compliance for an audit performed in accordance with *Government Auditing Standards*.
- The material non-compliance is reported in the Schedule of Findings and Responses.
- Management's response to our finding is discussed in the Corrective Action Plan.

# Audit of the Year Ended June 30, 2018 Financial Statements

During the performance of our audit we did not encounter any:

- Fraud
- Illegal acts
- Disagreements with management
- Significant or unusual transactions

# Audit of the Year Ended June 30, 2018

## Financial Statements

### **Required Communications with those charged with governance:**

- One material audit adjustment have been identified at this time.
  - A receivable and an advancement has been recorded related to the non-compliance discussed earlier.
- Measure M did not adopt any significant new accounting policies nor were there any changes in existing significant accounting policies during the year.

## Other required communications with those charged with governance

- There were no disagreements with management concerning the scope of our audit, the application of accounting principles, or the basis for management's judgments on any significant matters.
- No alternative treatments of accounting principles for material items in the financial statements were discussed with management.
- We did not encounter any difficulties in dealing with management during the course of our audit.

# Questions?

- Brett Bradford: 707-577-1582
- Kellin Gilbert: 707-577-1511