

**SANTA CRUZ COUNTY REGIONAL  
TRANSPORTATION COMMISSION**

**AUDIT REPORT**  
June 30, 2011



**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
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**FINANCIAL SECTION**





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## 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, 2011, 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, 2011, and the respective changes in financial position thereof, 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, 2010, the Santa Cruz County Regional Transportation Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Statements Omnibus*.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 17, the budgetary information on pages 45 through 49, and the schedule of funding progress for post employment benefits other than pensions on page 50, 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 18, 2011, 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 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. The accompanying schedules of allocations and expenditures are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

MOSS, LEVY & HARTZHEIM LLP

*Moss, Levy & Hartzheim LLP*

December 18, 2011

# Management Discussion and Analysis

## Fiscal Year Ending June 30, 2011

### 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 FY10/11 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, local 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 20+ year period. The RTP is updated every 4-5 years and was last adopted in June 2010. As certain state and federal funding becomes available, the RTC selects specific transportation projects to receive those funds and lists those selected 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 by other agencies in FY10/11; the dollar amounts reflect the RTC's contribution to the total project costs:

- Green Valley Rd/Holohan Dr/Airport Blvd Intersection Improvements: \$810,000 (RSTPX)
- UCSC Disability Van Vehicle Acquisition and Replacement: \$125,000 (ARRA)
- West Cliff Drive Roadway Preservation, Santa Cruz: \$398,000 (ARRA & RSTPX)
- Graham Hill Road Safety Improvements near Roaring Camp, Felton: \$3.3 million (RSTPX, STIP)
- Freedom Blvd Rehab (High-Broadis/Lincoln), Watsonville: \$751,000 (RSTPX)

- Capitola Road Traffic Calming/Improvements (41st-45th Ave.): \$368,000 (RSTPX)
- Beach Area Roundabout, Santa Cruz: \$750,000 (ARRA)
- Green Valley Road Rehab (Main St/SR152 to Penny Lane), Watsonville: \$2 million (ARRA)
- Roadway Repairs throughout unincorporated Santa Cruz County: \$3.8 million (ARRA & RSTP)
- Roadway Repairs throughout City of Santa Cruz: \$1 million (ARRA)
- South County Community Traffic Safety Coalition Educational programs: \$50,000 (RSTPX)
- Go Green Transportation Demand Management Program: \$55,000 (RSTPX)

### **Highway 1 Projects**

In FY10/11, 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 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 FY10/11, work continued on the PA/ED phase of the Highway 1 HOV Lane Project and the final design of the Highway 1 Soquel/Morrissey Auxiliary (Auxiliary) Lanes Project was completed. The final environmental document for the Auxiliary Lane project was 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 spring of 2012. 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 Regional Surface Transportation Exchange Program (RSTPX) funding was programmed 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 spring of 2012.

### **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) the RTC

completed negotiations to purchase the Santa Cruz Branch Rail Line and completed its due diligence prior to making a final purchase decision. The California Transportation Commission allocated the STIP and Proposition 116 funding for the project in January 2011 and the RTC is awaiting approval by the federal Surface Transportation Board to complete the close of escrow. The RTC has initiated engineering work to rehabilitate the structures and is scheduled to start construction in FY12/13.

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

Planning for the Monterey Bay Sanctuary Scenic Trail (MBSST) Network, a multi-use recreational, interpretive and transportation pathway for bicyclists and pedestrians spanning the Monterey Bay National Marine Sanctuary coastline from the San Mateo County line to the Monterey County line, was kicked off during FY10/11. The RTC signed an agreement with the Coastal Conservancy to receive \$250,000 in funding for extending the project scope from the Davenport northern terminus to the San Mateo County line so as to tie-in to and complement the Coastal Conservancy's California Coastal Trail initiative. In FY10/11, the RTC also finalized negotiations with RRM Design Group; the consultant selected to perform the Master Plan and Environmental Review Document analysis, and entered into an agreement for the scope of work. A notice to proceed was issued, a kick-off meeting was held and a three day field tour/corridor analysis was conducted in preparation for opportunities and constraints analysis and stakeholder meetings.

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 FY10/11.

### **SAFE and FSP**

Included in the Service Authority for Freeway Emergencies (SAFE) annual budget are funds for the Safe on 17 Program. 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 (\$50,000) and the Metropolitan Transportation Commission (MTC) SAFE (\$50,000) respectively for extra CHP enforcement on the Santa Cruz County side of Highway 17 and 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 166 in 2010 from the pre-program average of 249 injury and fatal collisions.

SAFE had budgeted \$124,000 for the maintenance and retrofit/upgrade of 122 Santa Cruz County call boxes in FY10/11. Call boxes are located on Highways 1, 9, 17, 152, and 129 and connects stranded motorists with assistance. Over 1,100 calls were placed from Santa Cruz County call boxes in FY10/11. The Monterey Bay Area 511 Traveler Information, which is described in more detail below, is also in the SAFE budget.

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 FY10/11, the program was operated on designated segments of Highway 1 during commute periods and Highway 17 during commute periods and Sundays during peak travel periods. In FY10/11, the FSP provided 1,587 assists to

motorists free of charge. The program was funded in FY10/11 with a Caltrans FSP grant (\$204,900), Regional Surface Transportation Exchange Program (\$180,000) and American Recovery and Reinvestment Act funds (\$65,402). 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 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 and \$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 June, 2012.

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 systems 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 services 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 online ridematching service. Through Commute Solutions, hundreds of Santa Cruz Metro bus schedules and Santa Cruz County bikeways maps were distributed.

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. In conjunction with other rideshare agencies in the Monterey Bay Area, Commute Solutions staff helped plan and implement a joint marketing campaign called Rideshare Week that was held during October. An Emergency Ride Home Program, previously under the auspices of the non-profit environmental organization Ecology Action, was transferred to the Commute Solutions. This

countywide program, RideSurance, offers alternative transportation users a low-cost insurance policy that guarantees them a free cab ride home in an emergency.

In FY10/11, 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 continued funding the 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.

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 serves as the public agency sponsor for an Air District grant awarded in September to install a level three electric vehicle quick charging station in Santa Cruz County. The International Brotherhood of Electrical Workers is the organization implementing this project.

The RTC continued providing the free Santa Cruz County Bikeways Map, a highly requested publication, to county commuters and visitors. The map features on-street bicycle facilities (by class), contact information for local law enforcement offices, off-road trails and multi-use path sharing trail. Information is supplied in English and Spanish.

During this period, the RTC continued implementing projects funded by AB2766 grants awarded by the Air District in prior years. 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 RTC continued to implement two projects awarded RSTP funds 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 continued coordinating with local jurisdictions about timing of implementation efforts and refined a frame work for considering sign selection/design, route selection, and establishing sign development, installation and maintenance provisions.

The second project (\$160,000), Park and Ride Lot, 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 and planning for this project continued.

Content for a new Commute Solutions website was finalized in preparation for a July 2011 launch.

### 3. FINANCIAL STATEMENTS

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

#### A. RTC Wide Financial Statements

There are two RTC-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 Net Activity**. Consistent with the Government Accounting Standards Board (GASB) Statement 34, the fixed assets are capitalized, depreciated, and reported 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. In accordance of GASB 45, which was implemented in FY2010, RTC Wide Financial Statements reflects the expenses and liabilities associated with Other Post Employment Benefits (OPEB) as discussed in Notes 6 and 9 of the report.

New this year is the implementation of GASB Statement 54, which deals with Fund Balance Reporting and Governmental Fund Type Definitions. GASB 54 establishes new classifications of fund balance composition based on the constraints imposed on the use of the funds. The classification is hierarchical going from the most to the least constrained fund balance. GASB 54 is discussed in detail in Note 1, Sections L and O.. As approved by the RTC Board on June 16, 2011, the SCCRTC will use the following classification in its reporting whenever applicable:

1. Nonspendable Fund Balance
2. Restricted Fund Balance
3. Committed Fund Balance
4. Assigned Fund Balance
5. Unassigned Fund Balance (for the General Fund only)

*The RTC has a target equal to 8% of the total operating budget to protect against cash flow shortfalls and for budget stabilization during unexpected economic downturns.*

Not all fund categories may be present in any one reporting year, and the current financial statements has three of them: 1) Non Spendable and 2) Restricted, and 3) Unassigned. The Nonspendable Fund consists of the prepaid expenses, which do not represent spendable funds. The restricted funds can only be used for specific purposes stipulated in the enabling legislations. For example, DMV fees in the SAFE Fund cannot be used for RTC general operations or Highway 1 Projects. The Unassigned Fund Balance in Administration and Planning Fund (General Fund) is the unconstrained residual fund balance.

## **B. Funds Financial Statements**

The RTC operates 11 funds in total 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 required by GASB 34 is as follows:

### **1. Governmental Funds**

The governmental funds are:

- a. Administration and Planning Fund
- b. Rail/Trail Authority Fund
- c. Highway 1 Program Fund
- d. Service Authority for Freeway Emergencies (SAFE) Fund, and
- e. Freeway Service Patrol (FSP) Fund.

There are no fixed assets, compensated absences or OPEB liabilities in the Fund Financial Statements since GASB 34 applies only to the RTC Wide Financial Statements. Due to the differing 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**

They are six Fiduciary Funds:

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

The last three Fiduciary Funds were set up to accumulate funds until disbursement to appropriate agencies or vendors. The In Lieu of Social Security fund is inactive as funds were mostly disbursed in FY2010; the remaining balance will be paid upon completion of the reconciliation work.

Two Statements are presented for the Fiduciary Funds:

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

## **4. FINACIAL HIGHLIGHTS**

### **Governmental Funds**

#### **Net Assets**

Net Assets balance is up by \$1,029,196 to \$3,258,188 mostly because the revenues earned (\$2,435,981) in the Highway 1 Fund far exceeded the expenses (\$1,358,217) by \$1,077,764. FY2010 by contrast the Highway 1 Fund had an operating deficit of \$167,941 with \$2,216,642 in expenses and \$2,048,701 total revenues.

### **Cash and Receivables**

The cash balance increased as a result of a lump sum RSTPX (\$1,450,000) receipt by the Highway 1 Fund, which largely remained unspent at year end. Absent other major non-reimbursable based funding sources, the cash balance should sharply decrease as the RSTPX funds are used up in the new fiscal year. The receivables (Accounts Receivable and Due from Other Agencies) continued to decline to \$1,282,360 due to a better collection effort despite the delay in Caltrans approval of the indirect cost rate. Further improvement in collection turnover is expected in FY2012 as Caltrans has streamlined the indirect cost allocation plan (ICAP) approval process. Caltrans will approve the ICAP within 30 days if there are no issues, effective FY2011.

### **Capital Assets**

The RTC did not acquire any new fixed assets in FY2011, but five computers were disposed of during the year. These computers were acquired between 1996 and 2003 and had a combined cost of \$12,216. The book value of all remaining assets is \$136,955 (\$11,553 net value after accumulated depreciation); in FY2010 the book value was \$149,972 (\$20,785 net value).

### **Liabilities**

The accounts payable at 6/30/11 were \$463,744 and down \$566,939 (55%) from \$1,030,683 the previous year due to timely payment and overall decreased billing activity in the Highway 1 Fund. In FY2011 the principal contractor for the Hwy 1 PA/ED HOV Lanes Project billed \$477,697. Last year the billing for a similar period was \$1,102,215.

The Noncurrent Liabilities have increased \$128,896 (34%) to \$506,600 mostly due to unfunded cost of Other Post-Employment Benefits (OPEB), which consist of only health insurance benefit to RTC retirees. The RTC presently uses the Pay-As-You-Go method (Pay Go). In Pay Go the RTC does not fully pay the annual required contribution (ARC) to fully fund the OPEB for active employees and retirees as it was estimated in the Actuarial Valuation. Therefore, the OPEB liability will annually increase by the difference between the ARC and the actual payment. The OPEB Liability increased by \$134,296 – the difference between ARC of \$155,990 and the actual health insurance payment for current retirees in the amount of \$21,694 (See Note 6).

The Deferred Revenue consists of the unearned portion of the lump sum payments received from the following grants: STIP Planning \$54,291 and Ecology Action's Go Green STP Exchange (\$10,869). The deferred balance of the TDM grant from Caltrans was fully converted into to revenues in FY2011 to match project related costs.

### **Other Highlights**

The SAFE Fund made a short term loan of \$70,000 to FSP in FY2011 to help with cash flow until receipt of the Caltrans grant (\$204,900; the loan was repaid in the same fiscal year. The Administration and Planning Fund transferred \$112,129 to the Rail/Trail Fund. These transfers - in and out, are eliminated on the Statement of Net Asset. Due From (\$102,019) and Due To (\$102,019) Other Funds, which appear in Fund Statements (page 20) are also offset and eliminated on the Statement of Net Assets (page 18). These balances arise because the Administration and Planning 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 FUNDS**

	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>Change</u>
Cash and Investment	3,162,734	2,323,156	839,578
Receivables	1,282,360	1,495,877	(213,517)
Prepaid	2,341	2,340	1
Capital Assets (Net)	11,553	20,785	(9,232)
<b>Total Assets</b>	<b>4,458,988</b>	<b>3,842,158</b>	<b>616,830</b>
Accounts Payable	463,744	1,030,683	(566,939)
Accrued Expense	28,076	20,266	7,810
Due to Other Agencies	137,220	117,607	19,613
Deferred Revenue	65,160	66,906	(1,746)
Noncurrent Liabilities	506,600	377,704	128,896
<b>Total Liabilities</b>	<b>1,200,800</b>	<b>1,613,166</b>	<b>(412,366)</b>
Investment in Capital Assets, Net	11,553	20,785	(9,232)
Restricted	3,203,520	2,208,207	995,313
Unrestricted	43,115	0	43,115
<b>Total Net Assets</b>	<b>3,258,188</b>	<b>2,228,992</b>	<b>1,029,196</b>

**Revenues**

Overall the revenues show a modest increase of \$263,613 (5%) to \$5,411,350 from \$5,147,737 in the previous fiscal year. Similar to FY2010, the State provided 60% of the funding in FY2011 while the Local funds came in second place. The TDA (\$806,966) and the SAFE DMV fees (\$226,686), which make up the bulk of the local funds show a modest decrease each of \$3,714 (.5%) and \$4,978 (2%) respectively. The DMV fees revenues of \$226,686 reflect a modest decline of \$4,978 (2%) due principally to the unexpectedly lower than average receipts for June at \$13,582. The monthly average in FY2011 is \$18,891.

The Fed Revenues decreased \$52,615 (5%) to \$1,016,938 because the major projects (HOV Lanes and Rail/Trail) did not have any new grants during the fiscal year. Federal funds were used for: Rideshare (\$152,837 of CMAQ), Hwy 1 HOV PA/ED (\$111,200 CMAQ final payment), Hwy 1 PS&E Auxiliary Lanes (\$312,088 Fed Earmark), FSP Towing (\$65,402 American Recovery and Reinvestment Act), RTC staff (\$269,692 FHWA PL), and MBSST (\$105,719 Fed Earmark).

State funds increased \$370,409 (13%) to \$3,256,735 in part due to new funding for the 511 Traveler Information System Planning (\$87,863 Caltrans grant), and FSP (\$180,000 RSTPX). The sharp decrease in STIP funds to \$723,278 from \$1,523,430 in FY2010 was more than compensated for by the STP Exchange Revenues which had gone up from \$452,053 to \$1,872,236 on 6/30/2011. The major recipients of the RSTP Exchange funds were: Highway 1 PA/ED HOV Lanes (\$1,450,000) and FSP (\$180,000).

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

- a. State Transportation Improvement Program (STIP Funds) - \$723,278 (\$1,523,430)
- b. RSTP Exchange Funds - \$1,872,236 (\$452,053)
- c. State Rural Planning Assistance – \$315,000 (\$314,227), and
- d. Caltrans Grant for the FSP Program - \$204,900 (\$185,530).

The Agricultural Worker Transportation Program and Mobility Outreach and Education Project were completed in FY2010 and the state funds were fully earned in the same year. The projects received \$50,448 and \$89,599 respectively in FY2010.

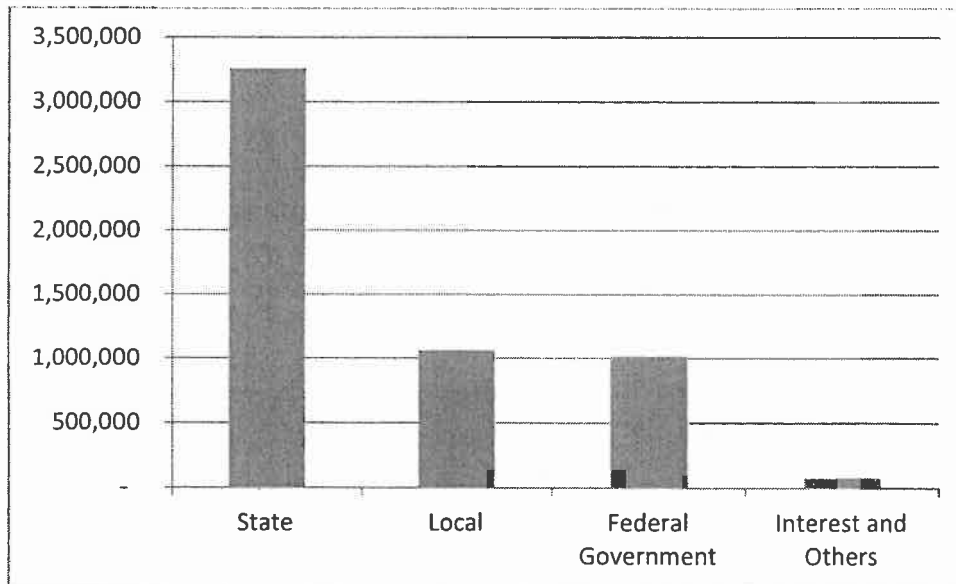
The funding sources comparative table and the graph are presented below:

Table

FY2011 Funding by Source

	<u>FY10/11</u>	<u>FY09/10</u>
State	3,256,735 (60%)	2,886,326 (56%)
Local	1,062,143 (20%)	1,103,468 (21%)
Federal	1,016,938 (19%)	1,069,553 (21%)
Interest & Others	<u>75,534 (1%)</u>	<u>88,390 (2%)</u>
Total	5,411,350 (100%)	5,147,737 (100%)

Figure 1  
FY2011 Funding by Source



## Expenditures

The combined total expenditures (\$4,172,276) - excluding Other Transfers (\$71,750), are down \$774,033 (16%) when compared to the previous fiscal year due to reduced activities in two major programs: Rail Right of Way (ROW) Acquisition and Highway 1 PA/ED for the HOV lanes. The consultants' costs for the ROW decreased \$265,787 (63%) from \$419,812 the year before as the project is winding down. Similarly, the costs of consultants for Hwy 1 PA/ED HOV Lanes Project are down \$352,015 (40%) to \$535,265 from \$888,261 in FY2010. The entire amount (\$71,750) of Other Transfers consists of a transfer from Administration and Planning Fund to the TDA Fund to avert reducing the allocations to claimants.

The following is the Statement of Revenues, Expenditures & Change in Fund Balance for Governmental funds with comparison to prior year:

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

	FY2011 <u>6/30/2011</u>	FY2010 <u>6/30/10</u>	<u>Change</u>
Federal Revenues	1,016,938	1,069,553	(52,615)
State	3,256,735	2,886,326	370,409
Local	1,062,143	1,103,468	(41,325)
Other (Including Interest)	<u>75,534</u>	<u>88,390</u>	<u>(12,856)</u>
<b>Total Revenues</b>	<b>5,411,350</b>	<b>5,147,737</b>	<b>263,613</b>
Salaries & Benefits	1,788,100	1,699,653	88,447
Services and Supplies	1,917,719	2,713,908	(796,189)
Other Transfers	71,750	512,553	(440,803)
Bike to Work	34,427	34,427	0
Ecology Action (formerly SC Area TMA)	55,266	7,988	47,278
Community Traffic Safety Coalition	117,422	116,212	1,210
Folding Bike on Bus Program	0	2,615	(2,615)
Agricultural Worker Transportation Program	0	50,448	(50,448)
Mobility Outreach & Education Program	0	77,384	(77,384)
Total Towing	<u>259,342</u>	<u>243,674</u>	<u>15,668</u>
<b>Total Expenditures</b>	<b>4,244,026</b>	<b>5,458,862</b>	<b>(1,214,836)</b>
Excess of Revenues Over Expenditures	1,167,324	(311,125)	
Beginning Fund Balance	<u>2,585,911</u>	<u>2,897,036</u>	
<b>Ending Fund Balance</b>	<b>3,753,235</b>	<b>2,585,911</b>	

The costs were generally contained and were in line with the budget. The total payroll is up \$88,447 (5%) to \$1,788,100. However, the payroll costs are \$114,809 (6%) below budget (\$1,902,100) due to leave without pay, retirement, and the delay in filling budgeted and funded positions. In addition, there were no unemployment insurance claims; \$35,000 was budgeted for the self insured plan. The RTC is financially healthy with the revenues and expenses falling in line with the budget, however, the on-going economic down-turn suggests continuing cost control, and increased effort to secure new funding sources.

Towing costs increased as a result of increased services and contract cost. The SAFE Fund total costs went up \$105,372 (42%) to \$353,475 from \$248,103 due mainly to the full implementation of the Monterey Bay Sanctuary Scenic Trail project. In addition, there were callbox upgrade costs which did not exist in the prior year.

## Fiduciary Funds

Cash and Investment balance is down \$2,118,618 (22%) to \$7,571,617 mostly due to the timing of the FY2010 and FY2011 STA revenues (\$2,801,101), which were received at the end of FY2010, but were all spent in FY2011. The Local Transportation (TDA) Fund cash balance of \$2,339,941 reflects an increase of \$569,430 as the TDA revenues showed a measured gain when compared to the previous year. The change in cash balances in the remaining Fiduciary Funds is relatively insignificant. Similar to the previous years, the TDA Fund and STP Exchange Fund account for the bulk of the balance at \$2,339,941 and \$5,152,444 respectively. These two funds show high cash balance due to high unclaimed TDA (\$1,848,531) and STP Exchange (\$3,621,428) allocations. The unclaimed allocations are RTC obligations; funds are already committed to claimants and are not available. The unclaimed allocation distribution by jurisdictions and funding sources is as follows:

<b>UNCLAIMED TDA AND STP EXCHANGE ALLOCATIONS</b>			
<b>FY2011 ENDING 6/30/2011</b>			
	<b>Total</b>	<b>TDA</b>	<b>STP Exchange</b>
Santa Cruz County	2,439,899	1,115,296	1,324,603
City of Capitola	640,882	102,882	538,000
City of Santa Cruz	515,803	453,978	61,825
City of Scotts Valley	14,047	14,047	
City of Watsonville	913,328	162,328	751,000
SCCRTC	<u>946,000</u>		<u>946,000</u>
<b>TOTAL</b>	<b>5,469,959</b>	<b>1,848,531</b>	<b>2,621,428</b>

The unclaimed balance total does not match the cash balance due to reserves provision and the existence of funds received, which remain unallocated.

Total Assets are down \$2,567,984 to \$10,861,020 as a result of the net change in STA receipts as discussed above. The Due from Other Agencies (\$2,042,787) is a result of the RSTP Exchange revenue accrual. The FY2011 RSTP Exchange revenues (\$2,042,787) were realized and billed in the same year, but funds were received in the new fiscal year in July, 2011. The Statement of net Assets of Fiduciary Funds is presented below:

### STATEMENT OF NET ASSETS FIDUCIARY FUNDS

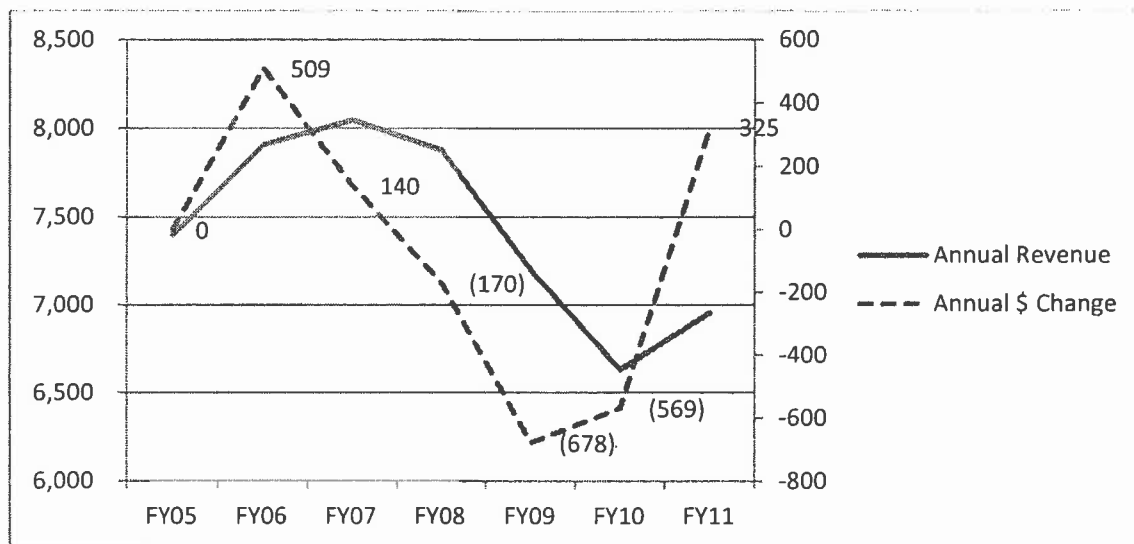
	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>Change</u>
Cash and Investment	7,571,617	9,690,235	(2,118,618)
Accounts Receivable	79,651	79,191	460
Sales Tax Receivable	1,166,200	964,226	201,974
Due from Other Agencies	2,042,787	2,695,352	(652,565)
Prepays	765	0	765
<b>Total Assets</b>	<b>10,861,020</b>	<b>13,429,004</b>	<b>(2,567,984)</b>
Due to Other Agencies	1,017,300	1,894	1,015,406
<b>Total Liabilities</b>	<b>1,017,300</b>	<b>1,894</b>	<b>1,015,406</b>
<b>Net Assets</b>	<b>9,843,720</b>	<b>13,427,110</b>	<b>(3,583,390)</b>

The combined revenues for all fiduciary funds amount to \$9,884,865 and are down \$3,007,415 (23%) when compared to the same 12 month result in FY2010 due primarily to the \$2,801,550 decrease in STA funds. Also, the accrued STP Exchange revenues are off \$652,565 (24%) to \$2,042,787 from \$2,696,352 the year before..

The TDA revenues of \$6,956,759 show a \$325,222 (4.9%) improvement over FY2010, but these receipts remain \$1,091,603 (13.5%) below the peak year (FY2007) when revenues amounted to \$8,048,362. The TDA revenues performance since FY2005 is as follows:

Fiscal Year	Actual Receipts	Change	(%)
FY2005	7,399,492		
FY2006	7,908,253	508,761	6.9%
FY2007	8,048,362	140,109	1.8%
FY2008	7,878,633	(169,729)	(2.1%)
FY2009	7,200,133	(678,500)	(8.6%)
FY2010	6,631,837	(568,296)	(7.9%)
FY2011	6,956,059	325,222	4.9%

Figure 2  
TDA Annual Revenues and Changes  
FY2005 – FY2011  
(\$ in 000)



*These are actual receipts during the fiscal, which goes from June to July, therefore they may not match to the TDA revenues.*

The Santa Cruz Metropolitan Transit District (SCMTD) is the major recipient of the funds. The SCMTD receives 80% of all TDA funds after the RTC share and 100% of all STA funds. The total payment to RTC from all funds went up by \$1,375,443 to \$2,664,123 from \$1,288,680 due mainly to \$1,450,000 RSTP Exchange funds transfer for Highway 1 PA/ED HOV Lanes Project. For other jurisdictions, their expenditure levels fluctuate according to the allocations and their claims for disbursement.

The Plan Payment Payments refers to the expenditures for PERS Health, In Lieu of Social Security and Miscellaneous Deductions. While the In Lieu of Social Security has become inactive, the Miscellaneous Deduction Fund has become a significant fund, for payroll transactions such as CalPERS Retirement and employees voluntary charitable contributions, which were previously carried out through the County payroll system currently flow through this fund. The expenditures in this fund increased from \$10,459 in FY2010 to \$323,319.

**STATEMENT OF REVENUES, EXPENDITURES & CHANGE IN FUND BALANCES  
FIDUCIARY FUNDS**

	FY2011 <u>6/30/2011</u>	FY2010 <u>6/30/2010</u>	<u>Change</u>
<b>Additions:</b>			
Sales Tax: TDA	7,165,459	6,595,837	569,622
STA	0	2,801,550	(2,801,550)
STP Exchange	2,042,787	2,695,352	(652,565)
Contributions	621,075	732,083	(111,008)
Interest	55,544	61,032	(5,488)
Other	0	6,426	(6,426)
<b>Total Revenues</b>	<b>9,884,865</b>	<b>12,892,280</b>	<b>(3,007,415)</b>
<b>Deductions:</b>			
SCMTD	7,803,287	5,070,620	2,732,667
RTC	2,664,123	1,288,680	1,375,443
County of Santa Cruz	953,993	704,404	249,589
City of Santa Cruz	673,662	641,509	32,153
City of Capitola	368,000	0	368,000
City of Scotts Valley	443,315	0	443,315
City of Watsonville	0	295,000	(295,000)
Plan Payments & Other	561,875	552,648	9,227
UC Santa Cruz	0	66,000	(66,000)
<b>Total Expenditures</b>	<b>13,468,255</b>	<b>8,618,861</b>	<b>4,849,394</b>
Change in Net Assets	(3,583,390)	4,273,419	
Net Assets - Beginning of Fiscal Year	13,427,110	9,153,691	
<b>Net Assets - End of Fiscal Year</b>	<b>9,843,720</b>	<b>13,427,110</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 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. Projects currently under development without a source of new funding are the Highway 1 HOV Lane project, which is currently estimated to cost about \$500M, and the Monterey Bay Sanctuary Scenic Trail (MBBST) Network project, which could cost up to \$50 million. The RTC will look at smaller, more fundable projects within the Highway 1 corridor and continue to engage the community regarding the most opportune time to seek a local vehicle registration fee, 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%).

With the RTC purchase of 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 other leased uses of the real estate will ensure the continued maintenance and operation of the rail line. Longer term uses of the rail corridor, for other types of passenger transit services will require operation funding.

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**

**STATEMENT OF NET ASSETS**

June 30, 2011

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 3,162,734
Receivables	1,282,360
Prepaid items	2,341
Capital assets:	
Depreciable, net	<u>11,553</u>
 Total assets	 <u>4,458,988</u>
<b>LIABILITIES</b>	
Accounts payable	463,744
Accrued expenses	28,076
Due to other agencies	137,220
Deferred revenue	65,160
Noncurrent liabilities	
Due in more than one year	<u>506,600</u>
 Total liabilities	 <u>1,200,800</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	11,553
Restricted for programs	3,203,520
Unrestricted	<u>43,115</u>
 Total net assets	 <u>\$ 3,258,188</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, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>
			<u>and Grants</u>	<u>and Grants</u>
				<u>Revenue and</u>
				<u>Changes in</u>
				<u>Net Assets</u>
Governmental activities:				
Transportation	\$ 4,382,154	\$ -	\$ 5,391,281	\$ -
				<u>\$ 1,009,127</u>
Total governmental activities	<u>\$ 4,382,154</u>	<u>\$ -</u>	<u>\$ 5,391,281</u>	<u>\$ -</u>
				<u>1,009,127</u>
General Revenues				
Investment income				10,936
Other				9,133
				<u>20,069</u>
Total general revenues				<u>20,069</u>
Change in net assets				1,029,196
Net assets - beginning of fiscal year				<u>2,228,992</u>
Net assets - end of fiscal year				<u>\$ 3,258,188</u>

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
 GOVERNMENTAL FUNDS  
 BALANCE SHEET  
 June 30, 2011

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund
<b>ASSETS</b>			
Cash and investments	\$ 84,349	\$ 199,324	\$ 534,464
Accounts receivable	56,998		
Due from other agencies	588,680		177,737
Due from other funds	102,019		
Prepaid items	2,341		
<b>Total assets</b>	<b>\$ 834,387</b>	<b>\$ 199,324</b>	<b>\$ 712,201</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 133,349	\$ 25,046	\$ 25,696
Accrued payroll	28,076		
Deferred revenue	65,160		
Due to other agencies	58,087	1,725	77,408
Due to other funds			26,666
<b>Total liabilities</b>	<b>284,672</b>	<b>26,771</b>	<b>129,770</b>
<b>Fund Balances:</b>			
Nonspendable:			
Prepaid items	2,341		
Restricted:			
Transportation planning		172,553	582,431
Unassigned	547,374		
<b>Total fund balances</b>	<b>549,715</b>	<b>172,553</b>	<b>582,431</b>
<b>Total liabilities and fund balances</b>	<b>\$ 834,387</b>	<b>\$ 199,324</b>	<b>\$ 712,201</b>

The accompanying notes are an integral part of this statement.

<u>Freeway Service Patrol Fund</u>	<u>Highway 1 Program Fund</u>	<u>Totals</u>
\$ 37,987	\$ 2,306,610	\$ 3,162,734
	110,160	167,158
224,927	123,858	1,115,202
		102,019
		2,341
<u>\$ 262,914</u>	<u>\$ 2,540,628</u>	<u>\$ 4,549,454</u>
\$ 25,590	\$ 254,063	\$ 463,744
		28,076
		65,160
		137,220
16,288	59,065	102,019
<u>41,878</u>	<u>313,128</u>	<u>796,219</u>
		2,341
221,036	2,227,500	3,203,520
		547,374
<u>221,036</u>	<u>2,227,500</u>	<u>3,753,235</u>
<u>\$ 262,914</u>	<u>\$ 2,540,628</u>	<u>\$ 4,549,454</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
 RECONCILIATION OF THE GOVERNMENTAL  
 FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2011

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Total Fund Balances - Governmental Funds \$ 3,753,235

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	\$	136,956	
Accumulated depreciation		(125,403)	
Net			11,553

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	\$	244,382	
OPEB liability		262,218	
Total			(506,600)

Total Net Assets - Governmental Activities \$ 3,258,188

The accompanying notes are an integral part of this statement.

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**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2011

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund
<b>Revenues</b>			
Local Transportation Funds	\$ 806,966	\$ -	\$ -
Federal Highway Planning	375,411		
Motor vehicle fees			226,686
California Department of Transportation Grant	9,458		
RSTP Exchange Funds	132,076		
State Planning, Programming and Monitoring Funds	277,210		
State Rural Planning Assistance	315,000		
Environmental Justice Planning - Mobility Outreach	34,000		
Agricultural Worker Transportation Program AB 2766	28,491		
Congestion Mitigation and Air Quality (CMAQ)	152,837		
Aid from other governments Proposition 116		10,000	143,328
Federal Earmark			
Federal ARRA			
Use of money and property	2,047	446	3,061
Other	7,531		
	<u>2,141,027</u>	<u>10,446</u>	<u>373,075</u>
<b>Expenditures</b>			
Salaries and benefits	1,244,359	110,000	150,000
Services and supplies	360,785	156,893	203,475
Bike to work	34,427		
Go Green (Ecology Action)	55,266		
Carpool Incentive Program	1,406		
Trail Master Plan Consultant	56,559		
Community Traffic Safety Coalition	117,422		
Towing service			
	<u>1,870,224</u>	<u>266,893</u>	<u>353,475</u>
Excess of revenues over (under) expenditures	<u>270,803</u>	<u>(256,447)</u>	<u>19,600</u>

The accompanying notes are an integral part of this statement.

<u>Freeway Service Patrol Fund</u>	<u>Highway 1 Program Fund</u>	<u>Totals</u>
\$ -	\$ -	\$ 806,966
		375,411
		226,686
204,900		214,358
180,000	1,560,160	1,872,236
	446,068	723,278
		315,000
		34,000
		28,491
	111,200	264,037
		143,328
		10,000
	312,088	312,088
65,402		65,402
309	5,073	10,936
210	1,392	9,133
<u>450,821</u>	<u>2,435,981</u>	<u>5,411,350</u>
55,000	228,741	1,788,100
9,125	1,129,476	1,859,754
		34,427
		55,266
		1,406
		56,559
		117,422
<u>259,342</u>	<u>                    </u>	<u>259,342</u>
<u>323,467</u>	<u>1,358,217</u>	<u>4,172,276</u>
<u>127,354</u>	<u>1,077,764</u>	<u>1,239,074</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, 2011**

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	\$ -	\$ 112,129	\$ -
Operating transfers out	(112,129)		
Other transfers	(71,750)		
<b>Total other financing sources (uses)</b>	<u>(183,879)</u>	<u>112,129</u>	
Excess of revenues and other sources over (under) expenditures and other uses	86,924	(144,318)	19,600
Fund balances - July 1	<u>462,791</u>	<u>316,871</u>	<u>562,831</u>
Fund balances - June 30	<u>\$ 549,715</u>	<u>\$ 172,553</u>	<u>\$ 582,431</u>

The accompanying notes are an integral part of this statement.

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<u>Freeway Service Patrol Fund</u>	<u>Highway 1 Program Fund</u>	<u>Totals</u>
\$ -	\$ -	\$ 112,129
		(112,129)
		<u>(71,750)</u>
		<u>(71,750)</u>
127,354	1,077,764	1,167,324
<u>93,682</u>	<u>1,149,736</u>	<u>2,585,911</u>
<u>\$ 221,036</u>	<u>\$ 2,227,500</u>	<u>\$ 3,753,235</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, 2011

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Net Change in Fund Balances - Governmental Funds	\$	1,167,324
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 \$9,232 in the period.		(9,232)
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 used exceeded the amounts earned by \$5,400.		5,400
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>(134,296)</u>
Change in Net Assets - Governmental Activities	\$	<u>1,029,196</u>

The accompanying notes are an integral part of this statement.

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SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2011

	Private Purpose Trust Funds		
	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund
<b>ASSETS</b>			
Cash and investments	\$ 2,339,941	\$ 4,099	\$ 5,152,444
Sales tax receivable	1,166,200		
Accounts receivable	71,750		175
Due from other agencies			2,042,787
Prepays			
<b>Total assets</b>	<u>3,577,891</u>	<u>4,099</u>	<u>7,195,406</u>
<b>LIABILITIES</b>			
<b>Liabilities:</b>			
Due to other agencies	<u>320</u>		<u>977,157</u>
<b>Total liabilities</b>	<u>320</u>		<u>977,157</u>
<b>NET ASSETS</b>			
Unrestricted	<u>\$ 3,577,571</u>	<u>\$ 4,099</u>	<u>\$ 6,218,249</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>
\$ 26,574	\$ 9,243	\$ 39,316	\$ 7,571,617
			1,166,200
3,508		4,218	79,651
			2,042,787
		765	765
<u>30,082</u>	<u>9,243</u>	<u>44,299</u>	<u>10,861,020</u>
<u>21,116</u>	<u>                    </u>	<u>18,707</u>	<u>1,017,300</u>
<u>21,116</u>	<u>                    </u>	<u>18,707</u>	<u>1,017,300</u>
<u>\$ 8,966</u>	<u>\$ 9,243</u>	<u>\$ 25,592</u>	<u>\$ 9,843,720</u>

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust Funds		
	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund
<b>Additions:</b>			
Sales tax	\$ 7,165,459	\$ -	\$ -
State highway exchange funds			2,042,787
Contributions from SCCRTC	71,750		
Interest	10,361	3,548	41,580
Other			
<b>Total revenues</b>	<u>7,247,570</u>	<u>3,548</u>	<u>2,084,367</u>
<b>Deductions:</b>			
Claimants:			
Santa Cruz Metropolitan Transit District	5,001,737	2,801,550	
Santa Cruz County Regional Transportation Commission	806,966		1,857,157
City of Capitola			368,000
City of Santa Cruz	575,738		97,924
City of Scotts Valley	93,315		350,000
County of Santa Cruz			953,993
Plan payments			
<b>Total expenditures</b>	<u>6,477,756</u>	<u>2,801,550</u>	<u>3,627,074</u>
<b>Change in net assets</b>	769,814	(2,798,002)	(1,542,707)
<b>Net assets - beginning of fiscal year</b>	<u>2,807,757</u>	<u>2,802,101</u>	<u>7,760,956</u>
<b>Net assets - end of fiscal year</b>	<u>\$ 3,577,571</u>	<u>\$ 4,099</u>	<u>\$ 6,218,249</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>
\$ -	\$ -	\$ -	\$ 7,165,459
219,886		329,439	2,042,787
	55		621,075
			55,544
<u>219,886</u>	<u>55</u>	<u>329,439</u>	<u>9,884,865</u>
			7,803,287
			2,664,123
			368,000
			673,662
			443,315
			953,993
<u>238,556</u>		<u>323,319</u>	<u>561,875</u>
<u>238,556</u>		<u>323,319</u>	<u>13,468,255</u>
(18,670)	55	6,120	(3,583,390)
<u>27,636</u>	<u>9,188</u>	<u>19,472</u>	<u>13,427,110</u>
<u>\$ 8,966</u>	<u>\$ 9,243</u>	<u>\$ 25,592</u>	<u>\$ 9,843,720</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.

A payroll account is kept at the Santa Cruz Bank for payment of state and federal taxes, health insurance, and other contributions and deductions.

**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 at least \$1,500 and estimated useful life in excess of two years.

**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
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**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 Balances**

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** – represents amounts that can only be used for a specific purpose because of a formal action by the Commission's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** – represents amounts which the Commission intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the Commission.

**Unassigned Fund Balance** – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the Commission considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Commission considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2011

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**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. 54

For the fiscal year ended June 30, 2011, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The Statement is effective for periods beginning after June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Implementation of the Statement and the impact on the Commission's financial statements are explained in Note 1 – L Fund Balances.

Governmental Accounting Standards Board Statement No. 59

For the fiscal year ended June 30, 2011, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 59, "Financial Instruments Omnibus." The Statement is effective for periods beginning after June 15, 2011. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of the GASB Statement No. 59, did not have an impact on the Commission's financial statements for the fiscal year ended June 30, 2011.

**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, 2011, the Commission had the following cash and investments on hand:

Cash in bank and on hand	\$ 4,628
Cash and investments with the Santa Cruz County Treasurer's Investment Fund	<u>10,729,723</u>
Total cash and investments	<u>\$ 10,734,351</u>

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

Cash and investments, statement of net assets	\$ 3,162,734
Cash and investments, statement of fiduciary net assets	<u>7,571,617</u>
Total cash and investments	<u>\$ 10,734,351</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2011

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

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	\$ 10,729,723	\$ 10,729,723	\$ -	\$ -	\$ -
Total	\$ 10,729,723	\$ 10,729,723	\$ -	\$ -	\$ -

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	\$ 10,729,723	N/A	\$ -	\$ -	\$ -	\$10,729,723
Total	\$ 10,729,723		\$ -	\$ -	\$ -	\$10,729,723

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.

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).

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2011

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

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, 2011:

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 Fund</u>	<u>Highway 1 Program Fund</u>
State grants (DOT)	\$ 211,300	\$ -	\$ -	\$ 204,900	\$ 15,814
Federal grants (DOT)	351,940		127,737	20,027	108,043
Other	25,440		50,000		
Totals	<u>\$ 588,680</u>	<u>\$ -</u>	<u>\$ 177,737</u>	<u>\$ 224,927</u>	<u>\$ 123,858</u>

Fiduciary Fund Types

<u>Agency</u>	<u>Surface Transportation Program Exchange Fund</u>
State grants (DOT)	\$ 2,042,787
Totals	<u>\$ 2,042,787</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, 2011

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

Due From/Due To Other Funds

Interfund receivable and payable balances at June 30, 2011, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
Administration and Planning	\$ 102,019	\$ -
Service Authority for Freeway Emergencies Fund		26,666
Freeway Service Patrol Fund		16,288
Highway 1 Program		59,065
	<u>\$ 102,019</u>	<u>\$ 102,019</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 2010-2011 fiscal year, are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
Administration and Planning	\$ -	\$ 112,129
Rail/Trail Authority	112,129	
	<u>\$ 112,129</u>	<u>\$ 112,129</u>

**NOTE 5 – CAPITAL ASSETS**

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

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
<b>Governmental activities</b>				
Depreciable capital assets				
Equipment	\$ 149,172	\$ -	\$ 12,216	\$ 136,956
Total depreciable capital assets	149,172		12,216	136,956
Less accumulated depreciation	(128,387)	(9,232)	(12,216)	(125,403)
Net depreciable capital assets	<u>\$ 20,785</u>	<u>\$ (9,232)</u>	<u>\$ -</u>	<u>\$ 11,553</u>

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2011

**NOTE 6 – LONG-TERM DEBT**

**Changes in long-term liabilities**

Long-term liability activity for the fiscal year ended June 30, 2011, is shown below:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due within One Year
<b>Governmental activities</b>					
Compensated absences	\$ 249,782	\$ -	\$ 5,400	\$ 244,382	\$ -
OPEB Liability	127,922	155,990	21,694	262,218	
<b>Governmental activities</b>					
Long-term liabilities	<u>\$ 377,704</u>	<u>\$ 155,990</u>	<u>\$ 27,094</u>	<u>\$ 506,600</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 2010/2011, was 10.614% 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, 2011, 2010, and 2009, were \$181,935, \$180,466, and \$177,820, 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, 2011

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**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, 2011, 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 6/30/11</u>
Annual Required Contributions	\$ 155,672
Interest on Net OPEB Obligation/(Asset)	5,582
Adjustment to Annual Required Contributions	<u>(5,264)</u>
Annual OPEB cost (expense)	155,990
Contributions made	<u>21,694</u>
Increase in Net OPEB Obligation/(Asset)	134,296
Net OPEB Obligation/(Asset) - beginning of fiscal year	<u>127,922</u>
Net OPEB Obligation/(Asset) - end of fiscal year	<u><u>\$ 262,218</u></u>

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2011

**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, 2011, 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	12.19%	\$ 127,922
6/30/11	\$ 155,990	\$ 21,694	13.93%	\$ 262,218

**D. Funded Status and Funding Progress**

The funded status of the plan as June 30, 2011, 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 July 1, 2009, was 30 years.

**REQUIRED SUPPLEMENTARY INFORMATION SECTION**



SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
 BUDGETARY COMPARISON SCHEDULE  
 ADMINISTRATION AND PLANNING FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues</b>				
Local Transportation Funds	\$ 806,966	\$ 806,966	\$ 806,966	\$ -
Federal Highway Planning	588,231	649,692	375,411	(274,281)
RSTP Exchange	40,000	335,947	132,076	(203,871)
State Planning, Programming and Monitoring Funds	150,000	331,501	277,210	(54,291)
State Rural Planning Assistance	315,000	315,000	315,000	
Environmental Justice Planning - Mobility Outreach	34,000	34,000	34,000	
Caltrans Funds			9,458	9,458
AB 2766	123,000	132,309	28,491	(103,818)
Congestion Mitigation and Air Quality (CMAQ)	174,000	174,100	152,837	(21,263)
New Freedom		165,000		(165,000)
Coastal Concervancy		250,000		(250,000)
RSTP	130,000			
Use of money and property			2,047	2,047
Other			7,531	7,531
<b>Total revenues</b>	<b>2,361,197</b>	<b>3,194,515</b>	<b>2,141,027</b>	<b>(1,053,488)</b>
<b>Expenditures</b>				
Salaries and benefits	1,302,407	1,362,807	1,244,359	118,448
Services and supplies	661,056	862,410	360,785	501,625
Bike to work	34,427	34,427	34,427	
Go Green (Ecology Action)		66,095	55,266	10,829
Carpool Incentive Program	100,000	85,000	1,406	83,594
Trail Master Plan Consultant	300,000	580,000	56,559	523,441
Community Traffic Safety Coalition	86,064	155,916	117,422	38,494
<b>Total expenditures</b>	<b>2,483,954</b>	<b>3,146,655</b>	<b>1,870,224</b>	<b>1,276,431</b>
Excess of revenues over (under) expenditures	(122,757)	47,860	270,803	222,943
<b>Other Financing Sources Uses:</b>				
Operating transfers out	(98,956)	(112,129)	(112,129)	
Other transfers		(71,750)	(71,750)	
<b>Total other financing sources (uses)</b>	<b>(98,956)</b>	<b>(183,879)</b>	<b>(183,879)</b>	
Excess of revenues and other sources over (under) expenditures and other uses	(221,713)	(136,019)	86,924	222,943
Fund balance - July 1	462,791	462,791	462,791	
Fund balance - June 30	\$ 241,078	\$ 326,772	\$ 549,715	\$ 222,943

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**BUDGETARY COMPARISON SCHEDULE**  
**RAIL/TRAIL AUTHORITY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**For the Fiscal Year Ended June 30, 2011**

	<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	\$ -	\$ 29,805	\$	\$ (29,805)
State grants		19,564,918	10,000	(19,554,918)
Use of money and property			446	446
Coastal Conservancy		250,000		(250,000)
Union Pacific		400,000		(400,000)
Leases	60,000	30,000		(30,000)
Total revenues	<u>60,000</u>	<u>20,274,723</u>	<u>10,446</u>	<u>(20,264,277)</u>
<b>Expenditures</b>				
Salaries and benefits	100,000	110,000	110,000	
Services and supplies	103,300	20,593,724	156,893	20,436,831
Total expenditures	<u>203,300</u>	<u>20,703,724</u>	<u>266,893</u>	<u>20,436,831</u>
Excess of revenues over (under) expenditures	<u>(143,300)</u>	<u>(429,001)</u>	<u>(256,447)</u>	<u>172,554</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	98,956	112,129	112,129	
Total other financing sources (uses)	<u>98,956</u>	<u>112,129</u>	<u>112,129</u>	
Excess of revenues and other sources over (under) expenditures and other uses	<u>(44,344)</u>	<u>(316,872)</u>	<u>(144,318)</u>	<u>172,554</u>
Fund balance - July 1	<u>316,871</u>	<u>316,871</u>	<u>316,871</u>	
Fund balance - June 30	<u>\$ 272,527</u>	<u>\$ (1)</u>	<u>\$ 172,553</u>	<u>\$ 172,554</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
 BUDGETARY COMPARISON SCHEDULE  
 SERVICE AUTHORITY FOR FREEWAY EMERGENCIES FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 For the Fiscal Year Ended June 30, 2011

	<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	\$ 226,686	\$ (9,314)
Aid from other governments	260,000	300,781	143,328	(157,453)
Use of money and property	15,000	5,000	3,061	(1,939)
Total revenues	<u>511,000</u>	<u>541,781</u>	<u>373,075</u>	<u>(168,706)</u>
<b>Expenditures</b>				
Salaries and benefits	120,000	150,000	150,000	
Services and supplies	343,800	459,800	203,475	256,325
Total expenditures	<u>463,800</u>	<u>609,800</u>	<u>353,475</u>	<u>256,325</u>
Excess of revenues over (under) expenditures	47,200	(68,019)	19,600	87,619
Fund balance - July 1	<u>562,831</u>	<u>562,831</u>	<u>562,831</u>	
Fund balance - June 30	<u>\$ 610,031</u>	<u>\$ 494,812</u>	<u>\$ 582,431</u>	<u>\$ 87,619</u>

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**BUDGETARY COMPARISON SCHEDULE**  
**FREEWAY SERVICE PATROL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**For the Fiscal Year Ended June 30, 2011**

	<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	\$ 204,900	\$ 204,900	\$ -
Federal ARRA		65,403	65,402	(1)
State Planning, Programming and Monitoring Funds	180,000	180,000	180,000	
Use of money and property	1,500	1,000	309	(691)
Other			210	210
<b>Total revenues</b>	<u>366,500</u>	<u>451,303</u>	<u>450,821</u>	<u>(482)</u>
<b>Expenditures</b>				
Salaries and benefits	55,000	55,000	55,000	
Services and supplies	16,350	17,000	9,125	7,875
Towing service	270,000	270,000	259,342	10,658
<b>Total expenditures</b>	<u>341,350</u>	<u>342,000</u>	<u>323,467</u>	<u>18,533</u>
Excess of revenues over (under) expenditures	25,150	109,303	127,354	18,051
Fund balance - July 1	<u>93,682</u>	<u>93,682</u>	<u>93,682</u>	
Fund balance - June 30	<u>\$ 118,832</u>	<u>\$ 202,985</u>	<u>\$ 221,036</u>	<u>\$ 18,051</u>

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**BUDGETARY COMPARISON SCHEDULE**  
**HIGHWAY 1 PROGRAM FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**For the Fiscal Year Ended June 30, 2011**

	<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	\$ 55,878	\$ 111,200	\$ 111,200	\$ -
Federal earmark	343,591	312,087	312,088	1
Use of money and property			5,073	5,073
STIP Funds	1,160,888	428,598	446,068	17,470
RSTP Exchange Funds	550,115	3,117,102	1,560,160	(1,556,942)
CMIA	2,292,995			
Other			1,392	1,392
<b>Total revenues</b>	<u>4,403,467</u>	<u>3,968,987</u>	<u>2,435,981</u>	<u>(1,533,006)</u>
<b>Expenditures</b>				
Salaries and benefits	265,000	225,000	228,741	(3,741)
Services and supplies	3,859,209	1,974,700	1,129,476	845,224
<b>Total expenditures</b>	<u>4,124,209</u>	<u>2,199,700</u>	<u>1,358,217</u>	<u>841,483</u>
Excess of revenues over (under) expenditures	279,258	1,769,287	1,077,764	(691,523)
Fund balance - July 1	<u>1,149,736</u>	<u>1,149,736</u>	<u>1,149,736</u>	
Fund balance - June 30	<u>\$ 1,428,994</u>	<u>\$ 2,919,023</u>	<u>\$ 2,227,500</u>	<u>\$ (691,523)</u>

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
 SCHEDULE OF FUNDING PROGRESS FOR POST EMPLOYMENT BENEFITS  
 OTHER THAN PENSIONS**

For the Fiscal Year Ended June 30, 2011

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%

**SUPPLEMENTARY INFORMATION SECTION**



**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**SCHEDULE OF ALLOCATIONS AND EXPENDITURES**  
**LOCAL TRANSPORTATION FUND**  
**For the Fiscal Year Ended June 30, 2011**

Claimant/Purpose/Authority*	Allocated Balance July 1, 2010	Allocation	Expended	Amended	Allocated Balance June 30, 2011
<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		431,995	431,995		
Planning PUC § 99402		374,971	374,971		
Totals		806,966	806,966		
<b>City of Santa Cruz</b>					
CTSA Lift Line-contract services Contract transit for the elderly and disabled PUC § 99400 (c)		491,399	491,399		
Volunteer Center PUC § 99400 (c)		58,500	58,500		
Pedestrian and bicycle PUC § 99400 (a)	414,400	65,417	25,839		453,978
Totals	414,400	615,316	575,738		453,978
<b>County of Santa Cruz</b>					
Pedestrian and bicycle PUC § 99400 (a)	964,179	151,117			1,115,296
Totals	964,179	151,117			1,115,296
<b>City of Scotts Valley</b>					
Pedestrian and bicycle PUC § 99400 (a)	94,316	13,046	93,315		14,047
Totals	94,316	13,046	93,315		14,047
<b>City of Capitola</b>					
Pedestrian and bicycle PUC § 99400 (a)	91,704	11,178			102,882
Totals	91,704	11,178			102,882
<b>City of Watsonville</b>					
Pedestrian and bicycle PUC § 99400 (a)	104,738	57,590			162,328
Totals	104,738	57,590			162,328
Grand totals	\$ 1,669,337	\$ 6,656,950	\$ 6,477,756	\$ -	\$ 1,848,531

\* 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, 2011**

Claimant/Purpose/Authority*	Allocated Balance July 1, 2010	Allocation	Expended	Amended	Allocated Balance June 30, 2011
<b>Santa Cruz Metropolitan Transit District</b>					
Transit operator assistance CAC § 6730 a	\$ -	\$ 2,801,550	\$ 2,801,550	\$ -	\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ 2,801,550</b>	<b>\$ 2,801,550</b>	<b>\$ -</b>	<b>\$ -</b>

\* California Administrative Code



MOSS, LEVY & HARTZHEIM LLP

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**INDEPENDENT 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, 2011, and have issued our report thereon dated December 18, 2011. 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 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 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. The Commission does not receive any Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) account funding and therefore, the corresponding compliance procedures were not performed.

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 18, 2011