

**SANTA CRUZ COUNTY REGIONAL  
TRANSPORTATION COMMISSION**

AUDIT REPORT  
June 30, 2010

RECEIVED  
JAN 10 2011  
SCLC/TC



**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**TABLE OF CONTENTS**  
 June 30, 2010

---

**Financial Section**

Independent Auditors' Report .....1  
 Management's Discussion and Analysis .....3

**Basic Financial Statements:**

**Government-wide Financial Statements:**

Statement of Net Assets .....17  
 Statement of Activities .....18

**Fund Financial Statements:**

Balance Sheet – Governmental Funds .....20  
 Reconciliation of the Governmental  
     Funds Balance Sheet to the Statement of Net Assets .....22  
 Statement of Revenues, Expenditures, and Changes In Fund Balances -  
     Governmental Funds .....24  
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,  
     and Changes in Fund Balances of to the Statement of Activities .....28  
 Statement of Revenues, Expenditures, and Changes in Fund Balance –  
     Budget and Actual – Administration and Planning Fund .....29  
 Statement of Revenues, Expenditures, and Changes in Fund Balance –  
     Budget and Actual – Rail/Trail Authority Fund .....30  
 Statement of Revenues, Expenditures, and Changes in Fund Balance –  
     Budget and Actual – Service Authority for Freeway Emergencies Fund .....31  
 Statement of Revenues, Expenditures, and Changes in Fund Balance –  
     Budget and Actual –Freeway Service Patrol Fund .....32  
 Statement of Revenues, Expenditures, and Changes in Fund Balance –  
     Budget and Actual –Highway 1 Program Fund .....33  
 Statement of Fiduciary Net Assets – Fiduciary Funds .....34  
 Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....36  
 Notes to Basic Financial Statements .....38

**Required Supplementary Information Section**

Schedule of Funding Progress for Post Employment Benefits  
     Other than Pensions .....49

**Supplementary Information Section**

**Schedules of Allocations and Expenditures:**

Local Transportation Fund .....51  
 State Transit Assistance Fund .....52

Auditors' 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* ..... 53



**FINANCIAL SECTION**





MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA

802 EAST MAIN  
SANTA MARIA, CA 93454  
TEL: 805.925.2579  
FAX: 805.925.2147  
www.mlhcpas.com

**INDEPENDENT AUDITORS' REPORT**

Santa Cruz County Regional Transportation Commission  
Santa Cruz, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Cruz County Regional Transportation Commission (the Commission) as of and for the fiscal year ended June 30, 2010, which collectively comprise the Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Commission'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 financial statements are free of material misstatement. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Cruz County Regional Transportation Commission, as of June 30, 2010, and the respective changes in financial position thereof, and the respective budgetary comparisons for the Administration and Planning Fund, Rail/Trail Authority Fund, Service Authority for Freeway Emergencies Fund, Freeway Service Patrol Fund, and the Highway 1 Program Fund for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.


As discussed in note 1 to basic financial statements effective July 1, 2009, the Santa Cruz County Regional Transportation Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*, GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 16, and the schedule of funding progress for post employment benefits other than pensions on page 49, 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, of 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 27, 2010, on our consideration of the Santa Cruz County Regional Transportation Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 considered in assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Santa Cruz County Regional Transportation Commission's basic financial statements. The accompanying schedules of allocations and expenditures, listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Santa Cruz County Regional Transportation Commission. 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.

MOSS, LEVY & HARTZHEIM LLP

A handwritten signature in cursive script that reads "Moss, Levy & Hartzheim LLP".

December 27, 2010

## **Management's Discussion and Analysis Fiscal Year Ending June 30, 2010**

### **1. INTRODUCTION**

The Santa Cruz County Regional Transportation Commission (RTC) was established in 1972 under the provisions of the California Transportation Development Act (TDA) of 1971. In 2001, Section 67941, was added to the Government Code that gave the Commission the power of eminent domain and the power to preserve, acquire, construct, improve, and oversee multimodal transportation projects and services on rail rights-of-way within Santa Cruz County.

The RTC is governed by a Board of Directors composed of 12 members, and one ex-officio member. The Board sets policies and for FY09-10 oversaw 17 full and part-time employees representing 15.25 full-time equivalent positions.

### **2. MAJOR PROGRAMS**

The RTC sets priorities and secures funding for major capital improvements to transportation infrastructure, including highways, major roads, public transportation, rail, bicycle and pedestrian facilities; pursues and allocates funds for all elements of transportation; adopts policies to improve the regional transportation system; plans future projects and programs; and provides services to encourage the use of alternative transportation modes, improve the safety and operation of the transportation system and reduce automobile emissions.

The RTC is the designated Local Transportation Commission (LTC) and the Regional Transportation Planning Agency (RTPA) for Santa Cruz County. As the RTPA for Santa Cruz County, the RTC is responsible for distributing Transportation Development Act funds from the 1/4-cent state sales tax and for developing both the state-mandated *Regional Transportation Plan (RTP)* and *Regional Transportation Improvement Program (RTIP)*.

The RTP is the long range transportation planning document which identifies the region's goals, needs and potential funding sources over a 25-year period. The RTP is updated every 4-5 years and the last update was adopted in June 2010. As certain state and federal funding becomes available, the RTC programs those funds to specific transportation projects in the RTIP, which covers a 5-year period. The RTC contributed and/or secured funds for the following projects which were under construction or implemented in FY09/10; the dollar amounts reflect the RTC's contribution to the total project costs:

- Highway 1/17 Merge Lanes Landscaping: \$1.5 million (STIP)
- Roadway Repairs throughout Santa Cruz County: \$5.2 million (ARRA)
- Whispering Pines Drive Sidewalks and Bicycle Lanes, Scotts Valley: \$275,000 (RSTPX)
- South County Community Traffic Safety Coalition Educational programs: \$50,000 (RSTPX)
- Go Green Transportation Demand Management Program: \$60,000 (RSTPX)
- Commuter Vanpool Vans - UCSC: \$66,000 (RSTPX)

### **Highway 1 Projects**

In FY09/10, the RTC continued pre-construction work on several regionally significant projects including the federal and state funded Highway 1 Soquel/Morrissey Auxiliary Lanes Project, and Highway 1 HOV Lane Project.

In 2003, work began on the project's approval/environmental documentation (PA/ED) phase of the HOV Lane Project through consultant services managed by RTC with project oversight provided by Caltrans. In 2005, the RTC secured federal funds to initiate PA/ED activities on the Soquel/Morrissey Auxiliary Lanes project, a project determined to have independent utility from the HOV Lane project and provide congestion relief along the corridor.

Through FY09/10, work continued on the PA/ED phase of the Highway 1 HOV Lane Project and the Highway 1 Soquel/Morrissey Auxiliary (Auxiliary) Lanes Project. The draft environmental document for Auxiliary Lane project was released for public comment in October 2008 and the final environmental document was subsequently approved in September 2009. Final design of the Auxiliary Lane Project began in January 2010, through consultant services. Construction funding for the Auxiliary Lanes project was secured from Proposition 1A Transportation Bonds and construction is anticipated in the fall of 2011. In June 2009, the RTC Board directed staff to work with Caltrans to develop the documents for the RTC to take responsibility for construction management of the Auxiliary Lanes project as a means of accelerating the delivery of this project.

On the HOV Lane project, additional funding was programmed from the 2010 State Transportation Improvement Program to complete the PA/ED phase due to extended delays in resolving engineering design details with Caltrans. Release of the draft environmental document for the HOV Lane project is expected in the fall 2011.

### **Rail Line Acquisition**

The Regional Transportation Commission (RTC) is in the final stages of acquiring the Santa Cruz Branch Rail Line right-of-way. In August 1999, the RTC approved pursuing acquisition of the Union Pacific branch rail line between Watsonville and Davenport to transfer this transportation corridor into public ownership and make it available as a transportation resource for the community in the future. The RTC has been negotiating with Union Pacific since 2001, as well as conducting the studies and analysis necessary to gain a full understanding of the condition of the property. In December 2004, the RTC signed a Letter of Intent with Union Pacific to purchase the rail line for \$19 million. After completing some of the due diligence work, the RTC was successful in negotiating a lower purchase price of \$14.2 million. With the assistance of consultants (Miller, Owen and Trost), in FY 08-09, the RTC continued to negotiate the purchase of the Santa Cruz Branch Rail Line and worked to complete its due diligence prior to making a final purchase decision. The California Transportation Commission is expected to take action on funding for the project in FY 10-11.

### **Monterey Bay Sanctuary Scenic Trail Network**

The Monterey Bay Sanctuary Scenic Trail (MBSST) Network is envisioned to be a multi-use recreational, interpretive and transportation pathway for bicyclists and pedestrians that will span the coast of the Monterey Bay National Marine Sanctuary from the San Mateo County line to the Monterey County line. In FY09/10, the RTC staff worked with the Coastal Conservancy to secure funding for implementation of a master plan and environmental document. A draft contract with the Coastal Conservancy was negotiated for receipt of \$250,000 and a draft contract was also negotiated with the consulting firm selected to conduct the work. The Coastal Conservancy invoicing procedures were reviewed and final timeline and scope of work revisions were made in anticipation of contract signing and release of an authorization to proceed.

The project continued to receive support from its greatest champion, Congressman Sam Farr. Adding to the millions of earmark and appropriation dollars secured to date for development of the MBSST Network, Congressman Farr secured an additional \$400,000 in federal appropriations in FY09/10.

### **SAFE and FSP**

The RTC spent \$91,760 for the Safe on 17 Program in FY09/10. The goal of the Safe on 17 Program is to maintain a reduced collision rate on Highway 17, by providing additional CHP enforcement. The funding is provided by the RTC SAFE and the Metropolitan Transportation Commission (MTC) SAFE. \$50,000 is budgeted annually by the RTC SAFE to fund extra CHP enforcement on the Santa Cruz County side of Highway 17 and \$50,000 is budgeted annually by the MTC SAFE to fund extra CHP enforcement on the Santa Clara County side of Highway 17. The Safe on 17 Program maintained a reduced level of fatal and injury collisions on Highway 17, down to 145 in 2009 from 283 in the test period prior to the Program's initiation.

The RTC spent \$65,371 to operate and maintain 124 Santa Cruz County call boxes in FY09/10. Call boxes are located on Highways 1, 9, 17, 152, and 129, which connect stranded motorists with assistance. Over 1,260 calls were placed from Santa Cruz County call boxes in FY09/10.

The Regional Transportation Commission, serving as the Service Authority for Freeway Emergencies, operates the Freeway Service Patrol (FSP) Program. The FSP Program consists of roving tow trucks looking for disabled vehicles or debris on designated highway segments. The FSP provides on-the-spot help to stranded motorists. The purpose of the FSP is to decrease traveler delay associated with non-recurrent congestion, improve safety and air quality and reduce fuel consumption by rapidly clearing incidents. During the majority of FY09/10, the Program was operated on designated segments of Highway 1 and Highway 17 during commute periods and Sundays during peak travel periods. In FY09/10, the FSP provided 1,475 assists to motorists free of charge. The Programs were funded in FY09/10, with a Caltrans FSP grant (\$185,530) and American Recovery and Reinvestment Act funds (\$180,000). The most recent cost/benefit ratio for the FSP program was completed in FY04/05, and calculated a cost/benefit ratio of approximately 1:16 for the Santa Cruz County's FSP program.

### **Monterey Bay Area 511 Traveler Information System**

The Santa Cruz County Regional Transportation Commission (RTC) and the Transportation Agency for Monterey County (TAMC) received a Partnership Planning Grant from the California Department of Transportation (\$259,210 grant with \$64,802 matching) to conduct a Monterey Bay Area 511 Traveler Information System Feasibility and Implementation Plan. The Project began in March, 2010 and will be completed in November, 2011.

The Monterey Bay Area, comprised of Monterey, Santa Cruz and San Benito Counties, experiences significant congestion and has limited transportation access because of the constrained geographical areas such as Highway 1 along the Monterey Bay coastline and Highway 17 through the Santa Cruz Mountains. The extremely limited resources available to invest in significant capital improvements require that transportation agencies optimize the use of existing transportation infrastructure and programs. A multi-modal 511 traveler information system could improve the functionality and efficiency of the existing transportation system by offering real-time information to travelers about current travel conditions and travel choices and through its ability to provide information to large numbers of travelers simultaneously. Informed travelers are more likely to travel adjustments, whether it is changing modes, their route, or the time they travel to avoid peak period congestion and areas already impacted by incidents. In a major emergency, such a system could also provide critical information to the traveling public such as detours, evacuation plans, etc. allowing emergency service personnel unimpeded access to respond to the problem. In comparison to other capital projects, a 511 system could be implemented in a relatively short delivery time, at a fraction of the cost, and potentially be of great value to the community.

### **Commute Solutions and Alternatives to Driving Alone**

Since 1979, the RTC, through its Commute Solutions Program has provided the community with a centralized resource for transportation information. This Program helps individuals find alternatives to driving alone and assists employers in developing commute programs for their employees. In its ongoing effort to help Santa Cruz residents and employees find carpool, vanpool and bike partners, the RTC's Commute Solutions program continued contracting with the Metropolitan Transportation Commission (MTC) for use of its ridematching service. Through Commute Solutions, hundreds of Santa Cruz Metro bus schedules and Santa Cruz County bikeways maps were distributed and the RTC worked closely with the City of Santa Cruz to promote using alternatives to get into and around downtown Santa Cruz. Commute Solutions also collaborated with the local weekly newspaper Good Times (circulation 40,000) to produce a cover story and 12 page pull-out insert dedicated to local commute options.

The RTC continued to provide a number of services supporting the use of alternative transportation including personalized trip planning assistance for all transportation modes and technical support for employer sponsored commute programs through the use of such tools as online employee commute surveys, residential density maps, site assessment surveys and commute plan development. It also participated in planning for a joint marketing campaign with the other rideshare agencies in the Monterey Bay Area for Rideshare Week to be held in October 2010.

In FY09/10, the RTC funded programs supporting the use of sustainable transportation including

Commute Solutions, Bike to Work/School, and the Community Traffic Safety Coalition (CTSC). The RTC also approved funding for a new project in June, 2009, to establish a South County Bicycle and Pedestrian Work Group of the CTSC to focus bicycle and pedestrian outreach and education efforts in the south Santa Cruz County area.

In its role as public agency sponsor for grants awarded by the Monterey Bay Unified Air Pollution Control District (Air District) and implemented by the non-profit organization Ecology Action (EcoAct), the RTC provided pass through funding and ongoing program oversight for an Emergency Ride Home Program which concluded during this period with the submission of a final project report. Administrative oversight of EcoAct's RSTPX grant for the Go Green campaign at Cabrillo College and its work with its member employers was also provided. The RTC also served as public agency sponsor for an Air District grant application to install a level three electric vehicle charging station in Santa Cruz County. If awarded, the International Brotherhood of Electrical Workers will be the implementing agency.

Another project, the Folding Bikes in Buses program, funded by the Air District through the RTC's public agency sponsorship was completed. The Folding Bikes in Buses program was implemented by EcoAct to promote the combination of bicycle and bus trips. By enabling participants to purchase subsidized folding bicycles, bicycle riders were able to bring folded bikes inside buses when outside carrying capacity was full, thus easily extending possible trip lengths. A Final Report was submitted to the Air District which concluded the RTC's role as public agency sponsor for the program.

The RTC responded to its dwindling supply of the Santa Cruz County Bikeways Map, a highly requested publication, by printing an extensively updated map. The map was modified to include new bicycle facilities, contact information for local law enforcement offices, off-road trails and multi-use path sharing trail. Information was supplied in English and Spanish. Distribution of a back log of requests was undertaken.

During this period, the RTC implemented three projects funded by AB2766 grants awarded by the Air District in FY08/09. The first, Cash for Carpools, is a countywide incentive program aimed at encouraging people who currently drive alone to form new carpools for commute trips to school and work. The second project continues the highly successful Bikes Secure Bicycle Parking Subsidy program providing bicycle parking subsidies to county organizations. The third project (sponsored by the RTC and implemented by Ecology Action) creates a new countywide Emergency Ride Home Program called RideSurance that offers alternative transportation users a low-cost insurance policy that guarantees them a free cab ride home in an emergency.

The RTC submitted proposals and was awarded RSTP funds for two new projects in FY08/09. A County-Wide Bicycle Route Signage Program received \$100,000 to provide way-finding signs to direct cyclists towards safe and convenient facilities when navigating Santa Cruz County's roadways. Commute, utilitarian, recreational and tourist bike trips will be considered. RTC staff began coordinating with local jurisdictions about timing of implementation efforts and developed a framework for considering sign selection/design, route selection, and establishing sign development, installation and maintenance provisions.

The second project (\$160,000) will build upon the existing park and ride lot system that provides commuters with safe, convenient locations where they can meet their carpool, vanpool or bus and leave their bicycle or car during the workday. The Project will increase access to and use of park and ride facilities by improving existing facilities and expanding the number of parking spaces and locations available for commuters using alternatives to driving alone. Research for this project and planning for use of GIS tools commenced.

### **3. FINANCIAL STATEMENTS**

The Basic Financial Statements consist of Government-Wide Financial Statements (Governmental funds only), Funds Financial Statements (Governmental and Fiduciary funds); and Notes to Basic Financial Statements.

#### **A. Government-Wide Financial Statements**

There are two government-wide statements, which are on full accrual basis of accounting: the **Statement of Net Assets** (balance sheet of all governmental funds) and the **Statement of Activities**. Consistent with the Governmental Accounting Standard Board (GASB) Statement No.34, the fixed assets are capitalized, depreciated, and reported as net of accumulated depreciation on the balance sheet. In addition, the expenses are recognized for accrued vacation and sick leaves (compensated absences) and the related outstanding balance is reflected in the liability section.

New this fiscal year is the implementation of GASB Statement No.45, which deals with Other Post Employment Benefits (OPEB), other than pensions. The objective of the Statement is to quantify the costs of these benefits to determine the annual payment (annual required contribution, the ARC) needed to fully fund the costs. The Statement does not require government agencies to make the full annual required contribution (pre-funding), however it requires to expense the annual cost of OPEB and to report any unfunded cost as a liability. The liability balance will grow each fiscal year in equal amount of unfunded ARC. Currently, the RTC does not pre-fund and is in Pay as You Go method; the RTC pays only the actual costs of retirement for retirees. The GASB Statement No.45 is discussed in detail in Note 9 of the Basic Financial Statements on page 47.

#### **B. Funds Financial Statements**

The RTC operates 11 funds, with five Governmental Funds and six Fiduciary Funds. The financial statements of these two fund types are not commingled. The structure of the Fund Financial Statements section is as follows:

##### **1. Governmental Funds**

The governmental funds are:

- a. Administration and Planning Fund
- b. Rail/Trail Authority Fund
- c. Service Authority for Freeway Emergencies (SAFE) Fund
- d. Freeway Service Patrol (FSP) Fund, and

- e. Highway 1 Program Fund.

There are no capital assets or compensated absences in the Fund Financial Statements; and GASB Statement No.34 also applies only to the Government-Wide Financial Statements. Due to the different accounting treatment, reconciliation is needed in order to balance the numbers in both statements. In addition to the combined balance sheet, actual results are compared to the budget for each Governmental Fund.

## **2. Fiduciary Funds**

The six Fiduciary Funds are:

- a. Local Transportation Fund (Transportation Development Act -- TDA )
- b. State Transit Assistance (STA) Fund
- c. Surface Transportation Program Exchange (STP Exchange) Fund
- d. PERS Health Fund
- e. In Lieu of Social Security Fund, and
- f. Miscellaneous Deductions Fund

The last three Fiduciary Funds were set up to accumulate funds until disbursement to appropriate agencies or vendors. The In Lieu of Social Security is inactive as funds were disbursed in the prior fiscal year. Two Statements are presented for the Fiduciary Funds:

- a. Statement of Fiduciary Net Assets, and
- b. Statement of Changes in Fiduciary Net Assets

## **4. FINACIAL HIGHLIGHTS**

### **Governmental Activities**

#### **Net Assets**

Net Assets balance is down by \$498,998 (18%) to \$2,228,992 due to increased compensated absences liability (\$49,757); GASB Statement No.45 OPEB unfunded additional expenses (\$127,922); and transfers (\$512,553) of prior fiscal year's net assets to fiduciary funds as follows: \$186,553 of RTC Reserves were transferred to TDA Fund to help claimants from further allocation cuts and \$326,000 was returned STP Exchange Funds from Highway 1 Program Funds. The expenses (\$5,646,735) and the Operating Contribution and Grants (\$5,117,269) increased proportionally at about 23% each.

#### **Cash and Receivables**

The cash balance is slightly down by \$39,956 (2%) to \$2,323,156. The receivable are down \$226,234 due to partial billing acceleration. Similar to the prior fiscal year, Caltrans did not approve the indirect cost rate (78%) until August 2010. However, the RTC billed the grants throughout the fiscal year for the reimbursable direct costs. The cash balance would have been higher if not for the above mentioned transfers to Fiduciary Funds.

### **Capital Assets**

The RTC did not acquire any new capital assets in FY2009-2010, but three computers were disposed of during the year. The computers had a combined cost of \$10,335 and ranged in age from 9 to 13 years. The book value of all remaining assets is \$149,172 (\$20,785 net value after accumulated depreciation).

### **Liabilities**

The accounts payable at 6/30/10 were \$1,030,683 and up 111,796 (12%) from the previous fiscal year. The bulk of the increase (\$73,020) represents the accrued funds transfer from Administration and Planning Fund to TDA Fund, which will be paid in FY10/11. The Highway 1 Program Fund accounts for most of the payables in Governmental Funds with \$823,142, but the Fund has adequate cash (\$1,554,667) to cover its obligations. In addition, the accounts payable are partially offset by the accounts receivable (\$488,675) generated by billable costs to grants.

The Deferred Revenue consists of the unearned portion of the lump sum payments received from grants: TDM from Caltrans (\$9,458); STIP Planning (\$31,501); County HSA's Community Traffic Safety Coalition STP Exchange (\$19,852) and Ecology Action's Go Green STP Exchange (\$6,095). SAFE Fund deferred revenues (\$25,000) for funds received from MTC SAFE in FY08/09, for the Safe on 17 Program were fully converted to revenues in FY09/10 to match project related costs.

The Noncurrent Liabilities at \$377,704 are up (177,679) and consist of Compensated Absences (249,782) and GASB 45 Net OPEB Liability (\$127,922). This is the first fiscal year GASB Statement No.45 was implemented, therefore there were no OPEB Liabilities in prior fiscal years. The Compensated Absences increase of (\$49,757) is the result of overall staff pay rate increase and higher accrual accumulation ceiling due to staff longevity.

### **Other Balance Sheet Highlights**

The SAFE Fund made a short term loan of \$60,000 to FSP in FY09/10 to help with cash flow until receipt of the grant funds; the loan was repaid in the same fiscal year. The Administration and Planning Fund transferred \$102,310 to Rail/Trail Authority Fund. These transfers in and out are eliminated on the Statement of Net Asset. Due From (\$116,705) and Due To (\$116,705) Other Funds, which appear in the Governmental Funds Balance Sheet (pages 20 and 21) are also offset and eliminated on the Statement of Net Assets (page 16). These balances arise because the Administration, Planning and Rideshare fund pays for all salaries and benefits, but is later reimbursed by other funds (SAFE, FSP, Rail/Trail, and Hwy 1 PA/ED).

The following is the Statement of Net Assets for Governmental Funds:

**STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES**

	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>Change</u>
Cash and Investments	\$2,323,156	\$2,283,200	\$39,956
Receivables	1,495,877	1,722,111	(226,234)
Prepays	2,340	4,235	(1,895)
Capital Assets (Net)	20,785	30,979	(10,194)
<b>Total Assets</b>	<b>3,842,158</b>	<b>4,040,525</b>	<b>(198,367)</b>
Accounts Payable	1,030,683	918,887	111,796
Accrued Expenses	20,266	58,744	(38,478)
Due to Other Agencies	117,607	100,421	17,186
Deferred Revenue	66,906	34,458	32,448
Noncurrent Liabilities	377,704	200,025	177,679
<b>Total Liabilities</b>	<b>1,613,166</b>	<b>1,312,535</b>	<b>300,631</b>
Investment in Capital Assets, Net	20,785	30,979	(10,194)
Unrestricted	2,208,207	2,697,011	(488,804)
<b>Total Net Assets</b>	<b>2,228,992</b>	<b>2,727,990</b>	<b>(498,998)</b>

**Revenues**

Overall the revenues were up (\$888,539) 21% to \$5,147,737 from \$4,259,198 a fiscal year ago. The State provided 56% of the funding in FY09/10 while the Local funds came in second place. The Federal funds slipped to third place from the fiscal year before. The federal funding has decreased, for the related grants for the Highway 1 PA/ED Phases of the HOV Lanes and the Auxiliary (Aux) Lanes Projects were almost fully billed in prior fiscal years. There were no federal funds for the HOV Lanes in FY09/10 and the Federal revenues for the Aux Lanes decreased to \$45,798 from \$711,963. The Rail/Trail Authority Fund also shows a decrease in federal funding to \$127,982 in FY09/10 from \$311,249 the previous fiscal year. However, there was an infusion of new federal funds (\$364,913) during the year to fund the Plans, Specifications, and Estimates (PS&E) Phase of the Aux Lanes. The loss of STIP funds by FSP's towing program was covered by the American Recovery and Reinvestment Act (ARRA); and \$114,597 of the \$180,000 total was earned in FY09/10.

State funds increased 95% to \$2,886,326 due primarily to increased Planning, Programming, and Monitoring (STIP) funds which increased to \$1,523,430 on 6/30/10 from \$336,931 the fiscal year before. The Administration and Planning Fund received an increase in STIP grant from \$150,000 to \$300,000 (\$268,499 was earned in FY09/10). The STIP for the Highway 1 Program Fund had increased from \$146,000 to \$1,254,931 mostly to fund the HOV Lane Project (\$1,181,174).

The major state funding sources (with prior comparative amount in parenthesis) were:

- a. State Planning, Programming and Monitoring (STIP Funds) - \$1,523,430 (\$336,931)
- b. STP Exchange Funds - \$452,053 (\$326,000)
- c. State Rural Planning Assistance – \$314,227 (\$315,000), and
- d. Caltrans Grant for the FSP Program - \$185,530 (\$185,653).

Other State funds include grants passed-through to Community Bridges for the Agricultural Worker Transportation Program (\$50,448) and Mobility Outreach and Education Project (\$77,384).

The Local funds in FY09/10 totaled \$1,103,468 and down \$73,672 (6%) due to continuing decline in Local Transportation Funds (TDA). For the \$810,680, the Administration and Planning Fund received \$112,437 (12%) less TDA funds when compared to \$923,117 in TDA Revenues in the prior fiscal year. The AB766 revenues increased by \$42,932 to \$61,124 due to implementation of two AB2766 funded projects: Vanpool Program and the Emergency Ride Home which were operated by Ecology Action. The DMV Fees, also local funds, reveal a modest declining trend over the past three fiscal years with \$231,664; \$233,968; and \$235,770, respectively earned in FY09/10; FY08/09 and FY07/08.

The funding sources comparative table is as follows:

	<u>FY09/10</u>	<u>FY08/09</u>
State	2,886,326 (56%)	1,479,649 (35%)
Federal	1,069,553 (21%)	1,508,554 (35%)
Local	1,103,468 (21%)	1,177,140 (28%)
Interest & Others	<u>88,390 (2%)</u>	<u>93,855 (2%)</u>
Total	5,147,737 (100%)	4,259,198 (100%)

**Figure 1**  
**FY08/09 Revenues by Funding Sources**

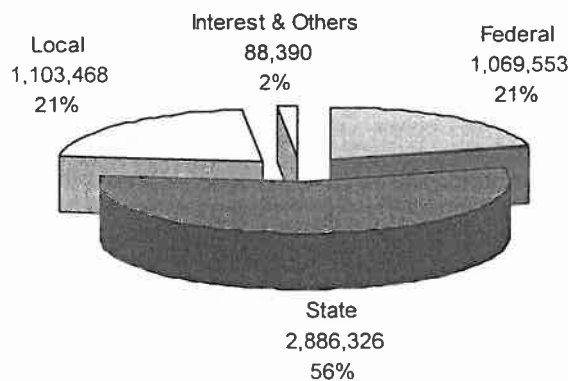


Figure 1 is a graphical representation of revenues by funding sources.

## Expenditures

The combined total expenditures - excluding Other Transfers (\$512,553), are \$392,396 (9%) higher when compared to FY08/09; and all funds, but the SAFE Fund, show increases. The expenditures went up due to increased activities: FY09/10 was the start of the PS&E Phase in Highway 1 Fund; restoration of services in FSP as the ARRA funds became available, an increase in negotiation as rail acquisition deadline loomed. In the Administration and Planning, there were few projects which were contracted out and were fully operative such as the Agricultural Worker Transportation Program (\$50,448) and the Mobility Outreach and Education Program (\$77,384), which were both run by Community Bridges.

The following is the Statement of Revenues, Expenditures, & Changes in Fund Balances for Governmental Funds:

### STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

	FYE <u>6/30/2010</u>	FYE <u>6/30/2009</u>	<u>Change</u>
Federal Revenues	\$1,069,553	\$1,508,554	\$(439,001)
State	2,886,326	1,479,649	1,406,677
Local	1,103,468	1,177,140	(73,672)
Other (Including Interest)	88,390	93,855	(5,465)
<b>Total Revenues</b>	<b>5,147,737</b>	<b>4,259,198</b>	<b>888,539</b>
Salaries & Benefits	1,699,653	1,647,789	51,864
Services and Supplies	2,713,908	2,460,457	253,451
Other Transfers	512,553		512,553
Bike to Work	34,427	45,091	(10,664)
Ecology Action (formerly SC Area TMA)	7,988	54,704	(46,716)
Community Traffic Safety Coalition	116,212	100,000	16,212
Folding Bike on Bus Program	2,615	9,807	(7,192)
Emergency Ride Home		2,151	(2,151)
Agricultural Worker Transportation Program	50,448	5,949	44,499
Mobility Outreach & Education Program	77,384	16,639	60,745
Total Towing	243,674	211,326	32,348
<b>Total Expenditures</b>	<b>5,458,862</b>	<b>4,553,913</b>	<b>104,949</b>
Excess of Revenues Over Expenditures	(311,125)	(294,715)	(16,410)
Beginning Fund Balances	2,897,036	3,191,751	(294,715)
<b>Ending Fund Balances</b>	<b>2,585,911</b>	<b>2,897,036</b>	<b>(311,125)</b>

Management was able to control discretionary costs in FY09/10. The RTC was able to secure new grants in FY09/10 such as the 511 Traveler Information (\$259,210) and the ARRA grant (180,000), however many challenges remain ahead due to the current sluggish economy. Generally, the RTC was able to adapt to the new economic reality and its financial position was healthy with the revenues and expenses falling in line with the budget.

## **Fiduciary Funds**

Cash and Investment balance is up \$1,142,667 (13%) as a result of continuing high unclaimed TDA (\$1,667,338) and STP Exchange (\$5,066,520) allocations. In addition, the STA funds (\$2,802,101) received at the current fiscal year end were not allocated by the Board and will be disbursed in

FY10/11. The unclaimed allocations are RTC obligations; funds are already committed to claimants and are not available. The unclaimed allocation distribution is as follows:

**UNCLAIMED TDA AND STP EXCHANGE ALLOCATIONS  
FY2010 ENDING 6/30/2010**

	Total	TDA	STP Exchange
Santa Cruz County	\$3,544,774	\$964,178	\$ 2,580,596
City of Capitola	997,704	91,704	906,000
City of Santa Cruz	510,325	412,401	97,924
City of Scotts Valley	444,316	94,316	350,000
City of Watsonville	855,739	104,739	751,000
SCCRTC	381,000		381,000
<b>Total</b>	<b>6,733,858</b>	<b>1,667,338</b>	<b>5,066,520</b>

The Due from Other Agencies shows a significant increase as a result of a large STP Exchange revenue accrual. The FY09/10 STP Exchange of \$2,695,352 was billed in the same fiscal year, but funds were not received until early July, 2010 (FY10/11), however the revenues were recognized and the corresponding receivables were accrued in FY09/10. The Sales Tax Receivable shows a modest decrease of \$29,574 (3%) to \$964,226 because of decreased TDA receipts on month to month comparison. Net Assets totaled \$13,427,110 and were up \$4,273,419 (47%) due mainly to the STA funds (\$2,801,550) which were received late on 6/28/2010 and could not be spent; and the aforementioned STP Exchange revenue accrual (\$2,695,352). All the accounts were current and the liability balance was minimal and down to \$1,894 from \$805,422 the fiscal year before. The Statement of Net Assets of Fiduciary Funds is presented below:

**STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS**

	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>Change</u>
Cash and Investments	\$9,690,235	\$8,547,568	\$1,142,667
Accounts Receivable	79,191	15,112	64,079
Sales Tax Receivable	964,226	993,800	(29,574)
Due from Other Agencies	2,695,352	402,633	2,292,719
<b>Total Assets</b>	<b>13,429,004</b>	<b>9,959,113</b>	<b>3,469,891</b>
Due to Other Agencies	1,894	805,422	(803,528)
<b>Total Liabilities</b>	<b>1,894</b>	<b>805,422</b>	<b>(803,528)</b>
<b>Net Assets</b>	<b>13,427,110</b>	<b>9,153,691</b>	<b>4,273,419</b>

The combined revenues for all fiduciary funds are \$12,892,280 and are up \$1,632,877 (15%) from FY08/09, due primarily to the unexpected STA funds. At \$2,801,550 the FY09/10 STA funds are more than double the \$1,107,847 received in FY08/09. All STA funds allocated and passed-through

the Transit District. The Contribution From went up to \$732,083 due to the return of STP Exchange funds (\$326,000) by Highway 1 Program Fund and the transfer from RTC Reserve to TDA Fund (\$186,553) to mitigate the impact on claimant due to TDA revenues shortfall.

The TDA revenues have declined by \$267,696 (4%); and it has been a steady decline in the last four fiscal years from a peak of \$8,111,662 in FY06/07 to the current \$6,595,837. The revenue loss has a major impact on claimants especially the Transit District which saw its TDA allocation fall by \$1,164,097 (19%) to \$5,001,737 (FY09/10) from \$6,165,834 (FY06/07). Effective in early June, 2010, the payroll was no longer being processed at the County and the RTC contracted the services with a new vendor, whose system was not integrated with the RTC (County) accounting system. For this reason, more deductions and contributions are flowing through Miscellaneous Deductions Trust Fund before final disbursement. The net result is the increase in revenues from \$8,627 to \$28,860. The revenues will grow even larger for the next fiscal year.

The total expenses are \$1,942,832 (18%) lower due to a combination of decreased revenues, and unclaimed allocations. The decreasing TDA revenues meant fewer amount was available to claimants. The claims for STP Exchange fell to \$1,248,404 from \$2,059,076 in FY08/09. The STA funds were not received on time, therefore only \$68,883 was allocated and claimed in FY09/10; \$1,057,364 was paid in FY08/09. The In Lieu of Social Security funds were disbursed in FY09/10 in accordance with laws and regulations, and the RTC policies. The remaining balance will be disbursed after few issues are resolved.

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

	<u>FYE</u> <u>6/30/2010</u>	<u>FYE</u> <u>6/30/2009</u>	<u>Change</u>
Additions:			
Sales Tax: TDA	\$6,595,837	\$6,863,533	\$(267,696)
STA	2,801,550	1,107,847	1,693,703
STP Exchange	2,695,352	2,831,177	(135,825)
Contributions	732,083	319,815	412,268
Interest	61,032	135,255	(74,223)
Other	6,426	1,776	4,650
<b>Total Revenues</b>	<b>12,892,280</b>	<b>11,259,403</b>	<b>1,632,877</b>
Deductions:			
SCMTD	5,070,620	6,753,613	(1,682,993)
RTC	1,288,680	1,249,117	39,563
County of Santa Cruz	704,404	0	704,404
City of Santa Cruz	641,509	1,760,563	(1,119,054)
City of Capitola	0	140,000	(140,000)
City of Watsonville	295,000	475,000	(180,000)
Plan Payments & Other	552,648	183,400	369,248
UC Santa Cruz	66,000	0	66,000
<b>Total Expenses</b>	<b>8,618,861</b>	<b>10,561,693</b>	<b>(1,942,832)</b>

	FYE <u>6/30/2010</u>	FYE <u>6/30/2009</u>
Change in Net Assets	\$4,273,419	\$697,710
Net Assets - Beginning of Fiscal Year	9,153,691	8,455,981
<b>Net Assets - End of Fiscal Year</b>	<b>13,427,110</b>	<b>9,153,691</b>

## 5. CURRENT FINANCIAL ISSUES AND CONCERNS

Management has been able to control the discretionary expenses; however continuing to secure new revenue sources remains a challenge. The *2010 Regional Transportation Plan* identifies a funding gap of over \$2 billion for transportation needs countywide. The American Recovery and Reinvestment Act (ARRA) funds allowed some of the backlog of road repairs to move forward countywide, and temporarily rescued FSP whose operations cannot be sustained with existing levels of SAFE's funds. Similarly, the Rideshare Program is using the last of CMAQ funding secured several fiscal years ago; new stable revenues are needed to replace the CMAQ funds.

Several projects in the region have been delayed due to funding shortfalls and transit service has been reduced significantly.

Due to the continuing structural deficit at the State level and the regular diversion of State transportation funds to other State General Fund programs, the Santa Cruz County region has not received sufficient transportation funds creating a backlog of roadway and transit maintenance, delay of existing projects and an inability to fund needed projects, not to mention planning for the future. The Projects currently under development which will need a significant amount of new funding are the Highway 1 HOV Lane project, which is currently estimated to cost about \$450M, and the Monterey Bay Sanctuary Scenic Trail (MBBST) Network project, which could cost up to \$50 million. The RTC will continue to engage the community regarding the most opportune time to seek a local tax measure or other local funding sources for transportation purposes to alleviate some of these transportation funding issues. A special purpose local tax measure requires a super majority of voter support (67%).

If the RTC purchases the Santa Cruz Branch Rail Line, freight service will continue and recreational passenger rail service will be implemented. It is expected that the revenue generated by the freight service, the recreational rail service, car storage and the leases from real estate will ensure the continued maintenance and operation of the rail line. The RTC continues to work with the State to secure funding for the purchase.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
 STATEMENT OF NET ASSETS  
 June 30, 2010

---

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 2,323,156
Receivables	1,495,877
Prepaid items	2,340
Capital assets:	
Depreciable, net	<u>20,785</u>
 Total assets	 <u>3,842,158</u>
<b>LIABILITIES</b>	
Accounts payable	1,030,683
Accrued expenses	20,266
Due to other agencies	117,607
Deferred revenue	66,906
Noncurrent liabilities	
Due in more than one year	<u>377,704</u>
 Total liabilities	 <u>1,613,166</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	20,785
Unrestricted	<u>2,208,207</u>
 Total net assets	 <u>\$ 2,228,992</u>

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
 STATEMENT OF ACTIVITIES  
 For the Fiscal Year Ended June 30, 2010

---

	Expenses	Program Revenues		Net (Expense)	
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Revenue and Changes in Net Assets
Governmental activities:					
Transportation	\$ 5,646,735	\$ -	\$ 5,117,269	\$ -	\$ (529,466)
Total governmental activities	<u>\$ 5,646,735</u>	<u>\$ -</u>	<u>\$ 5,117,269</u>	<u>\$ -</u>	<u>(529,466)</u>
General Revenues					
Investment income					20,367
Other					<u>10,101</u>
Total general revenues					<u>30,468</u>
Change in net assets					(498,998)
Net assets - beginning of fiscal year					<u>2,727,990</u>
Net assets - end of fiscal year					<u>\$ 2,228,992</u>

The accompanying notes are an integral part of this statement.

**This page intentionally left blank.**

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**June 30, 2010**

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund
<b>ASSETS</b>			
Cash and investments	\$ 58,376	\$ 81,936	\$ 542,221
Accounts receivable			
Due from other agencies	570,019	292,782	73,646
Due from other funds	116,705		
Prepaid items	2,340		
Total assets	<u>\$ 747,440</u>	<u>\$ 374,718</u>	<u>\$ 615,867</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 102,715	\$ 49,755	\$ 10,393
Accrued payroll	20,266		
Deferred revenue	66,906		
Due to other agencies	94,762	8,092	12,363
Due to other funds			30,280
Total liabilities	<u>284,649</u>	<u>57,847</u>	<u>53,036</u>
<b>Fund Balances:</b>			
Reserve for prepaid items	2,340		
Unreserved:			
Undesignated	<u>460,451</u>	<u>316,871</u>	<u>562,831</u>
Total fund balances	<u>462,791</u>	<u>316,871</u>	<u>562,831</u>
Total liabilities and fund balances	<u>\$ 747,440</u>	<u>\$ 374,718</u>	<u>\$ 615,867</u>

The accompanying notes are an integral part of this statement.

Freeway Service Patrol Fund	Highway 1 Program Fund	Totals
\$ 85,956	\$ 1,554,667	\$ 2,323,156
70,755	488,675	1,495,877
		116,705
		2,340
<u>\$ 156,711</u>	<u>\$ 2,043,342</u>	<u>\$ 3,938,078</u>
\$ 44,678	\$ 823,142	\$ 1,030,683
		20,266
		66,906
	2,390	117,607
18,351	68,074	116,705
<u>63,029</u>	<u>893,606</u>	<u>1,352,167</u>
		2,340
93,682	1,149,736	2,583,571
93,682	1,149,736	2,585,911
<u>\$ 156,711</u>	<u>\$ 2,043,342</u>	<u>\$ 3,938,078</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
 RECONCILIATION OF THE GOVERNMENTAL  
 FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2010

---

Total Fund Balances - Governmental Funds \$ 2,585,911

Amounts reported for governmental activities in the statement of net assets are different because:

In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$	149,172	
Accumulated depreciation		<u>(128,387)</u>	
Net			20,785

In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated absences	\$	249,782	
OPEB liability		<u>127,922</u>	
Total			<u>(377,704)</u>

Total Net Assets - Governmental Activities \$ 2,228,992

The accompanying notes are an integral part of this statement.

This page intentionally left blank.

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2010**

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund
<b>Revenues</b>			
Local Transportation Funds	\$ 810,680	\$ -	\$ -
Federal Highway Planning FTA 5305	247,686 10,319		
Motor vehicle fees			231,664
California Department of Transportation Grant			
RSTP Exchange Funds	84,053		
State Planning, Programming and Monitoring Funds	268,499		
State Rural Planning Assistance	314,227		
Environmental Justice Planning - Mobility Outreach	89,579		
Agricultural Worker Transportation Program AB 2766	50,448 61,124		
Congestion Mitigation and Air Quality (CMAQ)	158,258		
Aid from other governments			57,922
Proposition 116		271,059	
Federal Earmark		127,982	
Federal ARRA			
Use of money and property	3,256	1,306	4,340
Other	5,354		
<b>Total revenues</b>	<b>2,103,483</b>	<b>400,347</b>	<b>293,926</b>
<b>Expenditures</b>			
Salaries and benefits	1,196,468	120,000	85,685
Services and supplies	469,792	436,386	162,418
Bike to work	34,427		
Pass through to TMA (CMAQ)	7,988		
Folding Bikes on Bus Program	2,615		
Agricultural Worker Transportation Program	50,448		
Mobility Outreach and Education Program	77,384		
Community Traffic Safety Coalition	116,212		
Towing service			
<b>Total expenditures</b>	<b>1,955,334</b>	<b>556,386</b>	<b>248,103</b>
Excess of revenues over (under) expenditures	148,149	(156,039)	45,823

The accompanying notes are an integral part of this statement.

Freeway Service Patrol Fund	Highway 1 Program Fund	Totals
\$ -	\$ -	\$ 810,680
		247,686
		10,319
		231,664
185,530		185,530
	368,000	452,053
	1,254,931	1,523,430
		314,227
		89,579
		50,448
		61,124
	-	158,258
		57,922
		271,059
	410,711	538,693
114,597		114,597
813	10,652	20,367
340	4,407	10,101
<u>301,280</u>	<u>2,048,701</u>	<u>5,147,737</u>
47,500	250,000	1,699,653
4,670	1,640,642	2,713,908
		34,427
		7,988
		2,615
		50,448
		77,384
		116,212
<u>243,674</u>		<u>243,674</u>
<u>295,844</u>	<u>1,890,642</u>	<u>4,946,309</u>
<u>5,436</u>	<u>158,059</u>	<u>201,428</u>

(Continued)

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2010**

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	\$ -	\$ 102,310	\$ -
Operating transfers out	(102,310)		
Other transfers	(186,553)		
<b>Total other financing sources (uses)</b>	<u>(288,863)</u>	<u>102,310</u>	
Excess of revenues and other sources over (under) expenditures and other uses	(140,714)	(53,729)	45,823
Fund balances - July 1	<u>603,505</u>	<u>370,600</u>	<u>517,008</u>
Fund balances - June 30	<u>\$ 462,791</u>	<u>\$ 316,871</u>	<u>\$ 562,831</u>

The accompanying notes are an integral part of this statement.

---

Freeway Service Patrol Fund	Highway 1 Program Fund	Totals
\$ -	\$ -	\$ 102,310
	(326,000)	(102,310)
	(326,000)	(512,553)
5,436	(167,941)	(311,125)
88,246	1,317,677	2,897,036
<u>\$ 93,682</u>	<u>\$ 1,149,736</u>	<u>\$ 2,585,911</u>

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2010**

---

Net Change in Fund Balances - Governmental Funds	\$ (311,125)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital assets of \$0 is greater than depreciation expense \$10,194 in the period.	(10,194)
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This fiscal year, vacation earned exceeded the amounts used by \$49,757.	(49,757)
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This fiscal year, the difference between OPEB costs and actual employer contributions was:	<u>(127,922)</u>
Change in Net Assets - Governmental Activities	<u><u>\$ (498,998)</u></u>

The accompanying notes are an integral part of this statement.

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**ADMINISTRATION AND PLANNING FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues</b>				
Local Transportation Funds	\$ 918,420	\$ 810,680	\$ 810,680	\$ -
Federal Highway Planning	260,678	767,999	247,686	(520,313)
FTA 5305	7,494	10,418	10,319	(99)
RSTP Exchange		100,000	84,053	(15,947)
State Planning, Programming and				
Monitoring Funds	150,000	300,000	268,499	(31,501)
State Rural Planning Assistance	315,000	315,000	314,227	(773)
Environmental Justice Planning -				
Mobility Outreach		94,384	89,579	(4,805)
Agricultural Worker Transportation Program		64,051	50,448	(13,603)
AB 2766	137,000	210,065	61,124	(148,941)
Congestion Mitigation and Air				
Quality (CMAQ)	187,100	176,093	158,258	(17,835)
Use of money and property			3,256	3,256
Other			5,354	5,354
<b>Total revenues</b>	<b>1,975,692</b>	<b>2,848,690</b>	<b>2,103,483</b>	<b>(745,207)</b>
<b>Expenditures</b>				
Salaries and benefits	1,206,539	1,245,826	1,196,468	49,358
Services and supplies	593,700	774,874	469,792	305,082
Bike to work	39,004	34,427	34,427	
Pass through to TMA (CMAQ)		7,993	7,988	5
Folding Bikes on Bus Program		17,066	2,615	14,451
Emergency Ride Home	25,000			
Agricultural Worker Transportation Program		70,000	50,448	19,552
Mobility Outreach and Education Program		77,384	77,384	
Carpool Incentive Program	60,800	65,000		65,000
Trail Master Plan Consultant		530,000		530,000
Community Traffic Safety Coalition	97,510	136,064	116,212	19,852
<b>Total expenditures</b>	<b>2,022,553</b>	<b>2,958,634</b>	<b>1,955,334</b>	<b>1,003,300</b>
Excess of revenues over (under)				
expenditures	(46,861)	(109,944)	148,149	258,093
<b>Other Financing Sources Uses):</b>				
Operating transfers out	(102,310)	(288,863)	(102,310)	186,553
Other transfers			(186,553)	(186,553)
<b>Total other financing sources (uses)</b>	<b>(102,310)</b>	<b>(288,863)</b>	<b>(288,863)</b>	
Excess of revenues and other sources				
over (under) expenditures and other				
uses	(149,171)	(398,807)	(140,714)	258,093
Fund balance - July 1	603,505	603,505	603,505	
Fund balance - June 30	\$ 454,334	\$ 204,698	\$ 462,791	\$ 258,093

The accompanying notes are an integral part of this statement.

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**RAIL/TRAIL AUTHORITY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Federal grants	\$ -	\$ 157,784	\$ 127,982	\$ (29,802)
State grants		10,481,059	271,059	(10,210,000)
Use of money and property			1,306	1,306
Coastal Conservancy		10,000,000		(10,000,000)
Leases	120,000			
<b>Total revenues</b>	<u>120,000</u>	<u>20,638,843</u>	<u>400,347</u>	<u>(20,238,496)</u>
<b>Expenditures</b>				
Salaries and benefits	120,000	120,000	120,000	
Services and supplies	120,000	20,975,320	436,386	20,538,934
<b>Total expenditures</b>	<u>240,000</u>	<u>21,095,320</u>	<u>556,386</u>	<u>20,538,934</u>
Excess of revenues over (under) expenditures	<u>(120,000)</u>	<u>(456,477)</u>	<u>(156,039)</u>	<u>300,438</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	102,310	102,310	102,310	
<b>Total other financing sources (uses)</b>	<u>102,310</u>	<u>102,310</u>	<u>102,310</u>	
Excess of revenues and other sources over (under) expenditures and other uses	<u>(17,690)</u>	<u>(354,167)</u>	<u>(53,729)</u>	<u>300,438</u>
Fund balance - July 1	<u>370,600</u>	<u>370,600</u>	<u>370,600</u>	
Fund balance - June 30	<u>\$ 352,910</u>	<u>\$ 16,433</u>	<u>\$ 316,871</u>	<u>\$ 300,438</u>

The accompanying notes are an integral part of this statement.

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Motor vehicle fees	\$ 236,000	\$ 236,000	\$ 231,664	\$ (4,336)
Aid from other governments	50,000	309,210	57,922	(251,288)
Use of money and property	15,000	15,000	4,340	(10,660)
Total revenues	<u>301,000</u>	<u>560,210</u>	<u>293,926</u>	<u>(266,284)</u>
<b>Expenditures</b>				
Salaries and benefits	77,000	95,000	85,685	9,315
Services and supplies	<u>303,450</u>	<u>458,350</u>	<u>162,418</u>	<u>295,932</u>
Total expenditures	<u>380,450</u>	<u>553,350</u>	<u>248,103</u>	<u>305,247</u>
Excess of revenues over (under) expenditures	(79,450)	6,860	45,823	38,963
Fund balance - July 1	<u>517,008</u>	<u>517,008</u>	<u>517,008</u>	
Fund balance - June 30	<u>\$ 437,558</u>	<u>\$ 523,868</u>	<u>\$ 562,831</u>	<u>\$ 38,963</u>

The accompanying notes are an integral part of this statement.

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**FREEWAY SERVICE PATROL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
California Department of Transportation Grant	\$ 185,000	\$ 185,530	\$ 185,530	\$ -
Federal ARRA		180,000	114,597	(65,403)
Use of money and property	1,500	1,500	813	(687)
Other	83,000		340	340
<b>Total revenues</b>	<u>269,500</u>	<u>367,030</u>	<u>301,280</u>	<u>(65,750)</u>
<b>Expenditures</b>				
Salaries and benefits	47,500	47,500	47,500	
Services and supplies	13,900	13,900	4,670	9,230
Towing service	222,000	270,000	243,674	26,326
<b>Total expenditures</b>	<u>283,400</u>	<u>331,400</u>	<u>295,844</u>	<u>35,556</u>
Excess of revenues over (under) expenditures	(13,900)	35,630	5,436	(30,194)
Fund balance - July 1	<u>88,246</u>	<u>88,246</u>	<u>88,246</u>	
Fund balance - June 30	<u>\$ 74,346</u>	<u>\$ 123,876</u>	<u>\$ 93,682</u>	<u>\$ (30,194)</u>

The accompanying notes are an integral part of this statement.

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**HIGHWAY 1 PROGRAM FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
CMAQ	\$ -	\$ 111,200	\$ -	\$ (111,200)
Federal earmark	600,025	772,654	410,711	(361,943)
Use of money and property			10,652	10,652
STIP Funds	1,498,000	1,701,000	1,254,931	(446,069)
RSTP Exchange Funds		365,004	368,000	2,996
Other			4,407	4,407
<b>Total revenues</b>	<u>2,098,025</u>	<u>2,949,858</u>	<u>2,048,701</u>	<u>(901,157)</u>
<b>Expenditures</b>				
Salaries and benefits	270,000	250,000	250,000	
Services and supplies	<u>2,121,525</u>	<u>3,428,831</u>	<u>1,640,642</u>	<u>1,788,189</u>
<b>Total expenditures</b>	<u>2,391,525</u>	<u>3,678,831</u>	<u>1,890,642</u>	<u>1,788,189</u>
Excess of revenues over (under) expenditures	<u>(293,500)</u>	<u>(728,973)</u>	<u>158,059</u>	<u>887,032</u>
<b>Other Financing Sources (Uses):</b>				
Other transfers		<u>(326,000)</u>	<u>(326,000)</u>	
<b>Total other financing sources (uses)</b>		<u>(326,000)</u>	<u>(326,000)</u>	
Excess of revenues and other sources over (under) expenditures and other uses	<u>(293,500)</u>	<u>(1,054,973)</u>	<u>(167,941)</u>	<u>887,032</u>
Fund balance - July 1	<u>1,317,677</u>	<u>1,317,677</u>	<u>1,317,677</u>	
Fund balance - June 30	<u>\$ 1,024,177</u>	<u>\$ 262,704</u>	<u>\$ 1,149,736</u>	<u>\$ 887,032</u>

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2010

	Private Purpose Trust Funds		
	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund
<b>ASSETS</b>			
Cash and investments	\$ 1,770,511	\$ 2,802,101	\$ 5,065,604
Sales tax receivable	964,226		
Accounts receivable	73,020		
Due from other agencies			2,695,352
Total assets	<u>2,807,757</u>	<u>2,802,101</u>	<u>7,760,956</u>
<b>LIABILITIES</b>			
<b>Liabilities:</b>			
Due to other agencies			
Total liabilities			
<b>NET ASSETS</b>			
Unrestricted	<u>\$ 2,807,757</u>	<u>\$ 2,802,101</u>	<u>\$ 7,760,956</u>

The accompanying notes are an integral part of this statement.

---

Pension (and Other Employee Benefits) Trust Funds

<u>PERS Health</u>	<u>In Lieu of Social Security</u>	<u>Miscellaneous Deductions</u>	<u>Totals</u>
\$ 25,281	\$ 9,188	\$ 17,550	\$ 9,690,235
2,355		3,816	964,226
<hr/>	<hr/>	<hr/>	<hr/>
27,636	9,188	21,366	2,695,352
<hr/>	<hr/>	<hr/>	<hr/>
		1,894	1,894
<hr/>	<hr/>	<hr/>	<hr/>
		1,894	1,894
<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 27,636</u>	<u>\$ 9,188</u>	<u>\$ 19,472</u>	<u>\$ 13,427,110</u>

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
For the Fiscal Year Ended June 30, 2010

	Private Purpose Trust Funds		
	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund
<b>Additions:</b>			
Sales tax	\$ 6,595,837	\$ 2,801,550	\$ -
State highway exchange funds			2,695,352
Contributions from SCCRTC	186,553		326,000
Interest	12,468	619	47,388
Other	6,426		
<b>Total revenues</b>	<u>6,801,284</u>	<u>2,802,169</u>	<u>3,068,740</u>
<b>Deductions:</b>			
Claimants:			
Santa Cruz Metropolitan Transit District	5,001,737	68,883	
Santa Cruz County Regional Transportation Commission	810,680		478,000
City of Santa Cruz	641,509		
City of Watsonville	295,000		
County of Santa Cruz			704,404
UC Santa Cruz			66,000
Plan payments			
<b>Total expenditures</b>	<u>6,748,926</u>	<u>68,883</u>	<u>1,248,404</u>
<b>Change in net assets</b>	52,358	2,733,286	1,820,336
Net assets - beginning of fiscal year	<u>2,755,399</u>	<u>68,815</u>	<u>5,940,620</u>
Net assets - end of fiscal year	<u>\$ 2,807,757</u>	<u>\$ 2,802,101</u>	<u>\$ 7,760,956</u>

The accompanying notes are an integral part of this statement.

Pension (and Other Employee Benefits) Trust Funds

<u>PERS Health</u>	<u>In Lieu of Social Security</u>	<u>Miscellaneous Deductions</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ 9,397,387
			2,695,352
185,483	5,187	28,860	732,083
	557		61,032
			6,426
<u>185,483</u>	<u>5,744</u>	<u>28,860</u>	<u>12,892,280</u>
			5,070,620
			1,288,680
			641,509
			295,000
			704,404
			66,000
<u>179,919</u>	<u>362,270</u>	<u>10,459</u>	<u>552,648</u>
<u>179,919</u>	<u>362,270</u>	<u>10,459</u>	<u>8,618,861</u>
5,564	(356,526)	18,401	4,273,419
<u>22,072</u>	<u>365,714</u>	<u>1,071</u>	<u>9,153,691</u>
<u>\$ 27,636</u>	<u>\$ 9,188</u>	<u>\$ 19,472</u>	<u>\$ 13,427,110</u>

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Santa Cruz County Regional Transportation Commission are prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below:

**A. The Reporting Entity**

The Santa Cruz County Regional Transportation Commission, the regional transportation planning agency for the County of Santa Cruz, was created pursuant to Title 3 of Government Code Section 29535. The Commission is responsible for transportation planning activities as well as for the administration of the Transportation Development Act Funds (Local Transportation and State Transit Assistance), the Service Authority for Freeway Emergencies Fund (SAFE), the Freeway Service Patrol Fund (FSP), the Surface Transportation Program Exchange Fund (STP), Highway 1 Program Fund, and the Rail/Trail Authority Fund. The Commission does not exercise control over any other governmental agency or authority. Criteria used in determining the reportable entity were based on control or dependence determined on the basis of budget adoption, funding, and appointment of the respective governing board.

The reporting entity is the Santa Cruz County Regional Transportation Commission. There are no component units included in this report which meets the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39.

**B. 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 nonfiduciary activities of the Commission. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Basis of Presentation**

Government-wide Financial Statements:

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Commission's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Commission, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Commission.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation (Continued)**

Fund Financial Statements:

Fund financial statements report detailed information about the Commission. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Commission, “available” means collectible within the current period or within 60 days after fiscal year-end.

Non-exchange transactions, in which the Commission receives value without directly giving equal value in return, include property taxes, and grants. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the Commission must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenues arises when assets are received before revenue recognition criteria have been satisfied. Grants received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first then unrestricted resources as they are needed.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Fund Accounting**

The accounts of the Commission are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures/expenses. The Commission's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Commission's accounts are organized into major and fiduciary funds, as follows:

**Major Governmental Funds:**

*Administration and Planning* – Transportation planning and administration of the Transportation Development Act.

*Rail/Trail Authority* – To account for financial activities of the Coastal Rail/Trail Project.

*Service Authority For Freeway Emergencies* – State funds for administration and operation of freeway call boxes and motorist aid.

*Freeway Service Patrol* – State funds for roadside assistance.

*Highway 1 Program* – Transportation planning and administration of the Highway 1 Projects.

**Fiduciary Funds:**

These funds account for assets held by the Commission as a trustee or agent for other units of government. The fiduciary funds used by the Commission is as follows:

*Private Purpose Trust:* These funds are utilized by the Commission, as trustee, to receive and allocate Local Transportation funds, State Transit Assistance funds, and Surface Transportation Program Exchange funds to eligible claimants.

*Pension (and other Employee Benefits) Trusts:* These funds are utilized by the Commission, as trustee, to receive employee contributions for employee benefit arrangements. The Commission has a fiduciary responsibility to administer the plans.

**F. Budgets**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the major funds. All annual appropriations lapse at fiscal year end.

**G. Cash and Investments**

The Commission holds its cash in the County of Santa Cruz Treasury. The County maintains a cash and investment pool, and allocates interest to the various funds based upon the average monthly cash balances. Information regarding categorization of investments can be found in the County of Santa Cruz' Basic Financial Statements. Investments are stated at fair value.

**H. Capital Assets**

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$1,500 and estimated useful life in excess of two years.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Capital Assets (Continued)**

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the governmental column in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the statement of net assets. The estimated useful lives are as follows:

Equipment	3 to 7 years
-----------	--------------

**I. Deferred Revenue**

Cash is received for federal and state special projects and programs and recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

**J. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

**K. Compensated Absences**

All vacation pay, as well as sick leave for management, plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**L. Fund Balance Reserves and Designations**

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

**M. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**N. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**O. New Accounting Pronouncements**

Governmental Accounting Standards Board Statement No. 45

For the fiscal year ended June 30, 2010, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. The Statement is effective for periods beginning after December 15, 2008 for a Phase III government. This Statement establishes standards for measurement, recognition, and display of *other post employment benefits* (OPEB) expenses/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local government employers. Implementation of this statement and the impact on the Commission's financial statements are explained in detail in Note 9, Other Post Employment Benefits.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. New Accounting Pronouncements**

Governmental Accounting Standards Board Statement No. 51

For the fiscal year ended June 30, 2010, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." The Statement is effective for periods beginning after June 15, 2009. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets by reducing reporting inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among State and local governments. Implementation of the GASB Statement No. 51, did not have an impact on the Commission's financial statements for the fiscal year ended June 30, 2010.

Governmental Accounting Standards Board Statement No. 53

For the fiscal year ended June 30, 2010, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." The Statement is effective for periods beginning after June 15, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to report derivative instruments, with exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value. Implementation of the GASB Statement No. 53, did not have an impact on the Commission's financial statements for the fiscal year ended June 30, 2010.

Governmental Accounting Standards Board Statement No. 57

For the fiscal year ended June 30, 2010, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." The Statement is effective December 2009. This Statement amends Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions." The requirements in the Statement allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting. As a result of this change, the cost of compliance with the requirements of Statement No. 45 for eligible agent employers may be reduced while achieving an appropriate balance between the goals of reliable measurement of reported information and reasonable cost. Implementation of the GASB Statement No. 57, did not have an impact on the Commission's financial statements for the fiscal year ended June 30, 2010.

Governmental Accounting Standards Board Statement No. 58

For the fiscal year ended June 30, 2010, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies." The Statement is effective for periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. Implementation of the GASB Statement No. 58, did not have an impact on the Commission's financial statements for the fiscal year ended June 30, 2010.

**NOTE 2 - CASH AND INVESTMENTS**

The Commission maintains all of its cash in the Santa Cruz County Treasurer's Investment Fund. The County Treasurer pools and invests the funds it oversees. All participants share investment gains or losses proportionately. Earned interest is apportioned quarterly based on each participant's average daily deposit.

Investments are carried at fair value. On June 30, 2010, the Commission had the following cash and investments on hand:

Cash in bank and on hand	\$ 8,742
Cash and investments with the Santa Cruz County Treasurer's Investment Fund	<u>12,004,649</u>
Total cash and investments	<u>\$ 12,013,391</u>

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2010

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash and investments, statement of net assets	\$ 2,323,156
Cash and investments, statement of fiduciary net assets	<u>9,690,235</u>
<b>Total cash and investments</b>	<b><u>\$ 12,013,391</u></b>

Investments Authorized by the Commission's Investment Policy

The Commission's investment policy only authorizes investment in the local government investment pool administered by the County of Santa Cruz. The Commission's investment policy does not contain any specific provisions intended to limit the Commission's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to 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. One of the ways that the Commission 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 maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the Commission's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Commission's investments by maturity:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Santa Cruz County Treasurer's Investment Fund	\$ 12,004,649	\$ 12,004,649	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 12,004,649</b>	<b>\$ 12,004,649</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Disclosures Relating to 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 rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by the California Government Code and the Commission's investment policy, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Santa Cruz County Treasurer's Investment Fund	\$ 12,004,649	N/A	\$ -	\$ -	\$ -	\$12,004,649
<b>Total</b>	<b>\$ 12,004,649</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$12,004,649</b>

Concentration of Credit Risk

The investment policy of the Commission contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of the total Commission's investments.

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2010

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Custodial Credit Risk

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) 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 Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. 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 Santa Cruz County Treasurer's Investment Fund).

Investment in Santa Cruz County Treasurer's Investment Fund

The Commission is a participant in the Santa Cruz Treasurer's Investment Fund (County Pool) that is regulated by the California Government Code. The fair value of the Commission's investment in this pool is reported in the accompanying basic financial statements at the amounts based upon the Commission's pro-rata share of the fair value provided by the County Pool for the entire Santa Cruz County Treasurer's Investment Fund portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Pool, which are recorded on an amortized cost basis.

**NOTE 3 – DUE FROM OTHER AGENCIES**

Due from other agencies consists of the following at June 30, 2010:

Special Revenue Funds

<u>Agency</u>	<u>Administration and Planning Fund</u>	<u>Rail/Trail Authority Fund</u>	<u>Service Authority for Freeway Emergencies Fund</u>	<u>Freeway Service Patrol</u>	<u>Highway 1 Program Fund</u>
State grants (DOT)	\$ 273,106	\$ 164,800	\$ 8,394	\$ -	\$ 77,965
Federal grants (DOT)	250,608	127,982		70,755	410,710
Other	<u>46,305</u>	<u>                    </u>	<u>65,252</u>	<u>                    </u>	<u>                    </u>
Totals	<u>\$ 570,019</u>	<u>\$ 292,782</u>	<u>\$ 73,646</u>	<u>\$ 70,755</u>	<u>\$ 488,675</u>

Fiduciary Fund Types

<u>Agency</u>	<u>Surface Transportation Program Exchange Fund</u>
State grants (DOT)	<u>\$ 2,695,352</u>
Totals	<u>\$ 2,695,352</u>

**NOTE 4 - INTERFUND TRANSACTIONS**

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2010

---

**NOTE 4 - INTERFUND TRANSACTIONS (Continued)**

Due From/Due To Other Funds

Interfund receivable and payable balances at June 30, 2010, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
Administration and Planning Fund	\$ 116,705	\$ -
Service Authority for Freeway Emergencies Fund		30,280
Freeway Service Patrol Fund		18,351
Highway 1 Program Fund		68,074
	<u>\$ 116,705</u>	<u>\$ 116,705</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2009-2010 fiscal year, are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
Administration and Planning Fund	\$ -	\$ 102,310
Rail/Trail Authority Fund	102,310	
	<u>\$ 102,310</u>	<u>\$ 102,310</u>

**NOTE 5 – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
<b>Governmental activities</b>				
Depreciable capital assets				
Equipment	\$ 159,507	\$ -	\$ 10,335	\$ 149,172
Total depreciable capital assets	159,507		10,335	149,172
Less accumulated depreciation	(128,528)	(10,194)	(10,335)	(128,387)
Net depreciable capital assets	<u>\$ 30,979</u>	<u>\$ (10,194)</u>	<u>\$ -</u>	<u>\$ 20,785</u>

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2010

**NOTE 6 – LONG-TERM DEBT**

**Changes in long-term liabilities**

Long-term liability activity for the fiscal year ended June 30, 2010, is shown below:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due within One Year
<b>Governmental activities</b>					
Compensated absences	\$ 200,025	\$ 49,757	\$ -	\$ 249,782	\$ -
OPEB Liability		145,674	17,752	127,922	
	<u>\$ 200,025</u>	<u>\$ 195,431</u>	<u>\$ 17,752</u>	<u>\$ 377,704</u>	<u>\$ -</u>
Governmental activities Long-term liabilities	<u>\$ 200,025</u>	<u>\$ 195,431</u>	<u>\$ 17,752</u>	<u>\$ 377,704</u>	<u>\$ -</u>

**NOTE 7 - EMPLOYEES' RETIREMENT PLAN**

Plan Description

The Santa Cruz County Regional Transportation Commission's defined benefit pension plan, Public Employees' Retirement System (PERS), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is part of the Public Agency portion of the California Public Employees' Retirement System, (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes with the Public Employees' Retirement Law. The Commission selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 7% of their annual covered salary. The Santa Cruz County Regional Transportation Commission pays the CORE unit's employee portion of the CalPERS contribution in the amount of 7% for the Miscellaneous Plan. The Santa Cruz County Regional Transportation Commission is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2009/2010, was 10.567% of annual payroll. The contribution requirements of the plan members are established by the State statutes and the employer contribution rate is established and may be amended by CalPERS. The Santa Cruz County Regional Transportation Commission's contributions to CalPERS for the fiscal years ending June 30, 2010, 2009, and 2008, were \$180,466, \$177,820, and \$172,238, respectively, and equal 100% of the required contributions for each fiscal year.

**NOTE 8– NET ASSETS**

The government-wide and fiduciary funds financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted, and unrestricted.

*Invested In Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

*Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Assets* – This category represents net assets of the Commission, not restricted for any project or other purpose.

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2010

---

**NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**A. Plan Description**

Medical coverage is provided through CalPERS under the Public Employees’ Medical and Hospital Care Act (PEMHCA), also referred to as PERS Health. The Commission’s financial obligation is to pay up to the premium cost paid for active employees for the eligible retiree and covered dependents.

The Commission offers the same medical plans to its retirees as to its active employees, with the general exception that upon reaching age 65 and becoming eligible for Medicare, the retiree must join one of the Medicare Supplement coverages offered under PEMHCA.

Employees become eligible to retire and receive Commission-paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service, or by attaining qualifying disability retirement status. The Commission’s contribution on behalf of retirees is the same as for active employees – up to \$613 of PEMHCA premium for retiree and covered dependents. Benefits continue for the lifetime of the retiree with survivor benefits extended to surviving spouses.

**B. Funding Policy**

As required by GASB Statement No. 45, an actuary will determine the Commission’s Annual Required Contribution (ARC) at least once every two fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAL) over a period not to exceed 30 years.

GASB Statement No. 45 does not require pre-funding of OPEB benefits. Therefore, the Commission’s funding policy is to continue to pay healthcare premiums for retirees as they fall due. The Commission has elected not to establish an irrevocable trust at this time.

The Board of Directors reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the Commission.

**C. Annual OPEB Cost and Net OPEB Obligation/(Asset)**

The following table shows the components of the Commission’s Annual OPEB Cost for the fiscal year ended June 30, 2010, the amount actually contributed to the plan (including administrative costs), and changes in the Commission’s Net OPEB Obligation/(Asset):

<u>Item</u>	<u>FYE 6/30/10</u>
Annual Required Contributions	\$ 145,674
Interest on Net OPEB Obligation/(Asset)	
Adjustment to Annual Required Contributions	
Annual OPEB cost (expense)	145,674
Contributions made	17,752
Increase in Net OPEB Obligation/(Asset)	127,922
Net OPEB Obligation/(Asset) - beginning of fiscal year	
Net OPEB Obligation/(Asset) - end of fiscal year	<u>\$ 127,922</u>

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2010

**NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

**C. Annual OPEB Cost and Net OPEB Obligation/(Asset) (Continued)**

The Commission's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligations/(Asset) for the fiscal year ended June 30, 2010, are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/(Asset)</u>
6/30/10	\$ 145,674	\$ 17,752	33.80%	\$ 127,922

**D. Funded Status and Funding Progress**

The funded status of the plan as June 30, 2010, the end of the first fiscal year of GASB Statement No. 45 applicability, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Projected Unit Credit Actuarial Accrued Liability</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2009	\$ 0	\$ 1,296,810	\$ 1,296,810	0.00%	\$ 1,707,826	76%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the Annual Required Contributions of the Commission are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multiyear trend information that show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Plan's most recent actuarial valuation was performed as of July 1, 2009. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 4.5 percent investment rate (net of administrative expense) and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 7 years. These assumptions reflect an implicit 3.25 percent general inflation assumption. The Commission's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 30 years. The remaining amortization period as of June 30, 2010, was 30 years.

**REQUIRED SUPPLEMENTARY INFORMATION SECTION**



SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
 SCHEDULE OF FUNDING PROGRESS FOR POST EMPLOYMENT BENEFITS  
 OTHER THAN PENSIONS  
 For the Fiscal Year Ended June 30, 2010

---

The following table provides required supplementary information regarding the Commission's post employment health care benefits.

<u>Valuation Date</u>	<u>Actuarial Asset Value</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
July 1, 2009	\$ -	\$ 1,296,810	\$ 1,296,810	0.0%	\$ 1,707,826	76%

This page intentionally left blank.

**SUPPLEMENTARY INFORMATION SECTION**



**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**SCHEDULE OF ALLOCATIONS AND EXPENDITURES**  
**LOCAL TRANSPORTATION FUND**  
**For the Fiscal Year Ended June 30, 2010**

Claimant/Purpose/Authority*	Allocated Balance July 1, 2009	Allocation	Expended	Amended	Allocated Balance June 30, 2010
<b>Santa Cruz Metropolitan Transit District</b>					
Transit operator assistance PUC § 99260(a)	\$ -	\$ 5,001,737	\$ 5,001,737	\$ -	\$ -
Totals		5,001,737	5,001,737		
<b>Santa Cruz County Regional Transportation Commission Administration</b>					
PUC § 99233.1		436,360	436,360		
Planning					
PUC § 99402		374,320	374,320		
Totals		810,680	810,680		
<b>City of Santa Cruz</b>					
CTSA Lift Line-contract services					
Contract transit for the elderly and disabled PUC § 99400 (c)		531,399	531,399		
Volunteer Center PUC § 99400 (c)	(1,350)	58,500	63,577		(6,427)
Pedestrian and bicycle PUC § 99400 (a)	393,427	65,506	46,533		412,400
Totals	392,077	655,405	641,509		405,973
<b>County of Santa Cruz</b>					
Pedestrian and bicycle					
PUC § 99400 (a)	813,208	150,971			964,179
Totals	813,208	150,971			964,179
<b>City of Scotts Valley</b>					
Pedestrian and bicycle					
PUC § 99400 (a)	81,251	13,065			94,316
Totals	81,251	13,065			94,316
<b>City of Capitola</b>					
Pedestrian and bicycle					
PUC § 99400 (a)	80,517	11,187			91,704
Totals	80,517	11,187			91,704
<b>City of Watsonville</b>					
Pedestrian and bicycle					
PUC § 99400 (a)	342,118	57,620	295,000		104,738
Totals	342,118	57,620	295,000		104,738
Grand totals	\$ 1,709,171	\$ 6,700,665	\$ 6,748,926	\$ -	\$ 1,660,910

\* Public Utilities Code

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**SCHEDULE OF ALLOCATIONS AND EXPENDITURES**  
**STATE TRANSIT ASSISTANCE FUND**  
**For the Fiscal Year Ended June 30, 2010**

Claimant/Purpose/Authority*	Allocated Balance <u>July 1, 2009</u>	<u>Allocation</u>	<u>Expended</u>	<u>Amended</u>	Allocated Balance <u>June 30, 2010</u>
<b>Santa Cruz Metropolitan Transit District</b>					
Transit operator assistance CAC § 6730 a	\$ -	\$ 68,883	\$ 68,883	\$ -	\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ 68,883</b>	<b>\$ 68,883</b>	<b>\$ -</b>	<b>\$ -</b>

\* California Administrative Code



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**  
RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA

802 EAST MAIN  
SANTA MARIA, CA 93454  
TEL: 805.925.2579  
FAX: 805.925.2147  
www.mlhcpas.com

**AUDITORS' 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***

Santa Cruz County Regional Transportation Commission  
Santa Cruz, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Cruz County Regional Transportation Commission as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated December 27, 2010. 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

In planning and performing our audit, we considered the Santa Cruz County Regional Transportation Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Santa Cruz County Regional Transportation Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Santa Cruz County Regional Transportation Commission'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 a 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 would not necessarily identify all deficiencies in internal control that might be 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 the Santa Cruz County Regional Transportation Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. As part of our audit, we tested for whether the Santa Cruz County Regional Transportation Commission complied with laws, rules and regulations of the Transportation Development Act, Sections 99233.1 and 99400 (a), as amended, including Section 6666 of Title 21 of the California Administrative Code; and compliance requirements for State subvention funding as outlined by the California

Division of Transportation Planning; and the allocation instructions and resolutions of the Santa Cruz County Regional Transportation Commission. 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 that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the audit committee, management, and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

MOSS, LEVY & HARTZHEIM LLP

*Moss, Levy & Hartzheim LLP*

December 27, 2010