

**SANTA CRUZ COUNTY REGIONAL  
TRANSPORTATION COMMISSION**

AUDIT REPORT  
June 30, 2015



**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
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June 30, 2015

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Santa Cruz County Regional Transportation Commission  
Santa Cruz, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Cruz County Regional Transportation Commission (the Commission) as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Cruz County Regional Transportation Commission, as of June 30, 2015, and the respective changes in financial position thereof, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Changes in Accounting Principles***

As discussed in note 1 to the basic financial statements effective July 1, 2014, the Santa Cruz Regional Transportation Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 16, the budgetary information on pages 51 through 56, the schedule of funding progress for post employment benefits other than pensions on page 57, the schedule of proportionate share of net pension liability on page 58, and the schedule of contributions on page 59, 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of revenues, expenses, and changes in net position by activity is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of revenues, expenses, and changes in net position by activity is the responsibility of management and was derived from and is related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information section is fairly stated in all material respects in relating to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2016, on our consideration of the Santa Cruz County Regional Transportation Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

*Moss, Remy & Hartgeheim LLP*

Santa Maria, California  
March 18, 2016



## **Management Discussion and Analysis Fiscal Year Ending June 30, 2015**

### **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 1995, Section 67940 was added to the Government Code establishing the RTC through statute. Then in 2002, Section 67941 was added to the Government Code giving the RTC 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 FY 14/15 oversaw 17 full and part-time employees representing 15.75 full-time equivalent positions.

### **2. MAJOR PROGRAMS**

The RTC sets priorities and secures funding for 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 and sustainable transportation modes, improve the safety and operation of the transportation system; and reduce vehicle emissions.

The RTC is the state-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 raised through a 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 a major update was adopted in June 2014. The RTP includes sustainability targets and an evaluation of the transportation plan's ability to meet the targets. Project and funding information in the RTP is also consistent with the SB 375-mandated Sustainable Communities Strategy prepared by the region's MPO - AMBAG. 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 were implemented in FY 14/15; the dollar amounts reflect the RTC's contribution to the total project costs:

- Broadway-Brommer Bike/Pedestrian Path/Arana Gulch Multiuse Trail, Santa Cruz: \$3.5 million (STIP, RSTPX, CMAQ, TDA)
- Soquel/Park Way Intersection Safety Improvements, Santa Cruz: \$450,000 (STIP)
- Laurel Street Pavement Rehabilitation: \$675,00 (RSTPX)
- Vine Hill Elementary School Bike Lanes and Sidewalks, Scotts Valley: \$400,000 (STIP)
- County Roadway Preservation – Davenport, 17<sup>th</sup> Avenue and Brommer St, Empire Grade Road, Green Valley Road, Mt. Hermon Road, Porter Street, Bear Creek Road, Portola Drive, Summit Road: \$3.3 million (RSTPX)
- Nelson Road Storm Damage Repair: \$850,000 (STIP)
- Redwood Lodge Storm Damage Repair: \$850,000 (STIP)
- Bus Mainline Routes Runtime Recalibration: \$30,000 (RSTPX)
- Paracruz Van Replacements: \$345,000 (STIP)
- Santa Cruz County Open Streets Community Events: \$25,000 (RSTPX)
- South County Youth Bike Safety Training: \$30,000 (RSTPX)
- Bike/Walk School Incentive and Tracking Program (Boltage/Active4Me), Elementary Schools: \$25,000 (RSTPX)

### **Highway 1 Projects**

In FY14/15, the RTC continued management of two regionally significant projects on Highway 1) pre-construction activities using federal and state funds for the Highway 1 Corridor Investment Program, and 2) construction using state funds for the Highway 1 Soquel/Morrissey Auxiliary Lanes Project.

In 2003, work began on the project approval/environmental documentation (PA/ED) phase of the Highway 1 Corridor Investment Program. Due to the cost of the project and federal regulatory changes, the RTC decided in the summer of 2011 to produce a “tiered” environmental document. A tiered approach provides broad based information of the long-term HOV Lane project alternative (Tier I). The same environmental document will provide a detailed analysis of a specific project on the corridor for near term implementation with the environmental documentation necessary to start construction – referred to as a Tier II project. In August 2011, the RTC identified the Tier II project to be construction of auxiliary lanes on Highway 1 between 41<sup>st</sup> Avenue and Soquel Drive with a pedestrian/bicycle overcrossing at Chanticleer Avenue.

In 2006, the RTC initiated PA/ED activities on the Soquel/Morrissey Auxiliary Lanes project. The final environmental document was approved in September 2009, and the final design was completed in June 2011. Construction funding was secured from voter-approved Proposition 1B Transportation Bonds. The RTC decided to take responsibility for managing the construction of the project. Construction started in February 2012 and the new auxiliary lanes became available for use in November 2013. The construction work was completed at the end of the plant establishment period for replacement landscaping in December 2014.

### **Rail Corridor**

The Regional Transportation Commission (RTC) completed acquisition of the 32-mile Santa Cruz Branch Rail Line right-of-way in October 2012. In FY 13/14, the RTC completed engineering work

to rehabilitate structures and awarded a contract for the construction work. In FY 14/15, the bridge rehabilitation construction work was completed for 4 bridges including complete reconstruction of the La Selva Beach trestle. The RTC secured a Caltrans Transit Planning grant to analyze the feasibility of commuter and/or intercity passenger rail service in the corridor, completed a Draft Passenger Rail Feasibility Study, and conducted extensive community engagement activities to encourage public review and comment.

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

Implementation of segments of the Monterey Bay Sanctuary Scenic Trail (MBSST) Network, a multi-use bicycle and pedestrian pathway spanning the Santa Cruz coastline from the San Mateo County line to the Monterey County line, began during FY14/15. The MBSST Network will see the 32-mile rail right-of-way as the system's spine adjacent to any rail service. Implementation began following adoption of a Master Plan that was completed in the previous fiscal year. The Master Plan received 4 awards in FY 14/15 for its planning excellence and will serve as the guiding document for the project's implementation. RTC continued building funding partnerships with the Land Trust of Santa Cruz County and Friends of the Rail and Trail who are interested in raising private funds and building community stewardship of the rail trail project. The RTC signed an agreement with the Land Trust of Santa Cruz County for acceptance of private funds. The RTC also submitted a Federal Lands Access Program (FLAP) grant for a north coast rail trail project and was short listed for award. The 5 mile project was slated to receive \$6.3M from the FLAP with a match of \$3.3M coming from the Land Trust. The RTC was also awarded a \$1M grant from the California Coastal Conservancy to complete the north coast segment funding package.

### **SAFE and FSP**

Included in the Service Authority for Freeway Emergencies (SAFE) annual budget are funds for the Safe on 17 Program 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).

Call boxes are located on Highways 1, 9, 17, 152, and 129 and connect stranded motorists with assistance. Approximately 750 calls were placed from Santa Cruz County call boxes in FY 14/15. In December 2014, the RTC authorized the removal of up to 50 call boxes from the call box system (40% system reduction) due to declining usage and an increasing trend in cell phone ownership. Cruz511, a 511 traveler information project (described in more detail in the next section), is also in the SAFE budget.

The RTC, serving as the SAFE, 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. The FSP provided approximately 1,500 assists in FY 14/15.

## **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. Completed in December 2013, this planning effort found that a 511 service was feasible and provided a roadmap to implement such a service. Following RTC authorization to implement a traveler information service for Santa Cruz County, work began in January 2014 to implement Cruz511.org, an online, centralized, multimodal traveler information service. Cruz511.org was launched in June 2015. The service provides travelers with real-time traffic conditions including travel speeds, images from traffic cameras, and incident and construction notifications. The service is also a go-to resource for travel mode options, public and private transportation services, specialized transportation, and travel alerts during transportation emergencies. Built upon a mobile responsive platform, 511 information can be viewed on a wide variety of mobile devices, smart phones and computers. For those without online access or needing personal assistance, help desk staff continues to be available.

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

Since 1979, the RTC, through its Commute Solutions service has provided the community with a centralized resource for transportation information. While the programs' offerings have evolved over the years in response to changing needs and opportunities, the mainstay has been to provide tools, information and encouragement to commuters about options for travel other than driving alone. These alternatives include carpooling, vanpooling, bicycling, walking, taking public transit and telecommuting. The program also assists employers, schools, and other organizations in developing travel programs for their employees and constituents. In its ongoing effort to help Santa Cruz County residents and employees find carpool, vanpool and bike partners, the RTC's Commute Solutions service 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 and school based travel programs. These services included work with businesses relocating to new sites and others seeking green business certification. Residential density maps that clustered groups of potential new school carpools were used to increase shared rides and reduce traffic around schools.

To reach more people and streamline operations, for the past several years, Commute Solutions has moved more and more of its resources online. A program evaluation in early 2014, led to a decision to build upon RTC's core strengths of providing traveler information and marketing travel alternatives and to continue the trend of centralizing information on the web. These objectives are consistent with those of RTC's new 511 service and help to advance the sustainability goals and targets of the RTC's 2014 Regional Transportation Plan (RTP). As of 2015, Commute Solutions and 511 now fall under the Cruz511 umbrella following launch of the Cruz511.org traveler information website in June 2015.

### **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**

The RTC-wide statements (Statement of Net Position and the Statement of Activities) are on full accrual basis of accounting; and consistent with the Government Accounting Standards Board (GASB) Statement 34, the fixed assets are capitalized, depreciated, and reported net of accumulated depreciation on the Statement of Net Position (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 with GASB 45, the RTC Wide Financial Statements include the expenses and liabilities associated with Other Post Employment Benefits (OPEB) as discussed in Notes 6 and 9 of the report. Effective this current fiscal year the RTC has implemented GASB 68, which has resulted in a Net Pension Liability, a long term liability, on the Statement of Net Position.

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

The RTC continues to have 12 funds, which are equally divided between Governmental Funds pages 20 – 28) and Fiduciary Funds pages (30 – 33) with six in each type.

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

GASB 34, 45, and 68 apply to the Statement of Net Position; therefore, reconciliation is needed to balance the Fund Balances and Total Net Position. In addition to the Statement of Revenues, Expenditures, and Changes in Fund Balances (pages 24 – 27), actual results for each fund are compared to the budget (pages 51-56).

##### **2. Fiduciary Funds**

Two Statements are presented for the Fiduciary Funds:

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

The RTC uses the following fund balance classifications, which are in line with GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions:

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)

Not all fund categories may be present in any one reporting year, and the current financial statements have just three: 1) Nonspendable, 2) Restricted, and 3) Unassigned

## 4. FINANCIAL HIGHLIGHTS

The implementation of Government Accounting Standards Board Statement 68 (GASB 68), *Accounting and Financial Reporting for Pensions*, has a major impact on the RTC's FY2015 Net Position. Under GASB 68 reporting, the net present value of future pension benefits to employee (liability to the employer) is calculated and when the benefits exceed the pension's Plan Net Position (Pension Net Assets) a net pension liability is reported on the financial statements. The RTC is reporting a \$1,289,646 Net Pension Liability in FY2015. Also new on the Statement of Net Position are the Pension – Deferred Outflow and Pension – Deferred Inflow, which are explained in Note 7 on page 45. GASB 68 only concerns Government-wide Financial Statement; therefore the RTC's Fund Financial Statements depict a stronger financial position.

FY2015 is another year of major accomplishment, which included the rehabilitation/construction of railroad bridges and completion of the Cruz511.org traveler information website. The RTC continued work on Highway 1 HOV Lane EIR, the Monterey Bay Scenic Sanctuary Trail ( MBSST), Passenger Rail Study, and the Unified Corridor Investment Plan. The TDA revenues set another new record high, even though they came short of the projection and a lower growth rate was recorded.

### Governmental Funds

#### Net Position

The Total Net Position increased by \$3,034,722 to \$19,882,366 from the adjusted prior year's \$16,847,644. The capitalized construction costs in Rail/Trail Fund account for the increase. There are adequate current assets (\$4,482,422) to finance the combined current liabilities and the Restricted Net Position (\$3,089,706); however the remaining balance of \$1,392,716 (\$4,482,422 less \$3,089,706) is insufficient to cover \$2,459,843 in Noncurrent Liabilities (page 17). This explains the \$1,203,796 deficit in Unrestricted balance. Stated differently, the unassigned balance of \$1,381,049 (pages 20 – 21) cannot completely fund Noncurrent Liabilities (page 17), which are composed of Compensated Absence (\$327,556), OPEB Liability (\$842,641), and Net Pension Liability (\$1,289,646). The Compensated Balance increased \$32,247 (10.9%) to \$327,556 while OPEB liability rose by \$163,575 (24.1%). FY2015 is the first reporting year for Net Pension Liability.

#### Cash and Receivables

The cash balance decreased by \$307,215 to \$3,410,807 due to the expenditure of previously received lump sum payments of prior years by Rail/Trail and Highway Aux Lanes Construction funds as reflected in the decrease in Deferred Revenues of \$58,325 and \$505,427 respectively. The decrease was less because of the restricted reserve balance of \$607,302 in the Admin, Planning, and Rideshare (General Fund) Fund. The receivables (all) are down \$1,107,575 (51%) due to the completion of the Rehabilitation of Rail Bridges Project and continuing good receivable turnover as Caltrans continued to process the grant invoices on a timely basis.

#### Capital Assets

The new depreciable fixed assets, which were acquired in FY2015 totaled \$13,090 and consist of a new TV (\$1,552) for teleconference use and the new phone system. Work in progress costs (\$3,348,756) related to rail bridge rehabilitation/construction account for the bulk of the increase in Capital Assets as shown in Note 5 on page 43.

### Liabilities

The Accounts Payable decreased by \$448,876 (42.9%) to \$598,248 as a result also of the completion the construction work in Rail/Trail fund. In addition, major accounts were paid on a timely basis.

### Other Highlights

The RSTPX Fund made a short term loan of \$600,000 to Rail/Trail Fund in FY2015 to help with cash flow; the loan was repaid in the same fiscal year. The Administration and Planning Fund transferred \$110,000 to the Rail/Trail Fund. The SAFE Fund owed \$50,000 to Rideshare of the Administration and Planning Fund; the related transactions are reflected on the financial statements. These transfers - in and out, are eliminated on the Statement of Net Asset. Due From (\$254,988) and Due To Other Funds (\$254,988) balances arise mostly because the Administration and Planning Fund pays for all salaries and benefits, which are later reimbursed by other funds (SAFE, FSP, Rail/Trail, Hwy 1 Program, and Hwy 1 Auxiliary).

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

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Change</u>
Cash and Investment	3,410,807	3,718,022	(307,215)
Receivables	1,051,948	2,159,523	(1,107,575)
Prepaid Expenses	19,667	19,840	(173)
Capital Assets:			
Nondepreciable	19,775,621	16,426,865	3,348,756
Depreciable, Net	<u>17,042</u>	<u>6,872</u>	<u>10,170</u>
<b>Total Assets</b>	<b>24,275,085</b>	<b>22,331,122</b>	<b>1,943,963</b>
 Pension – Deferred Outflows	 197,985		 197,985
 Accounts Payable	 598,248	 1,047,124	 (448,876)
Accrued Expense	60,014	47,289	12,725
Due to Other Agencies	79,939	177,140	(97,201)
Unearned Revenue	1,058,006	1,766,262	(708,256)
Noncurrent Liabilities			
Compensated Absence	327,556	295,309	32,247
OPEB Liability	842,641	679,066	163,575
Net Pension Liability	<u>1,289,646</u>	<u>274,842</u>	<u>1,014,804</u>
<b>Total Liabilities</b>	<b>4,256,050</b>	<b>4,287,032</b>	<b>(30,982)</b>
 Pension – Deferred Inflows	 334,654		 334,654
 Net Investment in Capital Assets	 19,792,663	 16,433,737	 3,358,926
Restricted	1,293,499	1,612,902	(319,403)
Unrestricted	<u>(1,203,796)</u>	<u>(2,549)</u>	<u>(1,201,247)</u>
<b>Total Net Position</b>	<b>19,882,366</b>	<b>18,044,090</b>	<b>1,838,276</b>

## Revenues

Combined, the governmental funds revenues decreased \$919,427 (10.8%) in FY2015 to \$7,583,214. The Rail/Trail and Highway 1 Auxiliary Lanes funds show the highest variances. The STIP revenues in Rail/Trail Fund increased by \$1,557,613 (85%) to \$3,388,185 while the Highway 1 Auxiliary Lanes' CMIA revenues sharply fell by \$2,645,566 (74%) to \$888,994. The rail rehabilitation work was mostly done in FY2015 while the Aux Lanes Construction was in prior year. The following is a FY2015 and FY2014 comparison of major State grants:

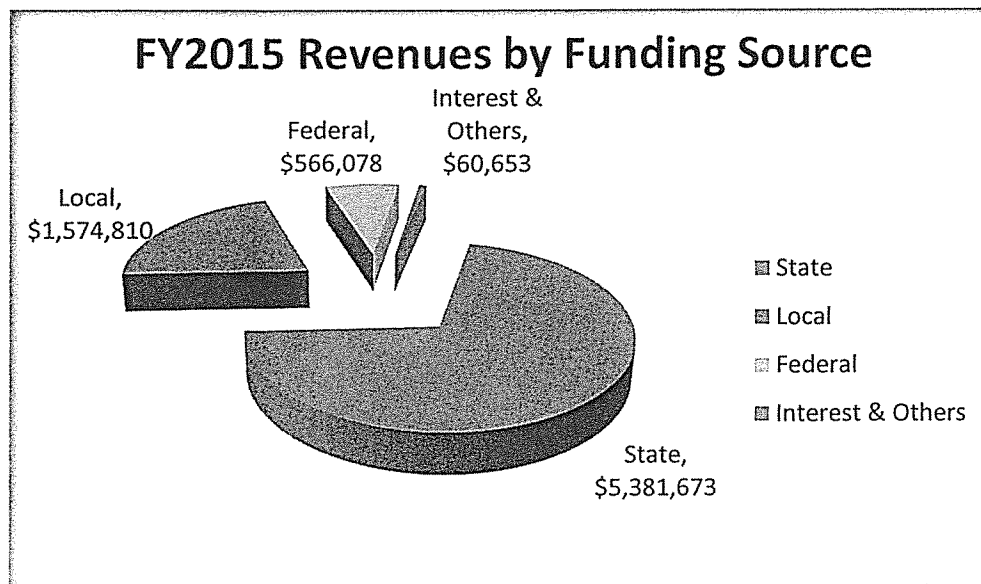
	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Change</u>
STIP (Rail/Trail)	3,388,185	1,830,572	1,557,613
CMIA (Hwy 1 Auxiliary Lanes)	<u>888,994</u>	<u>3,534,560</u>	<u>(2,645,566)</u>
<b>Total</b>	<b>4,277,159</b>	<b>5,365,132</b>	<b>(1,087,973)</b>

Except for Interest and Others, all funding sources reflect revenues decrease in FY2015 when compared to FY 2014. The funding sources comparative table and the graph (Figure 1) are presented below:

Table  
FY2015 Funding by Source

	<u>FY2015</u>	<u>FY2014</u>
State	5,381,673 (71%)	6,210,632 (73%)
Local	1,574,810 (21%)	1,662,757 (20%)
Federal	566,078 (7%)	611,502 (7%)
Interest & Others	<u>60,653 (1%)</u>	<u>17,750 (0%)</u>
<b>Total</b>	<b>7,583,214 (100%)</b>	<b>8,502,641 (100%)</b>

Figure 1  
FY2015 Funding by Source





The Local funds consist of MTC cost share for Safe on 17 Program (\$50,000), Rail/Trail leases (\$56,948), DMV fees (\$246,512), and TDA funds (\$1,221,350). The DMV fees were flat in FY2015 with \$872 increase over FY2014. The TDA revenue fell by \$88,449 (6.8%) in FY2015. FHWA PL revenues continued to decrease in FY2015 with \$65,171 total against \$100,000 and \$251,411 respectively in FY2014 and FY2013.

The combined expenditures fell by \$813,154 (9.5%) to \$7,756,569 from \$8,569,723 in the prior year. The decrease is most noticeable in Highway 1 Auxiliary Lanes Fund where expenditures went from \$3,531,909 in FY2014 to the current \$901,987. The decrease was partially offset by sharp increase in Rail/Trail to \$3,641,323 from \$1,987,340 in FY2014. The total payroll costs show a minor increase of \$5,984 (.3%) to \$2,066,904 from \$2,060,920 the year before.

The FSP costs are flat with \$334,419 in FY2015 and \$336,372 in FY2014. The RTC continued to fund the Bike to Work and the Community Traffic Safety Coalition at the same level as in FY2014 at \$50,000 and \$100,000 respectively. Two new projects commenced in FY2015 in the Administration and Planning and the costs in FY2015 are noted in the parenthesis: Unified Corridor (\$96,188) and Passenger Rail Study (\$170,568).

The following is the FY2015 Statement of Revenues, Expenditures & Change in Fund Balance with comparison to prior year of Governmental funds:

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

	<u>FY2015</u> <u>6/30/2015</u>	<u>FY2014</u> <u>6/30/2014</u>	<u>Change</u>
State	5,381,673	6,210,632	(828,959)
Local	1,574,810	1,662,757	(87,947)
Federal Revenues	566,078	611,502	(45,424)
Other	<u>60,653</u>	<u>17,750</u>	<u>42,903</u>
<b>Total Revenues</b>	<b>7,583,214</b>	<b>8,502,641</b>	<b>(919,427)</b>
Salaries & Benefits	2,066,904	2,060,920	5,984
Services and Supplies	1,589,983	4,080,776	(2,490,793)
Bike to Work	50,000	50,000	
Ecology Action (Boltage)	28,540	21,459	7,081
Community Traffic Safety Coalition	100,000	100,000	
Trail Master Plan Consultant (MBSST)	12,916	198,677	(185,761)
Towing Services	257,037	260,540	(3,503)
Capital Outlay	3,348,756	1,716,997	1,631,759
Unified Corridor	96,188		96,188
Passenger Rail Study	170,568		170,568
Other Expenses	<u>35,677</u>	<u>80,354</u>	<u>(44,677)</u>
<b>Total Expenditures</b>	<b>7,756,569</b>	<b>8,569,723</b>	<b>(813,154)</b>
Excess of Revenues Over Expenditures	(173,355)	(67,082)	(106,273)
Beginning Fund Balance	<u>2,859,570</u>	<u>2,926,652</u>	<u>(67,082)</u>
<b>Ending Fund Balance</b>	<b>2,686,215</b>	<b>2,859,570</b>	<b>(173,355)</b>

## Fiduciary Funds

The combined cash balance decreased \$758,151 (7.8%) to \$8,939,546 from \$9,697,697 on 6/30/2014 due to large claims from the County totaling \$3,016,212; total payment to the same claimant was \$272,053 the year before. The cash balance, however, remains relatively high due to unclaimed prior years TDA allocations; unallocated RSTPX funds (\$1,141,165); the reserves set up in the TDA Fund (\$620,756); and increased TDA cash receipts as shown in Figure 2 on page 14. The unclaimed allocation distribution by jurisdictions and funding sources is as follows:

### UNCLAIMED TDA AND STP EXCHANGE ALLOCATIONS

	FY2015 ENDING 6/30/2015		
	Total	TDA	RSTP Exchange
County of Santa Cruz	2,876,611	596,686	2,279,925
City of Capitola	693,304	155,304	538,000
City of Santa Cruz	521,085	333,085	188,000
City of Scotts Valley	421,428	75,428	346,000
City of Watsonville	1,173,586	273,586	900,000
Santa Cruz Metro (SCMTD)	15,385		15,385
SCCRTC	1,405,906		1,405,906
Open Streets	22,935		22,935
Unallocated	<u>1,761,921</u>	<u>620,756</u>	<u>1,141,165</u>
<b>TOTAL</b>	<b>8,892,161</b>	<b>2,054,845</b>	<b>6,837,316</b>

Net Position in FY2015 is down \$891,873 in comparison to FY2014 as a result of large claims from the County of Santa Cruz as noted earlier for the decrease in cash balance. The Due from Other Agencies and Accounts Receivable combined are down \$181,908 (3.5%) due to lower State Transit Assistance (STA) FY2015 fourth quarter accrual of \$626,021, which is down \$205,221 (24.7%) in comparison to the previous fiscal year. The Statement of Net Assets of Fiduciary Funds is presented below:

### STATEMENT OF FIDUCIARY NET POSITION

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Change</u>
Cash and Investment	8,939,546	9,697,697	(758,151)
Accounts Receivable	1,413,276	1,388,232	25,044
Due from Other Agencies	3,553,858	3,760,810	(206,952)
Prepays		<u>607</u>	<u>(607)</u>
<b>Total Assets</b>	<b>13,906,680</b>	<b>14,847,346</b>	<b>(940,666)</b>
Accounts Payable	38,987	35,015	3,972
Due to Other Agencies	<u>599,278</u>	<u>652,043</u>	<u>(52,765)</u>
<b>Total Liabilities</b>	<b>638,265</b>	<b>687,058</b>	<b>(48,793)</b>
<b>Net Position</b>	<b>13,268,415</b>	<b>14,160,288</b>	<b>(891,873)</b>

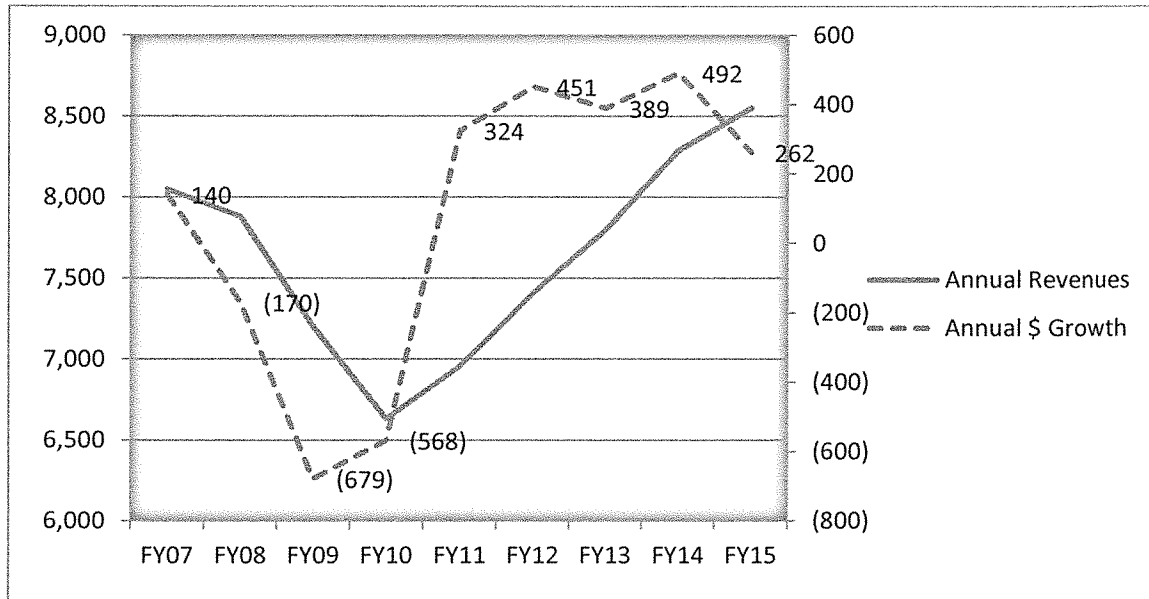
The TDA revenues show continuing growth in FY2015 albeit at lower growth rate. The TDA revenues set a new high record at \$8,573,140, but they grew by 3.2% against 6.3% growth rate in FY2014 (see the table below). FY2015 TDA revenues were also \$81,203 (1%) below budget (\$8,630,543). The RSTPX revenues show a modest change from year to year with total receipts of \$2,927,837 and \$2,929,392 respectively for FY2015 and FY2014. Total expenditures grew in PERS Health from \$316,338 to \$379,044. The expenditure in PERS Health is not all RTC cost; it also includes employees' premium payment.

The Miscellaneous Deductions Fund and In Lieu of Social Security Fund show insignificant change in year to year comparison; and the latter will become inactive as funds will revert to the General Fund in FY2016.

The TDA cash receipts performance over the last nine (9) years is as follows:

<u>Fiscal Year</u>	<u>Actual Receipts</u>	<u>(Change)</u>
FY2007	8,048,362	140,109
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	324,222 4.9%
FY2012	7,407,427	451,368 6.5%
FY2013	7,796,002	388,575 5.2%
FY2014	8,287,590	491,588 6.3%
FY2015	8,549,340	261,750 3.2%

Figure 2  
TDA Annual Revenues and Changes – Last Nine (9) Years  
FY2007 – FY2015  
(\$ in 000)



*The graph is based on actual monthly receipts during the fiscal year, which goes from July to June, therefore these receipts may not agree to the audited TDA revenues, which include July and August receipts of the following fiscal year.*

In FY2015, the SCMTD received 80% of all TDA allocated funds after the RTC share; and 100% of all STA funds. The expenditure levels in the fiduciary funds are dependent on revenue fluctuations, the allocations, and the claims for disbursement. Disbursement to TDA claimants in FY2015 may include payment for prior year's allocations. On the following page, is the Fiduciary funds' Statement of Revenues, Expenditures & Change in Fund Balances:

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

	FY2015 <u>6/30/2015</u>	FY2014 <u>6/30/2014</u>	<u>Change</u>
Additions:			
Sales Tax: TDA	8,573,140	8,369,290	203,850
STA	2,717,442	2,938,468	(221,026)
STP Exchange	2,927,837	2,929,392	(1,555)
Contributions	393,530	371,686	21,844
Interest	<u>52,389</u>	<u>41,236</u>	<u>11,153</u>
<b>Total Revenues</b>	<b>14,664,338</b>	<b>14,650,072</b>	<b>14,266</b>
Deductions:			
SCMTD	9,328,989	9,018,200	310,789
RTC	1,380,283	2,155,866	(775,583)
City of Santa Cruz	1,201,158	1,981,643	(780,485)
County of Santa Cruz	3,016,212	272,053	2,744,159
City of Watsonville		160,017	(160,017)
City of Scotts Valley	225,000		225,000
Plan Payment	<u>404,569</u>	<u>344,261</u>	<u>60,308</u>
<b>Total Deductions</b>	<b>15,556,211</b>	<b>13,932,040</b>	<b>1,624,171</b>
Change in Net Position	<b>(891,873)</b>	<b>718,032</b>	<b>(1,609,905)</b>
Net Position - Beginning of Fiscal Year	<u>14,160,288</u>	<u>13,442,256</u>	<u>718,032</u>
<b>Net Positions - End of Fiscal Year</b>	<b>13,268,415</b>	<b>14,160,288</b>	<b>(891,873)</b>

## 5. CURRENT FINANCIAL ISSUES AND CONCERNS

Management has been able to control the discretionary expenses; however, continuing to secure new revenue sources to meet existing and increasing transportation needs remains a challenge; and this issue became more acute in FY2014 with the reduction in federal Planning (PL) funding. The *2014 Regional Transportation Plan* identifies a funding gap of over \$2.9 billion for transportation needs countywide through the year 2035, even with new local funds such as a ½ cent sales tax and \$10 vehicle registration fee included in the funds anticipated to be available and approved by voters in the future.

Due to continually diminishing revenues from gasoline taxes and other sources, the Santa Cruz County region has not received sufficient transportation funds, creating a backlog of roadway and transit maintenance, delaying completion of existing projects, and making it very difficult to fund needed new projects.

Projects currently under development for which existing funding is insufficient to fully fund these projects are the Highway 1 Corridor Investment program, which is currently estimated to cost about \$600 million, and the Monterey Bay Sanctuary Scenic Trail (MBBST) Network project, estimated to cost \$127 million. The RTC is identifying smaller projects within the Highway 1 corridor which could be constructed incrementally. In addition, the RTC continues to engage the community regarding a potential November 2016 sales tax measure or other local funding sources for transportation purposes to alleviate some of these transportation funding needs. Considering the super majority voter threshold required (66.7%) to approve these new revenue streams, it will be

challenging to secure voter approval. Reinstatement of the simple majority requirement would substantially assist local efforts to raise additional funding for needed transportation projects.

As the regional transportation planning agency, the RTC has taken a leadership position on the effort to secure new local funds. In FY 2013/14 and FY14/15 the RTC worked closely with the community to craft an expenditure plan with a combination of investment categories with the intention of placing a 1/2 cent sales tax measure on the November 2016 ballot, which would raise approximately \$450 million over 30 years. The tentative expenditure list includes Neighborhood Projects such as streets and roads, safety, bicycle and pedestrian, and school safety projects; Community Projects such as paratransit projects; and Regional Projects such as Highways, Rail Trail and other transportation improvements on the rail corridor. This sales tax measure will require a super majority of voter support (66.7%).

With the RTC purchase of the Santa Cruz Branch Rail Line and designation of Iowa Pacific (doing business locally as the Santa Cruz & Monterey Bay Railway), freight service will continue and recreational passenger rail service has been implemented. The RTC will need to work to ensure that the revenue generated by the freight service, the recreational rail service, car storage and other leased uses of the real estate will help meet the costs for continued maintenance and operation of the rail line. Longer term uses of the rail corridor, for other types of passenger transit services will require capital and operation funding from other sources.

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**STATEMENT OF NET POSITION**  
June 30, 2015

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 3,410,807
Receivables	1,051,948
Prepaid items	19,667
Capital assets:	
Nondepreciable	19,775,621
Depreciable, net	<u>17,042</u>
Total assets	<u>24,275,085</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	<u>197,985</u>
Total deferred outflows of resources	<u>197,985</u>
<b>LIABILITIES</b>	
Accounts payable	598,248
Accrued expenses	60,014
Due to other agencies	79,939
Unearned revenue	1,058,006
Noncurrent liabilities	
Compensated absences	327,556
OPEB liability	842,641
Net pension liability	<u>1,289,646</u>
Total liabilities	<u>4,256,050</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	<u>334,654</u>
Total deferred inflows of resources	<u>334,654</u>
<b>NET POSITION</b>	
Net investment in capital assets	19,792,663
Restricted for programs	1,293,499
Unrestricted	<u>(1,203,796)</u>
Total net position	<u><u>\$ 19,882,366</u></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, 2015

		Program Revenues		
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
				Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Transportation	\$ 4,548,492	\$ -	\$ 4,126,538	\$ 3,348,756
Total governmental activities	\$ 4,548,492	\$ -	\$ 4,126,538	\$ 3,348,756
General Revenues				
Investment income				71,989
Other				35,931
Total general revenues				107,920
Change in net position				3,034,722
Net position - beginning of fiscal year				18,044,090
Prior Period Adjustment				(1,196,446)
Net position - beginning of fiscal year- restated				16,847,644
Net position - end of fiscal year				\$ 19,882,366

The accompanying notes are an integral part of this statement.



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SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2015

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund
<b>ASSETS</b>			
Cash and investments	\$ 1,013,226	\$ 838,609	\$ 550,288
Accounts receivable	63,280		
Due from other agencies	484,656	375,444	92,258
Due from other funds	250,988		4,000
Prepaid items	11,667		4,000
Total assets	<u>\$ 1,823,817</u>	<u>\$ 1,214,053</u>	<u>\$ 650,546</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 170,527	\$ 298,223	\$ 17,122
Accrued payroll	60,014		
Unearned revenue	153,370	560,063	
Due to other agencies	47,190		32,749
Due to other funds		63,231	82,862
Total liabilities	<u>431,101</u>	<u>921,517</u>	<u>132,733</u>
<b>Fund Balances:</b>			
Nonspendable:			
Prepaid items	11,667		4,000
Restricted:			
Transportation planning		292,536	513,813
Unassigned	1,381,049		
Total fund balances	<u>1,392,716</u>	<u>292,536</u>	<u>517,813</u>
Total liabilities and fund balances	<u>\$ 1,823,817</u>	<u>\$ 1,214,053</u>	<u>\$ 650,546</u>

The accompanying notes are an integral part of this statement.

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Freeway Service Patrol Fund	Highway 1 Program Fund	Highway 1 Auxiliary Fund	Totals
\$ 86,371	\$ 589,403	\$ 332,910	\$ 3,410,807
			63,280
		36,310	988,668
			254,988
4,000			19,667
<u>\$ 90,371</u>	<u>\$ 589,403</u>	<u>\$ 369,220</u>	<u>\$ 4,737,410</u>
\$ 44,739	\$ 57,645	\$ 9,992	\$ 598,248
			60,014
		344,573	1,058,006
			79,939
29,566	71,034	8,295	254,988
<u>74,305</u>	<u>128,679</u>	<u>362,860</u>	<u>2,051,195</u>
4,000			19,667
12,066	460,724	6,360	1,285,499
			1,381,049
<u>16,066</u>	<u>460,724</u>	<u>6,360</u>	<u>2,686,215</u>
<u>\$ 90,371</u>	<u>\$ 589,403</u>	<u>\$ 369,220</u>	<u>\$ 4,737,410</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
RECONCILIATION OF THE GOVERNMENTAL  
FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2015

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Total Fund Balances - Governmental Funds \$ 2,686,215

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

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

Capital assets at historical cost	\$ 19,934,313	
Accumulated depreciation	<u>(141,650)</u>	
Net		19,792,663

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

Compensated absences	\$ 327,556	
OPEB liability	842,641	
Net pension liability	<u>1,289,646</u>	
Total		(2,459,843)

Deferred outflows and inflows of resources relating to pensions: In  
governmental funds, deferred outflows and inflows of resources  
relating to pensions are not reported because they are applicable to  
future periods. In the statement of net position, deferred outflows and  
inflows of resources relating to pensions are reported.

Deferred inflows of resources relating to pensions	\$ (334,654)	
Deferred outflows of resources relating to pensions	<u>197,985</u>	
		(136,669)

Total Net Position - Governmental Activities \$ 19,882,366

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, 2015**

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund
<b>Revenues</b>			
Local Transportation Funds	\$ 1,221,350	\$ -	\$ -
Federal Highway Planning	247,431		
Motor vehicle fees			246,512
California Department of Transportation Grant			
RSTP Exchange Funds	188,775	58,325	
State Planning, Programming and Monitoring Funds	177,470	3,388,185	
State Rural Planning Assistance	337,000		
Congestion Mitigation and Air Quality (CMAQ)			
FHWA SPR Partnership Planning	119,550		
Fed 5304 Passenger Rail Study	199,097		
Coastal Conservancy			
Aid from other governments			59,681
CMIA			
Use of money and property	2,332	59,870	2,649
Other	10,404	22,791	2,636
Total revenues	2,503,409	3,529,171	311,478
<b>Expenditures</b>			
Salaries and benefits	1,428,652	195,386	120,000
Services and supplies	399,256	72,745	161,606
Bike to work	50,000		
Boltage	28,540		
Trail Master Plan Consultant	12,916		
Community Traffic Safety Coalition	100,000		
Towing service			
Unified Corridor Investment	96,188		
Passenger Rail Study	170,568		
Capital outlay		3,348,756	
Other expenses	11,241	24,436	
Total expenditures	2,297,361	3,641,323	281,606
Excess of revenues over (under) expenditures	206,048	(112,152)	29,872

The accompanying notes are an integral part of this statement.

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Freeway Service Patrol Fund	Highway 1 Program Fund	Highway 1 Auxiliary Lanes Fund	Totals
\$ -	\$ -	\$ -	\$ 1,221,350
			247,431
			246,512
204,240			204,240
135,000			382,100
		3,684	3,569,339
			337,000
			119,550
			199,097
			59,681
		888,994	888,994
531	3,280	3,327	71,989
100			35,931
339,871	3,280	896,005	7,583,214
70,000	181,601	71,265	2,066,904
7,382	118,272	830,722	1,589,983
			50,000
			28,540
			12,916
			100,000
257,037			257,037
			96,188
			170,568
			3,348,756
			35,677
334,419	299,873	901,987	7,756,569
5,452	(296,593)	(5,982)	(173,355)

(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, 2015**

---

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	\$ 50,000	\$ 110,000	\$ -
Operating transfers out	<u>(110,000)</u>	<u></u>	<u>(50,000)</u>
Total other financing sources (uses)	<u>(60,000)</u>	<u>110,000</u>	<u>(50,000)</u>
Excess of revenues and other sources over (under) expenditures and other uses	146,048	(2,152)	(20,128)
Fund balances - July 1	<u>\$ 1,246,668</u>	<u>\$ 294,688</u>	<u>\$ 537,941</u>
Fund balances - June 30	<u><u>\$ 1,392,716</u></u>	<u><u>\$ 292,536</u></u>	<u><u>\$ 517,813</u></u>

The accompanying notes are an integral part of this statement.



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Freeway Service Patrol Fund	Highway 1 Program Fund	Highway 1 Auxiliary Fund	Totals
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,000</u>
			<u>(160,000)</u>
5,452	(296,593)	(5,982)	(173,355)
<u>\$ 10,614</u>	<u>\$ 757,317</u>	<u>\$ 12,342</u>	<u>\$ 2,859,570</u>
<u>\$ 16,066</u>	<u>\$ 460,724</u>	<u>\$ 6,360</u>	<u>\$ 2,686,215</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, 2015

---

Net Change in Fund Balances - Governmental Funds \$ (173,355)

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 \$3,361,846 was greater than depreciation expense of  
\$2,920 in the period.

3,358,926

In the statement of activities, compensated absences are measured  
by the amounts earned during the fiscal year. In governmental  
funds, however, expenditures for these items are measured by  
the amount of financial resources used. This fiscal year, vacation  
earned exceeded the amounts used by \$32,247.

(32,247)

In governmental funds, pension costs are recognized when employer  
contributions are made. In the statement of activities, pension costs  
are recognized on the accrual basis. This year, the difference between  
accrual-basis pension costs and actual employer contributions  
was:

44,973

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:

(163,575)

Change in Net Position - Governmental Activities \$ 3,034,722

The accompanying notes are an integral part of this statement.

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**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
June 30, 2015

	Private Purpose Trust Funds		
	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund
<b>ASSETS</b>			
Cash and investments	\$ 2,054,845	\$ 2,219	\$ 6,837,316
Accounts receivable	1,403,100		
Due from other agencies		626,021	2,927,837
Total assets	<u>3,457,945</u>	<u>628,240</u>	<u>9,765,153</u>
<b>LIABILITIES</b>			
Accounts payable			38,292
Due to other agencies	<u>782</u>	<u>598,496</u>	
Total liabilities	<u>782</u>	<u>598,496</u>	<u>38,292</u>
<b>NET POSITION</b>			
Unrestricted	<u>\$ 3,457,163</u>	<u>\$ 29,744</u>	<u>\$ 9,726,861</u>

The accompanying notes are an integral part of this statement.

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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>
\$ 29,053	\$ 9,397	\$ 6,716	\$ 8,939,546
9,465		711	1,413,276
			3,553,858
<u>38,518</u>	<u>9,397</u>	<u>7,427</u>	<u>13,906,680</u>
		695	38,987
			599,278
		695	638,265
<u>\$ 38,518</u>	<u>\$ 9,397</u>	<u>\$ 6,732</u>	<u>\$ 13,268,415</u>

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust Funds		
	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund
<b>Additions:</b>			
Sales tax	\$ 8,573,140	\$ 2,717,442	\$ -
State highway exchange funds			2,927,837
Contributions from SCCRTC			
Interest	10,276	849	41,221
Total additions	8,583,416	2,718,291	2,969,058
<b>Deductions:</b>			
Claimants:			
Santa Cruz Metropolitan Transit District	6,444,515	2,869,116	15,358
Santa Cruz County Regional Transportation Commission	1,221,350		158,933
City of Santa Cruz	102,638		390,000
City of Scotts Valley			225,000
County of Santa Cruz	283,293		2,732,919
Other	708,520		
Plan payments			
Total deductions	8,760,316	2,869,116	3,522,210
Change in net position	(176,900)	(150,825)	(553,152)
Net position - beginning of fiscal year	3,634,063	180,569	10,280,013
Net position - end of fiscal year	\$ 3,457,163	\$ 29,744	\$ 9,726,861

The accompanying notes are an integral part of this statement.

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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>
\$ -	\$ -	\$ -	\$ 11,290,582
			2,927,837
366,656		26,874	393,530
	43		52,389
<u>366,656</u>	<u>43</u>	<u>26,874</u>	<u>14,664,338</u>
			9,328,989
			1,380,283
			492,638
			225,000
			3,016,212
			708,520
<u>379,044</u>		<u>25,525</u>	<u>404,569</u>
<u>379,044</u>		<u>25,525</u>	<u>15,556,211</u>
(12,388)	43	1,349	(891,873)
<u>50,906</u>	<u>9,354</u>	<u>5,383</u>	<u>14,160,288</u>
<u>\$ 38,518</u>	<u>\$ 9,397</u>	<u>\$ 6,732</u>	<u>\$ 13,268,415</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 Statements No. 39 and No. 61.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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.

Unearned revenue:

Unearned revenues arises when assets are received before revenue recognition criteria have been satisfied. Grants received before eligibility requirements are met are recorded as unearned 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.

*Highway 1 Auxiliary* – Transportation planning and administration for an additional lane on Highway 1.

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

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

**H. Capital Assets (Continued)**

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.

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 position. The estimated useful lives are as follows:

Equipment	3 to 7 years
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**I. Unearned 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. Unearned 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 position. 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.

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

**L. Fund Balances (Continued)**

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.

**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. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Santa Cruz County Regional Transportation Commission's Public Employee's Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**P. Deferred Outflows and Inflows of Resources**

Pursuant to GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*," the Commission recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The Commission has one item which qualifies for reporting in this category; refer to Note 7 for a detailed listing of the deferred outflows of resources the Commission has reported.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the Commission that is applicable to a future reporting period. The Commission has one item which qualifies for reporting in this category; refer to Note 7 for a detailed listing of the deferred inflows of resources the Commission has reported.

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

**Q. New Accounting Pronouncements**

Governmental Accounting Standards Board Statement No. 68

For the fiscal year ended June 30, 2015, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions." This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" as well as the requirements of GASB Statement No. 50, "Pension Disclosures." This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pensions. Implementation of the GASB Statement No. 68 and the impact on the Commission's financial statements are explained in Note 7 - Pension Plan and Note 10 - Prior Period Adjustment.

Governmental Accounting Standards Board Statement No. 71

For the fiscal year ended June 30, 2015, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement will eliminate the source of potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. Implementation of the GASB Statement No. 71 and the impact on the Commission's financial statements are explained in Note 7 - Pension Plan and Note 10 - Prior Period Adjustment.

**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 monthly based on each participant's average daily deposit.

Investments are carried at fair value. On June 30, 2015, the Commission had the following cash and investments on hand:

Cash in bank and on hand	\$ 21,091
Cash and investments with the Santa Cruz County Treasurer's Investment Fund	<u>12,329,262</u>
Total cash and investments	<u><u>\$ 12,350,353</u></u>

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

Cash and investments, statement of net position	\$ 3,410,807
Cash and investments, statement of fiduciary net position	<u>8,939,546</u>
Total cash and investments	<u><u>\$ 12,350,353</u></u>

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2015

**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:

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13 - 24 Months	25 - 60 Months	More than 60 months
Santa Cruz County Treasurer's Investment Fund	\$ 12,329,262	\$ 12,329,262	\$ -	\$ -	\$ -
Total	\$ 12,329,262	\$ 12,329,262	\$ -	\$ -	\$ -

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.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Ratings as of fiscal year end		
				AAA	Aa	Not Rated
Santa Cruz County Treasurer's Investment Fund	\$ 12,329,262	N/A	\$ -	\$ -	\$ -	\$ 12,329,262
Total	\$ 12,329,262		\$ -	\$ -	\$ -	\$ 12,329,262

Concentration of Credit Risk

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

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2015

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

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The 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 deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Commission's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the Commission's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Santa Cruz County Treasurer's Investment Fund).

Investment in Santa Cruz County Treasurer's Investment Fund

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

**NOTE 3 – DUE FROM OTHER AGENCIES**

Due from other agencies consists of the following at June 30, 2015:

Special Revenue Funds

Agency	Administration and Planning Fund	Rail/Authority Fund	Service Authority for Emergencies Fund	Freeway Service Patrol Fund	Highway 1 Program Fund	Highway 1 Auxiliary Fund
State grants (DOT)	\$ 102,076	\$ 357,838	\$ -	\$ -	\$ -	\$ 36,310
Federal grants (DOT)	305,668					
Other	76,912	17,606	92,258			
Totals	<u>\$ 484,656</u>	<u>\$ 375,444</u>	<u>\$ 92,258</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,310</u>

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2015

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**NOTE 3 – DUE FROM OTHER AGENCIES (Continued)**

Fiduciary Funds

<u>Agency</u>	<u>State Transit Assistance Fund</u>	<u>Surface Transportation Program Exchange Fund</u>
State grants (DOT)	\$ 626,021	\$ 2,927,837
Totals	<u>\$ 626,021</u>	<u>\$ 2,927,837</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.

Due From/Due To Other Funds

Interfund receivable and payable balances at June 30, 2015, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
Administration and Planning	\$ 250,988	\$ -
Rail/Trail Authority		63,231
Service Authority for Freeway Emergencies	4,000	82,862
Freeway Service Patrol		29,566
Highway 1 Program		71,034
Highway 1 Auxiliary		8,295
	<u>\$ 254,988</u>	<u>\$ 254,988</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 2014-2015 fiscal year, are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
Administration and Planning	\$ 50,000	\$ 110,000
Rail/Trail Authority	110,000	
Service Authority for Freeway Emergencies		50,000
	<u>\$ 160,000</u>	<u>\$ 160,000</u>



**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE 5 – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
<b>Governmental activities</b>				
Nondepreciable capital assets				
Right of way	\$ 14,200,000	\$ -	\$ -	\$ 14,200,000
Construction in progress	2,226,865	3,348,756		5,575,621
Total nondepreciable capital assets	<u>\$ 16,426,865</u>	<u>\$ 3,348,756</u>	<u>\$ -</u>	<u>\$ 19,775,621</u>
Depreciable capital assets				
Equipment	\$ 145,602	\$ 13,090	\$ -	\$ 158,692
Total depreciable capital assets	145,602	13,090		158,692
Less accumulated depreciation	(138,730)	(2,920)		(141,650)
Net depreciable capital assets	<u>\$ 6,872</u>	<u>\$ 10,170</u>	<u>\$ -</u>	<u>\$ 17,042</u>
Net capital assets	<u>\$ 16,433,737</u>	<u>\$ 3,358,926</u>	<u>\$ -</u>	<u>\$ 19,792,663</u>

**NOTE 6 – LONG-TERM DEBT**

**Changes in long-term liabilities**

Long-term liability activity for the fiscal year ended June 30, 2015, is shown below:

	Balance July 1, 2014	Additions	Deletions	Prior Period Adjustment	Balance June 30, 2015	Due within One Year
<b>Governmental activities</b>						
Compensated Absences	\$ 295,309	\$ 190,215	\$ 157,968	\$ -	\$ 327,556	\$ -
OPEB Liability	679,066	194,474	30,899		842,641	
Net Pension Liability	274,842	644,274	992,614	1,363,144	1,289,646	
Governmental activities Long-term liabilities	<u>\$ 1,249,217</u>	<u>\$ 1,028,963</u>	<u>\$ 1,181,481</u>	<u>\$ 1,363,144</u>	<u>\$ 2,459,843</u>	<u>\$ -</u>

**NOTE 7 –PENSION PLAN**

**A. General Information about the Pension Plans**

*Plan Descriptions*

All qualified permanent and probationary employees are eligible to participate in the Commission's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Commission resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2015

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**NOTE 7 –PENSION PLAN (Continued)**

**A. General Information about the Pension Plans (Continued)**

*Benefits Provided*

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	2.0% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7% (Management)/ 3.5% (Other)	6.250%
Required employer contribution rates	13.123% (Management)/ 16.623% (Other)	6.250%

*Contributions*

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Commission is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the Commission were \$170,439 for the fiscal year ended June 30, 2015.

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

At June 30, 2015, the Commission reported a liability of \$1,289,646 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2014, the Commission's proportion was 0.02073%, which increased by 0.00219% from June 30, 2013.

For the year ended June 30, 2015, the Commission recognized pension expense of \$125,466. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2015

NOTE 7 –PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions		
Net difference between projected and actual earnings on retirement plan investments		(334,654)
Changes in proportion and differences between Commission contributions and proportionate share of contributions		
Commission contributions subsequent to the measurement date	170,439	
Adjustment due to differences in proportion	27,546	
	<u>\$ 197,985</u>	<u>\$ (334,654)</u>

\$170,349 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

Fiscal Year Ended June 30	Amount
2016	\$ (73,825)
2017	(73,825)
2018	(75,793)
2019	(83,665)
	<u>\$ (307,108)</u>

*Actuarial Assumptions*

The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.5% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

- (1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the 2014 experience study report.

**NOTE 7 –PENSION PLAN (Continued)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

*Discount Rate*

The discount rate used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly high Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB no. 67 and no. 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits were calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table on the following page reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2015

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**NOTE 7 –PENSION PLAN (Continued)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

*Discount Rate (Continued)*

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following represents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1- percentage point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension plan liability	\$ 2,107,073	\$ 1,289,646	\$ 611,259

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**C. Payable to the Pension Plan**

At June 30, 2015, the Commission had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2015.

**NOTE 8– NET POSITION**

GASB Statement No. 63, requires that the difference between assets added to the deferred outflows of resources and liabilities be added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

The government-wide and fiduciary funds financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

**NOTE 8– NET POSITION (Continued)**

*Net investment in capital assets* – This category groups all capital assets, including infrastructure, into one component of net position. 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 Position*– 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 Position* – This category represents net position of the Commission, not restricted for any project or other purpose.

**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, 2014, the amount actually contributed to the plan (including administrative costs), and changes in the Commission’s Net OPEB Obligation/(Asset):

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2015

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

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

Item	FYE 6/30/15
Annual Required Contributions	\$ 195,992
Interest on Net OPEB Obligation/(Asset)	30,557
Adjustment to the Annual Required Contributions	(32,075)
Annual OPEB cost (expense)	194,474
Contributions made	30,899
Increase in Net OPEB Obligation/(Asset)	163,575
Net OPEB Obligation/(Asset) - beginning of fiscal year	679,066
Net OPEB Obligation/(Asset) - end of fiscal year	<u>\$ 842,641</u>

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 years ended June 30, 2015, June 30, 2014, and June 30, 2013 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
6/30/13	\$ 171,361	\$ 35,254	20.57%	\$ 527,273
6/30/14	\$ 182,484	\$ 30,691	16.82%	\$ 679,066
6/30/15	\$ 194,474	\$ 30,899	15.89%	\$ 842,641

**D. Funded Status and Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Projected Unit Credit Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2012	\$ 0	\$ 1,595,221	\$ 1,595,221	0.00%	\$ 1,239,820	129%

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.

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

E. Actuarial Methods and Assumptions (Continued)

The Plan's most recent actuarial valuation was performed as of July 1, 2012. 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 8.0 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, 2012, was 27 years.

**NOTE 10 – PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of \$(1,196,446) was made which affects the statement of net position. The prior period adjustment was to record the net pension liability of \$(1,363,144) and deferred outflow of resources of \$166,698.



## **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, 2015**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Local Transportation Funds	\$ 1,221,350	\$ 1,221,350	\$ 1,221,350	\$ -
Federal Highway Planning	235,000	235,000	247,431	12,431
RSTP Exchange	402,608	402,608	188,775	(213,833)
State Planning, Programming and Monitoring Funds	153,537	153,537	177,470	23,933
State Rural Planning Assistance	337,000	337,000	337,000	
Unified Corridor (County of Santa Cruz)		100,000		(100,000)
AB 2766		38,670		(38,670)
FHWA SPR Partnership Planning	125,362	144,924	119,550	(25,374)
Fed 5304 Passenger Rail Study	292,459	237,459	199,097	(38,362)
Use of money and property			2,332	2,332
Other			10,404	10,404
<b>Total revenues</b>	<b>2,767,316</b>	<b>2,870,548</b>	<b>2,503,409</b>	<b>(367,139)</b>
<b>Expenditures</b>				
Salaries and benefits	1,585,948	1,585,948	1,428,652	157,296
Services and supplies	1,163,100	1,172,443	399,256	773,187
Bike to work	50,000	50,000	50,000	
Boltage	28,541	28,541	28,540	1
Unified Corridor Investment	103,405	250,000	96,188	153,812
Passenger Rail Study	50,000	50,000	170,568	(120,568)
Trail Master Plan Consultant	15,000	15,000	12,916	2,084
Community Traffic Safety Coalition	100,000	100,000	100,000	
Other expenses			11,241	(11,241)
<b>Total expenditures</b>	<b>3,095,994</b>	<b>3,251,932</b>	<b>2,297,361</b>	<b>954,571</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(328,678)</b>	<b>(381,384)</b>	<b>206,048</b>	<b>587,432</b>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	50,000	50,000	50,000	
Operating transfers out	(110,000)	(110,000)	(110,000)	
<b>Total other financing sources (uses)</b>	<b>(60,000)</b>	<b>(60,000)</b>	<b>(60,000)</b>	
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>(388,678)</b>	<b>(441,384)</b>	<b>146,048</b>	<b>587,432</b>
<b>Fund balance - July 1</b>	<b>1,246,668</b>	<b>1,246,668</b>	<b>1,246,668</b>	
<b>Fund balance - June 30</b>	<b>\$ 857,990</b>	<b>\$ 805,284</b>	<b>\$ 1,392,716</b>	<b>\$ 587,432</b>

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
RSTP Exchange Funds	\$ -	\$ -	\$ 58,325	\$ 58,325
State Planning, Programming and Monitoring Funds	4,197,307	4,197,307	3,388,185	(809,122)
Use of money and property	50,000	50,000	59,870	9,870
Other revenues			22,791	22,791
Total revenues	4,247,307	4,247,307	3,529,171	(718,136)
<b>Expenditures</b>				
Salaries and benefits	200,000	200,000	195,386	4,614
Services and supplies	70,000	70,000	72,745	(2,745)
Rail Improvements	4,381,995	4,381,995	3,348,756	1,033,239
Rail Improvements			24,436	(24,436)
Total expenditures	4,651,995	4,651,995	3,641,323	1,010,672
Excess of revenues over (under) expenditures	(404,688)	(404,688)	(112,152)	292,536
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	110,000	110,000	110,000	
Total other financing sources (uses)	110,000	110,000	110,000	
Excess of revenues and other sources over (under) expenditures and other uses	(294,688)	(294,688)	(2,152)	292,536
Fund balance - July 1	294,688	294,688	294,688	
Fund balance - June 30	\$ -	\$ -	\$ 292,536	\$ 292,536

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Motor vehicle fees	\$ 238,000	\$ 238,000	\$ 246,512	\$ 8,512
Aid from other governments	50,000	50,000	59,681	9,681
Use of money and property	3,000	3,000	2,649	(351)
Other revenue			2,636	2,636
Total revenues	291,000	291,000	311,478	20,478
<b>Expenditures</b>				
Salaries and benefits	120,000	120,000	120,000	
Services and supplies	286,617	286,617	161,606	125,011
Total expenditures	406,617	406,617	281,606	125,011
Excess of revenues over (under) expenditures	(115,617)	(115,617)	29,872	145,489
<b>Other Financing Sources (Uses):</b>				
Operating transfers out	(50,000)	(50,000)	(50,000)	
Total other financing sources (uses)	(50,000)	(50,000)	(50,000)	
Excess of revenues and other sources over (under) expenditures and other uses	(165,617)	(165,617)	(20,128)	145,489
Fund balance - July 1	537,941	537,941	537,941	
Fund balance - June 30	<u>\$ 372,324</u>	<u>\$ 372,324</u>	<u>\$ 517,813</u>	<u>\$ 145,489</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
RSTP Exchange Funds	\$ 270,000	\$ 270,000	\$ 135,000	\$ (135,000)
California Department of Transportation Grant	205,000	205,000	204,240	(760)
Use of money and property	1,000	1,000	531	(469)
Other			100	100
Total revenues	476,000	476,000	339,871	(136,129)
<b>Expenditures</b>				
Salaries and benefits	70,000	70,000	70,000	
Services and supplies	17,000	17,000	7,382	9,618
Towing service	285,000	285,000	257,037	27,963
Total expenditures	372,000	372,000	334,419	37,581
Excess of revenues over (under) expenditures	104,000	104,000	5,452	(98,548)
Fund balance - July 1	10,614	10,614	10,614	
Fund balance - June 30	\$ 114,614	\$ 114,614	\$ 16,066	\$ (98,548)

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, 2015

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$	\$ -	\$ 3,280	\$ 3,280
RSTP Exchange Funds	1,827,143	1,827,143		(1,827,143)
Total revenues	1,827,143	1,827,143	3,280	(1,823,863)
<b>Expenditures</b>				
Salaries and benefits	185,000	185,000	181,601	3,399
Services and supplies	1,442,318	1,442,318	118,272	1,324,046
Total expenditures	1,627,318	1,627,318	299,873	1,327,445
Excess of revenues over (under) expenditures	199,825	199,825	(296,593)	(496,418)
Fund balance - July 1	757,317	757,317	757,317	
Fund balance - June 30	\$ 957,142	\$ 957,142	\$ 460,724	\$ (496,418)

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
HIGHWAY 1 AUXILIARY LANES FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ -	\$ -	\$ 3,327	\$ 3,327
STIP Funds	150,000	150,000	3,684	(146,316)
CMIA	1,099,087	1,099,087	888,994	(210,093)
Total revenues	1,249,087	1,249,087	896,005	(353,082)
<b>Expenditures</b>				
Salaries and benefits	75,000	75,000	71,265	3,735
Services and supplies	1,174,087	1,174,087	830,722	343,365
Total expenditures	1,249,087	1,249,087	901,987	347,100
Excess of revenues over (under) expenditures			(5,982)	(5,982)
Fund balance - July 1	12,342	12,342	12,342	
Fund balance - June 30	\$ 12,342	\$ 12,342	\$ 6,360	\$ (5,982)



**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**SCHEDULE OF FUNDING PROGRESS FOR POST EMPLOYMENT BENEFITS**  
**OTHER THAN PENSIONS**  
**For the Fiscal Year Ended June 30, 2015**

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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%
July 1, 2012	\$ -	\$ 1,595,221	\$ 1,595,221	0.0%	\$ 1,239,820	129%

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
 Last 10 Years\*  
 As of June 30, 2015

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The following table provides required supplementary information regarding the District's Pension Plan.

	<u>2015</u>
Proportion of the net pension liability	0.02073%
Proportionate share of the net pension liability	\$ 1,289,646
Covered- employee payroll	\$ 1,333,752
Proportionate share of the net pension liability as percentage of covered-employee payroll	96.69%
Plan's total pension liability	\$ 13,110,948,452
Plan's fiduciary net position	\$ 10,639,461,174
Plan fiduciary net position as a percentage of the total pension liability	81.15%

\*- Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Years\*  
As of June 30, 2015

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The following table provides required supplementary information regarding the District's Pension Plan.

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 170,439
Contribution in relation to the actuarially determined contributions	<u>170,439</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered- employee payroll	\$ 1,361,896
Contributions as a percentage of covered-employee payroll	12.51%
<b>Notes to Schedule</b>	
Valuation Date:	6/30/2013
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age
Asset valuation method	5-year smoothed market
Amortization method	Level percentage of payroll, closed
Discount rate	7.50%
Price Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality	Derived using CalPERS' Membership data for all funds.
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

\*- Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

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## **SUPPLEMENTARY INFORMATION SECTION**





Moss, Levy & Hartzheim LLP  
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON  
TRANSPORTATION DEVELOPMENT ACT COMPLIANCE**

Santa Cruz County Regional Transportation Commission  
Santa Cruz, California

We have audited the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of the Santa Cruz County Regional Transportation Commission's (the Commission) compliance with the types of compliance requirements described in the *Transportation Development Act Guidebook*, published by the State of California Department of Transportation applicable for the fiscal year ended June 30, 2015.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Transportation Development Act.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the Commission's compliance based on our audit of the compliance with applicable statutes, rules and regulations of the Transportation Development Act (TDA), Sections 99233.1 and 99402, the California Code of Regulations (CCR), and the allocation instructions and resolutions of Santa Cruz County Regional Transportation Commission as required by Section 6662 and 6666 of the CCR. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Transportation Development Act Guidebook*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state laws and regulations applicable to the Fund occurred. An audit includes examining, on a test basis, evidence about the Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the Commission's compliance.

***Opinion on Compliance with the Transportation Development Act***

In our opinion, the funds allocated to and received by Santa Cruz County Regional Transportation Commission pursuant to the TDA, complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements of the Transportation Development Act and the allocation instructions and resolutions of Santa Cruz County Regional Transportation Commission for the fiscal year ended June 30, 2015.

This report is intended solely for the information and use of the Board of Directors, management of the Santa Cruz County Regional Transportation Commission and for filing with the appropriate regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Moss, Levy & Hartzheim LLP*

Santa Maria, California  
March 18, 2016

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**SCHEDULE OF ALLOCATIONS AND EXPENDITURES**  
**LOCAL TRANSPORTATION FUND**  
For the Fiscal Year Ended June 30, 2015

Claimant/Purpose/Authority*	Allocated Balance July 1, 2014	Allocation	Expended	Allocated Balance June 30, 2015
<b>Santa Cruz Metropolitan Transit District</b>				
Transit operator assistance PUC § 99260(a)	\$ -	\$ 6,444,515	\$ 6,444,515	\$ -
Totals		6,444,515	6,444,515	
<b>Santa Cruz County Regional Transportation Commission</b>				
Administration PUC § 99233.1		578,542	578,542	
Planning PUC § 99402		642,808	642,808	
Totals		1,221,350	1,221,350	
<b>City of Santa Cruz</b>				
Volunteer Center PUC § 99400 (c)		708,520	708,520	
Pedestrian and bicycle PUC § 99400 (a)	345,931	89,792	102,638	333,085
Totals	345,931	798,312	811,158	333,085
<b>County of Santa Cruz</b>				
Pedestrian and bicycle PUC § 99400 (a)	690,945	189,034	283,293	596,686
Totals	690,945	189,034	283,293	596,686
<b>City of Scotts Valley</b>				
Pedestrian and bicycle PUC § 99400 (a)	58,508	16,920		75,428
Totals	58,508	16,920		75,428
<b>City of Capitola</b>				
Pedestrian and bicycle PUC § 99400 (a)	140,958	14,346		155,304
Totals	140,958	14,346		155,304
<b>City of Watsonville</b>				
Pedestrian and bicycle PUC § 99400 (a)	199,068	74,318		273,386
Totals	199,068	74,318	-	273,386
Grand totals	\$ 1,435,410	\$ 8,758,795	\$ 8,760,316	\$ 1,433,889

\* 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, 2015

Claimant/Purpose/Authority*	Allocated Balance July 1, 2014	Allocation	Expended	Allocated Balance June 30, 2015
<b>Santa Cruz Metropolitan Transit District</b>				
Transit operator assistance CAC § 6730 a	\$ -	\$ 2,869,116	\$ 2,869,116	\$ -
Total	\$ -	\$ 2,869,116	\$ 2,869,116	\$ -

\* California Administrative Code