

SCTA

sonoma county transportation authority

**Basic Financial Statements
and Supplementary Information
For the Fiscal Year Ended June 30, 2011**

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Independent Auditors' Report

Board of Directors
Sonoma County Transportation Authority
Santa Rosa, California

We have audited the accompanying basic 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, 2011, which collectively comprise SCTA's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of SCTA's management. 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 the 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 basic 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 SCTA'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 basic 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 opinions.

In our opinion, the basic 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, 2011, 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.

As discussed in Note B to the basic financial statements, at the beginning of the fiscal year ended June 30, 2011, SCTA adopted GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"). As a result of the adoption of GASB 54, SCTA adopted new fund balance classifications and established a debt service fund to account for the Measure M debt service activities.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2012 on our consideration of the SCTA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Independent Auditors' Report (continued)

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise SCTA's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis ("MD&A") and the budgetary comparison information as listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the basic financial statements taken as a whole. The Roster of Board Members, as listed in the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express not opinion on it.

Prink & Binkley LLP

Santa Rosa, California
January 5, 2012

The basic financial statements for the fiscal year ended June 30, 2011 are being issued in the format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34), which requires the Sonoma County Transportation Authority (SCTA) to provide this narrative overview and analysis of the financial activities of SCTA for the fiscal year. Please read this overview in conjunction with the financial statements.

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, 2011.

Financial highlights

- The assets of SCTA exceeded liabilities at June 30, 2011 by \$12.17 million.
- SCTA's total net assets decreased by \$4.26 million from June 30, 2010 to June 30, 2011. This decrease was the result of exhausting the remaining balance of the 2008 Series Sales Tax Revenue Bonds funds for Highway 101 projects.
- At June 30, 2011 SCTA reported ending total fund balances of \$87.94 million; an increase of \$24.30 million in comparison with the June 30, 2010 total ending fund balance. This increase is primarily the result of the issuance of \$25.2 million in Series 2011 sales tax revenue bonds, for Highway 101 and Passenger Rail projects.
- Unrestricted net assets for SCTA as of June 30, 2011 were approximately \$115,000. This is a decrease of approximately \$171,000 compared to the balance of approximately \$286,000 at June 30, 2010.
- As of June 30, 2011, unassigned fund balance for the general fund was approximately \$280,000 or 18% of total general fund expenditures for the fiscal year ended June 30, 2011.

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 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 assets* and the *statement of activities*.

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

Government-wide financial statements (continued)

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 assets* for the fiscal year.

Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

Fund financial statements

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

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

Governmental funds are used to account for essentially the same functions reported in governmental *activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

SCTA maintains four individual governmental funds; a general fund, two special revenue funds, and a debt service fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, and for the other funds. SCTA adopts an annual appropriated budget for those funds.

Notes to the financial statements

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

Required supplementary information

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

Sonoma County Transportation Authority

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Government-wide financial analysis

Condensed Statements of Net Assets

June 30,	2010 (Restated)	2011
Assets		
Current assets	\$ 51,822,456	\$ 59,854,502
Restricted cash	18,737,109	33,352,891
Other non-current assets	418,143	776,999
Total assets	70,977,708	93,984,392
Liabilities		
Current liabilities	4,652,165	5,268,791
Non-current liabilities	49,890,163	76,541,677
Total liabilities	54,542,328	81,810,468
Net Assets		
Invested in capital assets	2,656	1,328
Restricted for TFCA	898,855	978,386
Restricted for Measure M	10,451,470	2,870,170
Restricted for Measure M debt service	4,796,811	8,208,691
Unrestricted	285,588	115,349
Total net assets	\$ 16,435,380	\$ 12,173,924

As noted previously, net assets may serve over time as a useful indicator of a government's financial position. In the case of SCTA, assets exceeded liabilities by \$12.17 million and \$16.44 million at June 30, 2011 and 2010, respectively.

A large portion of SCTA's net assets, approximately \$11.08 million, reflects amounts restricted for Measure M, which is a one-quarter percent sales tax initiative approved by Sonoma County voters in 2004 for various transportation improvement projects. SCTA provides oversight and administrative services for all Measure M related activity.

During the year ended June 30, 2011, SCTA's net assets decreased by \$4.26 million to \$12.17 million. This decrease is primarily the result of continued transportation improvement expenses related to Highway 101 projects.

Government-wide financial analysis (continued)

Governmental activities decreased SCTA's net assets by \$4.26 million. Key elements of these activities during the fiscal year ended June 30, 2011 are identified below:

- SCTA recognized sales tax revenues for Measure M totaling \$16.54 million, which is an increase of \$1.22 million from the prior fiscal year. This increase is due to continuing improvements to the local economy.
- SCTA received \$1.43 million from state and federal sources towards various transportation improvement projects, including Planning and Program Management for Highway 101. The amount received increased by approximately \$138,000 from the prior fiscal year. This increase is primarily the result of revenue from the newly established Dynamic Rideshare Program and a reimbursement request to the State of California Elections Department for absentee ballot costs from the proposed Vehicle License Fee that was placed on the 2010 general election ballot.
- SCTA expenses for transportation improvement projects, including Planning and Program Management for Highway 101 total \$1.61 million, an increase of approximately \$308,000 from the previous year. This increase is primarily the result of increased contractually-obligated retirement contributions charged to SCTA from the County of Sonoma related to the 2010 County Pension Bond and election costs from the proposed Vehicle License Fee that was placed on the 2010 general election ballot.
- Measure M expenses totaled \$21.48 million, representing a decrease of \$2.44 million from the previous year, due primarily to: completion of the Steele Lane to Windsor River Road project (North A), weather delays on Rohnert Park to Santa Rosa Avenue project (Wilfred A), and the weather delaying the beginning of construction on the Rohnert Park Expressway to Pepper Road project (Central A).

Sonoma County Transportation Authority

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Government-wide financial analysis (continued)

Condensed Statements of Change in Net Assets

Fiscal year ended June 30,	2010 (Restated)	2011
Revenues:		
Program revenues:		
Transportation improvements	\$ 1,296,378	\$ 1,434,842
Transportation Fund for Clean Air	584,810	577,830
Measure M	968,575	774,945
General revenues:		
Sales tax revenues	15,268,289	16,535,252
Unrestricted investment earnings	2,421	1,019
Miscellaneous revenue	12,801	65
Total revenues	18,133,274	19,323,953
Expenses:		
Transportation improvements	1,299,730	1,607,493
Transportation Fund for Clean Air	597,383	498,299
Measure M	23,917,298	21,479,617
Total expenses	25,814,411	23,585,409
Decrease in net assets	(7,681,137)	(4,261,456)
Net assets, beginning of year	22,205,284	14,571,349
Opening net assets adjustment	1,911,233	1,864,031
Net assets, beginning of year, as restated	24,116,517	16,435,380
Net assets, end of year	\$ 16,435,380	\$ 12,173,924

Financial analysis of SCTA's funds

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

Governmental funds

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)

As of June 30, 2011, SCTA's governmental funds reported ending fund balances of \$87.94 million, an increase of \$24.30 million from the June 30, 2010 fund balance of \$64.04 million. This increase is due primarily to the issuance of the 2011 Series Sales Tax Revenue Bonds, on January 26, 2011. SCTA had a restricted fund balance of \$87.66 million as of June 30, 2011.

The general fund is the chief operating fund of SCTA. At June 30, 2011, the unassigned fund balance of the general fund was approximately \$280,000.

Budgetary Highlights

- The General fund budget was adjusted with an increase of \$64,600 in revenue and an increase of \$61,500 in expenses related to the new agreement with the California Department of Transportation (Caltrans) whereby SCTA will act as the program administrator for the new Dynamic Rideshare Program in Sonoma, Marin and Contra Costa counties.
- The General fund budget was increased by \$279,643 for election expenses related to the proposed Vehicle License Fee that was placed on the November 2010 General Election Ballot.
- Measure M Special Revenue Fund: With the issuance of the 2011 Series Sales Tax Revenue Bonds, appropriations were transferred from the existing Highway 101 and Passenger Rail funds to newly created bond funds for each project. In addition, revenues and expenses for the new bond funds were increased by \$3,199,173 due to greater than anticipated bond proceeds and bond premium.
- Measure M Special Revenue Fund: The Measure M – Local Streets Repair program budget was increased by \$432,018 in order to distribute unexpended fund balance from the prior fiscal year.

Debt Administration

At the end of the June 30 2011, SCTA had long-term liabilities of \$76.54 million, an increase of approximately \$26.65 million from the prior fiscal year. This is the result of the issuance of the Sales Tax Revenue Bond, Series 2011 and an increase in compensated absences payable.

June 30,	2010	2011
Bonds - Series 2008, including unamortized premium	\$ 49,746,159	\$ 49,382,035
Bonds - Series 2011, including unamortized premium	-	26,995,283
Compensated absences	144,004	164,359
Total long-term liabilities	\$ 49,890,163	\$ 76,541,677

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

Economic Factors and Next Year's Budgets

SCTA activities received 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, 2010 and are projected to continue to grow slowly for the next several fiscal years. This will directly impact the Transit and Local Street Repairs (LSR) programs and indirectly affect the Local Streets Projects, Passenger Rail and Bike/Pedestrian programs.

In addition, the LSR program is changing from an annual allocation to a quarterly allocation in order for the cities to receive their LSR funds in a more timely manner. This change was proposed in response to the increase in sales tax revenues that occurred during the fiscal year ended June 30, 2011.

Proceeds from the Sales Tax Revenue Bonds, Series 2011, are anticipated to be exhausted in the next couple of fiscal years for the Highway 101 and Passenger Rail programs. In addition, Passenger Rail expenses are expected to increase in the next fiscal year as SMART seeks reimbursement of Passenger Rail funds that have accrued from prior fiscal years.

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

Request for Additional Information:

This financial report is designed to provide a general overview of SCTA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sonoma County Transportation Authority, 490 Mendocino Avenue, Suite 206, Santa Rosa, CA 95401.

Sonoma County Transportation Authority

Statement of Net Assets

June 30, 2011

Assets

Cash and investments	\$ 56,410,261
Sales tax receivable	2,692,800
Due from other governments	751,441
Noncurrent assets:	
Restricted cash - bond proceeds	25,768,082
Restricted cash - bond reserve	7,127,500
Restricted cash - debt service	457,309
Bond issuance costs	775,671
Capital assets - equipment, net	1,328
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Total assets	93,984,392

Liabilities

Accounts payable	3,740,691
Due to other governments	1,128,100
Unearned revenue	400,000
Long-term liabilities:	
Portion due within one year	350,000
Portion due after one year	76,191,677
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Total liabilities	81,810,468

Net assets

Invested in capital assets	1,328
Restricted for:	
Transportation Fund for Clean Air (TFCA)	978,386
Measure M	2,870,171
Measure M debt service	8,208,690
Unrestricted	115,349
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Total net assets	\$ 12,173,924

Sonoma County Transportation Authority

Statement of Activities

For the Fiscal Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues <hr/> Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Assets
Governmental activities:			
Measure M	\$ 21,479,617	\$ 774,945	\$ (20,704,672)
Transportation Fund for Clean Air (TFCA)	498,299	577,830	79,531
Transportation improvement	1,607,493	1,434,842	(172,651)
Total governmental activities	\$ 23,585,409	\$ 2,787,617	(20,797,792)
General revenues:			
Sales tax			16,535,252
Unrestricted investment income			1,019
Miscellaneous revenue			65
Total general revenues			16,536,336
Change in net assets			(4,261,456)
Net assets at June 30, 2010 as restated - Note N			16,435,380
Net assets at June 30, 2011			\$ 12,173,924

See accompanying Notes to the Basic Financial Statements

Fund Financial Statements

Sonoma County Transportation Authority

Balance Sheet - Governmental Funds

June 30, 2011

	General	TFCA Special Revenue	Measure M Special Revenue	Measure M Debt Service	Total Governmental Funds
Assets					
Cash and investments	\$ 15,095	\$ 993,388	\$ 55,401,778	\$ -	\$ 56,410,261
Sales tax receivable	-	-	2,068,919	623,881	2,692,800
Due from other governments	467,816	-	283,625	-	751,441
Restricted cash - bond proceeds	-	-	25,768,082	-	25,768,082
Restricted cash - bond reserve	-	-	-	7,127,500	7,127,500
Restricted cash - debt service	-	-	-	457,309	457,309
Total assets	\$ 482,911	\$ 993,388	\$ 83,522,404	\$ 8,208,690	\$ 93,207,393
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 48,113	\$ 15,002	\$ 3,677,576	\$ -	\$ 3,740,691
Due to other governments	155,090	-	973,010	-	1,128,100
Unearned revenue	-	-	400,000	-	400,000
Total liabilities	203,203	15,002	5,050,586	-	5,268,791
Fund balances:					
Restricted	-	978,386	78,471,818	8,208,690	87,658,894
Unassigned	279,708	-	-	-	279,708
Total fund balances	279,708	978,386	78,471,818	8,208,690	87,938,602
Total liabilities and fund balances	\$ 482,911	\$ 993,388	\$ 83,522,404	\$ 8,208,690	\$ 93,207,393

See accompanying Notes to the Basic Financial Statements

Sonoma County Transportation Authority

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

	June 30, 2011
Total fund balances - governmental funds	\$ 87,938,602
Total net assets reported in the statement of net assets is different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Capital assets - equipment, net	1,328
Bond issuance costs represent costs associated with the issuance of long-term debt which are deferred on the statement of net assets and amortized over the period which the debt is outstanding. These costs are reported as expenditures in the governmental funds in the period that the long-term debt is incurred.	
	775,671
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	(76,377,318)
Compensated absences	(164,359)
Total net assets	\$ 12,173,924

Sonoma County Transportation Authority

**Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds**

For the Fiscal Year Ended June 30, 2011

	General	TFCA Special Revenue	Measure M Special Revenue	Measure M Debt Service	Total Governmental Funds
Revenues					
Intergovernmental	\$ 1,434,842	\$ 572,319	\$ 303,501	\$ -	\$ 2,310,662
Sales tax	-	-	13,416,436	3,118,816	16,535,252
Investment income	1,019	5,511	471,444	-	477,974
Charges for services	65	-	-	-	65
Total revenues	1,435,926	577,830	14,191,381	3,118,816	19,323,953
Expenditures					
Current:					
Salaries and employee benefits	1,513,566	-	-	-	1,513,566
Services and supplies	483,019	-	4,873,130	-	5,356,149
Cost applied	(411,275)	-	-	-	(411,275)
Administration	-	27,792	-	-	27,792
Contributions to other governments	500	470,507	14,190,208	-	14,661,215
Conservation credits	-	-	197,490	-	197,490
Debt service:					
Interest	-	-	-	2,594,828	2,594,828
Bond issuance costs	-	-	416,692	-	416,692
Total expenditures	1,585,810	498,299	19,677,520	2,594,828	24,356,457
Excess (deficiency) of revenues over (under) expenditures	(149,884)	79,531	(5,486,139)	523,988	(5,032,504)
Other financing sources (uses)					
Transfers in	-	-	-	2,520,000	2,520,000
Transfers out	-	-	(2,520,000)	-	(2,520,000)
Bonds issued	-	-	25,200,000	-	25,200,000
Premium on bonds issued	-	-	1,863,706	-	1,863,706
Total other financing sources	-	-	24,543,706	2,520,000	27,063,706
Net change in fund balances	(149,884)	79,531	19,057,567	3,043,988	22,031,202
Fund balances at June 30, 2010 as restated - Note N	429,592	898,855	59,414,251	5,164,702	65,907,400
Fund balances at June 30, 2011	\$ 279,708	\$ 978,386	\$ 78,471,818	\$ 8,208,690	\$ 87,938,602

See accompanying Notes to the Basic Financial Statements

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances - Government Funds to the Statement of Activities**

For the Fiscal Year Ended June 30, 2011

Total net change in fund balances - governmental funds \$ 22,031,202

The change in net assets reported in the statement
of activities is different because:

Governmental funds report the cost of capital asset acquisitions as expenditures.
However, in the statement of activities the cost of capital assets is
allocated over their useful lives and reported as depreciation expense.

Current year depreciation (1,328)

Proceeds of certain long-term debt are reported as financing
sources in governmental funds and thus contribute to the increase
in fund balance. In the statement of net assets, however, issuing
debt increases long-term liabilities and does not affect the statement
of activities.

Other financing sources - current year bonds issued,
inclusive of premium received (27,063,706)
Current year bond issuance costs deferred on the statement of net assets 416,692

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 (20,355)
Amortization of bond issuance costs (56,508)
Amortization of bond premium 432,547

Change in net assets \$ (4,261,456)

Note A. Reporting Entity

The Sonoma County Transportation Authority ("SCTA") was created by the Sonoma County Board of Supervisors, under Resolution No. 90-1522 on August 7, 1990 in accordance with California Public Utilities Code Section 180000 et seq. SCTA's Board of Directors consists of one council member from each of the County's nine cities and three members of the Sonoma County Board of Supervisors.

SCTA was established to accomplish the stated purpose and goals of the Public Utilities Code Section 180000 et seq, also known as the Local Transportation Authority and Improvement Act (the "Act").

Note B. Summary of Significant Accounting Policies

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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. Major individual 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 60 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 and claims and judgments are recorded only when payment is due.

Cash and Investments

SCTA reports cash and investments in the statement of net assets at amortized cost, which approximates fair value.

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 2008 and 2011 to be used for Measure M activities and bond reserve requirements, and sales tax revenues collected by the trustee for making the annual interest payments on the bonds.

Sales Tax Revenue and Receivable

Sales tax receivable represents sales tax amounts allocated to SCTA through Measure M as discussed in Note H, 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 \$404,900 for the year.

Capital Assets

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

Note B. Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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

SCTA's equipment is depreciated using the straight-line method over estimated useful lives of 5 to 20 years.

Bonds Payable, Bond Premium and Issuance Costs

In the government-wide financial statements bonds payable, inclusive of unamortized bond premium, are reported as a liability in the statement of net assets. Unamortized bond issuance costs are presented as an asset. Bond premiums and issuance costs 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 and issuance costs are recognized in the period incurred. The face amount of the bonds issued and related premiums are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

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

Net Assets

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

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

Note B. Summary of Significant Accounting Policies (continued)

Fund Balance and the adoption of GASB Statement No. 54

At the beginning of the fiscal year ended June 30, 2011, SCTA adopted GASB *Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"). As a result of the adoption of GASB 54, SCTA adopted new fund balance classifications as defined below.

- Nonspendable – 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.

Additionally, SCTA made adjustments to opening fund balances as discussed in Note N.

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.

Cost Applied

The cost applied line item on SCTA's statement of revenue, expenditures, and changes in fund balances - governmental funds represents a reimbursement to SCTA's general fund for payroll costs associated with the Measure M and TFCA funds, as well as from the Sonoma County Regional Climate Protection Authority ("RCPA").

Estimates

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

Note 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) and is \$74,481 greater than the reported amount in the statement of net assets.

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 regulatory oversight for all monies deposited into the Treasury Pool.

Treasury Pool Investment Guidelines

SCTA's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity, and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity. A copy of the Treasury Pool investment policy is available upon request from the Sonoma County Auditor-Controller Treasurer-Tax Collector at 585 Fiscal Drive, Room 100, Santa Rosa, California, 95403-2871.

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, 2011 was 751 days.

Note C. Cash and Investments (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk

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

Concentration of Credit Risk

The investment policy of SCTA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no non-pooled investments in any one issuer that represent 5% or more of total SCTA investments.

Note D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Retire- ments	Transfers and Adjustments	Ending Balance
Capital assets, being depreciated					
Equipment	\$ 25,609	\$ -	\$ -	\$ -	\$ 25,609
Less accumulated depreciation					
Equipment	(22,953)	(1,328)	-	-	(24,281)
Capital assets, net	\$ 2,656	\$(1,328)	\$ -	\$ -	\$ 1,328

During the fiscal year ended June 30, 2011, depreciation expense of \$1,328 was charged to SCTA's transportation improvements program.

Sonoma County Transportation Authority

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2011

Note E. Long-term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2011 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Sales Tax Revenue Bonds, Series 2008	\$46,075,000	\$ -	\$ -	\$ 46,075,000	\$ -
Unamortized bond premium	3,671,159	-	(364,125)	3,307,034	-
Total Series 2008 Bonds	49,746,159	-	(364,125)	49,382,034	-
Sales Tax Revenue Bonds, Series 2011	-	25,200,000	-	25,200,000	350,000
Unamortized bond premium	-	1,863,706	(68,422)	1,795,284	-
Total Series 2011 Bonds	-	27,063,706	(68,422)	26,995,284	350,000
Total bonds	49,746,159	27,063,706	(432,547)	76,377,318	350,000
Compensated absences	144,004	20,355	-	164,359	-
Total long-term liabilities	\$49,890,163	\$27,084,061	\$ (432,547)	\$ 76,541,677	\$ 350,000

Note F. Sales Tax Revenue Bonds

SCTA issued \$46,075,000 in Sales Tax Revenue Bonds, Series 2008 (Limited Tax Bonds) (the "2008 Bonds") on January 24, 2008. The 2008 Bonds were issued at a premium of \$4,516,657 and bond issuance costs totaled \$511,177. The 2008 Bonds carry interest rates ranging from 4% to 5%, and were issued for the purpose of financing certain transportation projects included in the Measure M Expenditure Plan.

The 2008 Bonds begin to mature in December 2013, and all 2008 Bonds will be matured by December 2024. Bonds maturing subsequent to December 2017 are subject to redemption at the option of SCTA at any time on or after December 1, 2017 at a price equal to 100% of the principal amount outstanding and any accrued interest thereon.

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%, and were issued for the purpose of financing certain transportation projects included in the Measure M Expenditure Plan.

Sonoma County Transportation Authority

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2011

Note F. Sales Tax Revenue Bonds (continued)

The 2011 Bonds begin to mature in December 2011, and all 2011 Bonds will be matured by December 2025. 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.

The 2008 and 2011 Bonds are limited obligations of SCTA secured solely by a pledge of \$102,370,560 from Measure M sales tax revenues. Pledged sales tax revenues represent 22% of estimated total revenues from the Measure M sales tax.

Total debt service payments made from the Measure M Fund of \$2,594,828, comprised entirely of interest for both the 2008 and 2011 Bonds, made during the fiscal year ended June 30, 2011 represent 15% of the \$16,535,252 in Measure M sales tax revenues recognized during the same period.

The annual debt service requirements to maturity for the 2008 Bonds are as follows as of June 30, 2011:

Year ending June 30:	Principal	Interest	Total
2012	\$ -	\$ 2,207,350	\$ 2,207,350
2013	-	2,207,350	2,207,350
2014	2,880,000	2,135,350	5,015,350
2015	3,025,000	1,987,725	5,012,725
2016	3,185,000	1,832,475	5,017,475
2017-2021	18,535,000	6,540,125	25,075,125
2022-2025	18,450,000	1,606,600	20,056,600
	\$ 46,075,000	\$ 18,516,975	\$64,591,975

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

Year ending June 30:	Principal	Interest	Total
2012	\$ 350,000	\$ 1,108,938	\$ 1,458,938
2013	360,000	1,098,338	1,458,338
2014	365,000	1,089,263	1,454,263
2015	380,000	1,076,188	1,456,188
2016	1,915,000	1,020,713	2,935,713
2017-2021	11,015,000	3,664,413	14,679,413
2022-2025	10,815,000	925,906	11,740,906
	\$ 25,200,000	\$ 9,983,759	\$35,183,759

Sonoma County Transportation Authority

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2011

Note F. Sales Tax Revenue Bonds (continued)

Future years' amortization of bond premium and issuance costs for the 2008 and 2011 Bonds are as follows as of June 30, 2011:

Year ending June 30:	Premium	Issuance costs	Net
2012	\$ 573,661	\$ 88,058	\$ 485,603
2013	570,628	87,381	483,247
2014	567,550	86,693	480,857
2015	541,585	83,400	458,185
2016-2020	2,065,292	315,750	1,749,542
2021-2025	783,602	114,389	669,213
	\$ 5,102,318	\$ 775,671	\$ 4,326,647

Debt service payment for the 2008 and 2011 Bonds are made from the Measure M Debt Service fund.

Note G. Intergovernmental Revenues

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

Note H. Measure M Sales Tax Revenues

The Measure M 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 2005 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 will be updated every two years in order to reflect the actual revenues received.

Note H. Measure M Sales Tax Revenues (continued)

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 I. Risk Management

SCTA is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SCTA is covered for general, automobile, crime and errors and omissions liability through Alliant Insurance Services. Limits of this coverage are \$1,000,000 per occurrence. SCTA participates in the County of Sonoma self-insurance program providing \$300,000 per occurrence for workers' compensation claims and has excess reinsurance with the California State Association of Counties up to statutory limits.

Note J. Post Employment Benefits

SCTA participates in a cost sharing multiple-employer Defined Benefit Pension Plan ("DBPP") and a cost sharing multiple-employer Post-employment Healthcare Plan ("PHP"). The DBPP is administered by the Sonoma County Employees' Retirement Association ("SCERA") and the PHP is administered by the County of Sonoma. The County of Sonoma is the primary government for these plans. The SCERA was organized on January 1, 1946, under the provision of the 1937 County Employees Retirement Act, and is financially independent of the County of Sonoma and SCTA.

The financial statements for the County of Sonoma, the sponsor of the plans, contain the financial information for the DBPP and the PHP, which is not presented here because SCTA's share cannot be separated from the whole.

SCERA issues a publicly available financial report that includes financial statements and required supplementary information for the DBPP. The report may be obtained by writing to Sonoma County Employee's Retirement Association, 433 Aviation Blvd., Suite 100, Santa Rosa, CA 95403-1069 or by calling 707-565-8100.

Note J. Post Employment Benefits (continued)

Defined Benefit Pension Plan

DBPP members include all employees who have been appointed to a permanent position of at least half time. The plan provides benefits as defined by the law upon retirement, death, or disability of members.

Funding Policy

Contribution rates for the employers and their covered employees are adopted by the Board of Supervisors upon recommendation by the SCERA Board of Retirement. DBPP members are required to contribute 5% to 12% of their annual covered salary, depending upon their age of entry into the system. SCTA is required to contribute through periodic contributions at contractually determined rates. Contributions to the DBPP for the years ended June 30, 2011, 2010 and 2009 were \$353,979, \$157,227, and \$121,854, respectively.

Post-employment Healthcare Plan

PHP care benefits are provided to all active, covered employees that (a) participate in the defined benefit pension plan and (b) who retire from SCTA on or after attaining the age of 50 with at least 10 years of service. The employer pays up to approximately 85% of the health care insurance premium for retirees and their eligible dependents, with a monthly maximum of \$500. The retiree can choose one of two health care providers. The employer reimburses a fixed amount per month for Medicare supplement for each retiree aged 65 and over covered under Medicare Parts A and B.

For employees hired before January 1, 2009 the plan provides a value equivalent to 85% of the lowest health care insurance premium for retirees and their eligible dependents. The plan reimburses a fixed amount per month for Medicare supplement for each retiree aged 65 and over covered under Medicare Part B. For employees hired on or after January 1, 2009, the County, on behalf of SCTA, contributes to a Defined Contribution plan in the form of a deposit into a Health Reimbursement Arrangement ("HRA") account. Any eligible employee and eligible dependent(s), may enroll in a County offered medical plan, but the retiree is responsible for all costs (including County offered retiree medical plan and Medicare B premiums). Authority to establish and amend benefit provision of the PHP resides with the County Board of Supervisors.

Funding Policy

The PHP funding policy provides for periodic contributions by SCTA at contractually determined rates. The contribution rate is determined by the County of Sonoma on an annual basis and authorized by the Board of Supervisors. Contributions to the PHP for the years ended June 30, 2011, 2010 and 2009 were \$61,445, \$61,682, and \$55,635, respectively.

Sonoma County Transportation Authority

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2011

Note K. Commitments

SCTA has the following commitments related to its activities as of June 30, 2011:

<u>Activity</u>	<u>Outstanding Commitment Balance</u>
Measure M	\$ 91,111,403
Transportation Fund for Clean Air (TFCA)	921,443
Transportation Improvement	213,333
	<hr/>
	\$ 92,246,179

Note L. New Accounting Pronouncements

In November 2010 the Government Accounting Standards Board ("GASB") issued *Statement No. 61 - The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.

In June 2011 GASB issued Statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011.

The effect of these issued but not yet adopted statements on SCTA's financial statements is not known at this time.

Sonoma County Transportation Authority

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2011

Note M. Operating Lease

SCTA is obligated under a five year lease agreement which expires in March 2012 for the use of office space. Leasing expenditures for the fiscal year ended June 30, 2011 were \$99,280. Future minimum lease payments continue through March 2012 and amount to \$76,438.

During the fiscal year ended June 30, 2011, RCPA paid \$11,853 to SCTA for the sub-leasing of office space.

Note N. Adjustments to Opening Fund Balances / Net Assets

At the beginning of the fiscal year ended June 30, 2011, the following adjustments were made to the opening fund balances / net assets:

	General Fund	TFCA Special Rev.	Measure M Special Rev.	Measure M Debt Svc.	Total
Fund balance at June, 30, 2010					
- Originally stated	\$ 429,592	\$ 898,855	\$ 62,714,922	\$ -	\$ 64,043,369
Establishment of Measure M					
Debt Service Fund -					
Restricted cash increase (decrease)	-	-	(4,796,811)	4,796,811	-
Sales tax receivable increase	-	-	1,496,140	367,891	1,864,031
Total fund balance restatement	-	-	(3,300,671)	5,164,702	1,864,031
Fund balance at June 30, 2010 - Restated	\$ 429,592	\$ 898,855	\$ 59,414,251	\$ 5,164,702	\$ 65,907,400
Net assets at June 30, 2010 - Originally stated					\$ 14,571,349
Sales tax receivable increase					1,864,031
Net assets at June 30, 2010 as restated					\$ 16,435,380

The Measure M Debt Service Fund was established as a result of the adoption of GASB 54 at the beginning of the fiscal year. SCTA management analyzed the provisions of GASB 54 that address governmental fund type definitions and determined that a debt service fund should be established to account for revenue bond debt service activities. Accordingly, cash that was restricted for debt service in accordance with the Series 2008 bond indenture at the beginning of the year was transferred to the debt service fund.

The sales tax receivable component to the opening fund balance / net asset adjustment is the result of an error in the calculation of the sales tax receivable that existed as of June 30, 2010 that was identified during the fiscal year ended June 30, 2011.

Required Supplementary Information

Sonoma County Transportation Authority

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis) - General Fund**

For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenue				
Intergovernmental revenue	\$ 1,480,000	\$ 1,544,600	\$ 1,434,842	\$ (109,758)
Investment income	2,000	2,000	1,019	(981)
Miscellaneous	5,000	5,000	65	(4,935)
Total revenue	1,487,000	1,551,600	1,435,926	(115,674)
Expenditures				
Current				
Salaries and employee benefits	1,296,053	1,296,053	1,455,937	(159,884)
Services and supplies	583,906	885,049	540,648	344,401
Other charges	-	40,000	500	39,500
Cost applied	(482,795)	(439,851)	(411,275)	(28,576)
Total expenditures	1,397,164	1,781,251	1,585,810	195,441
Net change in fund balance	89,836	(229,651)	(149,884)	79,767
Fund balance at June 30, 2010	429,592	429,592	429,592	-
Fund balance at June 30, 2011	\$ 519,428	\$ 199,941	\$ 279,708	\$ 79,767

See accompanying Note to Required Supplementary Information

Sonoma County Transportation Authority

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis) - Special Revenue Fund (TFCA)**

For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenue				
Intergovernmental revenue	\$ 574,931	\$ 574,931	\$ 572,319	\$ (2,612)
Investment income	-	-	5,511	5,511
Total revenue	<u>574,931</u>	<u>574,931</u>	<u>577,830</u>	<u>2,899</u>
Expenditures				
Current:				
Administration	27,795	27,795	27,792	3
Contributions to other governments	1,391,909	1,391,909	470,507	921,402
Total expenditures	<u>1,419,704</u>	<u>1,419,704</u>	<u>498,299</u>	<u>921,405</u>
Net change in fund balance	(844,773)	(844,773)	79,531	924,304
Fund balance at June 30, 2010	<u>898,855</u>	<u>898,855</u>	<u>898,855</u>	-
Fund balance at June 30, 2011	<u>\$ 54,082</u>	<u>\$ 54,082</u>	<u>\$ 978,386</u>	<u>\$ 924,304</u>

See accompanying Note to Required Supplementary Information

Sonoma County Transportation Authority

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

For the Fiscal Year Ended June 30, 2011

	Total Measure M		Actual Amounts			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Special Revenue	Debt Service	Total Measure M	
	Original	Final				
Revenue						
Sales tax revenue	\$ 15,318,855	\$ 15,318,855	\$ 13,416,436	\$ 3,118,816	\$ 16,535,252	\$ 1,216,397
Intergovernmental revenue	380,000	380,000	303,501	-	303,501	(76,499)
Investment income	599,399	599,399	471,444	-	471,444	(127,955)
Total revenue	16,298,254	16,298,254	14,191,381	3,118,816	17,310,197	1,011,943
Expenditures						
Current:						
Services and supplies	6,756,000	6,756,000	4,873,130	-	4,873,130	1,882,870
Conservation credits	3,503,000	3,503,000	197,490	-	197,490	3,305,510
Contributions to other governments	30,839,708	49,892,274	14,190,208	-	14,190,208	35,702,066
Debt service:						
Interest	2,227,850	2,615,329	-	2,594,828	2,594,828	20,501
Bond issuance costs	400,000	421,020	416,692	-	416,692	4,328
Total expenditures	43,726,558	63,187,623	19,677,520	2,594,828	22,272,348	40,915,275
Excess (deficiency) of revenues over (under) expenditures	(27,428,304)	(46,889,369)	(5,486,139)	523,988	(4,962,151)	41,927,218
Other financing sources (uses)						
Transfers in	-	-	-	2,520,000	2,520,000	(2,520,000)
Transfers out	-	-	(2,520,000)	-	(2,520,000)	2,520,000
Bonds issued	23,925,000	25,621,020	25,200,000	-	25,200,000	(421,020)
Premium on bonds issued	526,024	1,863,706	1,863,706	-	1,863,706	-
Total other financing sources	24,451,024	27,484,726	24,543,706	2,520,000	27,063,706	(421,020)
Net change in fund balances	(2,977,280)	(19,404,643)	19,057,567	3,043,988	22,101,555	41,506,198
Fund balance at June 30, 2010	62,714,923	62,714,923	62,714,923	-	62,714,923	-
Fund balance at June 30, 2011	\$ 59,737,643	\$ 43,310,280	\$ 81,772,490	\$ 3,043,988	\$ 84,816,478	\$ 41,506,198

See accompanying Note to Required Supplementary Information

Note A. Stewardship, Compliance and Accountability

Budgetary Information

Budgetary revenue estimates represent original estimates modified for any authorized adjustment which was contingent upon new or additional revenue sources. Budgetary expenditure amounts represent original appropriations adjusted by budget transfers and authorized appropriation adjustments made during the year. Budgets are adopted on a basis consistent with generally accepted accounting principles. SCTA's budgetary information was amended during the year by resolution of the Board of Directors.

Sonoma County Transportation Authority

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation			
Pass-through programs from:			
California Department of Transportation ARRA - Highway Planning and Construction (Federal-Aid Highway Program)	20.205	CML-6364(010)	\$ 27,636
Metropolitan Transportation Commission Highway Planning and Construction (Federal-Aid Highway Program)	20.205	Unknown	689,663
Total U.S. Department of Transportation			717,299
Total expenditures of federal awards			\$ 717,299

Note A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Sonoma County Transportation Authority ("SCTA") under programs of the federal government for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of SCTA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of SCTA.

Note B. Summary of Significant Accounting Policies

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

Sonoma County Transportation Authority

Roster of Board Members

Year Ended June 30, 2011

The following is a roster of the Sonoma County Transportation Authority Board of Directors and the Executive Director at July 31, 2011.

Board of Directors	City
Jake Mackenzie, Chair	City of Rohnert Park
Valerie Brown, Vice Chair	County of Sonoma
Carol Russell	City of Cloverdale
Patricia Gilardi	City of Cotati
Tom Chambers	City of Healdsburg
Tiffany Renée	City of Petaluma
Gary Wysocky	City of Santa Rosa
Sarah Gurney	City of Sebastopol
Laurie Gallian	City of Sonoma
Mike McGuire	County of Sonoma
Shirlee Zane	County of Sonoma
Sam Salmon	Town of Windsor
Alternate Joe Palla	City of Cloverdale
Alternate Mark Landman	City of Cotati
Alternate Susan Jones	City of Healdsburg
Alternate Mike Harris	City of Petaluma
Alternate Joseph Callinan	City of Rohnert Park
Alternate John Sawyer	City of Santa Rosa
Alternate Michael Kyes	City of Sebastopol
Alternate Steve Barbose	City of Sonoma
Alternate Steve Allen	Town of Windsor

Executive Director

Suzanne Smith

**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***

Board of Directors
Sonoma County Transportation Authority
Santa Rosa, California

We have audited the financial statements of **Sonoma County Transportation Authority** ("SCTA") as of and for the year ended June 30, 2011 and have issued our report thereon dated January 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of SCTA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered SCTA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SCTA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SCTA's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

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**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)**

We noted certain matters that we reported to management of SCTA in a separate letter dated January 5, 2012.

This report is intended solely for the information and use of management, the board of directors, and others within the entity, and is not intended to be and should not be used by anyone other than those specified parties.

Price & Barker LLP

Santa Rosa, California
January 5, 2012

**Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each
Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

Independent Auditors' Report

Board of Directors
Sonoma County Transportation Authority
Santa Rosa, California

Compliance

We have audited the compliance of **Sonoma County Transportation Authority** ("SCTA") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2011. SCTA's major federal program is identified in the summary of auditors' results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of SCTA's management. Our responsibility is to express an opinion on SCTA's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on SCTA's compliance with those requirements.

In our opinion, SCTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control over Compliance

Management of SCTA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered SCTA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

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**Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each
Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133 (continued)**

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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of directors, and others within SCTA, and is not intended to be and should not be used by anyone other than those specified parties.

Pratt & Binkley LLP

Santa Rosa, California
January 5, 2012

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Significant deficiencies identified that are not considered to be material weaknesses? None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major programs

Federal

CFDA

Number Federal Program Name

20.205 Highway Planning and Construction (Federal-Aid Highway Program)

Dollar threshold used to distinguish between type A and type B program: \$300,000

Auditee qualified as low-risk auditee? No

II. Financial Statement Findings

No matters were reported.

III. Federal Award Findings and Questioned Costs

No matters were reported.

Sonoma County Transportation Authority

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2011

An audit in accordance with OMB Circular A-133 was not performed in the previous year; therefore there were no prior year findings.