

**SANTA CRUZ COUNTY REGIONAL
TRANSPORTATION COMMISSION**

AUDIT REPORT
June 30, 2018

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
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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, 2018, 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.

Auditors' 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, 2018, 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.

Emphasis of Matter

Changes in Accounting Principles

As discussed in Note 1 to the basic financial statements effective July 1, 2017, the Santa Cruz County Regional Transportation Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

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 17, the budgetary information on pages 53 through 60, the schedule of changes in the OPEB liability on page 61, the schedule of OPEB contributions on page 62, the schedule of proportionate share of net pension liability on page 63, and the schedule of pension contributions on page 64, 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 April 18, 2019, 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, Kelly & Hutzheim LLP

Santa Maria, California
April 18, 2019

Management Discussion and Analysis

Fiscal Year Ending June 30, 2018

1. INTRODUCTION

The Santa Cruz County Regional Transportation Commission (RTC) was established in 1972 under the provisions of the California Transportation Development Act (TDA) of 1971. In 2001, Section 67941 was added to the Government Code 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 also the designated administrator and taxing authority for the Measure D ½-cent sales tax, which was approved by over two-thirds of the Santa Cruz County voters in November 2016.

The RTC is governed by a Board of Directors composed of 12 members and one ex-officio member. The Board sets policies related to transportation projects and programs throughout the county, delivers regional projects, and, for FY 17/18, 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 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, as well as selecting projects and programs to receive the county's formula shares of State Transit Assistance (STA), State Transportation Improvement Program (STIP), Surface Transportation Block Grant Program (STBG), Low Carbon Transit Operations Program (LCTOP) and certain Senate Bill 1 Local Partnership Program (LPP) funds. As the RTPA, the RTC is also responsible 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. An update was adopted in June 2018. 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 consistent with the California Transportation Commission's (CTC) RTP Guidelines and 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 local agencies for the following projects which were under construction or were implemented in FY 17/18; the dollar amounts reflect the RTC's contribution to the total project costs:

- Branciforte Creek Bike/Ped Bridge, Santa Cruz: \$300,000 (RSTPX)
- Mt. Hermon Rd/Scotts Valley Dr/Whispering Pines Dr Intersection Modifications, Scotts Valley: \$346,000 (RSTPX)
- Glen Canyon Rd/Green Hills Rd/S. Navarra Dr Bike Corridor and Roadway Preservation, Scotts Valley: \$707,000 STIP, \$106,000 RSTPX
- Airport Blvd Improvements (Freedom Blvd to city limits), Watsonville: \$850,000 STIP
- Freedom Blvd Reconstruction (Broadis St to Alta Vista Ave): \$900,000 RSTPX
- Sidewalk Infill Harkins Slough Rd and Main St, Watsonville: \$120,000 STIP
- Aptos Village Improvements, County of Santa Cruz: \$1,340,000 RSTPX
- Twin Lakes Beachfront (5th Ave to 7th Ave), County of Santa Cruz: \$200,000 RSTPX, \$86,822 TDA
- ParaCruz Van Replacement, METRO: \$345,000 STIP
- Open Streets Watsonville: \$10,000 RSTPX

Highway 1 Projects

In FY 17/18, the RTC continued management and analysis of regionally significant projects on Highway 1 using federal and state funds.

In 2003, work began on the project approval/environmental documentation (PA/ED) phase of the Highway 1 Corridor Investment Program. In 2011, the RTC decided to complete a “tiered” environmental document, which provides broad based information of the long-term project alternatives to improve the Highway 1 Corridor (Tier I) and a detailed analysis of a specific project on the corridor for near term implementation (Tier II). In August 2011, the RTC identified the Tier II project to be construction of auxiliary lanes on Highway 1 between 41st Avenue and Soquel Drive with a pedestrian/bicycle overcrossing at Chanticleer Avenue.

The Draft Tier I/II Environmental Documents were released for public review and comment in November 2015. The comment period ended in late January 2016, and the consultant team and Caltrans are updating technical reports and preparing responses to more than 900 comments received to be incorporated into the Final Environmental Document. The Final Environmental Document is scheduled to be complete in December of 2018.

The RTC awarded a contract to a professional engineering consultant to prepare the plans, specifications, and estimate (PS&E) package for the Tier II Auxiliary Lanes project which includes the bicycle and pedestrian overcrossing at Chanticleer Avenue. Measure D funds were used to accelerate the delivery of this project by advancing the PS&E phase concurrent with the environmental phase.

The RTC participated in the Bus on Shoulder Feasibility Study that evaluated the feasibility of operating buses on the shoulder of Highway 1 in Santa Cruz County. The feasibility study was completed in June of 2018 and concluded that operating buses on the outside shoulders of Highway 1 is feasible and cost effective if implemented with the already planned auxiliary lanes projects on Highway 1. RTC staff will work with Santa Cruz Metro, Caltrans, and CHP on an implementation strategy for the bus on shoulder project.

Rail Corridor

The Regional Transportation Commission (RTC) completed acquisition of the 31-mile Santa Cruz Branch Rail Line right-of-way in 2012. In FY 13/14, the RTC completed engineering work to rehabilitate specific structures and awarded a contract for the construction work, which was completed in FY 15/16. The RTC secured a Caltrans Transit Planning grant to analyze the feasibility of commuter and/or intercity passenger rail service in the corridor, which included extensive community engagement activities to encourage public review and comment. That feasibility study was completed in December 2015.

In early 2017 the state of California, including Santa Cruz County, experienced historic rain and flooding which caused damage to the Santa Cruz Branch Rail Line. The heavy rain and storm runoff caused fallen trees, landslides, and erosion within the railroad right of way. In February of 2017, the Federal Emergency Management Agency (FEMA) announced that federal disaster assistance had been made available for emergency repair of facilities damaged by the severe winter storms to eligible local government agencies across California. A Request for Public Assistance was submitted by the RTC for storm damage repair work along the rail line, which was approved. Subsequently, inspections of the rail line with RTC and FEMA Public Assistance Program staff occurred in December 2017-January 2018 and RTC staff awarded a contract to an engineering consultant to prepare the construction documents for the repairs in March of 2018.

RTC staff is managing the consultant efforts and obtaining permits for the 7 storm damage repair projects and one debris removal project. Two of the storm damage sites located adjacent to Harkins Slough near mileposts 5.0 to 5.1 put the Santa Cruz Branch Rail Corridor out of service for most of its length. The repair work includes construction of a double box culvert, each box being 4 feet in height and 6 feet in width, with wingwalls, grading and drainage improvements to reestablish the drainage pattern. In order to construct the repair, the RTC must obtain a permit from the US Army Corps of Engineers (USACE), Regional Water Quality Control Board (RWQCB), California Fish and Wildlife Services, and Coastal Commission. The project will also need to go through formal Section 7 consultation with the US Fish and Wildlife Services to obtain a biological opinion.

The RTC procured on-call professional engineering services for civil, structural and construction management services. Task orders include bridge inspections and load ratings, preparing construction documents for the Laurel/Chestnut grade crossing repair, and storm damage repair projects.

A preventative maintenance program for the Santa Cruz Branch Rail corridor was developed by RTC staff and implemented in March of 2018. The maintenance program includes a process for responding

to maintenance reports from the community or local jurisdictions, and guidelines for regular maintenance inspections for preventative maintenance efforts. RTC staff procured on-call maintenance contractors for light civil/grading, vegetation control, encampment clean up, no trespassing signing installation, and graffiti abatement.

Monterey Bay Sanctuary Scenic Trail Network (and Coastal Rail Trail)

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, continued during FY 17/18. The MBSST Network will see the 32-mile rail right-of-way as the system's spine within the shared use rail corridor. Initiation of projects began following adoption of the award-winning Master Plan, a document that serves as the guiding blueprint for the project's implementation.

The RTC worked with Central Federal Lands (CFL) to implement a 7.5-mile north coast rail trail project for which a Federal Lands Access Grant had been awarded, with matching funds provided by the Land Trust of Santa Cruz County, the California Coastal Conservancy, and the RTC. CFL, after having conducted preliminary design and right-of-way analysis of the north coast project, paused further work until the RTC completes a full Environmental Impact Report (EIR). The RTC elected to conduct a full EIR after evaluating the need to fulfill requirements related to study of the best uses of the rail corridor. Measure D funds were allocated for the work. A RFP for consultant services was released, a team was selected, the DEIR was largely developed in FY 17/18, and was readied for publication.

Implementation of other rail trail projects continued. In the City of Santa Cruz, the 2.1 mile trail project from Natural Bridges Drive to the Wharf roundabout continued to advance with environmental clearance and design being the focal point of the work in FY17/18. In the City of Watsonville, the 1.2 mile trail project from Lee Road to Walker Street continued advancing through the design process. In the City of Capitola, a small project connecting the City parking lot to the intersection of Monterey and Park Avenues along the rail corridor continued to advance. The project will include trail design features as a placeholder for future expansion. In June 2018, the RTC also programmed funding to the County of Santa Cruz for initial work on a rail trail project through Live Oak. The local jurisdictions identified in this paragraph serve as the lead agencies and are working in partnership with the RTC. Amendments to Cooperative Agreements were developed to address new Measure D funds, and Cooperative Agreements were also prepared for projects not yet covered and where implementation responsibilities and ongoing maintenance needed addressing. After an Active Transportation Program grant application was awarded for design and environmental review for a rail trail project between the wharf roundabout and 17th Avenue by the City of Santa Cruz and the County of Santa Cruz, discussions were initiated regarding how implementation may occur for the project which spans two local jurisdictions. The San Lorenzo River bridge walkway was determined to be suitable for a retrofit whereby the walkway would be widened to serve bicyclists and pedestrians instead of building a new bridge and environmental clearance documentation was prepared. In total, five projects, totaling a 13 miles, were forwarded during this fiscal year.

RTC continued collaborations with the Land Trust of Santa Cruz County, Bike Santa Cruz County and Friends of the Rail and Trail who are raising private funds and building community stewardship of the rail trail project. A Rail Trail Work Group continued meeting so that partners working on various aspects of trail implementation, funding or advocacy could gather at one table, share resources and team up on project delivery efforts.

SAFE and FSP

The Service Authority for Freeway Emergencies (SAFE) annual budget provides funds for a number of programs including the Safe on 17 Program to maintain a reduced collision rate on Highway 17 by providing the resources for additional CHP enforcement officers. The funding is provided by the RTC SAFE (\$50,000) and the Metropolitan Transportation Commission (MTC) SAFE (\$50,000) programs.

The SAFE program provides call boxes on Highways 1, 9, 17, 152, and 129 throughout the county and connects stranded motorists with assistance. Nearly 800 calls were placed from 65 call boxes in the county in FY 17/18. Cruz511, a 511 traveler information project (described in more detail in the next section), is also funded in part through the SAFE budget.

The RTC, serving as the SAFE agency in Santa Cruz County, 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, air quality, and reduce fuel consumption by rapidly clearing incidents. The FSP provided approximately 1,370 assists in FY 17/18.

Cruz511 and Alternatives to Driving Alone

Since 1979, the RTC has provided the community with a centralized resource for transportation information. Cruz511 is the umbrella brand under which all RTC traveler information services take place including those previously delivered through Commute Solutions. 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 FY 17/18, Cruz511 began exploring expansion of services to provide a more modern TDM program that includes mobility as a service platforms, partnerships with local jurisdictions and public private partnerships.

Unified Corridors

The objective of the Unified Corridor Investment Study (UCS) is to identify multimodal transportation investments that provide the greatest benefit and most effective use of Highway 1, Soquel Avenue/Drive and Freedom Blvd, and the Santa Cruz Branch Rail Line. An analysis is in

progress to determine how different scenarios or groups of transportation projects implemented by 2035 will advance the goals of the project. Goals for the UCS focus on developing a sustainable transportation system which seeks to maximize benefits in terms of the natural environment, economic vitality and health and equity. In FY 17-18, the RTC approved the Step 1 analysis results that qualitatively evaluated 6 different scenarios or groups of projects. Four scenarios and a no-build scenario were approved by the RTC to be evaluated in the quantitative Step 2 scenario analysis. The Step 2 analysis was begun in FY 17-18. The four scenarios being evaluated in Step 2 include all modes (auto, transit, bike, and walk). Input from the public, stakeholders, and RTC advisory committees have been solicited at key milestones of project development. Workshops for the public in north and south county, focus group meetings for community organizations, and a stakeholder meeting for partner agencies were held to solicit input on the Step 1 analysis. On-line surveys to solicit input from a broader spectrum of the public were also used to gather input on projects that would advance goals of the transportation system.

User Oriented Transit Project

The Santa Cruz County Regional Transportation Commission's (RTC) Cruz511 In Your Neighborhood Program (previously the User Oriented Transit Planning Project) focused on reducing the number of drive alone trips and increasing the number of trips made by bus, biking, walking and carpooling in Santa Cruz County. The Cruz511 In Your Neighborhood Program was designed to test the effectiveness of individualized marketing techniques on changing travel choices and reduce vehicle miles traveled. This involved providing interested individuals with a comprehensive set of customized travel resources and tools to motivate and convince them to switch from drive alone car trips to trips made by bus, biking, walking, and carpooling. The RTC, in partnership with the Santa Cruz Metropolitan Transit District (Santa Cruz Metro), secured a Caltrans Transit Planning for Sustainable Communities Grant to conduct this pilot project. The Cruz511 In Your Neighborhood Program was carried out in Santa Cruz County between March 2017 and September 2017.

Previously entitled the "User Oriented Transit Planning Project", the individual marketing of travel choices pilot program identified neighborhoods as the unique community segment to be the focus of the program and was rebranded "Cruz 511 In Your Neighborhood". After a review of neighborhoods countywide, neighborhoods defined as Central Watsonville and Eastside Santa Cruz were selected to be the program's target audience. Between April and July 2017, households in these neighborhoods were invited to participate in the program using several outreach strategies though: direct mail, contact with travel advisors who canvas neighborhoods and speak with individuals at their household about the program, neighborhood events and notifications on NextDoor, a neighborhood social media site. Participants were asked to complete a before program survey about their travel habits and preferences and invited to order customized travel resources specific to each neighborhood. Customized travel resources included bus, biking and walking map guides, information about region-wide transportation services and how to conveniently and safely use the bus, biking, walking and carpooling. Almost all materials were available in both English and Spanish.

The Cruz511 In Your Neighborhood Program’s effectiveness is measured by the changes in: the frequency of driving alone, riding the bus, bike, walk and carpool trips, and awareness and attitudes towards transportation options before and after the program intervention. Program effectiveness also considers the number of program participants and materials distributed and the public’s perception of the ***Cruz511 In Your Neighborhood Project***. The results of the ***Cruz511 In Your Neighborhood Project*** were analyzed from September-October 2017. The Final Report was prepared between October 217 and December 2017 and presented to the RTC in February 2018.

Visualization

Originally titled “Sustainable Transportation Prioritization Plan,” the Visualizing Sustainable Transportation in Santa Cruz County project (Visualization project) is funded through a Caltrans Transit Planning for Sustainable Communities grant. The project’s objectives include an emphasis on public engagement through the use of innovative visual mechanisms to create a deeper understanding of sustainable transportation options that meet the state’s goal of expanded accessibility and multimodal options.

The project was conducted in two phases. In phase one the RTC deployed two “Owl” viewers. The viewer looks similar to the binocular units at scenic lookouts, but functions much differently. Looking into the viewer, the participant sees a photo-realistic virtual reality representation of potential sustainable transportation improvements. Participants provided feedback about sustainable transportation and land use visualizations via a short survey. In phase two of the project the RTC partnered with the City of Watsonville to develop 3D virtual reality renderings of potential complete streets improvements. With the help of Google Cardboard headsets RTC staff went to schools, organizations and events to demonstrate the potential improvements and survey people on their preferred scenario.

The project resulted in a deeper understanding of complex transportation concepts by members of the public and demonstrated the ability of VR and 3D visualizations to improve conversations around sustainability, land use and transportation. The final product will be a toolkit for public engagement that includes a review of these methods as well as a final plan that documents lessons learned and current public understanding of sustainable transportation systems in Santa Cruz County. The toolkit will be available for others throughout the state and will be finalized in FY 18/19.

SR9 San Lorenzo Valley (SLV) Complete Streets Corridor Transportation Plan

The RTC continued work on the Highway 9/San Lorenzo Valley (SLV) Complete Streets Corridor Plan in FY17/18. Work included review of public input on the Phase 1 report and development of the draft priority project list and implementation plan, including outreach to partner agencies, schools, and focus groups on priorities for the corridor. Consultants developed a draft plan, evaluated priority projects, and developed visuals for thirty-four projects identified as priorities.

3. FINANCIAL STATEMENTS

The Basic Financial Statements consist of RTC Wide Financial Statements (Governmental activities 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 75, the RTC Wide Financial Statements include the expenses and liabilities associated with Other Post Employment Benefits (OPEB) as discussed in Note 9 of the report. The RTC adheres to GASB 68 which requires the measurement and reporting of the pension liability; and pension is discussed in detail in Note 7 starting on page 44. The impact of GASB 75 and GASB 68 is the ever increasing Noncurrent (long-term) liability and decreasing Net Position.

B. Funds Financial Statements

The RTC had fifteen funds in FY2018 including Measure D Fund, a new fiduciary fund required by the 1/2 –cent sales tax measure passed by over 2/3 of the Santa Cruz County voters in November 2016. There are eight governmental funds (pages 20 – 28) and seven fiduciary funds (pages 30 – 33).

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

FY 2018 is another year of major accomplishment, which included programming of over \$22 million in funding to a variety of transportation projects thanks to California's Road Repair and Accountability Act of 2017 (SB 1), over \$20 million in new local transportation funding thanks to Measure D, selection of preferred project alternatives for the Highway 1 corridor tiered environmental document, completion of the Step 1 analysis for the Unified Corridor Investment Study, completion of the 2040 Regional Transportation Plan (RTP), establishment of a new rail service operator for the Santa Cruz Branch Rail Line, completion of the Cruz511 In Your Neighborhood project, continued work toward the completion of the Highway 9/SLV Complete Streets Corridor Plan and approval of agreements with Caltrans and the Land Trust for the Highway 17 Wildlife Crossing project.

The implementation of Government Accounting Standards Board Statement 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB 68 *Accounting and Financial Reporting for Pensions* continue to have a significant negative impact on Net Position of Government wide financial statements. The fund statements, however, show the governmental funds in a strong financial position.

Governmental Funds

Net Position

The Net Position is down \$812,609 to \$19,598,586 from \$20,411,195 in FY2017. While the combined fund balance is healthy at \$3,102,472 (page 21) the Net Position has a negative Unrestricted balance of \$2,245,750 (page 18) due to the continuing rise of pension and OPEB liabilities. While there are adequate current assets to finance current liabilities, Noncurrent Liability Balance of \$4,132,474 cannot be fully covered. The ability to meet these long term obligations depends mostly on the benefit plans offered and/or the funding strategies. The RTC's Side funds (retirement liability inherited from the separation from the County) has been paid in full; and the RTC has been making additional payment above normal costs and the minimum required payment for the Unfunded Actuarial Liability. The table below shows how the Noncurrent liabilities – OPEB (\$1,945,332), Compensated Absence (\$300,749), and Net Pension Liability (\$1,886,393), are depressing the Net Position when fixed assets are excluded:

UNRESTRICTED NET POSITION DEFICIT ANALYSIS

	<u>FY2018</u>	<u>FY2017</u>
Current Assets (Cash & Receivables) *	4,816,664	4,188,802
Less:		
Restricted Fund Balance**	(1,976,053)	(1,784,761)
Current Liabilities (Net of D/T Other Funds)*	<u>(1,714,192)</u>	<u>(1,081,626)</u>
Unassigned Fund Balance**	1,126,419	1,322,415
Less Noncurrent Liabilities***	(4,132,474)	(3,097,885)
Add:		
Prepays*	0	34,591
Net Deferred Outflows & Inflows***	<u>760,305</u>	<u>506,015</u>
Unrestricted Net Position	<u>(2,245,750)</u>	<u>(1,234,864)</u>

* *Statement of Net Position* – page 18 or *Governmental Fund Balance*- pages 20-21

** *Governmental Fund Balance*- pages 20-21

*** *Statement of Net Position* – page 18 or *Note 6, Long-term Debt* on page 44

Cash, Receivables, and Payables

Cash and Investment balance shows an increase of \$727,336 to \$3,650,742 from \$2,923,406 (pages 20 – 21) on 6/30/2017. The RTC has adequate resources to meet its current obligations with a 2.8x current ratio. The current liabilities have increased by \$632,566 mostly due to increased Accounts Payable (\$511,496) and Unearned Revenue (\$129,739).

Capital Assets

Net fixed assets totaled \$19,868,283 in FY2018. The non-depreciable assets value remained unchanged from FY2017 at \$19,848,411. The depreciable fixed assets increased by \$6,985 to \$19,872. The increase is the difference between office equipment acquisition of \$11,891 and the depreciation expense of \$4,906 (Page 43).

Other Balance Sheet Highlights

- Due From and Due To Other funds (\$166,924 each) consist of \$110,000 due to Rail/Trail from Administration and Planning; \$26,477 due to Administration and Planning from Highway 1 Program; \$5,250 due to Administration and Planning from Rail/Trail; and \$25,197 due to Administration and Planning from Freeway Service Patrol (FSP).
- Unearned Revenue increased by \$129,739 to \$437,145 as a result of RSTPX revenue recognition in the Active Transportation/Monterey Bay Sanctuary Scenic Trail (MBSST) Fund. The Unearned Revenue balance in FY2018 is distributed as follows: \$98,355 STIP funds in Administration and Planning, \$70,000 RSTPX funds in Active Transportation/MBSST and \$268,790 RSTPX funds in Rail/Trail.

Condensed Balance Sheet of Governmental Funds

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Change</u>
Cash	3,650,742	2,923,406	727,336
Accounts Receivables and Due From	1,332,846	1,473,657	(140,811)
Prepaid Items	<u>0</u>	<u>34,591</u>	<u>(34,591)</u>
Total Assets	<u>4,983,588</u>	<u>4,431,654</u>	<u>551,934</u>
Accounts Payable and Due To	1,443,971	982,481	461,490
Unearned Revenue	<u>437,145</u>	<u>307,406</u>	<u>129,739</u>
Total Liabilities	<u>1,881,116</u>	<u>1,289,887</u>	<u>591,229</u>
Total Fund Balances	<u>3,102,472</u>	<u>3,141,767</u>	<u>(39,295)</u>
Total Liabilities and Fund Balances	<u>4,983,588</u>	<u>4,431,654</u>	<u>551,934</u>

Revenues

The combined governmental funds revenues are down \$1,380,360 to \$5,580,315. The table below is a year to year revenue comparison:

Revenues Comparison

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Change</u>
RSTPX	1,215,063	2,446,384	(1,231,321)
Local transportation Fund (TDA)	1,336,964	1,325,634	11,330
Measure D	1,367,251	0	1,367,251
Coastal Conservancy	0	986,538	(986,538)
FTA Section 5304	286,021	475,752	(189,731)
RPA (Admin & Planning)	233,848	332,334	(98,486)
Motor Vehicle Fees	256,424	260,341	(3,917)
STIP	203,628	253,448	(49,820)
RSTP	77,851	209,607	(131,756)
CMIA (Hwy 1 Auxiliary Lanes)	0	194,935	(194,935)
Caltrans Grant (FSP)	166,187	163,680	2,507
Land Trust	175,394	152,732	22,662
Interest, Lease & Other	<u>261,684</u>	<u>159,290</u>	<u>102,394</u>
Total	5,580,315	6,960,675	(1,380,360)

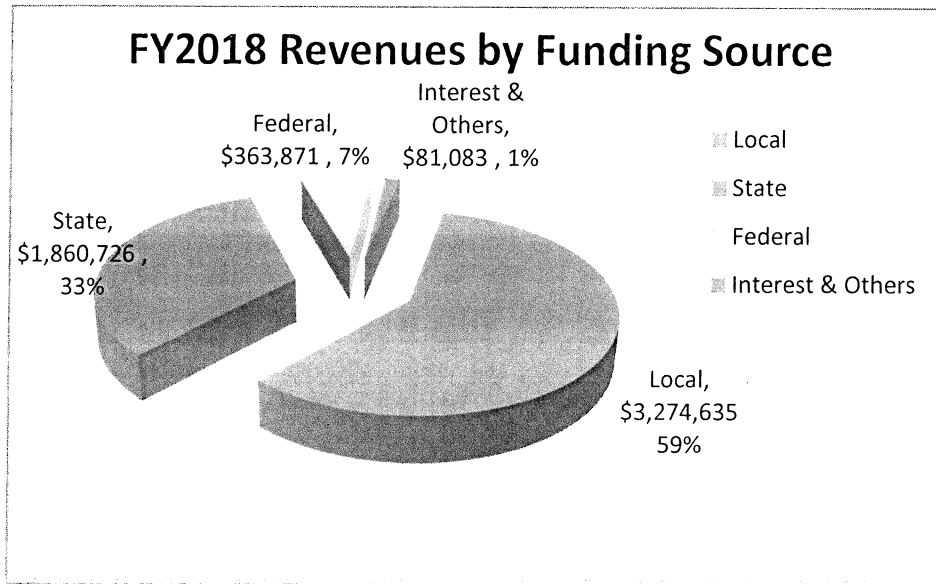
- FY2018 is the first full year receiving Measure D funds for Administration and Implementation which show the highest growth with \$1,367,251.
- There are three major funding sources with the State at 33% and Measure D 25% of all revenues. The local revenues (\$1,907,384) comprise 34% of revenues and consist of TDA funds (\$1,336,964); Motor Vehicle fees (\$256,424); Land Trust (\$175,394); Lease by Rail/Trail (\$90,294); and MTC Safe for Safe on 17 (\$48,308). The Motor Vehicle fees show a modest decline of \$3,917 (1.5%) in FY2018.

The funding sources comparative table and the graph (Figure 1) are presented below:

Table
FY2018 Funding by Source

	<u>FY2018</u>		<u>FY2017</u>	
Local	3,274,635	(59%)	1,870,319	(27%)
State	1,860,726	(33%)	4,377,319	(63%)
Federal	363,871	(7%)	685,359	(10%)
Interest & Others	<u>81,083</u>	<u>(1%)</u>	<u>27,678</u>	<u>(0%)</u>
Total	<u>5,580,315</u>	(100%)	<u>6,960,675</u>	(100%)

Figure 1
FY2018 Funding by Source



Expenditures

- The expenditures are up \$235,708 to \$5,619,610; and major expenditures were for payroll (\$2,427,719); Unified Corridor Investment (\$323,596); Towing in FSP (\$307,827); and consultants in various funds.
- Payroll costs (\$2,427,719) are up 9% due to an additional \$183,456 payment toward the pension Unfunded Actuarial Liability; and they are \$446,225 (15%) below budget (\$2,873,944).
- The RTC continued to fund the Bike to Work and the Community Traffic Safety Coalition with an increase in FY2018 from \$50,000 to \$60,000 and from \$100,000 to \$130,000 respectively.
- Overall, costs are in line and in accordance with the budget.

Fiduciary Funds

- With the passage of ½-cent sales tax Measure D in November 2016, there are now 7 fiduciary funds. The RTC received twelve months payment from Measure D in FY2018.
- The combined cash balance remains high and is up \$5,618,850 (34.5%) to \$21,913,417 from a year ago due to unclaimed allocations; revenue growth; the unspent FY2018 Measure D proceeds (\$10,827,048); and the undistributed (Unallocated) RSTPX (\$3,526,916) and TDA (\$1,188,099) funds. The undistributed RSTPX funds balance of \$3,526,916 includes \$3,207,164 received for FY 2018.

The unclaimed allocations by funding sources and claimants are presented below:

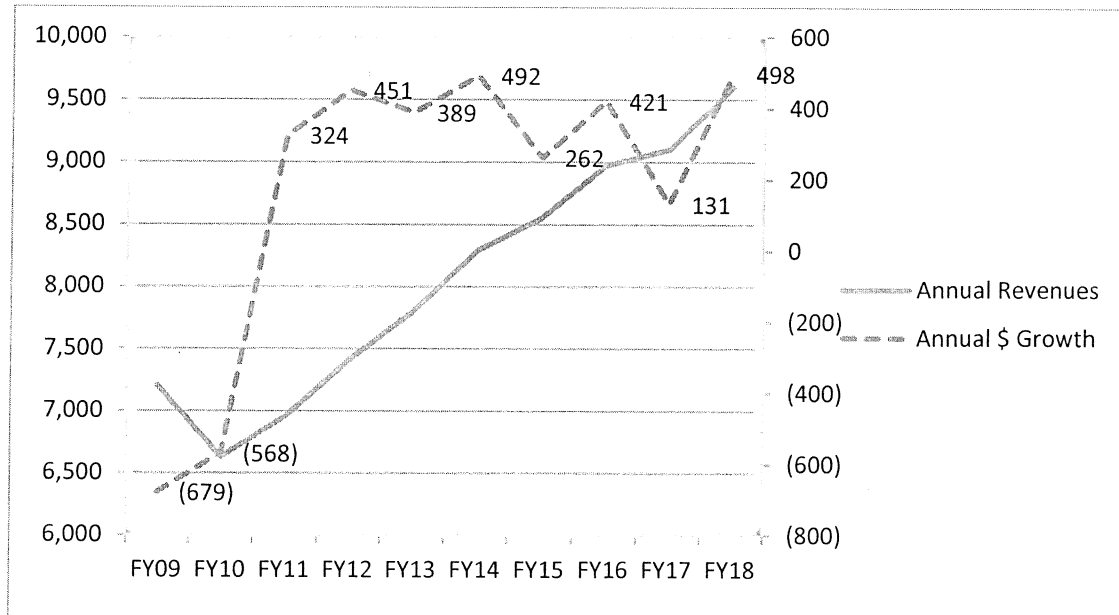
UNCLAIMED TDA AND STP EXCHANGE ALLOCATIONS			
FY 2018 ENDING 6/30/2018			
	Total	TDA	RSTP Exchange
County of Santa Cruz	3,223,814	734,502	2,489,312
City of Capitola	626,913	199,373	427,540
City of Santa Cruz	603,232	368,232	235,000
City of Scotts Valley	11,515	11,515	0
City of Watsonville	637,152	502,152	135,000
Santa Cruz Metro (SCMTD)	500,000	0	500,000
SCCRTC	755,001	0	755,001
Unallocated	<u>4,715,015</u>	<u>1,188,099</u>	<u>3,526,916</u>
TOTAL CASH	<u>11,072,642</u>	<u>3,003,873</u>	<u>8,068,769</u>

- The Net Position increased by \$10,070,186 (54%) to \$28,844,634 due to Measure D revenues (\$21,472,568) which are offset by expenses and disbursements to claimants of \$11,264,845 (pages 32-33). The STA (\$3,196,463) and STPX revenues show a moderate growth of 59% and 6% respectively.
- The audit report shows an increase in TDA of \$823,058 (9.2%) to \$9,816,973 from \$8,993,915 in FY2017. The TDA revenues set another new high record in FY2018 when comparing just July to June receipts. The TDA performance in the last ten years is shown on the following table and graph:

The TDA cash receipts performance over the last ten years

<u>Fiscal Year</u>	<u>Actual Receipts</u>	<u>(Change)</u>	
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%
FY2016	8,970,056	420,716	4.9%
FY2017	9,101,315	131,259	1.5%
FY2018	9,599,732	498,417	5.5%

Figure 2
TDA Annual Revenues and Changes – Last Ten (10) Years
FY2009 – FY2018
(\$ 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.

The SCMTD receives 85.5% 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. FY2017 shows the lowest TDA growth as a rate and as well as in dollar value since FY2011.

5. CURRENT FINANCIAL ISSUES AND CONCERNS (All)

Management has been able to control the discretionary expenses; however, continuing to secure new revenue sources to meet existing and increasing transportation needs was a priority in FY17/18. In November 2016, Santa Cruz County voters approved Measure D, a comprehensive transportation sales tax measure which will help address some of the backlog of local road, highway, and transit shortfalls, as well as fund priority transportation projects. The California legislature's approval of Senate Bill 1 in April 2017 provides further stability to transportation funding. This does not provide sufficient funds for all of the identified transportation needs so the RTC will continue to work to increase transportation funding and use existing funds efficiently.

Funding RTC core functions continues to be a challenge since the elimination of federal Planning (PL) funding in FY2016 and the severe reduction in other state and federal grant dollars. The 2018

Regional Transportation Plan identified a funding gap of over \$3.4 billion for transportation needs countywide through the year 2040, even with the Measure D ½ cent sales tax and SB1 revenues.

Major projects currently under development for which existing funding is insufficient to fully fund include the Highway 1 Corridor Investment program, which is currently estimated to cost about \$600 million for construction, and the Monterey Bay Sanctuary Scenic Trail (MBBST) Network project, estimated to cost about \$220 million. The RTC has identified smaller projects within the Highway 1 corridor which could be constructed incrementally as funds become available, including new auxiliary lanes and bicycle/pedestrian overcrossings. Throughout FY17/18, the RTC worked to implement the voter-approved investment plan for the Measure D sales tax measure. Measure D is estimated to raise over \$20 million per year over 30 years. The expenditure plan included in Measure D includes Neighborhood Projects such as local streets and roads, safety, bicycle and pedestrian, and school safety projects; Community Projects such as transit and paratransit projects; and Regional Projects such as Highways, Rail Trail and other transportation improvements on the rail corridor.

With the RTC purchase of the Santa Cruz Branch Rail Line and designation of a shortline operator, freight service continues and recreational passenger rail service has been implemented. Unfortunately, the 2017 winter storms caused significant damage to portions of the rail line right-of-way. The RTC is working with the Federal Emergency Management Agency (FEMA) to obtain funds for the needed repairs and working to secure the necessary permits to implement those repairs. The RTC will also need to work to ensure that the revenue generated by the freight service, the recreational rail service, and other leased uses of the real estate will help meet the costs for continued maintenance and operation of the rail line. Measure D provides some funding for this need but it is still necessary to work to maximize the revenues that can be derived from the property. 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, 2018

	Governmental Activities
ASSETS	
Cash and investments	\$ 3,650,742
Receivables	1,165,922
Capital assets:	
Nondepreciable	19,848,411
Depreciable, net	<u>19,872</u>
Total assets	<u>24,684,947</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>1,035,570</u>
Total deferred outflows of resources	<u>1,035,570</u>
LIABILITIES	
Accounts payable	916,539
Accrued expenses	92,720
Due to other agencies	267,788
Unearned revenue	437,145
Noncurrent liabilities	
Compensated absences	300,749
OPEB liability	1,945,332
Net pension liability	<u>1,886,393</u>
Total liabilities	<u>5,846,666</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	163,613
OPEB	<u>111,652</u>
Total deferred inflows of resources	<u>275,265</u>
NET POSITION	
Net investment in capital assets	19,868,283
Restricted for programs	1,976,053
Unrestricted	<u>(2,245,750)</u>
Total net position	<u><u>\$ 19,598,586</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, 2018

		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	\$ 5,553,623	\$ -	\$ 5,408,939	\$ -
Total governmental activities	<u>\$ 5,553,623</u>	<u>\$ -</u>	<u>\$ 5,408,939</u>	<u>\$ -</u>
General Revenues				
Investment income				126,197
Other				<u>45,179</u>
Total general revenues				<u>171,376</u>
Change in net position				<u>26,692</u>
Net position - beginning of fiscal year				20,411,195
Restatement				<u>(839,301)</u>
Net position - beginning of fiscal year - restated				<u>19,571,894</u>
Net position - end of fiscal year				<u>\$ 19,598,586</u>

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2018

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund
ASSETS			
Cash and investments	\$ 1,378,973	\$ 446,591	\$ 465,509
Accounts receivable	120,614	168,251	7,041
Due from other agencies	345,543		44,208
Due from other funds	56,924	110,000	
Total assets	<u>\$ 1,902,054</u>	<u>\$ 724,842</u>	<u>\$ 516,758</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 277,479	\$ 98,196	\$ 3,638
Accrued payroll	92,720		
Unearned revenue	98,355	268,790	
Due to other agencies	197,081	17,437	17,557
Due to other funds	110,000	5,250	
Total liabilities	<u>775,635</u>	<u>389,673</u>	<u>21,195</u>
Fund Balances:			
Restricted:			
Transportation planning		335,169	495,563
Unassigned	1,126,419		
Total fund balances	<u>1,126,419</u>	<u>335,169</u>	<u>495,563</u>
Total liabilities and fund balances	<u>\$ 1,902,054</u>	<u>\$ 724,842</u>	<u>\$ 516,758</u>

The accompanying notes are an integral part of this statement.

Freeway Service Patrol Fund	Highway 1 Program Fund	Highway 1 Auxiliary Fund	Cruz 511 Fund	Active Transportation MBSST Fund	Totals
\$ 31,709	\$ 199,278	\$ 631,945	\$ 301,124	\$ 195,613	\$ 3,650,742
	63,000		50,000	200,032	608,938
140,108			27,125		556,984
					166,924
<u>\$ 171,817</u>	<u>\$ 262,278</u>	<u>\$ 631,945</u>	<u>\$ 378,249</u>	<u>\$ 395,645</u>	<u>\$ 4,983,588</u>
\$ 30,589	\$ 215,498	\$ 1,875	\$ 41,510	\$ 247,754	\$ 916,539
					92,720
				70,000	437,145
			48	35,665	267,788
25,197	26,477				166,924
<u>55,786</u>	<u>241,975</u>	<u>1,875</u>	<u>41,558</u>	<u>353,419</u>	<u>1,881,116</u>
116,031	20,303	630,070	336,691	42,226	1,976,053
					1,126,419
<u>116,031</u>	<u>20,303</u>	<u>630,070</u>	<u>336,691</u>	<u>42,226</u>	<u>3,102,472</u>
<u>\$ 171,817</u>	<u>\$ 262,278</u>	<u>\$ 631,945</u>	<u>\$ 378,249</u>	<u>\$ 395,645</u>	<u>\$ 4,983,588</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
RECONCILIATION OF THE GOVERNMENTAL
FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total Fund Balances - Governmental Funds	\$ 3,102,472
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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	\$ 20,024,458	
Accumulated depreciation	<u>(156,175)</u>	
Net		19,868,283

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	\$ 300,749	
OPEB liability	1,945,332	
Net pension liability	<u>1,886,393</u>	
Total		(4,132,474)

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

Deferred inflows of resources relating to pensions	\$ (163,613)	
Deferred inflows of resources relating to OPEB	(111,652)	
Deferred outflows of resources relating to pensions	<u>1,035,570</u>	
		<u>760,305</u>

Total Net Position - Governmental Activities	<u><u>\$ 19,598,586</u></u>
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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, 2018

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund
Revenues			
Local Transportation Funds	\$ 1,336,964	\$ -	\$ -
Motor vehicle fees			256,424
California Department of Transportation Grant			
RSTP Exchange Funds			
RSTP			
State Planning, Programming and Monitoring Funds	117,752		
State Rural Planning Assistance	233,848		
Fed 5304 Partnership Planning	104,671		
Fed 5304 Prioritization	67,460		
Fed 5304 User Oriented	20,606		
Fed 5304 SR9	93,284		
Active Transportation Program			
Aid from other governments			48,308
Land Trust			
Measure D	501,221	141,103	
Use of money and property	2,865	97,961	5,754
Other	2,262	11,928	
Total revenues	2,480,933	250,992	310,486
Expenditures			
Salaries and benefits	1,361,867	261,103	81,681
Services and supplies	469,385	236,007	111,785
Bike to work	60,000		
User Oriented	1,972		
Hwy 9 Study consultant	56,788		
Community Traffic Safety Coalition	130,000		
Towing service			
Unified Corridor Investment	323,596		
Prioritization	76,588		
SR9 San Lorenzo Valley Complete Streets	59,484		
Capital outlay	11,891		
SR2S Education	42,842		
Other expenses	7,107		
Total expenditures	2,601,520	497,110	193,466
Excess of revenues over (under) expenditures	(120,587)	(246,118)	117,020

The accompanying notes are an integral part of this statement.

<u>Freeway Service Patrol Fund</u>	<u>Highway 1 Program Fund</u>	<u>Highway 1 Auxiliary Lanes Fund</u>	<u>Cruz 511 Fund</u>	<u>Active Transportation MBSST Fund</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,336,964 256,424
166,187					166,187
150,000	40,736	636,679	345,648 77,851	42,000	1,215,063 77,851
85,876					203,628
					233,848
					104,671
					67,460
					20,606
					93,284
	42,000				42,000
					48,308
				175,394	175,394
			50,000	674,927	1,367,251
1,330	9,151	5,471	2,975	690	126,197
	23,000			7,989	45,179
<u>403,393</u>	<u>114,887</u>	<u>642,150</u>	<u>476,474</u>	<u>901,000</u>	<u>5,580,315</u>
51,658	191,451	55,273	155,949	268,737	2,427,719
6,400	626,310	40,038	33,834	590,037	2,113,796
					60,000
					1,972
					56,788
					130,000
307,827					307,827
					323,596
					76,588
					59,484
					11,891
					42,842
					7,107
<u>365,885</u>	<u>817,761</u>	<u>95,311</u>	<u>189,783</u>	<u>858,774</u>	<u>5,619,610</u>
<u>37,508</u>	<u>(702,874)</u>	<u>546,839</u>	<u>286,691</u>	<u>42,226</u>	<u>(39,295)</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2018

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund
Other Financing Sources (Uses):			
Operating transfers in	\$ -	\$ 110,000	\$ -
Operating transfers out	<u>(110,000)</u>	<u></u>	<u>(50,000)</u>
Total other financing sources (uses)	<u>(110,000)</u>	<u>110,000</u>	<u>(50,000)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(230,587)	(136,118)	67,020
Fund balances - July 1	<u>1,357,006</u>	<u>471,287</u>	<u>428,543</u>
Fund balances - June 30	<u><u>\$ 1,126,419</u></u>	<u><u>\$ 335,169</u></u>	<u><u>\$ 495,563</u></u>

The accompanying notes are an integral part of this statement.

Freeway Service Patrol Fund	Highway 1 Program Fund	Highway 1 Auxiliary Fund	Cruz 511 Fund	Active Transportation MBSST Fund	Totals
\$ -	\$ -	\$ -	\$ 50,000	\$ -	\$ 160,000 (160,000)
			50,000		
37,508	(702,874)	546,839	336,691	42,226	(39,295)
78,523	723,177	83,231			3,141,767
<u>\$ 116,031</u>	<u>\$ 20,303</u>	<u>\$ 630,070</u>	<u>\$ 336,691</u>	<u>\$ 42,226</u>	<u>\$ 3,102,472</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, 2018

Net Change in Fund Balances - Governmental Funds	\$	(39,295)
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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 \$11,891 was less than depreciation expense of \$4,906 in the period.

6,985

In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This fiscal year, vacation used exceeded the amounts earned by \$22,358.

22,358

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:

145,326

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 accrual basis OPEB costs and actual employer contributions was:

(108,682)

Change in Net Position - Governmental Activities	\$	<u>26,692</u>
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SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	Private Purpose Trust Funds		
	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund
ASSETS			
Cash and investments	\$ 3,003,873	\$ 1,524	\$ 8,068,769
Accounts receivable	1,578,740		31,000
Due from other agencies		1,238,081	3,207,014
Total assets	4,582,613	1,239,605	11,306,783
LIABILITIES			
Accounts payable			
Due to other agencies		1,238,081	394,208
Total liabilities		1,238,081	394,208
NET POSITION			
Unrestricted	\$ 4,582,613	\$ 1,524	\$ 10,912,575

The accompanying notes are an integral part of this statement.

Pension (and Other Employee Benefits) Trust Funds				
<u>Measure D Fund</u>	<u>PERS Health Fund</u>	<u>In Lieu of Social Security Fund</u>	<u>Miscellaneous Deductions Fund</u>	<u>Totals</u>
\$ 10,827,048	\$ 6,283	\$ 4	\$ 5,916	\$ 21,913,417
3,331,157				1,609,740
				7,776,252
<u>14,158,205</u>	<u>6,283</u>	<u>4</u>	<u>5,916</u>	<u>31,299,409</u>
819,509			2,977	822,486
				1,632,289
<u>819,509</u>			<u>2,977</u>	<u>2,454,775</u>
<u>\$ 13,338,696</u>	<u>\$ 6,283</u>	<u>\$ 4</u>	<u>\$ 2,939</u>	<u>\$ 28,844,634</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust Funds		
	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund
Additions:			
Sales tax	\$ 9,816,973	\$ 3,196,463	\$ -
State highway exchange funds			3,207,014
Contributions from SCCRTC			
SBI Additional Gas Tax		673,297	
Interest	35,409	607	124,992
Total additions	9,852,382	3,870,367	3,332,006
Deductions:			
Claimants:			
Santa Cruz Metropolitan Transit District	6,767,933	3,885,303	
Santa Cruz County Regional Transportation Commission	1,336,964		1,321,608
City of Capitola			341,460
City of Santa Cruz	50,064		
City of Scotts Valley	116,247		346,000
County of Santa Cruz			1,340,000
City of Watsonville			900,000
Community Bridges	664,920		
Volunteer Center	79,157		
Salaries and benefits			
Services and supplies			
Consultant services			
Plan payments			
Total deductions	9,015,285	3,885,303	4,249,068
Change in net position	837,097	(14,936)	(917,062)
Net position - beginning of fiscal year	3,745,516	16,460	11,829,637
Net position - end of fiscal year	\$ 4,582,613	\$ 1,524	\$ 10,912,575

The accompanying notes are an integral part of this statement.

Pension (and Other Employee Benefits) Trust Funds

<u>Measure D Fund</u>	<u>PERS Health Fund</u>	<u>In Lieu of Social Security Fund</u>	<u>Miscellaneous Deductions Fund</u>	<u>Totals</u>
\$ 21,391,906	\$ -	\$ -	\$ -	\$ 34,405,342
	109,064		15,656	3,207,014
				124,720
				673,297
80,662				241,670
<u>21,472,568</u>	<u>109,064</u>		<u>15,656</u>	<u>38,652,043</u>
3,229,787				13,883,023
1,367,251				4,025,823
312,311				653,771
1,261,406				1,311,470
272,192				734,439
2,865,941				4,205,941
844,000				1,744,000
807,447				1,472,367
				79,157
266,693				266,693
3,770				3,770
34,047				34,047
	147,638		19,718	167,356
<u>11,264,845</u>	<u>147,638</u>		<u>19,718</u>	<u>28,581,857</u>
10,207,723	(38,574)		(4,062)	10,070,186
<u>3,130,973</u>	<u>44,857</u>	<u>4</u>	<u>7,001</u>	<u>18,774,448</u>
<u>\$ 13,338,696</u>	<u>\$ 6,283</u>	<u>\$ 4</u>	<u>\$ 2,939</u>	<u>\$ 28,844,634</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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), Sales Tax Measure D, 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, No. 61, and No. 80.

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 presents 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 arise 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.

Cruz 511 – To account for financial activities of the Cruz 511 program.

Active Transportation MBSST – To account for financial activities of Active Transportation planning.

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, Surface Transportation Program Exchange funds and Measure D 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 County Bank for payment of state and federal taxes, health insurance, and other contributions and deductions.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

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

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. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Commission's plan (OPEB Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. 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 two items which qualify for reporting in this category; refer to Note 7 and 9 for a detailed listing of the deferred inflows of resources the Commission has reported.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 83	"Certain Asset Retirement Obligations"	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 84	"Fiduciary Activities"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.
Statement No. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 88	"Certain Disclosures Related to Debt, included Direct Borrowings and Direct Placements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 90	"Majority Equity Interests-an Amendment of GASB Statements No. 14 and No. 61"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.

S. New Accounting Pronouncement

For the fiscal year ended June 30, 2018, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." This Statement is effective for periods beginning after June 15, 2017. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. Implementation of the GASB Statements No. 75 and the impact on the District's financial statements are explained in Note 9- Other Postemployment Benefits (OPEB) and Note 11- Restatement.

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.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments are carried at fair value. On June 30, 2018, the Commission had the following cash and investments on hand:

Cash in bank and on hand	\$ 31,206
Cash and investments with the Santa Cruz County Treasurer's Investment Fund	<u>25,532,953</u>
Total cash and investments	<u>\$ 25,564,159</u>

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

Cash and investments, statement of net position	\$ 3,650,742
Cash and investments, statement of fiduciary net position	<u>21,913,417</u>
Total cash and investments	<u>\$ 25,564,159</u>

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Commission had investments in the Santa Cruz County Investment Pool, however, this external pool is not measured under Level 1, 2 or 3.

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 table on the following page 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	\$ 25,532,953	\$ 25,532,953	\$ -	\$ -	\$ -
Total	<u>\$ 25,532,953</u>	<u>\$ 25,532,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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	\$ 25,532,953	N/A	\$ -	\$ -	\$ -	\$ 25,532,953
Total	<u>\$ 25,532,953</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,532,953</u>

Concentration of Credit Risk

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

Custodial Credit Risk

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.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 – DUE FROM OTHER AGENCIES

Due from other agencies consists of the following at June 30, 2018:

Special Revenue Funds

<u>Agency</u>	<u>Administration and Planning Fund</u>	<u>Rail/Authority Fund</u>	<u>Service Authority for Emergencies Fund</u>	<u>Freeway Service Patrol Fund</u>	<u>Highway 1 Program Fund</u>	<u>Highway 1 Auxiliary Fund</u>
State grants (DOT)	\$ 271,192	\$ -	\$ -	\$ 140,108	\$ -	\$ -
Federal grants (DOT)	56,084					
Other	18,267		44,208			
Totals	<u>\$ 345,543</u>	<u>\$ -</u>	<u>\$ 44,208</u>	<u>\$ 140,108</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds (cont)

Fiduciary Funds

<u>Agency</u>	<u>Cruz 511 Fund</u>	<u>Active Transportation MBSST Fund</u>	<u>State Transit Assistance Fund</u>	<u>Surface Transportation Program Exchange Fund</u>	<u>Measure D Fund</u>
State grants (DOT)	\$ 27,125	\$ -	\$ 1,238,081	\$ 3,207,014	\$ -
Other					3,331,157
Totals	<u>\$ 27,125</u>	<u>\$ -</u>	<u>\$ 1,238,081</u>	<u>\$ 3,207,014</u>	<u>\$ 3,331,157</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, 2018, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
Administration and Planning	\$ 56,924	\$ 110,000
Rail/Trail Authority	110,000	5,250
Freeway Service Patrol		25,197
Highway 1 Program		26,477
	<u>\$ 166,924</u>	<u>\$ 166,924</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 – INTERFUND TRANSACTIONS (CONTINUED)

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 2017-2018 fiscal year, are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
Administration and Planning	\$ -	\$ 110,000
Rail/Trail Authority	110,000	
Service Authority for Freeway Emergencies		50,000
Cruz 511	50,000	
	<u>\$ 160,000</u>	<u>\$ 160,000</u>

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Governmental activities				
Nondepreciable capital assets				
Right of way	\$ 14,200,000	\$ -	\$ -	\$ 14,200,000
Construction in progress	<u>5,648,411</u>			<u>5,648,411</u>
Total nondepreciable capital assets	<u>\$ 19,848,411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,848,411</u>
Depreciable capital assets				
Equipment	<u>\$ 164,156</u>	<u>\$ 11,891</u>	<u>\$ -</u>	<u>\$ 176,047</u>
Total depreciable capital assets	164,156	11,891		176,047
Less accumulated depreciation	<u>(151,269)</u>	<u>(4,906)</u>		<u>(156,175)</u>
Net depreciable capital assets	<u>\$ 12,887</u>	<u>\$ 6,985</u>	<u>\$ -</u>	<u>\$ 19,872</u>
Net capital assets	<u>\$ 19,861,298</u>	<u>\$ 6,985</u>	<u>\$ -</u>	<u>\$ 19,868,283</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – LONG-TERM DEBT

Changes in long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2018, is shown below:

	Balance July 1, 2017	Additions	Deletions	Restatement	Balance June 30, 2018	Due within One Year
Governmental activities						
Compensated Absences	\$ 323,107	\$ 195,836	\$ 218,194	\$ -	\$ 300,749	\$ -
OPEB Liability	1,109,001	47,628	50,598	839,301	1,945,332	
Net Pension Liability	1,665,777	487,751	267,135		1,886,393	
Governmental activities Long-term liabilities	<u>\$ 3,097,885</u>	<u>\$ 731,215</u>	<u>\$ 535,927</u>	<u>\$ 839,301</u>	<u>\$ 4,132,474</u>	<u>\$ -</u>

NOTE 7 – PENSION PLAN

A. General Information about the Pension Plan

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.

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, 2018, 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	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates	8.921%	6.533%

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

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 \$552,504 for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the Commission reported a liability of \$1,886,393 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. 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, 2017, the Commission's proportion was 0.04785%, which decreased by 0.00010% from June 30, 2016.

For the year ended June 30, 2018, the Commission recognized pension expense of \$407,177. 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, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 552,504	\$ -
Differences between expected and actual experience	2,779	39,813
Changes in assumptions	344,794	26,291
Net difference between projected and actual earnings on retirement plan investments	77,978	
Adjustment due to differences in proportions	35,193	94,129
Difference in actual contributions and proportionate share of contributions	22,322	3,380
	<u>\$ 1,035,570</u>	<u>\$ 163,613</u>

\$552,504 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, 2019. 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:

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – PENSION PLAN (CONTINUED)

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

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Amount</u>
2019	\$ 16,395
2020	223,450
2021	125,907
2022	(46,299)
	<u>\$ 319,453</u>

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
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 detail on this table please refer to the 2017 experience study report.

Change in Assumptions

In December 2016, as part of the Asset Liability Management (ALM) review cycle, the CalPERS Board approved to lower the financial reporting discount rate for PERF C from 7.65% to 7.15%.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for public agency plans (including PERF C), 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund including PERF C. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB No. 68 section.

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 2022. 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 2021-22 fiscal year. CalPERS will continue to check the materiality of the difference in calculation.

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 below 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.

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	6.00%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100.0%</u>		

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

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

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – PENSION PLAN (CONTINUED)

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

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 7.15 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 (6.15 percent) or 1- percentage point higher (8.15 percent) than the current rate:

	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
District's proportionate share of the net pension plan liability	\$ 3,022,935	\$ 1,886,393	\$ 945,089

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, 2018, the Commission had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2018.

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.

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)

Plan Description

Plan administration – Integrated medical/prescription drug coverage is provided through CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA). Employees may choose from a variety of HMO and PPO options. The Commission offers the same health plans to its retirees as its active employees, with the exception that one a retiree becomes eligible for Medicare, he or she must join a Medicare HMO or a Medicare Supplement plan under PEMHCA.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

Benefits provided – Employees and executive directors become eligible to retire and receive monthly contributions from the Commission upon attainment of age 50 and 5 years of covered PERS service, or by qualifying disability retirement status. Benefits are paid for the lifetime of the retiree, and if applicable, the surviving spouse of the retiree if coverage is in effect at the time of the retiree's death. The Commission's retiree contribution is based on the CalPERS PEMHCA unequal method. The active caps are 95% of the Blue Shield Bay Area premium for single and 90% for dual and family. Currently, the retiree single cap is equal to the active single cap. The retiree dual and family caps are not equal to the corresponding active caps and are projected to remain unequal, with the annual increase in the cap set to a maximum of \$100.

Employees Covered

As of the July 1, 2017, actuarial valuation, the following current and former employees were covered by the benefit terms under the Commission's Plan:

Active plan members	14
Inactive employees or beneficiaries currently receiving benefits	<u>7</u>
Total	<u><u>21</u></u>

The Commission currently finances benefits on a pay-as-you-go basis.

Net OPEB Liability

The Commission's Net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation dated July 1, 2017. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial assumptions. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00%
Medical cost trend rate	Pre-Medicare: 6.00%
	Post-Medicare: 4.00%

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2017 valuation were based on a review of plan experience during the period July 1, 2015 to June 30, 2017.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or in excess of the target rate of return of 3.62 percent.

Change in assumptions. For the June 30, 2018 measurement date, the discount rate was increased from 3.13 percent to 3.62 percent.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

Net OPEB Liability (Continued)

Discount rate. GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments — to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher — to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District's total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long Term Expected Return of Plan Investments	Municipal 20 Year High Grade Rate Index	Discount Rate
June 30, 2018	June 30, 2018	4.00%	3.62%	3.62%

Changes in the OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017 (Valuation Date June 30, 2017)	<u>\$ 1,948,302</u>
Changes recognized for the measurement period:	
Service cost	121,414
Interest	60,196
Changes of assumptions	(133,982)
Contributions - employer	
Net investment income	
Benefit payments	<u>(50,598)</u>
Net Changes	<u>(2,970)</u>
Balance at June 30, 2018 (Measurement Date June 30, 2018)	<u><u>\$ 1,945,332</u></u>

Sensitivity of the OPEB liability to changes in the discount rate. The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate:

	1% Decrease 2.62%	Current Rate 3.62%	1% Increase 4.62%
OPEB Liability	\$ 2,233,575	\$ 1,945,332	\$ 1,708,735

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

Sensitivity of the OPEB liability to changes in the healthcare trend rates. The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1-percentage point lower (5.00 percent) or 1-percentage-point higher (7.00 percent) than the current healthcare cost trend rates:

	1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
OPEB Liability	\$ 1,655,678	\$ 1,945,332	\$ 2,307,496

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the Commission recognized OPEB expense of \$159,280. As of the fiscal year ended June 30, 2018, the Commission reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ -	\$ -
Change in assumptions		111,652
	<u>\$ -</u>	<u>\$ 111,652</u>

Amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Amount
2019	\$ (22,330)
2020	(22,330)
2021	(22,330)
2022	(22,330)
2023	(22,332)
	<u>\$ (111,652)</u>

NOTE 10 – SENATE BILL 1 – STATE OF GOOD REPAIR

The Road Repair and Accountability Act of 2017, Senate Bill (SB) 1 (Chapter 5, Statutes of 2017), signed by the Governor on April 28, 2017, includes a program that will provide additional revenues for transit infrastructure repair and service improvements. This investment in public transit will be referred to as the State of Good Repair program. This program provides funding of approximately \$105 million annually to the State Transit Assistance (STA) Account. These funds are to be made available for eligible transit maintenance, rehabilitation and capital projects.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – SENATE BILL 1 – STATE OF GOOD REPAIR (Continued)

This program demonstrates California's commitment to clean, sustainable transportation, and the role that public transit plays in that vision. While SB 1 addresses a variety of transportation needs, this program has a specific goal of keeping transit systems in a state of good repair, including the purchase of new transit vehicles, and maintenance and rehabilitation of transit facilities and vehicles. These new investments will lead to cleaner transit vehicle fleets, increased reliability and safety, and reduced greenhouse gas emissions and other pollutants.

In the fiscal year ended June 30, 2018, the Santa Cruz County Regional Transportation Commission received \$673,297. The funding was distributed to the Santa Cruz Metropolitan Transit District.

NOTE 11 – RESTATEMENT

Due to the implementation of GASB Statement No. 75, an adjustment is required to the District's Net OPEB liability of \$(839,301) at June 30, 2017, as part of the net position in the governmental activities of the government-wide statement of net position.

	Governmental Activities
	<hr/>
Ending Net Position per prior fiscal year audit	\$ 20,411,195
Restatement, per GASB Statement No. 75	<hr/> (839,301)
Net Position, restated July 1, 2017	<hr/> <u>\$ 19,571,894</u>

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Transportation Funds	\$ 1,284,747	\$ 1,336,964	\$ 1,336,964	\$ -
RSTP Exchange	150,000	25,000		(25,000)
State Planning, Programming and Monitoring Funds	175,000	175,000	117,752	(57,248)
State Rural Planning Assistance	337,000	341,666	233,848	(107,818)
Fed 5304 Partnership Planning		104,672	104,671	(1)
Fed 5304 Prioritization		67,460	67,460	
Fed 5304 User Oriented		20,606	20,606	
Fed 5304 SR9		104,672	93,284	(11,388)
Measure D		581,694	501,221	(80,473)
Transit Planning Grants	550,073			
Sustainable Transportation Grant	140,729			
Land Trust	127,473			
Use of money and property			2,865	2,865
Other			2,262	2,262
Total revenues	2,765,022	2,757,734	2,480,933	(276,801)
Expenditures				
Salaries and benefits	1,550,175	1,463,560	1,361,867	101,693
Services and supplies	737,100	1,919,556	469,385	1,450,171
Bike to work	190,000	60,000	60,000	
User Oriented	15,000	10,000	1,972	8,028
Hwy 9 Study consultant	129,262		56,788	(56,788)
Community Traffic Safety Coalition		130,000	130,000	
Unified Corridor Investment	182,400	442,497	323,596	118,901
Prioritization	94,066	158,108	76,588	81,520
SR9 San Lorenzo Valley Complete Streets		120,851	59,484	61,367
Capital outlay			11,891	(11,891)
SR2S Education		25,000	42,842	(17,842)
Other expenses			7,107	(7,107)
Total expenditures	2,898,003	4,329,572	2,601,520	1,728,052
Excess of revenues over (under) expenditures	(132,981)	(1,571,838)	(120,587)	1,451,251
Other Financing Sources (Uses):				
Operating transfers out	(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	(242,981)	(1,681,838)	(230,587)	1,451,251
Fund balance - July 1	1,357,006	1,357,006	1,357,006	
Fund balance - June 30	\$ 1,114,025	\$ (324,832)	\$ 1,126,419	\$ 1,451,251

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Measure D	\$ -	\$ 1,110,500	\$ 141,103	\$ (969,397)
Use of money and property	85,000	85,000	97,961	12,961
RSTP Exchange	412,242	560,064		(560,064)
Other revenue			11,928	11,928
Total revenues	497,242	1,755,564	250,992	(1,504,572)
Expenditures				
Salaries and benefits	190,010	238,035	261,103	(23,068)
Services and supplies	130,000	720,297	236,007	484,290
Rail Improvements	350,000	970,000		970,000
Total expenditures	670,010	1,928,332	497,110	1,431,222
Excess of revenues over (under) expenditures	(172,768)	(172,768)	(246,118)	(73,350)
Other Financing Sources (Uses):				
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	(62,768)	(62,768)	(136,118)	(73,350)
Fund balance - July 1	471,287	471,287	471,287	
Fund balance - June 30	<u>\$ 408,519</u>	<u>\$ 408,519</u>	<u>\$ 335,169</u>	<u>\$ (73,350)</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
BUDGETARY COMPARISON SCHEDULE
SERVICE AUTHORITY FOR FREEWAY EMERGENCIES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Motor vehicle fees	\$ 238,000	\$ 250,000	\$ 256,424	\$ 6,424
Aid from other governments	50,000	50,000	48,308	(1,692)
Measure D		25,000		(25,000)
Use of money and property	3,000	3,000	5,754	2,754
Total revenues	291,000	328,000	310,486	(17,514)
Expenditures				
Salaries and benefits	125,000	125,000	81,681	43,319
Services and supplies	194,300	219,300	111,785	107,515
Total expenditures	319,300	344,300	193,466	150,834
Excess of revenues over (under) expenditures	(28,300)	(16,300)	117,020	133,320
Other Financing Sources (Uses):				
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	(78,300)	(66,300)	67,020	133,320
Fund balance - July 1	428,543	428,543	428,543	
Fund balance - June 30	<u>\$ 350,243</u>	<u>\$ 362,243</u>	<u>\$ 495,563</u>	<u>\$ 133,320</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
RSTP Exchange Funds	\$ 265,650	\$ 150,000	\$ 150,000	\$ -
California Department of Transportation Grant	160,702	165,983	166,187	204
State Planning, Programming and Monitoring Funds			85,876	85,876
Use of money and property	1,000	1,000	1,330	330
Total revenues	427,352	316,983	403,393	86,410
Expenditures				
Salaries and benefits	70,000	80,000	51,658	28,342
Services and supplies	20,000	17,000	6,400	10,600
Towing service	313,500	313,500	307,827	5,673
Total expenditures	403,500	410,500	365,885	44,615
Excess of revenues over (under) expenditures	23,852	(93,517)	37,508	131,025
Fund balance - July 1	78,523	78,523	78,523	
Fund balance - June 30	<u>\$ 102,375</u>	<u>\$ (14,994)</u>	<u>\$ 116,031</u>	<u>\$ 131,025</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
BUDGETARY COMPARISON SCHEDULE
HIGHWAY 1 PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 9,151	\$ 9,151
RSTP Exchange Funds	1,073,980	1,244,712	40,736	(1,203,976)
Active Transportation Program		320,000	42,000	(278,000)
Other revenue		23,000	23,000	
Total revenues	1,073,980	1,587,712	114,887	(1,472,825)
Expenditures				
Salaries and benefits	200,000	215,000	191,451	23,549
Services and supplies	729,537	1,127,677	626,310	501,367
Total expenditures	929,537	1,342,677	817,761	524,916
Excess of revenues over (under) expenditures	144,443	245,035	(702,874)	(947,909)
Fund balance - July 1	723,177	723,177	723,177	
Fund balance - June 30	\$ 867,620	\$ 968,212	\$ 20,303	\$ (947,909)

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Use of money and property	\$ -	\$ -	\$ 5,471	\$ 5,471
Active Transportation Program	265,000			
RTC funds	8,000			
RSTP Exchange Funds	42,096	636,679	636,679	
Total revenues	315,096	636,679	642,150	5,471
Expenditures				
Salaries and benefits	50,000	90,000	55,273	34,727
Services and supplies	232,500	470,395	40,038	430,357
Total expenditures	282,500	560,395	95,311	465,084
Excess of revenues over (under) expenditures	32,596	76,284	546,839	470,555
Fund balance - July 1	83,231	83,231	83,231	
Fund balance - June 30	<u>\$ 115,827</u>	<u>\$ 159,515</u>	<u>\$ 630,070</u>	<u>\$ 470,555</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
BUDGETARY COMPARISON SCHEDULE
CRUZ 511 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
RSTP Exchange Funds	\$ 359,500	\$ 383,424	\$ 345,648	\$ (37,776)
RSTP	50,000		77,851	77,851
Measure D		50,000	50,000	
Use of money and property			2,975	2,975
Total revenues	<u>409,500</u>	<u>433,424</u>	<u>476,474</u>	<u>43,050</u>
Expenditures				
Salaries and benefits	200,000	200,000	155,949	44,051
Services and supplies	<u>81,100</u>	<u>122,522</u>	<u>33,834</u>	<u>88,688</u>
Total expenditures	<u>281,100</u>	<u>322,522</u>	<u>189,783</u>	<u>132,739</u>
Excess of revenues over (under) expenditures	<u>128,400</u>	<u>110,902</u>	<u>286,691</u>	<u>175,789</u>
Other Financing Sources (Uses):				
Operating transfers in	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	
Excess of revenues and other sources over (under) expenditures and other uses	178,400	160,902	336,691	175,789
Fund balance - July 1				
Fund balance - June 30	<u>\$ 178,400</u>	<u>\$ 160,902</u>	<u>\$ 336,691</u>	<u>\$ 175,789</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
BUDGETARY COMPARISON SCHEDULE
ACTIVE TRANSPORTATION MBSST FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
RSTP Exchange Funds	\$ 242,000	\$ 242,000	\$ 42,000	\$ (200,000)
Land Trust	127,473	127,473	175,394	47,921
Measure D	3,019,250	3,019,250	674,927	(2,344,323)
Use of money and property			690	690
Other revenue			7,989	7,989
Total revenues	<u>3,388,723</u>	<u>3,388,723</u>	<u>901,000</u>	<u>(2,487,723)</u>
Expenditures				
Salaries and benefits	409,473	409,473	268,737	140,736
Services and supplies	<u>2,979,250</u>	<u>2,979,250</u>	<u>590,037</u>	<u>2,389,213</u>
Total expenditures	<u>3,388,723</u>	<u>3,388,723</u>	<u>858,774</u>	<u>2,529,949</u>
Excess of revenues over (under) expenditures			42,226	42,226
Fund balance - July 1				
Fund balance - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,226</u>	<u>\$ 42,226</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
SCHEDULE OF CHANGES IN THE OPEB LIABILITY
 Last 10 Years*
 As of June 30, 2018

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 121,414
Interest on the total OPEB liability	60,196
Actual and expected experience difference	
Changes in assumptions	(133,982)
Change in benefit items	
Benefit payments	<u>(50,598)</u>
Net change in total OPEB liability	(2,970)
 Total OPEB liability - beginning	 <u>1,948,302</u>
Total OPEB liability - ending	<u><u>\$ 1,945,332</u></u>

*- Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
SCHEDULE OF OPEB CONTRIBUTIONS

Last 10 Years*

As of June 30, 2018

The Commission's contribution for the fiscal year ended June 30, 2018 was \$50,598. The Commission did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2018, therefore the Commission does not need to comply with GASB 75's Required Supplementary Information requirements.

*- Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 Last 10 Years*
 As of June 30, 2018

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.01902%	0.01925%	0.01875%	0.02073%
Proportionate share of the net pension liability	\$ 1,886,393	\$ 1,665,777	\$ 1,286,988	\$ 1,289,646
Covered payroll	\$ 1,541,379	\$ 1,523,462	\$ 1,351,432	\$ 1,333,752
Proportionate share of the net pension liability as percentage of covered payroll	122.38%	109.34%	95.23%	96.69%
Plan's total pension liability	\$ 37,161,348,332	\$ 33,358,627,624	\$ 31,771,217,402	\$ 30,829,966,631
Plan's fiduciary net position	\$ 27,244,095,376	\$ 24,705,532,291	\$ 24,907,305,871	\$ 24,607,502,515
Plan fiduciary net position as a percentage of the total pension liability	73.31%	74.06%	78.40%	79.82%

Note to Schedule:

Change in assumptions

In 2017, as part of the Asset Liability Management review cycle, the discount rate was changed from 7.65 percent to 7.15 percent.

In 2016, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

In 2015, amounts reported as change in assumptions resulted primarily from adjustments to expected ages of general employees.

*- Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
SCHEDULE OF PENSION CONTRIBUTIONS
Last 10 Years*
As of June 30, 2018

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 552,504	\$ 267,135	\$ 214,636	\$ 170,439
Contribution in relation to the actuarially determined contributions	<u>(552,504)</u>	<u>(267,135)</u>	<u>(214,636)</u>	<u>(170,439)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,590,897	\$ 1,541,379	\$ 1,523,462	\$ 1,351,432
Contributions as a percentage of covered payroll	34.73%	17.33%	14.09%	12.61%

Notes to Schedule

Valuation Date: 6/30/2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age Normal

Asset valuation method 5-year smoothed market

Amorization Method The unfunded actuarial accrued liability is amortized over an open 17 year period as a level percentage of payroll.

Discount rate 7.50%

Amortization growth rate 3.75%

Price inflation 3.25%

Salary increases 3.75% plus merit component based on employee classification and years of service.

Mortality Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with a 2 year setback for males and a 4 year setback for females.

Valuation date: 6/30/2015

Discount rate: 7.65%

Valuation date: 6/30/2016

Discount rate: 7.15%

*- Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

SUPPLEMENTARY INFORMATION SECTION



**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, 2018.

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, 2018.

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
April 18, 2019



INDEPENDENT AUDITORS' REPORT ON MEASURE D 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 *Ordinance No. 2016-01* (Measure D), applicable for the fiscal year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Measure D.

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 Measure D. 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 *Ordinance No. 2016-01*. 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 Measure D

In our opinion, the funds allocated to and received by Santa Cruz County Regional Transportation Commission pursuant to Measure D, complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements of Measure D of Santa Cruz County Regional Transportation Commission for the fiscal year ended June 30, 2018.

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
April 18, 2019

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
SCHEDULE OF ALLOCATIONS AND EXPENDITURES
LOCAL TRANSPORTATION FUND
For the Fiscal Year Ended June 30, 2018

Claimant/Purpose/Authority*	Allocated Balance July 1, 2017	Allocation	Expended	Allocated Balance June 30, 2018
Santa Cruz Metropolitan Transit District				
Transit operator assistance PUC § 99260(a)	\$ -	\$ 6,767,933	\$ 6,767,933	\$ -
Totals		6,767,933	6,767,933	
Santa Cruz County Regional Transportation Commission Administration				
PUC § 99233.1		623,863	623,863	
Planning PUC § 99402		713,101	713,101	
Totals		1,336,964	1,336,964	
City of Santa Cruz				
Volunteer Center PUC § 99400 (c)		744,077	744,077	
Pedestrian and bicycle PUC § 99400 (a)	323,726	94,570	50,064	368,232
Totals	323,726	838,647	794,141	368,232
County of Santa Cruz				
Pedestrian and bicycle PUC § 99400 (a)	535,380	199,122		734,502
Totals	535,380	199,122		734,502
City of Scotts Valley				
Pedestrian and bicycle PUC § 99400 (a)	109,994	17,768	116,247	11,515
Totals	109,994	17,768	116,247	11,515
City of Capitola				
Pedestrian and bicycle PUC § 99400 (a)	184,521	14,852		199,373
Totals	184,521	14,852		199,373
City of Watsonville				
Pedestrian and bicycle PUC § 99400 (a)	424,762	77,390		502,152
Totals	424,762	77,390		502,152
Grand totals	\$ 1,578,383	\$ 9,252,676	\$ 9,015,285	\$ 1,815,774

* 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, 2018

Claimant/Purpose/Authority*	Allocated Balance July 1, 2017	Allocation	Expended	Allocated Balance June 30, 2018
Santa Cruz Metropolitan Transit District				
Transit operator assistance CAC § 6730 a	\$ -	\$ 3,885,303	\$ 3,885,303	\$ -
Total	<u>\$ -</u>	<u>\$ 3,885,303</u>	<u>\$ 3,885,303</u>	<u>\$ -</u>

* California Administrative Code