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Citizens Advisory Committee

AGENDA

November 27, 2006 – 4:00 p.m.

Sonoma County Agriculture and Open Space District
Conference Room
747 Mendocino Avenue, Suite 100, Santa Rosa,
California

ITEM

- I.** Introductions
- II.** Consent Items – **DISCUSSION/ACTION**
 - A. Approval of Agenda
- III.** Announcements/Reports – **DISCUSSION/ACTION**
- IV.** Measure M Audit for FY05/06– **DISCUSSION/ACTION**
 - A. Review of Draft Audit from Williams Adely & Company*
 - B. CAC recommendation on Draft Audit
 - C. Financial Reports*
 - D. Schedule for annual report
- V.** Announcements / Other Business – **DISCUSSION**
- VI.** Adjournment – **ACTION**

The next **S C T A** meeting will be held **December 11, 2006**
The next **C A C** meeting will be held **December 18, 2006**.

SCTA Staff

Suzanne Smith
Executive Director

DISABLED ACCOMMODATION: If you have a disability that requires the agenda materials to be in an alternate format or that requires an interpreter or other person to assist you while attending this meeting, please contact SCTA at least 72 hours prior to the meeting to ensure arrangements for accommodation.

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**SONOMA COUNTY TRANSPORTATION AUTHORITY
MEASURE M FUNDS**

Financial Statements

As of June 30, 2006 and for the Period April 1, 2005 through June 30, 2006

(With Independent Auditors' Report Thereon)

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SONOMA COUNTY TRANSPORTATION AUTHORITY – MEASURE M FUNDS

Financial Statements

June 30, 2006

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Balance Sheet	2
Statement of Revenues, Expenditures and Changes in Fund Balances	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	4
Notes to Financial Statements	5

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INDEPENDENT AUDITORS' REPORT

To the Citizen's Oversight Committee
Sonoma County Transportation Authority

We have audited the accompanying financial statements of the Sonoma County Transportation Authority Measure M Funds as of June 30, 2006, and for the period from April 1, 2005 through June 30, 2006 as listed in the table of contents. These financial statements are the responsibility of the Sonoma County Transportation Authority's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sonoma County Transportation Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the financial statements present only the Sonoma County Transportation Authority Measure M Funds, and do not purport to, and do not, present fairly the financial position of the Sonoma County Transportation Authority, as of June 30, 2006 and the changes in its financial position for the period then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sonoma County Transportation Authority's Measure M Funds as of June 30, 2006, and the changes in financial position thereof for the fifteen month period then ended, in conformity with accounting principles generally accepted in the United States of America.

November 10, 2006

SONOMA COUNTY TRANSPORTATION AUTHORITY - MEASURE M FUND

Balance Sheet

June 30, 2006

	Local Streets-- Repairs	Local Streets-- Projects	Highway 101	Transit	Passenger Rail	Bicycle & Pedestrian	Administration	Total
ASSETS:								
Cash and investments	\$ 428,042	\$ 3,717,834	\$ 6,872,294	\$ 190,092	\$ 760,860	\$ 743,585	\$ 31,055	\$ 12,743,763
Sales/use tax receivable	107,563	107,563	215,128	53,782	26,891	21,513	5,378	537,816
Intergovernmental receivable	-	-	582,072	-	-	-	-	582,072
Total Assets	\$ 535,605	\$ 3,825,397	\$ 7,669,492	\$ 243,873	\$ 787,751	\$ 765,098	\$ 36,433	\$ 13,863,651
LIABILITIES AND FUND BALANCES								
Liabilities:								
Intergovernmental payable	-	-	267,472	188,027	-	-	-	455,499
Accounts payable	-	-	706,940	-	419,818	-	735	1,127,093
Total Liabilities	-	-	974,012	188,027	419,818	-	735	1,582,591
Fund Balances:								
Unreserved/undesignated fund	535,605	3,825,397	5,179,833	55,846	367,933	765,098	35,143	10,764,857
Reserved for encumbrances	-	-	1,515,647	-	-	-	555	1,516,202
Total Fund Balances	535,605	3,825,397	6,695,481	55,846	367,933	765,098	35,698	12,281,059
Total Liabilities and Fund Balances	\$ 535,605	\$ 3,825,397	\$ 7,669,492	\$ 243,873	\$ 787,751	\$ 765,098	\$ 36,433	\$ 13,863,651

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See accompanying notes to financial statements.

SONOMA COUNTY TRANSPORTATION AUTHORITY- MEASURE M FUND
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Period April 1, 2005 Through June 30, 2006

	Local Streets- Repairs	Local Streets- Projects	Highway 101	Transit	Passenger Rail	Bicycle & Pedestrian	Administration	Totals (Memorandum Only)
REVENUES:								
Measure M taxes	\$ 3,801,443	\$ 3,801,443	\$ 7,602,884	\$ 1,808,945	\$ 950,381	\$ 760,288	\$ 190,072	\$ 18,915,434
Interest on investments	33,310	69,702	136,106	12,152	17,428	13,940	730	283,367
Charges for services	-	-	1,193,588	-	-	-	-	1,193,588
Other	10,789	10,789	21,579	5,395	2,697	2,158	539	53,947
Total Revenues	<u>3,845,542</u>	<u>3,881,934</u>	<u>8,954,158</u>	<u>1,828,491</u>	<u>970,484</u>	<u>776,386</u>	<u>191,341</u>	<u>20,446,347</u>
EXPENDITURES:								
Current:								
Highways, streets and transportation projects	3,309,938	56,536	2,258,688	1,770,846	602,550	11,288	155,843	8,165,286
Total Expenditures	<u>3,309,936</u>	<u>56,536</u>	<u>2,258,688</u>	<u>1,770,846</u>	<u>602,550</u>	<u>11,288</u>	<u>155,843</u>	<u>8,165,286</u>
NET CHANGE IN FUND BALANCE:	535,605	3,825,397	6,695,481	55,846	367,933	765,098	35,698	12,281,059
FUND BALANCE:								
Beginning of Period	-	-	-	-	-	-	-	-
End of Period	<u>\$ 535,605</u>	<u>\$ 3,825,397</u>	<u>\$ 6,695,481</u>	<u>\$ 55,846</u>	<u>\$ 367,933</u>	<u>\$ 765,098</u>	<u>\$ 35,698</u>	<u>\$ 12,281,059</u>

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See accompanying notes to financial statements.

SONOMA COUNTY TRANSPORTATION AUTHORITY- MEASURE M FUND

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual

For the Period April 1, 2005 Through June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Measure M taxes	\$ 21,914,662	\$ 21,914,662	\$ 18,915,434	\$ (2,999,228)
Interest on investments	-	-	283,367	283,367
Charges for services	-	-	1,193,599	1,193,599
Other	-	-	53,947	53,947
Total Revenues	<u>21,914,662</u>	<u>21,914,662</u>	<u>20,446,347</u>	<u>(1,468,315)</u>
EXPENDITURES:				
Current:				
Highways, streets and transportation projects	17,817,934	17,826,363	8,165,286	9,661,077
Total Expenditures	<u>17,817,934</u>	<u>17,826,363</u>	<u>8,165,286</u>	<u>9,661,077</u>
NET CHANGE IN FUND BALANCE:	4,096,728	4,088,299	12,281,059	8,192,760
FUND BALANCE:				
Beginning of Period	-	-	-	-
End of Period	<u>\$ 4,096,728</u>	<u>\$ 4,088,299</u>	<u>\$ 12,281,059</u>	<u>\$ 8,192,760</u>

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See accompanying notes to financial statements.

SONOMA COUNTY TRANSPORTATION AUTHORITY – MEASURE M FUNDS
Notes to Financial Statements
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Measure M Funds were created in November 2004 with the passage of the Traffic Relief Act for Sonoma County. Measure M is funded by a quarter cent sales tax and its activities are accounted for in special revenue funds of the Sonoma county Transportation Authority ("SCTA"). Measure M creates a stable funding source for local transportation projects intended to make significant progress in widening Highway 101, maintaining local roads, improving local transit services, developing passenger rail service, providing safe bike and pedestrian routes and making key local street improvements.

The Measure M 2005 Strategic Plan serves as the guiding policy and programming document for the implementation of Measure M projects. It covers a five year period and will be updated every two years in order to reflect the actual revenues received.

The allocation of Measure M funds is as follows:

- 20% of the funds will be used to fix pot holes and maintain local streets.
- 20% of the funds will be used for key local road projects throughout the County.
- 40% of the funds will be used to help fund Highway 101 widening throughout the County.
- 10% of the funds will go to improving local bus transit service.
- 5% of the funds will go to SMART for the development of passenger rail service.
- 4% of the funds will be used for bicycle and pedestrian routes.

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

The financial statements of the Measure M Funds present only the financial activities of the Measure M Funds and are not intended to fairly present the financial position and changes in financial position of the Sonoma County Transportation Authority in conformity with accounting principles generally accepted in the United States of America.

Measurement Focus and Basis of Accounting

The accompanying financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the SCTA considers revenues to be available if they are collected

SONOMA COUNTY TRANSPORTATION AUTHORITY – MEASURE M FUNDS
Notes to Financial Statements
June 30, 2006

within 60 days of the end of the current fiscal period. Expenditures are recorded when the liability is incurred and is expected to be liquidated with expendable available resources.

Fund Balances

Reservations of fund balances indicate those portions of fund equity that are not available for appropriation for expenditure or which have been legally restricted to a specific use. Encumbrances outstanding at fiscal year end are reported as reservation of fund balances and the related appropriation is automatically carried forward into the next fiscal year. Encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year.

When both restricted and unrestricted fund balances are available, restricted resources are used only after unrestricted resources are depleted.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported balances. Accordingly, actual results could differ from those estimates.

2. CASH AND INVESTMENTS

Cash and investments for Measure M Funds are maintained in the Sonoma County Treasury's cash and investment pool. Funds are invested according to the investment policy adopted by the County. The County Treasurer is the ex officio treasurer of each of the participating entities, which therefore are legally required to deposit their cash receipts and revenues in the County treasury. Under State law, withdrawals by such mandatory participants are allowed only to pay for expenses that have become due. Investments are generally carried at fair value. The market value of the portfolio as of June 30, 2006, was at 99.57% of cost. Market values were obtained from Sungard Financial Systems and Bloomberg. Relevant information about the separate portion of the investment pool related to Measure M Funds is not available. Income earned or losses arising from the investment of pooled cash are allocated on a quarterly basis to the participating funds based on their proportionate share of the average daily cash balance. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the treasury pool.

SONOMA COUNTY TRANSPORTATION AUTHORITY – MEASURE M FUNDS
Notes to Financial Statements
June 30, 2006

Permitted investments include the following:

- U. S. treasury and agency securities
- Bonds issued by the local agencies
- Registered state warrants and municipal notes
- Bankers acceptances
- Commercial paper
- Negotiable certificates of deposit
- Repurchase agreements
- Reverse repurchase agreements
- Medium term corporate notes
- Shares of a mutual fund
- Collateralized mortgage obligations
- Joint powers agreement

As of June 30, 2006, the pool had no reverse repurchase agreements.

Information regarding the characteristics of the entire investment pool can be found in the Sonoma County's web site at <http://sonoma-county.org/tax/quarterly.htm>. A copy of the treasury pool investment policy is available from the County's web site at http://sonoma-county.org/tax/about_treasurer.htm#investment. The SCTA Investment Policy is under development.

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

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the treasury pool's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits and securities lending transactions:

SONOMA COUNTY TRANSPORTATION AUTHORITY – MEASURE M FUNDS
Notes to Financial Statements
June 30, 2006

- The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by depository regulated under stated law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.
- The California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

With respect to investments, custodial risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the treasury pool).

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2006 Sonoma County CAFR.

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 is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the treasury pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2006, the weighted average days to maturity was 344 days.

3. INSURANCE COVERAGE

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 its general, automobile and crime and errors and omissions liability through Driver Alliant Insurance Services. SCTA participates in the County of Sonoma self-insurance program for workers' compensation claims and has excess reinsurance with the California State Association of Counties.