

**SANTA CRUZ COUNTY REGIONAL
TRANSPORTATION COMMISSION**

**AUDIT REPORT
June 30, 2016**

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
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June 30, 2016

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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, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Cruz County Regional Transportation Commission, as of June 30, 2016, 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.

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 14, the budgetary information on pages 51 through 56, the schedule of funding progress for post employment benefits other than pensions on page 57, the schedule of proportionate share of net pension liability on page 58, and the schedule of pension contributions on page 59, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, of the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2017, on our consideration of the Santa Cruz County Regional Transportation Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Moss, Remy & Haugheim LLP

Santa Maria, California
March 17, 2017

Management Discussion and Analysis

Fiscal Year Ending June 30, 2016

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 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 15/16, 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 and for developing both the state-mandated *Regional Transportation Plan (RTP)* and *Regional Transportation Improvement Program (RTIP)*.

The RTP is the long range transportation planning document which identifies the region's goals, needs and potential funding sources over a 20+ year period. The RTP is updated every 4-5 years and a major update was adopted in June 2014. The RTP includes sustainability targets and an evaluation of the transportation plan's ability to meet the targets. Project and funding information in the RTP is consistent with the SB 375-mandated Sustainable Communities Strategy prepared by the region's MPO, AMBAG. As certain state and federal funding becomes available, the RTC selects specific transportation projects to receive those funds and lists those selected projects in the RTIP, which covers a 5-year period.

The RTC contributed and/or secured funds for the following projects which were under construction or were implemented in FY 15/16; the dollar amounts reflect the RTC's contribution to the total project costs:

- 38th Avenue Reconstruction, Capitola: \$438,000 (RSTPX)
- Soquel/Park Way Intersection Safety Improvements, Santa Cruz: \$450,000 (STIP)
- County Roadway Preservation –17th Avenue and Brommer St, Freedom Boulevard,: \$947,000 (RSTPX and STIP)
- Redwood Lodge Storm Damage Repair: \$850,000 (STIP)
- Santa Cruz County Open Streets community events: \$25,000 (RSTPX)

Highway 1 Projects

In FY 15/16, 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 HOV Lane project alternative (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. Caltrans and the RTC hosted an Open House/Public Meeting to provide information to the public and document public comments. 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 from the public and agencies to be incorporated into the Final Environmental Document.

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, completed a Draft Passenger Rail Feasibility Study, and conducted extensive community engagement activities to encourage public review and comment.

Monterey Bay Sanctuary Scenic Trail Network (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 15/16. The MBSST Network will see the 32-mile rail right-of-way as the system’s spine within the shared use rail corridor, presumably adjacent to any rail service. 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. RTC

solidified funding partnerships with the Land Trust of Santa Cruz County and Friends of the Rail and Trail who are raising private funds and building community stewardship of the rail trail project. The RTC received a \$6.3M Federal Lands Access Program (FLAP) grant for a 5.4-mile north coast rail trail project from Wilder Ranch to Yellowbank and Panther beaches. A \$3.3M match was contributed by the Land Trust and a \$1M grant was provided by the California Coastal Conservancy. As project development progresses, RTC, federal lands and other partners realized that an economy of scale could be realized if the remaining 2 miles (to connect the northwestern terminus to the town of Davenport) were to be added to the current 5.4 mile project. An additional project, dubbed Phase 2, was thus added to connect the current project to Davenport. Phase 2 received a \$700K contribution from the Land Trust and a \$300K award from the RTC for design and environmental clearance to bring the project to shovel ready status. The Phase 2 project will require additional funding for construction.

Implementation of the other two rail trail projects, 2.1 miles in the City of Santa Cruz from Natural Bridges Drive to the Wharf roundabout, and 1.2 miles in the City of Watsonville from Lee Road to Walker Street continued with each local jurisdiction serving as the lead agency and working in partnership with the RTC. Stakeholder meetings and public workshops informed development of design elements. An Active Transportation Program grant application was submitted 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. 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 1,000 calls were placed from 107 call boxes in the county in FY 15/16. Twenty-five (25) call boxes were removed from the system permanently in accordance to the RTC authorized call box system reduction plan. Cruz511, a 511 traveler information project (described in more detail in the next section), is also funded 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 1,500 assists in FY 15/16.

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 its ongoing effort to help Santa Cruz residents and employees find carpool, vanpool and bike partners, the RTC partners with the Metropolitan Transportation Commission (MTC) for use of its online ridematching service.

To reach more people and streamline operations, Cruz511 has centralized its resources online. A program evaluation in early 2014, led to a decision to build upon RTC's core strengths of providing traveler information and marketing travel alternatives. These objectives help to advance the sustainability goals and targets of the RTC's 2014 Regional Transportation Plan (RTP).

3. FINANCIAL STATEMENTS

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

A. RTC Wide Financial Statements

The RTC-wide statements (Statement of Net Position and the Statement of Activities) are on full accrual basis of accounting; and consistent with the Government Accounting Standards Board (GASB) Statement 34, the fixed assets are capitalized, depreciated, and reported net of accumulated depreciation on the Statement of Net Position (balance sheet). In addition, the expenses are recognized for accrued vacation and sick leaves (compensated absences) and the related outstanding balance is reflected in the liability section. In accordance with GASB 45, the RTC Wide Financial Statements include the expenses and liabilities associated with Other Post Employment Benefits (OPEB) as discussed in Note 11 of the report. GASB 68 which was implemented in the prior fiscal year requires the measurement and reporting of the pension liability; pension is discussed in detail in Note 9 starting on page 42. The impact of GASB 45 and GASB 68 is the ever increasing Noncurrent (long-term) liability and decreasing Net Position.

B. Funds Financial Statements

The RTC continues to have 12 funds, which are equally divided between Governmental Funds (pages 18 - 26) and Fiduciary Funds (pages 28 – 31) with six in each type. In FY 2017, the *In Lieu of Social Security Fund* will become inactive as the remaining assets (cash) will be transferred to the *Administration and Planning Fund*.

1. Governmental Funds

GASB 34, 45, and 68 only apply to the Statement of Net Position (pages 15 and 16); therefore, a reconciliation is needed to balance the Fund Balances and Total Net Position. In addition to the Statement of Revenues, Expenditures, and Changes in Fund Balances (pages 22 - 26), actual results for each fund are compared to the budget in the *Required Supplementary Information Section* (pages 51 - 56).

2. Fiduciary Funds

Two Statements are presented for the Fiduciary Funds:

- a. Statement of Fiduciary Net Position (pages 28 and 29), and
- b. Statement of Changes in Fiduciary Net Position (pages 30 and 31).

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 2016 is another year of major accomplishment, which included initiation of environmental documents and design for significant portions of the rail trail, completion of the tiered draft environmental documents for the Highway 1 Investment Plan, and development of a ½-cent transportation sales tax measure for the November 2016 presidential election ballot. The TDA revenues set another new record high.

The implementation of Government Accounting Standards Board Statement 68 (GASB 68), *Accounting and Financial Reporting for Pensions* and GASB 45 continue to have significant negative impact on Net Position of Government wide financial statements. The fund statements, however, show governmental funds in financially sound position.

Governmental Funds

Net Position

The Net Position decreased by \$967,819 to \$18,914,547 from \$19,882,366 the prior fiscal year due to the liability accrual of \$875,000 related to a lawsuit (see Note 3 and Note 12), which has been settled in March 2017 prior to the issuance of the audit report. Structurally, the high and increasing balance of Noncurrent liabilities is the major factor affecting the Net Position and is the major cause of the current deficit of \$2,163,725 in Unrestricted Net Position. While there are adequate current assets to finance current liabilities, there are no assets to fully cover the Noncurrent liabilities of \$2,553,075. The ability to meet these long term obligations depends mostly on the benefit plans offered and/or the funding strategies. The table below shows how the Noncurrent liabilities – OPEB (\$968,091), Compensated Absence (\$297,996), and Net Pension Liability (\$1,286,988), are depressing the Net Position when fixed assets are excluded:

UNRESTRICTED NET POSITION DEFICIT ANALYSIS

	<u>FY2016</u>	<u>FY2015</u>
Current Assets (Cash & Receivables) *	3,631,290	4,462,755
Less:		
Restricted Fund Balance**	(1,215,140)	(1,285,499)
Current Liabilities (Net of D/T Other Funds)*	<u>(2,082,492)</u>	<u>(1,796,207)</u>
Unassigned Fund Balance**	<u>333,658</u>	<u>1,381,049</u>
Less Noncurrent Liabilities***	(2,553,075)	(2,459,843)
Add:		
Prepays*	16,196	19,667
Net Deferred Outflows & Inflows***	<u>39,496</u>	<u>(136,669)</u>
Unrestricted Net Position	<u>(2,163,725)</u>	<u>(1,195,796)</u>

* *Statement of Net Position – page 15 or Governmental Fund Balance- pages 18 -19*

** *Governmental Fund Balance- pages 18 -19*

*** *Statement of Net Position – page 15*

Cash, Receivables, and Payables

Cash and Investment balance decreased another \$432,183 to \$2,978,624 from \$3,410,807 on 6/30/2015. The Condensed Statement of Cash Flow explains the change in cash in terms of decreased Current Assets (mostly increased collections of receivables) and the increased payables as financing sources, while a deficit reduces cash. Adjusted for the lawsuit, current liabilities decreased by \$588,715 to \$1,207,492 and were a factor in the decreased cash. Unearned (Deferred) Revenues, a component of Current Liabilities, decreased by \$251,750 – a cash outflow as bills were paid from cash previously received in advance in lump sum.

The receivables (Accounts Receivable and Due To Other Agencies) decreased by \$399,274 to \$652,666 from \$1,051,940 due to the completion of major projects the year before; and an excellent receivable turnover as reimbursement from Caltrans has been in less than 30 days from invoice date absent any issues. The Prepaid Items Balance of \$16,196 is a result of FY 2017 retirees' first insurance premium installment (\$15,246), which was transferred to the Trust Fund; and the payment of FY 2017 SAFE's crime insurance premium (\$950) in FY 2016.

Condensed Statement of Cash Flow:

Excess of Revenues over (Under) Expenditures	(1,121,221)
Decrease (Increase) in Current Assets from FY2015	402,753
Increase (Decrease) in Current Liabilities from FY2015	<u>286,285</u>
Change in Cash	<u>(432,183)</u>
Beginning Cash Balance (6/30/2015)	<u>3,410,807</u>
Ending Cash Balance (6/30/2016)	<u>2,978,624</u>

Capital Assets

The fixed assets totaled \$19,863,132 with \$14,721 in net depreciated assets, \$5,648,411 in work in progress costs related to rail bridge rehabilitation, and \$14,200,000 for the Rail Line, a non-depreciable asset which was acquired in October 2012. The depreciable fixed asset acquisition consists of lone computer purchased for \$2,181 to be used for specialty software.

Other Balance Sheet Highlights

- Due From and Due To Other funds (\$365,138 each) consist of \$205,088 FY2016 fourth quarter salaries to be paid by the Administration and Planning and reimbursed by other funds; \$110,000 due to Rail/Trail from Administration and Planning; \$50,000 due to Administration and Planning (511Cruz) from SAFE; and a small balance due to Administration from Highway 1 Program Fund.
- Current assets are more than enough to cover current obligations; at \$4,012,624 they are 1.63 times the current liabilities of \$2,447,630.
- The total Unearned Revenues comprises of \$36,107 STIP funds in Administration and Planning, \$194,935 CMLA funds in Highway 1 Auxiliary Fund, and \$575,214 STP Exchange (RSTPX) funds in Rail/Trail.

Revenues

- The combined governmental funds revenues are down \$3,345,741 (44%) in FY 2016 when compared to FY 2015 due to the completion of the rail rehabilitation and the Highway 1 Auxiliary Lanes construction projects, which were funded respectively with STIP and CMLA funds – combined they decreased by of \$4,308,696. The table below presents the major funding sources with comparison to FY 2015:

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>Change</u>
RSTPX (Hwy 1 HOV)	882,557	0	882,557
RPA (Admin & Planning)	337,031	337,000	31
STIP (Rail/Trail)	0	3,569,339	(3,569,339)
CMLA (Hwy 1 Auxiliary Lanes)	<u>149,637</u>	<u>888,994</u>	<u>(739,357)</u>
Total	1,369,225	4,795,333	(3,426,108)

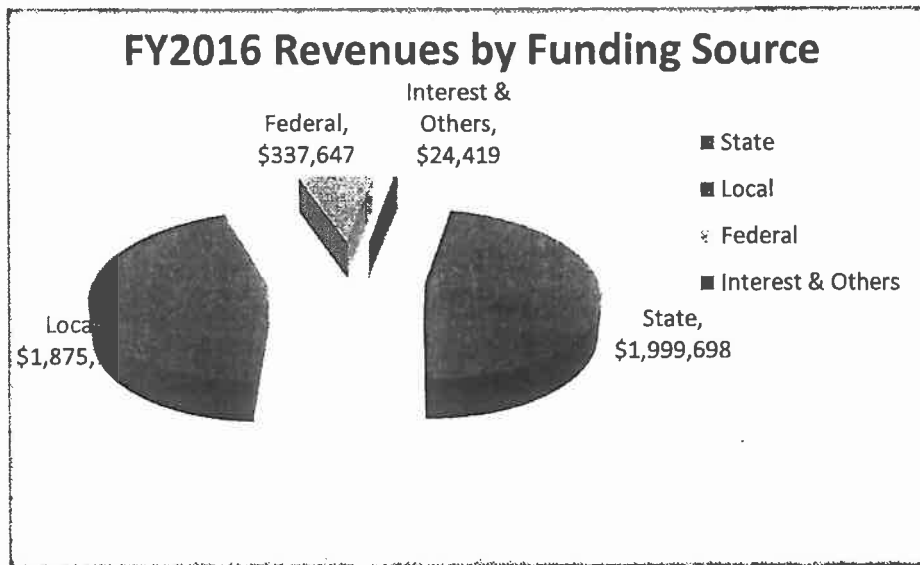
- The RTC was able to secure new funds including the RSTPX for Highway 1 Program (882,557); Fed FTA for Prioritization Project (\$229,735) and User Oriented Project (\$150,000); Land Trust of Santa Cruz County (\$3,300,000) and Coastal Conservancy (\$1,000,000) as match to the \$6,295,000 FLAP grant for Rail Trail; and \$100,000 from the County to complete Unified Corridor Phase I. The FLAP grant does not flow through RTC books.
- The State remained the leading source of funds, but the local funds came a close second with 44% as the State revenues sharply fell from 71% of total revenues to 47%. The local revenues show a \$300,900 (19%) gain to \$1,875,710 due largely to the \$100,000 County funding and the increased Rail Line Lease/Right of Entry revenues to \$155,547 in FY2016 from \$56,947.

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

Table
FY2016 Funding by Source

	<u>FY 2016</u>		<u>FY 2015</u>	
State	1,999,698	(47%)	5,381,672	(71%)
Local	1,875,710	(44%)	1,574,810	(21%)
Federal	337,647	(8%)	566,079	(7%)
Interest & Others	<u>24,419</u>	<u>(1%)</u>	<u>60,653</u>	<u>(1%)</u>
Total	4,237,473	(100%)	7,583,214	(100%)

Figure 1
FY2016 Funding by Source



The Local funds consist of MTC cost share of Safe on 17 Program (\$42,840), County (\$100,000), Land Trust of Santa Cruz County (\$144,949), Rail/Trail leases (\$155,547), DMV fees (\$251,024), and TDA funds (\$1,181,350). The DMV fees in SAFE Fund modestly increased by \$4,512 (1.8%) to \$251,024 while the RTC TDA allocation fell by, approximately \$40,000 (3.3%) to \$1,181,350.

Expenditures

- The expenditures decreased by \$2,397,875 to \$5,358,694, for the similar reason the revenues fell – the completion of major construction projects (Rail Line Rehabilitation and Highway 1 Auxiliary Lanes) as reflected in the decrease in Capital Outlay by \$3,275,966 to \$72,790.
- Payroll costs (\$2,232,836) are \$208,260 (8.5%) below budget (\$2,441,096); however they are up by \$165,932 (8.0%) from a year ago due to COLA and parity increases; and insurance and retirement benefits cost increase.

- The RTC continued to fund the Bike to Work and the Community Traffic Safety Coalition at the same level as in FY 2015 at \$50,000 and \$100,000 respectively.
- Overall, costs are in line and in accordance with the budget.

Fiduciary Funds

- The combined cash balance remains high and is up \$2,496,612 (27.9%) to \$11,436,158 from a year ago due to unclaimed allocations, revenue growth, the undistributed TDA reserve (\$620,175), and high RSTPX unallocated balance (\$3,066,406). The unclaimed allocations by funding sources and claimants are presented below:

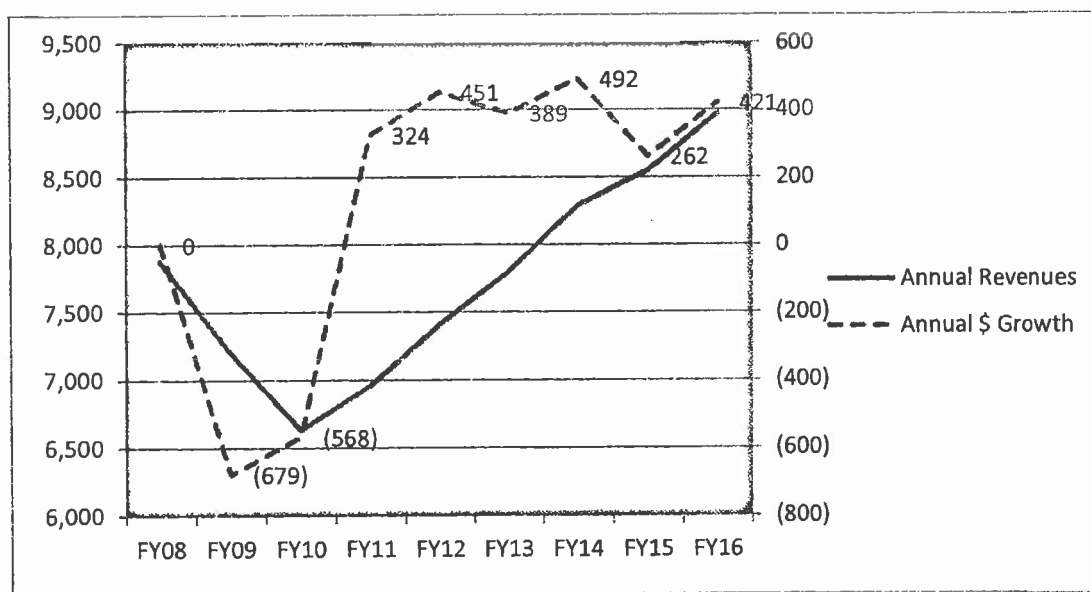
UNCLAIMED TDA AND STP EXCHANGE ALLOCATIONS			
	FY 2016 ENDING 6/30/2016		
	Total	TDA	RSTP Exchange
County of Santa Cruz	3,490,769	783,754	2,707,015
City of Capitola	707,501	169,501	538,000
City of Santa Cruz	416,410	228,410	188,000
City of Scotts Valley	438,171	92,171	346,000
City of Watsonville	1,246,932	346,932	900,000
Santa Cruz Metro (SCMTD)	0	0	0
SCCRTC	1,032,905	0	1,032,905
Open Streets- Due to SCCRTC	5,734	0	5,734
Unallocated	<u>3,686,581</u>	<u>620,175</u>	<u>3,066,406</u>
TOTAL	11,025,003	2,240,943	8,784,060

- The Net Position increased by \$2,629,126 (19.8%) to \$15,897,541 as a result of the continuing cash built up mentioned above and revenue growth. While the STA revenues sharply decreased by \$773,618 (28.5%) to \$1,943,824 due to declining fuel tax revenues, the FY 2016 RSTPX (\$2,995,791) and TDA revenues (\$9,035,856) show growth of 2.3% and 5.4% respectively.
- The STA Funds do not materially affect the Net Position, for funds are usually disbursed in the year received; and revenue and expenditures for the same amount are accrued for anticipated fourth quarter revenues. The FY2016 accounts receivable and payable in this fund increased respectively by \$402,996 (64%) and \$430,521 (72%) both to \$1,029,017 because the accruals are for two quarters instead of the usual one quarter. The third quarter was delayed due to issue related to the new State Controller's allocation formula.
- The TDA revenues set another new high record in FY2016; TDA performance in the last nine years is shown on the following page:

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

<u>Fiscal Year</u>	<u>Actual Receipts</u>	<u>(Change)</u>	
FY2008	\$ 7,878,633	\$ (169,729)	
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%

Figure 2
TDA Annual Revenues and Changes – Last Nine (9) Years
FY2008 – FY2016
(\$ in 000)



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

In FY2016, the SCMTD received 80% of all TDA allocated funds after the RTC share; and 100% of all STA funds. The expenditure levels in the fiduciary funds are dependent on revenue fluctuations, the allocations, and the claims for disbursement.

The Miscellaneous Deductions Fund and In Lieu of Social Security Fund show insignificant change on year to year comparison; and the later will become inactive as funds will revert to the General Fund in FY2017.

5. CURRENT FINANCIAL ISSUES AND CONCERNS

Management has been able to control the discretionary expenses; however, continuing to secure new revenue sources to meet existing and increasing transportation needs remains a challenge; and this issue became more acute in FY2016 with the elimination of federal Planning (PL) funding and the severe reduction in other state and federal grant dollars. The *2014 Regional Transportation Plan* identifies a funding gap of over \$2.9 billion for transportation needs countywide through the year 2035, even with new local funds such as a ½ cent sales tax and \$10 vehicle registration fee included in the funds anticipated to be available and approved by voters in the future.

Due to continually diminishing revenues from gasoline taxes and other sources, the Santa Cruz County region has not received sufficient transportation funds, creating a backlog of roadway and transit maintenance, delaying completion of existing projects, and making it very difficult to fund needed new projects. In May 2016, the California Transportation Commission (CTC) deleted \$750 million in projects statewide, which were previously approved for funding from the 2016 State Transportation Improvement Program (STIP) due to gas tax reductions and repayment of state general fund debt service from gas taxes. In Santa Cruz County the CTC deleted nearly \$7 million in projects, increasing the county's total unprogrammed shares of these state funds to over \$9 million. This is especially severe given that the county's proportional share of STIP programming capacity each year is about \$1 million.

Priced-based gas tax revenues to cities and the County of Santa Cruz have also dropped more than 50% in recent years, making it impossible for local jurisdictions to keep up with road maintenance of the nearly 900 miles of local roads. State Transit Assistance funds for public transit service also dropped.

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 as much as \$600 million, and the Monterey Bay Sanctuary Scenic Trail (MBBST) Network project, estimated to cost \$127 million. The RTC is identifying smaller projects within the Highway 1 corridor which could be constructed incrementally as funds become available. Throughout FY15/16, the RTC worked closely with the community to develop an investment plan for a November 2016 sales tax measure to alleviate some of the transportation funding needs. Designated as Measure D, this proposition would raise approximately \$500 million over 30 years. . The expenditure plan included in Measure D includes Neighborhood Projects such as streets and roads, safety, bicycle and pedestrian, and school safety projects; Community Projects such as paratransit projects; and Regional Projects such as Highways, Rail Trail and other transportation improvements on the rail corridor.

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

The RTC was a party to a lawsuit and a counter lawsuit as of June 30, 2016 with RGW Construction, Inc., the contractor for the Highway 1 Soquel to Morrissey Auxiliary Lanes Construction Project. Through mediation a settlement was reached in March 2017 with a payment of \$875,000 to RGW Construction Inc. See Note 3 and 12 for details on the affect on the financial statements.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION
June 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 2,978,624
Receivables	652,666
Prepaid items	16,196
Capital assets:	
Nondepreciable	19,848,411
Depreciable, net	<u>14,721</u>
Total assets	<u>23,510,618</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>243,665</u>
Total deferred outflows of resources	<u>243,665</u>
LIABILITIES	
Accounts payable	210,319
Accrued expenses	72,747
Due to other agencies	118,170
Unearned revenue	806,256
Settlement payable	875,000
Noncurrent liabilities	
Compensated absences	297,996
OPEB liability	968,091
Net pension liability	<u>1,286,988</u>
Total liabilities	<u>4,635,567</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>204,169</u>
Total deferred inflows of resources	<u>204,169</u>
NET POSITION	
Net investment in capital assets	19,863,132
Restricted for programs	1,215,140
Unrestricted	<u>(2,163,725)</u>
Total net position	<u><u>\$ 18,914,547</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, 2016

		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	\$ 5,205,292	\$ -	\$ 4,057,508	\$ -
Total governmental activities	\$ 5,205,292	\$ -	\$ 4,057,508	\$ -
General Revenues				
Investment income				170,643
Other				9,322
Total general revenues				179,965
Change in net position				(967,819)
Net position - beginning of fiscal year				19,882,366
Net position - end of fiscal year				\$ 18,914,547

The accompanying notes are an integral part of this statement.

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SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2016

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund
ASSETS			
Cash and investments	\$ 869,318	\$ 777,630	\$ 507,143
Accounts receivable	203,729	18,924	
Due from other agencies	273,362		77,542
Due from other funds	255,138	110,000	
Prepaid items	15,246		950
Total assets	<u>\$ 1,616,793</u>	<u>\$ 906,554</u>	<u>\$ 585,635</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 95,081	\$ 3,354	\$ 3,510
Accrued payroll	72,747		
Unearned revenue	36,107	575,214	
Settlement payable			
Due to other agencies	78,954	2,875	35,028
Due to other funds	110,000	36,767	107,815
Total liabilities	<u>392,889</u>	<u>618,210</u>	<u>146,353</u>
Fund Balances:			
Nonspendable:			
Prepaid items	15,246		950
Restricted:			
Transportation planning		288,344	438,332
Unassigned	1,208,658		
Total fund balances	<u>1,223,904</u>	<u>288,344</u>	<u>439,282</u>
Total liabilities and fund balances	<u>\$ 1,616,793</u>	<u>\$ 906,554</u>	<u>\$ 585,635</u>

The accompanying notes are an integral part of this statement.

Freeway Service Patrol Fund	Highway 1 Program Fund	Highway 1 Auxiliary Fund	Totals
\$ 56,226	\$ 545,313	\$ 222,994	\$ 2,978,624
	12,557		235,210
66,552			417,456
			365,138
			16,196
<u>\$ 122,778</u>	<u>\$ 557,870</u>	<u>\$ 222,994</u>	<u>\$ 4,012,624</u>
\$ 24,294	\$ 62,690	\$ 21,390	\$ 210,319
			72,747
		194,935	806,256
		875,000	875,000
	250	1,063	118,170
37,557	67,393	5,606	365,138
<u>61,851</u>	<u>130,333</u>	<u>1,097,994</u>	<u>2,447,630</u>
			16,196
60,927	427,537		1,215,140
		(875,000)	333,658
<u>60,927</u>	<u>427,537</u>	<u>(875,000)</u>	<u>1,564,994</u>
<u>\$ 122,778</u>	<u>\$ 557,870</u>	<u>\$ 222,994</u>	<u>\$ 4,012,624</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
RECONCILIATION OF THE GOVERNMENTAL
FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016

Total Fund Balances - Governmental Funds \$ 1,564,994

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	\$	20,009,284	
Accumulated depreciation		(146,152)	
Net			19,863,132

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	\$	297,996	
OPEB liability		968,091	
Net pension liability		1,286,988	
Total			(2,553,075)

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

Deferred inflows of resources relating to pensions	\$	(204,169)	
Deferred outflows of resources relating to pensions		243,665	
			39,496

Total Net Position - Governmental Activities \$ 18,914,547

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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, 2016

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund
Revenues			
Local Transportation Funds	\$ 1,181,350	\$ -	\$ -
Federal Highway Planning	45,526		
Motor vehicle fees			251,024
California Department of Transportation Grant			
RSTP Exchange Funds	57,322		
RSTP	111,876		
State Planning, Programming and Monitoring Funds	175,000		
State Rural Planning Assistance	337,031		
FHWA SPR Partnership Planning	74,668		
Fed 5304 Passenger Rail Study	11,633		
Fed 5304 User Oriented	35,813		
Fed 5304 Prioritization	58,131		
Coastal Conservancy	25,404		
Aid from other governments			42,840
CMIA			
Land Trust	144,949		
County of Santa Cruz (Unified Corridor)	100,000		
Use of money and property	1,847	160,091	3,403
Other	6,048	3,153	
Total revenues	2,366,598	163,244	297,267
Expenditures			
Salaries and benefits	1,632,433	131,837	128,323
Services and supplies	491,572	72,809	194,061
Bike to work	50,000		
Trail Master Plan Consultant	35,404		
Community Traffic Safety Coalition	100,000		
Towing service			
Unified Corridor Investment	153,839		
Passenger Rail Study	12,071		
Capital outlay		72,790	
Settlement			
Other expenses	91		3,414
Total expenditures	2,475,410	277,436	325,798
Excess of revenues over (under) expenditures	(108,812)	(114,192)	(28,531)

The accompanying notes are an integral part of this statement.

Freeway Service Patrol Fund	Highway 1 Program Fund	Highway 1 Auxiliary Lanes Fund	Totals
\$ -	\$ -	\$ -	\$ 1,181,350
			45,526
			251,024
171,195			171,195
135,000	882,557		1,074,879
			111,876
66,552			241,552
			337,031
			74,668
			11,633
			35,813
			58,131
			25,404
			42,840
		149,637	149,637
			144,949
			100,000
537	2,979	1,786	170,643
		121	9,322
<u>373,284</u>	<u>885,536</u>	<u>151,544</u>	<u>4,237,473</u>
75,059	228,239	36,945	2,232,836
6,293	690,484	120,959	1,576,178
			50,000
			35,404
			100,000
247,071			247,071
			153,839
			12,071
			72,790
		875,000	875,000
			3,505
<u>328,423</u>	<u>918,723</u>	<u>1,032,904</u>	<u>5,358,694</u>
<u>44,861</u>	<u>(33,187)</u>	<u>(881,360)</u>	<u>(1,121,221)</u>

(Continued)

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2016

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund
Other Financing Sources (Uses):			
Operating transfers in	\$ 50,000	\$ 110,000	\$ -
Operating transfers out	<u>(110,000)</u>	<u></u>	<u>(50,000)</u>
Total other financing sources (uses)	<u>(60,000)</u>	<u>110,000</u>	<u>(50,000)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(168,812)	(4,192)	(78,531)
Fund balances - July 1	<u>1,392,716</u>	<u>292,536</u>	<u>517,813</u>
Fund balances - June 30	<u><u>\$ 1,223,904</u></u>	<u><u>\$ 288,344</u></u>	<u><u>\$ 439,282</u></u>

The accompanying notes are an integral part of this statement.

Freeway Service Patrol Fund	Highway 1 Program Fund	Highway 1 Auxiliary Fund	Totals
\$ -	\$ -	\$ -	\$ 160,000 (160,000)
44,861	(33,187)	(881,360)	(1,121,221)
16,066	460,724	6,360	2,686,215
<u>\$ 60,927</u>	<u>\$ 427,537</u>	<u>\$ (875,000)</u>	<u>\$ 1,564,994</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, 2016

Net Change in Fund Balances - Governmental Funds \$ (1,121,221)

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 \$74,971 was greater than depreciation expense of \$4,502 in the period. 70,469

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 \$29,560. 29,560

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: 178,823

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This fiscal year, the difference between OPEB costs and actual employer contributions was: (125,450)

Change in Net Position - Governmental Activities \$ (967,819)

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SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016

	Private Purpose Trust Funds		
	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund
ASSETS			
Cash and investments	\$ 2,587,290	\$ 458	\$ 8,784,060
Accounts receivable	1,468,900		
Due from other agencies		1,029,017	2,995,791
Total assets	<u>4,056,190</u>	<u>1,029,475</u>	<u>11,779,851</u>
LIABILITIES			
Accounts payable			18,289
Due to other agencies		1,029,017	
Total liabilities		<u>1,029,017</u>	<u>18,289</u>
NET POSITION			
Unrestricted	<u>\$ 4,056,190</u>	<u>\$ 458</u>	<u>\$ 11,761,562</u>

The accompanying notes are an integral part of this statement.

Pension (and Other Employee Benefits) Trust Funds

<u>PERS Health</u>	<u>In Lieu of Social Security</u>	<u>Miscellaneous Deductions</u>	<u>Totals</u>
\$ 46,330	\$ 9,458	\$ 8,562	\$ 11,436,158
14,838		805	1,484,543
			4,024,808
<u>61,168</u>	<u>9,458</u>	<u>9,367</u>	<u>16,945,509</u>
		662	18,951
			<u>1,029,017</u>
		662	1,047,968
<u>\$ 61,168</u>	<u>\$ 9,458</u>	<u>\$ 8,705</u>	<u>\$ 15,897,541</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust Funds		
	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund
Additions:			
Sales tax	\$ 9,035,856	\$ 1,943,824	\$ -
State highway exchange funds			2,995,791
Contributions from SCCRTC			
Interest	16,698	458	56,494
Total additions	9,052,554	1,944,282	3,052,285
Deductions:			
Claimants:			
Santa Cruz Metropolitan Transit District	6,377,491	1,973,568	27
Santa Cruz County Regional Transportation Commission	1,181,350		1,017,557
City of Santa Cruz	894,686		
Plan payments			
Total deductions	8,453,527	1,973,568	1,017,584
Change in net position	599,027	(29,286)	2,034,701
Net position - beginning of fiscal year	3,457,163	29,744	9,726,861
Net position - end of fiscal year	\$ 4,056,190	\$ 458	\$ 11,761,562

The accompanying notes are an integral part of this statement.

Pension (and Other Employee Benefits) Trust Funds

<u>PERS Health</u>	<u>In Lieu of Social Security</u>	<u>Miscellaneous Deductions</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ 10,979,680
428,128		23,186	2,995,791
	61		451,314
			73,711
<u>428,128</u>	<u>61</u>	<u>23,186</u>	<u>14,500,496</u>
			8,351,086
			2,198,907
			894,686
<u>405,478</u>		<u>21,213</u>	<u>426,691</u>
<u>405,478</u>		<u>21,213</u>	<u>11,871,370</u>
22,650	61	1,973	2,629,126
<u>38,518</u>	<u>9,397</u>	<u>6,732</u>	<u>13,268,415</u>
<u>\$ 61,168</u>	<u>\$ 9,458</u>	<u>\$ 8,705</u>	<u>\$ 15,897,541</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

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

The reporting entity is the Santa Cruz County Regional Transportation Commission. There are no component units included in this report which meets the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39 and No. 61.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Commission. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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

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

C. Basis of Presentation

Government-wide Financial Statements:

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

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

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues – exchange and non-exchange transactions:

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

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

Unearned revenue:

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

Expenses/expenditures:

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

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

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting

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

Major Governmental Funds:

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

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

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

Freeway Service Patrol – State funds for roadside assistance.

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

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

Fiduciary Funds:

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

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

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

F. Budgets

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

G. Cash and Investments

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

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

H. Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets (Continued)

the contribution. Capital assets are defined by the Commission as assets with an initial, individual cost of at least \$1,500 and estimated useful life in excess of two years.

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

Equipment	3 to 7 years
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I. Unearned Revenue

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

J. Long-term Obligations

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

K. Compensated Absences

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

L. Fund Balances

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balances (Continued)

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

M. Prepaid Items

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

N. Estimates

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

O. Pensions

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

P. Deferred Outflows and Inflows of Resources

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

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

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

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Future Accounting Pronouncements

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

Statement No. 74	"Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans"	The provisions of this statement are effective for fiscal years beginning after June 15, 2016.
Statement No. 75	"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 77	"Tax Abatement Disclosures"	The provisions of this statement are effective for fiscal years beginning after December 15, 2015.
Statement No. 78	"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans"	The provisions of this statement are effective for fiscal years beginning after December 15, 2015.
Statement No. 79	"Certain External Investment Pools and Pool Participants"	The provisions of this statement are effective for fiscal years beginning after December 15, 2015.
Statement No. 80	"Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14"	The provisions of this statement are effective for fiscal years beginning after June 15, 2016.
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provisions of this statement are effective for fiscal years beginning after December 15, 2016.
Statement No. 82	"Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds are as follows:

Major Fund:	
Highway 1 Auxiliary Lanes Fund	\$ 663,684

NOTE 3 – DEFICIT FUND BALANCES

Major Fund:

A deficit fund balance of \$875,000 exists in the Highway 1 Auxiliary Lanes Fund. This fund balance deficit is due to the Commission having to pay a settlement related to the Highway 1 Auxiliary Lane Project.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 - CASH AND INVESTMENTS

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

Investments are carried at fair value. On June 30, 2016, the Commission had the following cash and investments on hand:

Cash in bank and on hand	\$ 20,734
Cash and investments with the Santa Cruz County Treasurer's Investment Fund	14,394,048
	<hr/>
Total cash and investments	\$ 14,414,782

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

Cash and investments, statement of net position	\$ 2,978,624
Cash and investments, statement of fiduciary net position	11,436,158
	<hr/>
Total cash and investments	\$ 14,414,782

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:

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 - CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk (Continued)

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	\$ 14,394,048	\$ 14,394,048	\$ -	\$ -	\$ -
Total	\$ 14,394,048	\$ 14,394,048	\$ -	\$ -	\$ -

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	\$ 14,394,048	N/A	\$ -	\$ -	\$ -	\$ 14,394,048
Total	\$ 14,394,048		\$ -	\$ -	\$ -	\$ 14,394,048

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.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 - CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

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

Investment in Santa Cruz County Treasurer's Investment Fund

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

NOTE 5 – DUE FROM OTHER AGENCIES

Due from other agencies consists of the following at June 30, 2016:

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)	\$ 133,963	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants (DOT)	64,303			66,552		
Other	75,096		77,542			
Totals	\$ 273,362	\$ -	\$ 77,542	\$ 66,552	\$ -	\$ -

Fiduciary Funds

<u>Agency</u>	<u>State Transit Assistance Fund</u>	<u>Surface Transportation Program Exchange Fund</u>
State grants (DOT)	\$ 1,029,017	\$ 2,995,791
Totals	\$ 1,029,017	\$ 2,995,791

NOTE 6 - INTERFUND TRANSACTIONS

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

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 - INTERFUND TRANSACTIONS (CONTINUED)

Due From/Due To Other Funds

Interfund receivable and payable balances at June 30, 2016, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
Administration and Planning	\$ 255,138	\$ 110,000
Rail/Trail Authority	110,000	36,767
Service Authority for Freeway Emergencies		107,815
Freeway Service Patrol		37,557
Highway 1 Program		67,393
Highway 1 Auxiliary		5,606
	<u>\$ 365,138</u>	<u>\$ 365,138</u>

Interfund Transfers

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

Interfund transfers for the 2015-2016 fiscal year, are as follows:

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

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Governmental activities				
Nondepreciable capital assets				
Right of way	\$ 14,200,000	\$ -	\$ -	\$ 14,200,000
Construction in progress	5,575,621	72,790		5,648,411
Total nondepreciable capital assets	<u>\$ 19,775,621</u>	<u>\$ 72,790</u>	<u>\$ -</u>	<u>\$ 19,848,411</u>
Depreciable capital assets				
Equipment	\$ 158,692	\$ 2,181	\$ -	\$ 160,873
Total depreciable capital assets	158,692	2,181		160,873
Less accumulated depreciation	(141,650)	(4,502)		(146,152)
Net depreciable capital assets	<u>\$ 17,042</u>	<u>\$ (2,321)</u>	<u>\$ -</u>	<u>\$ 14,721</u>
Net capital assets	<u>\$ 19,792,663</u>	<u>\$ 70,469</u>	<u>\$ -</u>	<u>\$ 19,863,132</u>

NOTE 8 – LONG-TERM DEBT

Changes in long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2016, is shown below:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within One Year
Governmental activities					
Compensated Absences	\$ 327,556	\$ 192,613	\$ 222,173	\$ 297,996	\$ -
OPEB Liability	842,641	169,903	44,453	968,091	
Net Pension Liability	<u>1,289,646</u>	<u>167,781</u>	<u>170,439</u>	<u>1,286,988</u>	
Governmental activities					
Long-term liabilities	<u>\$ 2,459,843</u>	<u>\$ 530,297</u>	<u>\$ 437,065</u>	<u>\$ 2,553,075</u>	<u>\$ -</u>

NOTE 9 –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.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 9 –PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

Benefits Provided

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

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
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	13.123% (Management)/ 16.623% (Other)	6.250%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Commission is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the Commission were \$214,636 for the fiscal year ended June 30, 2016.

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

At June 30, 2016, the Commission reported a liability of \$1,286,988 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30 2014 rolled forward to June 30, 2015 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, 2015, the Commission's proportion was 0.04691%, which decreased by 0.0053% from June 30, 2014.

For the year ended June 30, 2016, the Commission recognized pension expense of \$92,017. 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, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 9 –PENSION PLAN (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 214,636	\$ -
Differences between expected and actual experience	11,321	
Changes in assumptions		107,106
Net difference between projected and actual earnings on retirement plan investments		53,693
Adjustment due to differences in proportions	17,708	23,694
Difference in actual contributions and proportionate share of contributions		19,676
	<u>\$ 243,665</u>	<u>\$ 204,169</u>

\$214,636 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

Fiscal Year Ended June 30	Amount
2016	\$ (80,635)
2017	(82,603)
2018	(80,534)
2019	68,632
	<u>\$ (175,140)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
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 2014 experience study report.

NOTE 9 –PENSION PLAN (CONTINUED)

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

Changes of Assumptions

GASB Statement No. 68, paragraph 68 states that the long term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expenses. The discount rate was changed from 7.50% (net of administrative expenses in 2014) to 7.65% as of June 30, 2015 to correct the adjustment which previously reduced the discount rate for administrative expenses.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 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 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB No. 67 and No. 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

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

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

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 9 –PENSION PLAN (CONTINUED)

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

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		

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

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

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

The following represents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.65 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 (6.65 percent) or 1- percentage point higher (8.65 percent) than the current rate:

	1% Decrease 6.65%	Discount Rate 7.65%	1% Increase 8.65%
District's proportionate share of the net pension plan liability	\$ 2,158,369	\$ 1,286,988	\$ 567,562

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, 2016, the Commission had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2016.

NOTE 10– 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.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 10– NET POSITION (CONTINUED)

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

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

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

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

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

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

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

B. Funding Policy

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

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

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

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

The table on the following page shows the components of the Commission's Annual OPEB Cost for the fiscal year ended June 30, 2016, the amount actually contributed to the plan (including administrative costs), and changes in the Commission's Net OPEB Obligation/(Asset):

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

Item	FYE 6/30/16
Annual Required Contributions	\$ 169,684
Interest on Net OPEB Obligation/(Asset)	33,706
Adjustment to the Annual Required Contributions	(33,487)
Annual OPEB cost (expense)	169,903
Contributions made	(44,453)
Increase in Net OPEB Obligation/(Asset)	125,450
Net OPEB Obligation/(Asset) - beginning of fiscal year	842,641
Net OPEB Obligation/(Asset) - end of fiscal year	\$ 968,091

The Commission's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligations/(Asset) for the fiscal years ended June 30, 2016, June 30, 2015, and June 30, 2014 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
6/30/14	\$ 182,484	\$ 30,691	16.82%	\$ 679,066
6/30/15	\$ 194,474	\$ 30,899	15.89%	\$ 842,641
6/30/16	\$ 169,903	\$ 44,453	26.16%	\$ 968,091

D. Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Projected Unit Credit Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2015	\$ -	\$ 1,906,509	\$ 1,906,509	0.00%	\$ 1,399,102	136%

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

E. Actuarial Methods and Assumptions

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

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

E. Actuarial Methods and Assumptions (Continued)

The Plan's most recent actuarial valuation was performed as of July 1, 2015. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 4.0 percent investment rate (net of administrative expense) and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 3 years. These assumptions reflect an implicit 1.44 percent general inflation assumption. The Commission's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 30 years. The remaining amortization period as of July 1, 2015, was 30 years.

NOTE 12 – SUBSEQUENT EVENT

On March 7, 2017, the Commission settled with RGW Construction, Inc for \$875,000 in relation to a lawsuit filed on July 28, 2015 for work related to the State Route 1 Soquel/Morrissey Auxiliary Lane project. The Commission has paid the amount in the fiscal year ending June 30, 2017. The affect on the financial statements can be seen in the government-wide financial statements and the fund financial statements titled "Settlement Payable".

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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, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Local Transportation Funds	\$ 1,181,350	\$ 1,181,350	\$ 1,181,350	\$ -
Federal Highway Planning	220,000	45,526	45,526	
RSTP Exchange	255,000	222,230	57,322	(164,908)
RSTP		150,000	111,876	(38,124)
State Planning, Programming and Monitoring Funds	175,000	175,000	175,000	
State Rural Planning Assistance	337,000	337,031	337,031	
Coastal Conservancy		350,000	25,404	(324,596)
Unified Corridor (County of Santa Cruz)	50,000	100,000	100,000	
FHWA SPR Partnership Planning	100,000	136,990	74,668	(62,322)
Fed 5304 Passenger Rail Study	50,000	27,059	11,633	(15,426)
Fed 5304 User Oriented	119,995	119,995	35,813	(84,182)
Fed 5304 Priorization		114,868	58,131	(56,737)
Land Trust		120,000	144,949	24,949
Use of money and property			1,847	1,847
Other			6,048	6,048
Total revenues	2,488,345	3,080,049	2,366,598	(713,451)
Expenditures				
Salaries and benefits	1,679,104	1,768,561	1,632,433	136,128
Services and supplies	747,255	1,006,355	491,572	514,783
Bike to work	50,000	50,000	50,000	
Boltage		10,280		10,280
Unified Corridor Investment	150,000	236,990	153,839	83,151
Passenger Rail Study	50,000	34,199	12,071	22,128
Trail Master Plan Consultant		370,000	35,404	334,596
Community Traffic Safety Coalition	100,000	100,000	100,000	
Other expenses			91	(91)
Total expenditures	2,776,359	3,576,385	2,475,410	1,100,975
Excess of revenues over (under) expenditures	(288,014)	(496,336)	(108,812)	387,524
Other Financing Sources (Uses):				
Operating transfers in	50,000	50,000	50,000	
Operating transfers out	(110,000)	(110,000)	(110,000)	
Total other financing sources (uses)	(60,000)	(60,000)	(60,000)	
Excess of revenues and other sources over (under) expenditures and other uses	(348,014)	(556,336)	(168,812)	387,524
Fund balance - July 1	1,392,716	1,392,716	1,392,716	
Fund balance - June 30	\$ 1,044,702	\$ 836,380	\$ 1,223,904	\$ 387,524

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
RSTP Exchange Funds	\$ 615,000	\$ 567,822	\$ -	\$ (567,822)
Use of money and property	50,000	100,000	160,091	60,091
Other revenues			3,153	3,153
Total revenues	665,000	667,822	163,244	(504,578)
Expenditures				
Salaries and benefits	185,010	185,010	131,837	53,173
Services and supplies	220,871	240,000	72,809	167,191
Rail Improvements	500,000	615,000	72,790	542,210
Total expenditures	905,881	1,040,010	277,436	762,574
Excess of revenues over (under) expenditures	(240,881)	(372,188)	(114,192)	257,996
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	(130,881)	(262,188)	(4,192)	257,996
Fund balance - July 1	292,536	292,536	292,536	
Fund balance - June 30	\$ 161,655	\$ 30,348	\$ 288,344	\$ 257,996

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Motor vehicle fees	\$ 238,000	\$ 238,000	\$ 251,024	\$ 13,024
Aid from other governments	50,000	50,000	42,840	(7,160)
Use of money and property	3,000	3,000	3,403	403
Total revenues	291,000	291,000	297,267	6,267
Expenditures				
Salaries and benefits	129,507	129,507	128,323	1,184
Services and supplies	164,300	264,300	194,061	70,239
Other expenses			3,414	(3,414)
Total expenditures	293,807	393,807	325,798	68,009
Excess of revenues over (under) expenditures	(2,807)	(102,807)	(28,531)	74,276
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	(52,807)	(152,807)	(78,531)	74,276
Fund balance - July 1	517,813	517,813	517,813	
Fund balance - June 30	\$ 465,006	\$ 365,006	\$ 439,282	\$ 74,276

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
RSTP Exchange Funds	\$ 150,000	\$ 285,000	\$ 135,000	\$ (150,000)
California Department of Transportation Grant	207,500	170,598	171,195	597
State Planning, Programming and Monitoring Funds			66,552	66,552
Use of money and property	1,000	1,000	537	(463)
Total revenues	358,500	456,598	373,284	(83,314)
Expenditures				
Salaries and benefits	76,060	76,060	75,059	1,001
Services and supplies	17,000	17,000	6,293	10,707
Towing service	285,000	285,000	247,071	37,929
Total expenditures	378,060	378,060	328,423	49,637
Excess of revenues over (under) expenditures	(19,560)	78,538	44,861	(33,677)
Fund balance - July 1	16,066	16,066	16,066	
Fund balance - June 30	<u>\$ (3,494)</u>	<u>\$ 94,604</u>	<u>\$ 60,927</u>	<u>\$ (33,677)</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 2,979	\$ 2,979
RSTP Exchange Funds	1,154,968	1,555,000	882,557	(672,443)
Total revenues	1,154,968	1,555,000	885,536	(669,464)
Expenditures				
Salaries and benefits	256,958	241,958	228,239	13,719
Services and supplies	883,185	1,773,766	690,484	1,083,282
Total expenditures	1,140,143	2,015,724	918,723	1,097,001
Excess of revenues over (under) expenditures	14,825	(460,724)	(33,187)	427,537
Fund balance - July 1	460,724	460,724	460,724	
Fund balance - June 30	\$ 475,549	\$	\$ 427,537	\$ 427,537

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 1,786	\$ 1,786
CMIA		369,220	149,637	(219,583)
Other revenue			121	121
Total revenues		369,220	151,544	(217,676)
Expenditures				
Salaries and benefits		40,000	36,945	3,055
Services and supplies		329,220	120,959	208,261
Settlement			875,000	(875,000)
Total expenditures		369,220	1,032,904	(663,684)
Excess of revenues over (under) expenditures			(881,360)	(881,360)
Fund balance - July 1	6,360	6,360	6,360	
Fund balance - June 30	\$ 6,360	\$ 6,360	\$ (875,000)	\$ (881,360)

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
SCHEDULE OF FUNDING PROGRESS FOR POST EMPLOYMENT BENEFITS
OTHER THAN PENSIONS
For the Fiscal Year Ended June 30, 2016

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

<u>Valuation Date</u>	<u>Actuarial Asset Value</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
July 1, 2009	\$ -	\$ 1,296,810	\$ 1,296,810	0.0%	\$ 1,707,826	76%
July 1, 2012	\$ -	\$ 1,595,221	\$ 1,595,221	0.0%	\$ 1,239,820	129%
July 1, 2015	\$ -	\$ 1,906,509	\$ 1,906,509	0.0%	\$ 1,399,102	136%

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 Last 10 Years*
 As of June 30, 2016

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

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.01875%	0.02073%
Proportionate share of the net pension liability	\$ 1,286,988	\$ 1,289,646
Covered- employee payroll	\$ 1,351,432	\$ 1,333,752
Proportionate share of the net pension liability as percentage of covered-employee payroll	95.23%	96.69%
Plan's total pension liability	\$ 31,771,217,402	\$ 30,829,966,631
Plan's fiduciary net position	\$ 24,907,305,871	\$ 24,607,502,515
Plan fiduciary net position as a percentage of the total pension liability	78.40%	79.82%

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

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
SCHEDULE OF PENSION CONTRIBUTIONS
Last 10 Years*
As of June 30, 2016

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

	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 214,636	\$ 170,439
Contribution in relation to the actuarially determined contributions	(214,636)	(170,439)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered- employee payroll	\$ 1,523,462	\$ 1,351,432
Contributions as a percentage of covered-employee payroll	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

Amorization Mcthod/Period For details, see June 30, 2012 funding valuation report.

Price Inflation 2.75%

Salary increases Varies by Entry Age and Service

Payroll Growth 3.00%

Investment Rate of Return 7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation

Retirement Age The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.

Mortality The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

Valuation Date: 6/30/2015

Discount rate: 7.65%

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

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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, 2016.

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, 2016.

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

Moss, Levy & Hartzheim LLP

Santa Maria, California
March 17, 2017

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
SCHEDULE OF ALLOCATIONS AND EXPENDITURES
LOCAL TRANSPORTATION FUND
For the Fiscal Year Ended June 30, 2016

Claimant/Purpose/Authority*	Allocated Balance July 1, 2015	Allocation	Expended	Allocated Balance June 30, 2016
Santa Cruz Metropolitan Transit District				
Transit operator assistance PUC § 99260(a)	\$ -	\$ 6,377,491	\$ 6,377,491	\$ -
Totals		6,377,491	6,377,491	
Santa Cruz County Regional Transportation Commission Administration				
PUC § 99233.1		538,542	538,542	
Planning PUC § 99402		642,808	642,808	
Totals		1,181,350	1,181,350	
City of Santa Cruz				
Volunteer Center PUC § 99400 (c)		701,153	701,153	
Pedestrian and bicycle PUC § 99400 (a)	333,085	88,858	193,533	228,410
Totals	333,085	790,011	894,686	228,410
County of Santa Cruz				
Pedestrian and bicycle PUC § 99400 (a)	596,686	187,068		783,754
Totals	596,686	187,068		783,754
City of Scotts Valley				
Pedestrian and bicycle PUC § 99400 (a)	75,428	16,473		91,901
Totals	75,428	16,473		91,901
City of Capitola				
Pedestrian and bicycle PUC § 99400 (a)	155,304	14,197		169,501
Totals	155,304	14,197		169,501
City of Watsonville				
Pedestrian and bicycle PUC § 99400 (a)	273,386	73,546		346,932
Totals	273,386	73,546		346,932
Grand totals	\$ 1,433,889	\$ 8,640,136	\$ 8,453,527	\$ 1,620,498

* 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, 2016

Claimant/Purpose/Authority*	Allocated Balance July 1, 2015	Allocation	Expended	Allocated Balance June 30, 2016
Santa Cruz Metropolitan Transit District				
Transit operator assistance CAC § 6730 a	\$ -	\$ 1,973,568	\$ 1,973,568	\$ -
Total	\$ -	\$ 1,973,568	\$ 1,973,568	\$ -

* California Administrative Code