



SONOMA COUNTY TRANSPORTATION AUTHORITY

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

**For the Fiscal Year Ended June 30, 2019**

**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, 2019, 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, 2019, 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 20, 2019, on our consideration of SCTA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 effectiveness of SCTA's 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 20, 2019

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, 2019.

### Financial highlights

- The assets and deferred outflows of resources of SCTA were more than liabilities and deferred inflows of resources at June 30, 2019 by approximately \$3 million.
- SCTA's total net position increased by \$5.3 million from June 30, 2018 to June 30, 2019. This increase was primarily due to continued growth in sales tax revenues (increased 8.1% to \$26.8 million from the prior fiscal year) during the fiscal year ended June 30, 2019.
- At June 30, 2019 SCTA reported ending total fund balances of \$55.4 million, a decrease of \$2.2 million in comparison with the June 30, 2018 total ending fund balances.
- Unrestricted net position for SCTA as of June 30, 2019 was a deficit of \$322,099. This is an increase of approximately \$5.2 million compared to the deficit of approximately \$5.5 million at June 30, 2018.
- As of June 30, 2019, unassigned fund balance for the general fund was \$812,374 or 42.8% of total general fund expenditures for the fiscal year ended June 30, 2019.

### 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.

**Government-wide financial analysis**

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 more than liabilities and deferred inflows of resources by approximately \$3 million at June 30, 2019 as compared to a deficit net position of approximately \$2.3 million at June 30, 2018.

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 a result of having \$50.5 million in revenue bonds outstanding.

**Condensed Statement of Net Position**

<b>June 30,</b>	<b>2018</b>	<b>2019</b>
<b>Assets</b>		
Current assets	\$ 61,174,436	\$ 59,883,244
Restricted cash	7,304,639	6,940,854
Other non-current assets	4,264	3,198
<b>Total assets</b>	<b>68,483,339</b>	<b>66,827,296</b>
Deferred outflows of resources	1,287,827	1,672,739
<b>Liabilities</b>		
Current liabilities	17,898,281	18,822,293
Total non-current liabilities	53,673,064	46,373,548
<b>Total liabilities</b>	<b>71,571,345</b>	<b>65,195,841</b>
Deferred inflows of resources	480,199	256,204
<b>Net Position</b>		
Invested in capital assets	4,264	3,198
Restricted for TFCA	724,405	815,236
Restricted for RED	-	10,520
Restricted for Measure M debt service	2,505,726	2,541,135
Unrestricted	(5,514,773)	(322,099)
<b>Total net position</b>	<b>\$ (2,280,378)</b>	<b>\$ 3,047,990</b>

**Government-wide financial analysis (continued)**

During the fiscal year ended June 30, 2019, SCTA's net position increased by \$5.3 million to an approximate net position of \$3 million. This increase is primarily the result of continued growth in sales tax revenues.

Governmental activities increased SCTA's net position by \$5.3 million. Key elements of these activities during the fiscal year ended June 30, 2019 are identified below:

- SCTA recognized sales tax revenues for Measure M totaling \$26.8 million, which is an increase of \$2 million from the prior fiscal year. This increase is due to continuing improvements to the local economy.
- SCTA received \$1.9 million from state and federal sources towards various transportation improvement projects. The amount received increased by \$52 thousand from the prior fiscal year as a result of increased local funding partially offset by a decrease in state funds.
- SCTA expenses for transportation improvement projects totaled \$2 million, an increase of \$437 thousand from the previous year. This increase is primarily related to increased spending on the Travel Behavior Study, Transit Integrated Efficiency Study, and the Clean Commute Program.
- Measure M expenses totaled \$24.3 million, representing an increase of \$4.9 million from the previous year, due primarily to two Highway 101 projects. The expenditures were for the construction of Marin Sonoma Narrows Phase B2 Phase 2 project and preparing the Marin Sonoma Narrows C2 project for construction advertisement. Additionally, Local Street project expenses increased as compared to the prior year.

**Sonoma County Transportation Authority**

**Management's Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2019**

**Government-wide financial analysis (continued)**

**Condensed Statement of Activities**

<b>Fiscal Year ended June 30,</b>	<b>2018</b>	<b>2019</b>
<b>Revenues:</b>		
Program revenues:		
Measure M	\$ 1,632,825	\$ 2,818,561
Transportation Fund for Clean Air	638,882	660,750
Renewal Enterprise District	-	212,508
Transportation improvements	1,840,045	1,891,754
General revenues:		
Sales tax revenues	24,785,653	26,798,285
<b>Total revenues</b>	<b>28,897,405</b>	<b>32,381,858</b>
<b>Expenses:</b>		
Measure M	19,493,184	24,307,835
Transportation Fund for Clean Air	599,584	569,919
Renewal Enterprise District	-	201,988
Transportation improvements	1,738,499	1,973,748
<b>Total expenses</b>	<b>21,831,267</b>	<b>27,053,490</b>
Change in net position	7,066,138	5,328,368
Net position, beginning of year	(8,060,733)	(2,280,378)
Prior period adjustment	(1,285,783)	-
Net position, beginning of year, as restated	(9,346,516)	(2,280,378)
Net position, end of year	\$ (2,280,378)	\$ 3,047,990

**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.

**Financial analysis of SCTA's funds (continued)**

*Governmental funds (continued)*

As of June 30, 2019, SCTA's governmental funds reported ending fund balances of \$55.4 million, a decrease of \$2.2 million from June 30, 2018. SCTA had a restricted fund balance of approximately \$54.8 million as of June 30, 2019.

The general fund is the chief operating fund of SCTA. At June 30, 2019, the unassigned fund balance of the general fund was \$812 thousand.

***Budgetary Highlights***

- The SCTA general fund budget was adjusted during the fiscal year to increase appropriations for local funding, salaries and benefits, and services and supplies.
- The TFCA budget was adjusted to reflect the budgeted encumbrances outstanding as of June 30, 2019.
- The RED fund was established during the fiscal year, and budget was subsequently added for intergovernmental revenue, investment income, contributions to other governments and services and supplies.
- Measure M budgets were adjusted during the fiscal year for projected sales tax revenues, investment income, contributions to other governments and services and supplies.

***Debt Administration***

As of June 30, 2019, SCTA had long-term liabilities of \$53.4 million, a decrease of \$7 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. The net other employment benefits liability decreased by \$317,106 primarily as a result of the change in actuarial assumptions.

Year ended June 30,	2018	2019
Sales Tax Revenue Bond, Series 2011, including unamortized premium	\$ 18,180,150	\$ 15,859,326
Sales Tax Revenue Bond, Series 2015, including unamortized premium	40,367,743	34,928,187
Net other employment benefits liability	1,282,277	965,171
Net pension liability	527,894	1,635,864
<b>Total long-term liabilities</b>	<b>\$ 60,358,064</b>	<b>\$ 53,388,548</b>

Additional information on SCTA's long-term liabilities can be found in Note F 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, 2018 and the California Department of Tax and Fee Administration (CDTFA) 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.

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, 411 King Street, Santa Rosa, CA 95404.

## **Government-Wide Financial Statements**

Sonoma County Transportation Authority

Statement of Net Position

June 30, 2019

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 54,610,881
Sales tax receivable	4,356,163
Due from other governments	897,923
Pre-paid expense	18,277
Non-current assets:	
Restricted cash and investments:	
Revenue bonds debt service fund	4,399,719
Revenue bonds reserve fund	2,541,135
Capital assets - equipment, net	3,198
Total assets	66,827,296
<b>Deferred outflows of resources</b>	
Deferred other postemployment benefits	131,601
Deferred pension	697,057
Deferred charge on refunding	844,081
Total deferred outflows of resources	1,672,739
<b>Liabilities</b>	
Accounts payable	2,475,878
Due to other governments	167,902
Retention payable	50,864
Unearned revenue	8,713,063
Interest payable	192,486
Bonds payable, current	7,015,000
Compensated absences payable	207,100
Noncurrent liabilities:	
Bonds payable	43,772,513
Net other postemployment benefits liability	965,171
Net pension liability	1,635,864
Total liabilities	65,195,841
<b>Deferred inflows of resources</b>	
Deferred other postemployment benefits	241,336
Deferred pensions	14,868
Total deferred inflows of resources	256,204
<b>Net Position</b>	
Net investment in capital assets	3,198
Restricted for:	
Transportation Fund for Clean Air (TFCA)	815,236
Renewal Enterprise District (RED)	10,520
Measure M debt service	2,541,135
Unrestricted	(322,099)
Total net position	\$ 3,047,990

**Sonoma County Transportation Authority**

**Statement of Activities**

**For the Fiscal Year Ended June 30, 2019**

Functions / Programs	Expenses	<u>Program Revenues</u> Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position
<b>Governmental activities:</b>			
Measure M	\$ 24,307,835	\$ 2,818,561	\$ (21,489,274)
Transportation fund for clean air (TFCA)	569,919	660,750	90,831
Renewal Enterprise District (RED)	201,988	212,508	10,520
Transportation improvement	1,973,748	1,891,754	(81,994)
Total governmental activities	\$ 27,053,490	\$ 5,583,573	(21,469,917)
<b>General revenues:</b>			
Sales tax revenue			26,798,285
Total general revenues			26,798,285
Change in net position			5,328,368
<b>Net position - beginning of year</b>			(2,280,378)
<b>Net position - end of year</b>			\$ 3,047,990

## **Fund Financial Statements**

Sonoma County Transportation Authority

**Balance Sheet - Governmental Funds**

**June 30, 2019**

	General	TFCAspecial Revenue	REDSpecial Revenue	Measure M Special Revenue	Measure M Debt Service	Total Governmental Funds
<b>Assets</b>						
Cash and investments	\$ 1,716,916	\$ 1,009,282	\$ 315,052	\$ 51,569,631	\$ -	\$ 54,610,881
Sales tax receivable	-	-	-	2,802,024	1,554,139	4,356,163
Deposits with others	-	-	-	-	-	-
Prepaid expense	5,233	-	-	13,044	-	18,277
Due from other governments	566,502	-	-	331,421	-	897,923
Restricted cash - revenue bond reserve	-	-	-	-	2,541,135	2,541,135
Restricted cash - debt service	-	-	-	-	4,399,719	4,399,719
<b>Total assets</b>	<b>\$ 2,288,651</b>	<b>\$ 1,009,282</b>	<b>\$ 315,052</b>	<b>\$ 54,716,120</b>	<b>\$ 8,494,993</b>	<b>\$ 66,824,098</b>
<b>Liabilities and fund balances</b>						
Liabilities:						
Accounts payable	\$ 55,993	\$ 194,046	\$ -	\$ 2,225,839	\$ -	\$ 2,475,878
Due to other governments	-	-	6,520	161,382	-	167,902
Unearned revenue	1,415,051	-	298,012	7,000,000	-	8,713,063
Retention payable	-	-	-	50,864	-	50,864
<b>Total liabilities</b>	<b>1,471,044</b>	<b>194,046</b>	<b>304,532</b>	<b>9,438,085</b>	<b>-</b>	<b>11,407,707</b>
Fund balances:						
Nonspendable	5,233	-	-	13,044	-	18,277
Restricted	-	815,236	10,520	45,523,209	8,494,993	54,843,958
Unassigned	812,374	-	-	(258,218)	-	554,156
<b>Total fund balances</b>	<b>817,607</b>	<b>815,236</b>	<b>10,520</b>	<b>45,278,035</b>	<b>8,494,993</b>	<b>55,416,391</b>
<b>Total liabilities and fund balance</b>	<b>\$ 2,288,651</b>	<b>\$ 1,009,282</b>	<b>\$ 315,052</b>	<b>\$ 54,716,120</b>	<b>\$ 8,494,993</b>	<b>\$ 66,824,098</b>

**Sonoma County Transportation Authority**

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

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**June 30, 2019**

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Total fund balances - governmental funds	\$ 55,416,391
Total net position reported in the statement of net position is different because:	
Certain amounts are not available to pay current period expenditures and, therefore, are not reported in the governmental funds:	
Deferred outflows of resources	1,672,739
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the governmental funds:	
Capital assets - equipment, net	3,198
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	(50,787,513)
Accrued interest payable	(192,486)
Compensated absences payable	(207,100)
Other postemployment benefits liability	(965,171)
Pension liability	(1,635,864)
Deferred inflows of resources reported in the statement of net position	(256,204)
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Total net position	\$ 3,047,990
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**Sonoma County Transportation Authority**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Governmental Funds**

**For the Fiscal Year Ended June 30, 2019**

	General	TFCA Special Revenue	RED Special Revenue	Measure M Special Revenue	Measure M Debt Service	Total Governmental Funds
<b>Revenues</b>						
Sales tax	\$ -	\$ -	\$ -	\$ 18,118,291	\$ 8,679,994	\$ 26,798,285
Intergovernmental	1,669,620	629,355	-	758,978	-	3,057,953
Investment income	55,543	31,395	10,520	1,949,408	110,175	2,157,041
Contributions	-	-	201,988	-	-	201,988
Miscellaneous	166,591	-	-	-	-	166,591
<b>Total revenues</b>	<b>1,891,754</b>	<b>660,750</b>	<b>212,508</b>	<b>20,826,677</b>	<b>8,790,169</b>	<b>32,381,858</b>
<b>Expenditures</b>						
Current:						
Salaries and employee benefits	1,241,132	-	-	-	-	1,241,132
Services and supplies	656,674	-	148,315	3,351,450	-	4,156,439
Administration	-	39,680	-	-	-	39,680
Contributions to other governments	-	530,239	53,673	19,431,454	-	20,015,366
Debt service:						
Principal	-	-	-	-	6,685,000	6,685,000
Interest	-	-	-	19,645	2,466,013	2,485,658
<b>Total expenditures</b>	<b>1,897,806</b>	<b>569,919</b>	<b>201,988</b>	<b>22,802,549</b>	<b>9,151,013</b>	<b>34,623,275</b>
<b>Net change in fund balances</b>	<b>(6,052)</b>	<b>90,831</b>	<b>10,520</b>	<b>(1,975,872)</b>	<b>(360,844)</b>	<b>(2,241,417)</b>
Fund balances at June 30, 2018	823,659	724,405	-	47,253,907	8,855,837	57,657,808
<b>Fund balances at June 30, 2019</b>	<b>\$ 817,607</b>	<b>\$ 815,236</b>	<b>\$ 10,520</b>	<b>\$ 45,278,035</b>	<b>\$ 8,494,993</b>	<b>\$ 55,416,391</b>

**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, 2019**

Net change in fund balances - total governmental funds \$ (2,241,417)

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 (1,066)

Repayment of debt principal is an expenditure in the governmental funds and reduces  
long term liabilities in the statement of net position 6,685,000

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 (33,601)

Change in interest payable 26,029

Change in net other postemployment benefits liability 162,411

Change in net pension liability (203,686)

Amortization of bond premiums and deferred charge on refunding 934,698

Change in net position \$ 5,328,368

**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.

SCTA reports three types of governmental funds: the General Fund, special revenue funds, and a debt service fund.

*General Fund:* This fund is established to account for resources used to finance the general services performed by SCTA. Revenues are primarily intergovernmental, including state and federal grants as well as local contributions. The fund is charged with all costs of operating SCTA for which a separate fund has not been established.

*Special Revenue Funds:* These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The major funds in this category are TFCA, RED, and Measure M.

*Transportation Fund for Clean Air (TFCA) Special Revenue Fund:* This fund is established to account for resources that are legally restricted to expenditures on transportation projects that demonstrate a positive effect on local air quality. Revenues are primarily derived from a vehicle registration surcharge applied to vehicles registered in the Bay Area Air Quality Management District.

*Renewal Enterprise District Fund (RED) Special Revenue Fund:* This fund is established to account for revenues that are restricted for expenditures related to the start-up costs of the Renewal Enterprise District joint powers authority (RED JPA). The RED JPA was formed in January 2019 to accelerate housing development in Sonoma County. SCTA is acting as fiscal agent for the RED JPA during the JPA start-up phase. Revenues are primarily derived from a foundation grant.

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

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

*Measure M Special Revenue Fund:* This fund is established to account for revenues that are legally restricted for expenditures related to specific transportation projects in Sonoma County. The projects include improvements to Highway 101, local streets, transit, bicycle, and pedestrian facilities. Revenues are primarily derived from a voter-approved local sales tax.

*Measure M Debt Service Fund:* This fund is established for the purpose of accumulating resources for the payment of principal and interest related to the 2011 and 2015 Measure M Sales Tax Revenue Bonds.

***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 J 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 \$558,560 for the year.

***Unearned Revenue***

Unearned revenue represents amounts collected before revenue recognition criteria are met.

**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.

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

***OPEB***

For purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources, deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the County's OPEB Plan and additions to/deductions from the County's OPEB Plan fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***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".

***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.

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

***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.

***Future Pronouncements***

SCTA is currently analyzing its accounting and financial reporting practices to determine the potential impact on the financial statements of the following GASB statement:

*GASB Statement No. 87, Leases*

This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019.

**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.

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

***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.

***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, 2019 was 533 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).

Sonoma County Transportation Authority

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2019

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

***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). SCTA's Level 2 investments have a fair value of \$54.6 million as of June 30, 2019.

**Note D. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2019 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	(25,365)	(1,066)	-	-	(26,431)
<b>Capital assets, net</b>	<b>\$ 4,264</b>	<b>\$ (1,066)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,198</b>

**Note E. Unearned Revenue**

As of June 30, 2019 SCTA has \$8.7 million in unearned revenue. This is comprised of a deposit of \$7 million received under a cooperative funding agreement with the City of Petaluma for the design and construction of a Highway 101 project, \$1.4 million received from the City of Rohnert Park for the Regional Traffic Mitigation project, and \$300,000 received from a foundation grant for startup costs of the Renewal Enterprise District. These amounts have been deferred, and revenue will be recognized as qualifying expenditures are incurred.

**Sonoma County Transportation Authority**

**Notes to the Basic Financial Statements**

**For the Fiscal Year ended June 30, 2019**

**Note F. Long-term Liabilities**

Long-term liability activity for the fiscal year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Sales Tax Revenue Bonds, Series 2011	\$ 17,705,000	\$ -	\$ (2,190,000)	\$ 15,515,000	\$ 2,290,000
Unamortized bond premium	475,150	-	(130,824)	344,326	-
Total 2011 Series Bonds	18,180,150	-	(2,320,824)	15,859,326	2,290,000
Sales Tax Revenue Bonds, Series 2015	36,690,000	-	(4,495,000)	32,195,000	4,725,000
Unamortized bond premium	3,677,743	-	(944,556)	2,733,187	-
Total 2015 Series Bonds	40,367,743	-	(5,439,556)	34,928,187	4,725,000
Total bonds	58,547,893	-	(7,760,380)	50,787,513	7,015,000
Net OPEB liability	1,282,277	-	(317,106)	965,171	-
Net pension liability	527,894	1,107,970	-	1,635,864	-
Total long-term liabilities	\$ 60,358,064	\$ 1,107,970	\$ (8,077,486)	\$ 53,388,548	\$ 7,015,000

**Note G. Sales Tax Revenue Bonds**

SCTA 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**

**Notes to the Basic Financial Statements**

**For the Fiscal Year ended June 30, 2019**

**Note G. Sales Tax Revenue Bonds (continued)**

Debt service payments made from the Measure M Fund were \$9,151,013, for the fiscal year ended June 30, 2019, representing 34% of the \$26,798,285 in Measure M sales tax revenue recognized during the same period. The debt service payments consisted of \$6,685,000 of principal payments on the 2011 and 2015 Bonds, and interest payments totaling \$2,466,013 for both the 2011 and 2015 Bonds.

The 2011 and 2015 Bonds have a provision that in the event of default, SCTA shall transfer all sales tax revenues held by it and the Trustee shall apply all sales tax revenues then held or thereafter received to debt payments then due on the bonds.

The annual debt service requirements to maturity for the 2011 Bonds are as follows as of June 30, 2019:

Fiscal Year Ending June 30:	Principal	Interest	Total
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	2,650,000	285,588	2,935,588
2024	2,760,000	177,388	2,937,388
2025	2,875,000	61,094	2,936,094
<b>Total requirements</b>	<b>\$ 15,515,000</b>	<b>\$ 2,094,082</b>	<b>\$ 17,609,082</b>

Future years' amortization of bond premium for the 2011 Bonds are as follows as of June 30, 2019:

Fiscal Year Ending June 30:	Premium
2020	\$ 111,515
2021	91,194
2022	69,860
2023	47,515
2024	24,242
<b>Total requirements</b>	<b>\$ 344,326</b>

**Sonoma County Transportation Authority**

**Notes to the Basic Financial Statements**

**For the Fiscal Year ended June 30, 2019**

**Note G. Sales Tax Revenue Bonds (continued)**

The annual debt service requirements to maturity for the 2015 Bonds are as follows as of June 30, 2019.

Fiscal Year Ending June 30:	Principal	Interest	Total
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	5,480,000	728,000	6,208,000
2024	5,760,000	447,000	6,207,000
2025	6,060,000	151,500	6,211,500
<b>Total requirements</b>	<b>\$ 32,195,000</b>	<b>\$ 5,063,125</b>	<b>\$ 37,258,125</b>

Future years' amortization of bond premium for the 2015 Bonds are as follows as of June 30, 2019:

Fiscal Year Ending June 30:	Premium
2020	\$ 816,209
2021	681,486
2022	539,900
2023	391,024
2024	234,559
2025	70,009
<b>Total requirements</b>	<b>\$ 2,733,187</b>

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

**Note H. Intergovernmental Revenues and Contributions**

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. Contributions represent grant revenues received from the William and Flora Hewlett Foundation.

**Note I. Due to Other Governments**

Due to other governments represents amounts owed to the city of Santa Rosa.

**Note J. 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 2019 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 K. 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. The deductible for these occurrences is \$5,000.

SCTA participates in the County of Sonoma's self-insurance program providing \$300,000 per occurrence for workers' compensation claims. The self-insurance program is accounted for in the County's Risk Management Internal Service Fund. Excess worker's compensation liability coverage is maintained through participation in the California State Association of Counties, Excess Insurance Authority (CSAC-EIA).

**Note L. 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.

**Note L. Employees' Retirement Plan (continued)**

***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, 2019 were based on the Plan's valuation dated December 31, 2018. 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 9.5% - 14.9% 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 10.5% 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, 2019, SCTA contributed \$211,771 or approximately 14.66% of covered payroll.

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

At June 30, 2019, SCTA reported a liability of \$1,635,864 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018 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, 2018, SCTA's proportion was .331% which represents an increase from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, SCTA recognized pension expense of \$415,457. 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, 2019, SCTA reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

Sonoma County Transportation Authority

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2019

**Note L. Employees' Retirement Plan (continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,167	\$ 2,408
Changes in assumptions	82,875	-
Net difference between projected and actual earnings on retirement plan investments	427,841	-
Changes in proportion and in differences between SCTA contributions and proportionate share of contributions	46,275	12,460
SCTA contributions subsequent to the measurement date	101,899	-
	\$ 697,057	\$ 14,868

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.

Deferred outflows of resources related to pensions resulting from SCTA contributions subsequent to the measurement date totaling \$101,899 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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:

Year Ended	Amount
June 30,	
2020	\$ 183,068
2021	89,680
2022	110,343
2023	197,199
Total	\$ 580,290

**Note L. Employees' Retirement Plan (continued)**

*Actuarial Assumptions*

The total pension liability was determined based on the December 31, 2018 actuarial valuation, using the following actuarial assumptions:

Valuation Date	December 31, 2018
Measurement Date	December 31, 2018
Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumption:	
Inflation	2.75%
Projected Salary Increase	3.75% - 8.75%
Investment Rate of Return	7.00%

*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 7.00% as of December 31, 2018, 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 7.00%, 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 (6.00%) or 1-percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
SCTA's proportionate share of the net pension plan liability	\$ 2,815,053	\$ 1,635,864	\$ 656,118

**Note M. Other Postemployment Benefits (OPEB)**

***Plan Description***

The County of Sonoma (County) maintains an Other Postemployment Healthcare Plan (OPEB or Plan). The Plan is a single employer defined benefit plan which is administered by the County. The authority to establish and amend benefit provisions of the Plan resides with the County Board of Supervisors. SCTA participates in the OPEB Plan.

The County established an OPEB trust with the Public Agency Retirement Services (PARS) in 2008 to accumulate resources to fund future benefit payments of the Plan. The OPEB trust is reported in the County of Sonoma's Comprehensive Annual Financial Report (CAFR) and can be found [www.sonoma-county.org](http://www.sonoma-county.org).

In accordance with a County Board of Supervisors approved salary resolution and applicable memorandum of understanding, the Plan includes unrepresented and represented employees hired prior to January 1, 2009, with at least 10 consecutive years of regular full-time paid employment. The Plan was closed to new participants on December 31, 2008.

***Benefits Provided***

Retirees and the County share in the cost of monthly premiums for medical coverage. The County contribution toward plan member premiums is a \$500 per month maximum contribution, an amount which is equal to the County's current contribution toward the cost of active, unrepresented Administrative Management employees' medical plans. Retirees may enroll eligible dependents in the County medical plan elected by the retiree, but the retiree is responsible for all premium costs in excess of the County's contribution. In the case of a Safety employee's line-of-duty death pursuant to the California labor code, dependents of the deceased employee are eligible to receive County-subsidized medical coverage. In addition to the monthly contribution, the County reimburses retirees hired prior to January 1, 2009, a fixed amount of \$96.40 per month for Medicare Part B premiums.

***Contributions***

The OPEB Plan funding policy provides for periodic contributions by the County. The contribution rate as a percentage of covered payroll is 8.8%, and is authorized annually by the County Board of Supervisors to finance the costs of benefits for plan members, with an additional amount to finance the unfunded accrued liability. Contributions to the OPEB Plan from SCTA were \$103,541 for the year ended June 30, 2019. Employees are not required to contribute to the OPEB Plan.

**Note M. Other Postemployment Benefits (OPEB) (continued)**

***Contributions (continued)***

The net OPEB liability and asset information is reported within certain defined timeframes as listed below:

Reporting Date	June 30, 2019
Valuation Date	June 30, 2018
Measurement Date	June 30, 2018

At June 30, 2019, SCTA reported a liability of \$965,171 for its proportionate share of the net OPEB liability. SCTA's covered payroll is used as the basis for determining its proportion of the OPEB amounts. At June 30, 2018, SCTA's proportion was .382%. At June 30, 2019 SCTA's proportion was .386% an increase of .004%.

***Discount Rate***

The discount rates used to measure the total OPEB liability were 6.50% and 3.78% as of June 30, 2018 and June 30, 2017 respectively. The discount rate of 3.78% in the prior valuation was based on a projection of the Plan's Fiduciary Net Position that indicated trust assets would not be sufficient to make projected benefit payments for all years. The projection of cash flows used to determine the discount rate as of June 30, 2018 assumed employer contributions of 8.8% of future open group payroll. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. As a result, the discount rate is equal to the assumed investment return of 6.50%

***Actuarial Methods and Assumptions***

The Net OPEB Liability (NOL) was measured as of June 30, 2018 and 2017 and determined based on the total OPEB liability from actuarial valuations as of June 30, 2018 and 2017, respectively.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 and June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, except the Excise Tax imposed by the Affordable Care Act and related statutes was reflected in the actuarial valuation as of June 30, 2017 and the investment rate of return varied between the years as noted:

**Note M. Other Postemployment Benefits (OPEB) (continued)**

*Actuarial Methods and Assumptions (continued)*

Actuarial cost method	Entry Age Normal Cost Method
Inflation	3.00%
Investment rate of return	6.50%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50%
Other assumptions	Analysis of actuarial experience per the January 1, 2012 through December 31, 2014 Actuarial Experience Study dated October 2, 2015 and the Economic Actuarial Assumption Study for December 31, 2015 Actuarial Valuation dated September 30, 2015 for the Sonoma County Employees' Retirement Association (SCERA).

***Investments***

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which the expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the table below.

**Note M. Other Postemployment Benefits (OPEB) (continued)**

*Investments (continued)*

The County’s Investment Guidelines for OPEB are detailed in the “Investment Guidelines Document – County of Sonoma Post-Employment Health Care Plan Investment Policy Document – June 2017”. The following is the Board’s adopted asset allocation policy for OPEB as of June 2018:

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return
Large Cap U.S. Equity	30%	6.7%
Mid Cap U.S. Equity	4%	6.7%
Small Cap U.S. Equity	8%	6.7%
International Equity	8%	7.7%
Global Equity	6%	7.7%
U.S. Core Fixed Income	31%	2.1%
Alternatives	8%	3.9%
Cash	1%	1.1%
Real Estate	4%	5.2%
Total	100%	

***Sensitivity of SCTA’s Proportionate Share of the Net OPEB Liability***

*Sensitivity of SCTA’s Proportionate Share of the Net OPEB Liability to Changes in Discount Rate*

The following presents SCTA’s proportionate share of the Net OPEB liability if it were calculated using the discount rate of 6.50%, as well as what SCTA’s proportionate share of the Net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate, for measurement period ended June 30, 2018:

1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
\$ 1,066,912	\$ 965,171	\$ 876,719

**Note M. Other Postemployment Benefits (OPEB) (continued)**

***Sensitivity of SCTA’s Proportionate Share of the Net OPEB Liability (continued)***

*Sensitivity of SCTA’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate*

The following present SCTA’s proportionate share of the Net OPEB liability if it were calculated using the trend rate that is 1%, higher as well as using trend rate 1% lower than the current trend rates, for measurement period ended June 30, 2018:

1% Decrease Trend Rate	Current Trend Rates	1% Increase Trend Rate
\$ 955,951	\$ 965,171	\$ 994,634

The County Health Plan medical trends for ages under 65 grade from 7.50% in 2018/2019 down to 4.50% over 6 years. County Health Plan medical trends for ages over 65 grade from 6.00% in 2018/2019 down to 4.50% over 6 years. County Health Plan Drug trends grade from 6.50% in 2018/2019 down to 4.50% over 4 years. HMO Medical/Drug trends grade from 6.50% in 2018/2019 down to 4.50% over 8 years. ASO fees assumed trend was 5.00% in 2018/2019, then 4.50% thereafter.

***Amortization of Deferred Outflows and Deferred Inflows of Resources***

The net difference between projected and actual earnings on OPEB Plan investments is amortized over a 5-year period on a straight-line basis. One-fifth was recognized in OPEB expense during the measurement period, and the remaining net difference between projected and actual investment earnings on OPEB Plan investments at June 30, 2018, is to be amortized over the remaining 4-year period.

The changes in assumptions and differences between expected and actual experience are recognized over the average of the expected remaining service lives of all employees that are provided OPEB through the Plan (active and inactive) determined as of the beginning of the measurement period. For the measurement period ending June 30, 2018, the average is 2.67 years.

Sonoma County Transportation Authority

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2019

**Note M. Other Postemployment Benefits (OPEB) (continued)**

*Amortization of Deferred Outflows and Deferred Inflows of Resources (continued)*

For the year ended June 30, 2019, SCTA recognized OPEB expense of (\$162,411). At June 30, 2019, SCTA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 7,740	\$ 1,920
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	12,630	-
Net differences between projected and actual earnings on plan investments	-	4,839
Changes of assumptions	-	234,577
Contributions made subsequent to the measurement date	111,231	-
Total	\$ 131,601	\$ 241,336

The \$111,231 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as OPEB expense as follows:

Year Ended <u>June 30,</u>	<u>Amount</u>
2020	\$ (142,974)
2021	(76,214)
2022	(1,530)
2023	(248)
Total	\$ (220,966)

**Note M. Other Postemployment Benefits (OPEB) (continued)**

***Defined Contribution Plan Description***

For employees hired on or after January 1, 2009, the County provides a defined contribution into a Retiree Health Reimbursement Arrangement (HRA) account. Eligibility for this benefit is based upon completion of two full years of consecutive County regular service and have been a contributing member of the Sonoma County Employees Retirement Association. Upon completion of the initial eligibility requirements, the County provides (a) an initial contribution of \$2,400 to an HRA account established in the employee's name; this initial contribution of \$2,400 is based on full-time status and is prorated based on the employee's allocated position, and (b) thereafter contributes \$.58 per pay status hour, not including overtime, into the HRA account for each eligible employee. Once an employee has worked the two full years of service and the initial contribution into their HRA account is made, there are no further service requirements. All contributions into the Retiree HRA are made only while an employee is in active pay status, and upon separation of employment, there are no further post-employment contributions. Participants may access their HRA account at age 50 or upon retirement from the County, whichever is earlier, and may defer this date. There is no requirement to be enrolled in a County offered medical plan to receive this benefit. Retirees and dependents that elect coverage under a County-sponsored plan are responsible for all costs.

**Note N. Deferred Compensation**

The Deferred Compensation Benefit Plans are administered through a third-party administrator. The plan is 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, 2019, SCTA's contribution was \$11,186. 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 \$19,000 per calendar year.

Sonoma County Transportation Authority

Notes to the Basic Financial Statements

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For the Fiscal Year ended June 30, 2019

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**Note O. Commitments**

SCTA has the following contractual commitments related to its activities as of June 30, 2019:

<u>Activity</u>	<u>Outstanding Commitment Balance</u>
Measure M	\$ 51,121,581
Transportation Fund for Clean Air (TFCA)	694,676
Transportation Improvement	264,197
<u>Total</u>	<u>\$ 52,080,454</u>

## **Required Supplementary Information**

**Sonoma County Transportation Authority**

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

**For the Fiscal Year Ended June 30, 2019**

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

Last 10 Fiscal Years \*

<u>Measurement Date</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>
SCTA's proportion of the net pension liability	0.33%	0.31%	0.32%	0.32%	0.31%	0.32%
SCTA's proportionate share of the net pension liability	\$ 1,635,864	\$ 527,894	\$ 1,259,436	\$ 1,309,554	\$ 672,050	\$ 779,172
SCTA's covered payroll	\$ 1,280,735	\$ 1,274,122	\$ 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 payroll	127.73%	41.43%	106.27%	119.05%	66.69%	75.60%
Plan fiduciary net position as a percentage of the total pension liability	83.50%	94.03%	85.92%	84.63%	90.88%	89.76%

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

Last 10 Fiscal Years \*

<u>Reporting Date</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Actuarially determined contribution	\$ 211,171	\$ 217,033	\$ 190,574	\$ 239,614	\$ 195,659
Contributions in relation to the actuarially determined contribution	211,171	217,033	190,574	239,614	195,659
Contribution deficiency (excess)	<u>\$ -</u>				
SCTA's covered payroll	\$ 1,440,885	\$ 1,272,420	\$ 1,227,147	\$ 1,150,999	\$ 989,162
Contributions as a percentage of covered payroll	14.66%	17.06%	15.53%	20.82%	19.78%

\* Additional years will be presented as they become available.

The information presented relates solely to the County of Sonoma funds and blended component units and not the Sonoma County Employee Retirement Association as a whole.

**Sonoma County Transportation Authority**

**Schedule of SCTA's Proportionate Share of the Net OPEB Liability**

**For the Fiscal Year Ended June 30, 2019**

	6/30/2019	6/30/2018	6/30/2017
Proportion of the net OPEB liability	0.386%	0.382%	0.378%
Proportionate share of the net OPEB liability	\$ 965,171	\$ 1,282,277	\$ 1,392,712
Covered payroll	\$ 1,272,420	\$ 1,227,147	\$ 1,150,999
Proportionate share of the net OPEB liability as a percentage of its covered payroll	75.85%	104.49%	121.00%
Plan fiduciary net position as a percentage of the total OPEB liability	18.77%	12.90%	10.25%

Amounts presented above were determined as of the measurement date, which is one year prior to the reporting date (the other postemployment benefit liability). Additional years will be presented as they come 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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Intergovernmental revenue	\$ 1,961,893	\$ 1,968,693	\$ 1,669,620	\$ (299,073)
Investment income	2,000	2,000	55,543	53,543
Miscellaneous	42,500	181,500	166,591	(14,909)
Total revenues	<u>2,006,393</u>	<u>2,152,193</u>	<u>1,891,754</u>	<u>(260,439)</u>
<b>Expenditures</b>				
Current				
Salaries and benefits	1,264,980	1,238,980	1,241,132	(2,152)
Services and supplies	750,047	906,748	656,674	250,074
Contributions to other governments	13,000	13,000	-	13,000
Total expenditures	<u>2,028,027</u>	<u>2,158,728</u>	<u>1,897,806</u>	<u>260,922</u>
Net change in fund balance	<u>(21,634)</u>	<u>(6,535)</u>	<u>(6,052)</u>	<u>483</u>
<b>Fund Balance at June 30, 2018</b>	<u>823,659</u>	<u>823,659</u>	<u>823,659</u>	<u>-</u>
<b>Fund Balance at June 30, 2019</b>	<u>\$ 802,025</u>	<u>\$ 817,124</u>	<u>\$ 817,607</u>	<u>\$ 483</u>

**Sonoma County Transportation Authority**

**Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budgets and Actual - Special Revenue Fund (RED)**

**For the Fiscal Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>	Original	Final	Amounts	
Contributions	\$ -	\$ 500,000	\$ 201,988	\$ (298,012)
Investment income	-	1,000	10,520	9,520
Total revenues	-	501,000	212,508	(288,492)
<b>Expenditures</b>				
Current:				
Services and supplies	-	280,000	148,315	131,685
Contributions to other governments	-	220,000	53,673	166,327
Total expenditures	-	500,000	201,988	298,012
Net change in fund balance	-	1,000	10,520	9,520
<b>Fund Balance at June 30, 2018</b>	-	-	-	-
<b>Fund Balance at June 30, 2019</b>	\$ -	\$ 1,000	\$ 10,520	\$ 9,520

**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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental revenue	\$ 637,534	\$ 637,534	\$ 629,355	\$ (8,179)
Investment income	5,000	5,000	31,395	26,395
Total revenues	642,534	642,534	660,750	18,216
<b>Expenditures</b>				
Current:				
Administration	39,845	39,845	39,680	165
Contributions to other governments	1,257,180	1,231,795	1,224,915	6,880
Encumbrances	-	(625,663)	(694,676)	69,013
Total expenditures	1,297,025	645,977	569,919	76,058
Net change in fund balance	(654,491)	(3,443)	90,831	94,274
<b>Fund Balance at June 30, 2018</b>	724,405	724,405	724,405	-
<b>Fund Balance at June 30, 2019</b>	\$ 69,914	\$ 720,962	\$ 815,236	\$ 94,274

**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, 2019

	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	\$ 23,899,115	\$ 25,866,506	\$ 18,118,291	\$ 8,679,994	\$ 26,798,285	\$ 931,779
Intergovernmental revenue	790,000	1,150,000	758,978	-	758,978	(391,022)
Investment income	402,000	379,389	1,949,408	110,175	2,059,583	1,680,194
Other	-	500	-	-	-	(500)
Total revenues	<u>25,091,115</u>	<u>27,396,395</u>	<u>20,826,677</u>	<u>8,790,169</u>	<u>29,616,846</u>	<u>2,220,451</u>
<b>Expenditures</b>						
Current:						
Services and supplies	6,260,370	4,872,870	3,351,450	-	3,351,450	1,521,420
Contributions to other governments	23,856,597	30,142,479	19,431,454	-	19,431,454	10,711,025
Debt service:						
Interest	2,490,013	2,490,013	19,645	2,466,013	2,485,658	4,355
Principal	<u>6,689,000</u>	<u>6,689,000</u>	<u>-</u>	<u>6,685,000</u>	<u>6,685,000</u>	<u>4,000</u>
Total expenditures	<u>39,295,980</u>	<u>44,194,362</u>	<u>22,802,549</u>	<u>9,151,013</u>	<u>31,953,562</u>	<u>12,240,800</u>
Net change in fund balance	<u>(14,204,865)</u>	<u>(16,797,967)</u>	<u>(1,975,872)</u>	<u>(360,844)</u>	<u>(2,336,716)</u>	<u>14,461,251</u>
<b>Fund Balance at June 30, 2018</b>	<u>56,109,744</u>	<u>56,109,744</u>	<u>47,253,907</u>	<u>8,855,837</u>	<u>56,109,744</u>	<u>-</u>
<b>Fund Balance at June 30, 2019</b>	<u>\$ 41,904,879</u>	<u>\$ 39,311,777</u>	<u>\$ 45,278,035</u>	<u>\$ 8,494,993</u>	<u>\$ 53,773,028</u>	<u>\$ 14,461,251</u>

**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, 2019			
Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b>Department of Transportation</b>			
<b>Highway Planning and Construction Cluster</b>			
California Department of Transportation Highway Planning and Construction (Federal-Aid Highway Program)	20.205	FERPL16-6204(127)N	\$ 374,510
California Department of Transportation Highway Planning and Construction (Federal-Aid Highway Program)	20.205	CMLNI-6364(021)	384,547
California Department of Transportation Highway Planning and Construction (Federal-Aid Highway Program)	20.205	CMLNI-6364(018)	54,969
Metropolitan Transportation Commission Highway Planning and Construction (Federal-Aid Highway Program)	20.205	STPL-6084(206)	830,287
<b>Highway Planning and Construction Cluster</b>			1,644,313
<b>Total Department of Transportation</b>			1,644,313
Total expenditures of federal awards			\$ 1,644,313

**Notes to Schedule of Expenditures of Federal Awards**

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**For the Year Ended June 30, 2019**

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**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, 2019. 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 accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Such expenditures are recognized following, as applicable, either the cost principles in Office of Management Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principals contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**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, 2019.

The following is a roster of the Sonoma County Transportation Authority Board of Directors and the Executive Director at June 30, 2019.

<b>Board of Directors</b>	<b>Agency</b>
Mark Landman, Chair	City of Cotati
Susan Gorin, Vice Chair	County of Sonoma
Melanie Bagby	City of Cloverdale
Joe Naujokas	City of Healdsburg
Kathy Miller	City of Petaluma
Joseph Callinan	City of Rohnert Park
Chris Coursey	City of Santa Rosa
Sarah Gurney	City of Sebastopol
Logan Harvey	City of Sonoma
David Rabbitt	County of Sonoma
Shirlee Zane	County of Sonoma
Sam Salmon	Town of Windsor
Alternate Susan Harvey	City of Cotati
Alternate Leah Gold	City of Healdsburg
Alternate D'Lynda Fischer	City of Petaluma
Alternate Susan Adams	City of Rohnert Park
Alternate Julie Combs	City of Santa Rosa
Alternate Michael Carnnachi	City of Sebastopol
Alternate Madolyn Agrimonti	City of Sonoma
Alternate Bruce Okrepkie	Town of Windsor
<b>Executive Director</b>	
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, 2019, and the related notes to the financial statements, which collectively comprise SCTA's basic financial statements, and have issued our report thereon dated November 20, 2019.

**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 and therefore, material weaknesses or significant deficiencies 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.

*Pesenti & Brink LLP*

Santa Rosa, California  
November 20, 2019



## **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, 2019. 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, 2019.

**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)**

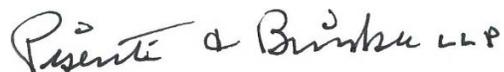
**Report on Internal Control Over Compliance**

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.



Santa Rosa, California  
November 20, 2019

**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:

CFDA Number	Name of Federal Program or Cluster
-------------	------------------------------------

Highway Planning and Construction Cluster

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*

**Sonoma County Transportation Authority**

**Summary Schedule of Prior Audit Findings and Responses  
June 30, 2019**

**Finding 2018-01  
Status Corrected**

**Progress on Corrective Action Plan**

<b>Step</b>	<b>Status</b>	<b>Completion Date</b>
Implement changes to the procedure for allocating LSR earnings distributions, as outlined in the Corrective Action Plan.	Complete	11/1/2018
Implement new internal controls on the procedure for allocating LSR distributions, as outlined in the Corrective Action Plan	Complete	11/1/2018
Correct the FY 2017-18 LSR distributions	Complete	1/31/2019