

**SANTA CRUZ COUNTY REGIONAL  
TRANSPORTATION COMMISSION**

**AUDIT REPORT  
June 30, 2017**



**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
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June 30, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Cruz County Regional Transportation Commission, as of June 30, 2017, 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 16, the budgetary information on pages 51 through 56, the schedule of funding progress for post employment benefits other than pensions on page 57, the schedule of proportionate share of net pension liability on page 58, and the schedule of 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 23, 2018, 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 & Hargheim LLP*

Santa Maria, California  
March 23, 2018



## **Management Discussion and Analysis Fiscal Year Ending June 30, 2017**

### **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 the designated administrator of Measure D, ½-cent sales tax, which was approved by the Santa Cruz County residents in November, 2016.

The RTC is governed by a Board of Directors composed of 12 members and one ex-officio member. The Board sets policies related to transportation projects and programs throughout the county, delivers regional projects, and, for FY 16/17, oversaw 17 full and part-time employees representing 15.75 full-time equivalent positions.

### **2. MAJOR PROGRAMS**

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

The RTC is the state-designated Regional Transportation Planning Agency (RTPA) for Santa Cruz County. As the RTPA for Santa Cruz County, the RTC is responsible for distributing Transportation Development Act funds raised through a 1/4-cent state sales tax, as well as selecting projects and programs to receive the county's formula shares of State Transit Assistance (STA), State Transportation Improvement Program (STIP), Surface Transportation Block Grant Program (STBG), and certain Senate Bill 1 funds. As the RTPA, the RTC is also responsible for developing both the state-mandated *Regional Transportation Plan (RTP)* and *Regional Transportation Improvement Program (RTIP)*.

The RTP is the long range transportation planning document which identifies the region's goals, needs and potential funding sources over a 20+ year period. The RTP is updated every 4-5 years. A major update was adopted in June 2014; staff began drafting the 2018 update during FY16/17. The RTP includes sustainability targets and an evaluation of the transportation plan's ability to meet the targets. Project and funding information in the RTP is consistent with the California Transportation Commission's (CTC) RTP Guidelines and the SB 375-mandated Sustainable Communities Strategy prepared by the region's MPO, AMBAG. As certain state and federal funding becomes available, the

RTC selects specific transportation projects to receive those funds and lists those selected projects in the RTIP, which covers a 5-year period.

The RTC contributed and/or secured funds for local agencies for the following projects which were under construction or were implemented in FY 16/17; the dollar amounts reflect the RTC's contribution to the total project costs:

- Branciforte Creek Bike/Ped Bridge, Santa Cruz: \$300,000 (RSTPX)
- County Roadway Preservation on multiple streets and roads: \$1.1 million (RSTPX)

### **Highway 1 Projects**

In FY 16/17, the RTC continued management and analysis of regionally significant projects on Highway 1 using federal and state funds.

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

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

The RTC awarded a contract to a consultant team to gather information in consideration of conceptual design options for a pedestrian/bicycle overcrossing of Highway 1 at Mar Vista Drive in Aptos.

### **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 16/17. The MBSST Network will see the 32-mile rail right-of-way as the system's spine within the shared use rail corridor. Initiation of projects began following adoption of the award-winning Master Plan, a document that serves as the guiding blueprint for the project's implementation.

The RTC worked with Central Federal Lands (CFL) to implement a 7.5-mile north coast rail trail project for which a Federal Lands Access Grant had been awarded, with matching funds provided by the Land Trust of Santa Cruz County, the California Coastal Conservancy, and the RTC. CFL, in partnership with the RTC, conducted preliminary design and right-of-way analysis of the north coast

project. After new information and/or requirements related to study of best uses of the rail corridor and right-of-way ownership, the RTC concluded that a full Environmental Impact Report will be undertaken for this segment. Measure D funds were allocated for the work.

Implementation of 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. Cooperative Agreements were developed to address funding, including new Measure D funds, as well as implementation responsibilities and ongoing maintenance. An Active Transportation Program grant application was awarded for design and environmental review for a rail trail project between the Wharf roundabout and 17<sup>th</sup> Avenue by the City of Santa Cruz and the County of Santa Cruz. While project initiation for the full project is not scheduled to start until 2019, the San Lorenzo River bridge walkway was analyzed to determine its suitability for a retrofit whereby the walkway would be widened to serve bicyclists and pedestrians instead of building a new bridge. In total, four projects, totaling a 13 miles of trail, were forwarded during this fiscal year.

RTC continued building 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. A Rail Trail Work Group continued meeting so that partners working on various aspects of trail implementation, funding or advocacy could gather at one table, share resources and team up on project delivery efforts.

#### **SAFE and FSP**

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

The SAFE program provides call boxes on Highways 1, 9, 17, 152, and 129 throughout the county and connects stranded motorists with assistance. Nearly 800 calls were placed from 65 call boxes in the county in FY 16/17. 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 1,370 assists in FY 16/17.

### **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. In FY 16/17, Cruz511 expanded its services to provide a more modern TDM program that includes partnerships with local jurisdictions and public private partnerships.

### **Unified Corridors**

The objective of the Unified Corridor Investment Study (UCS) is to identify multimodal transportation investments that provide the greatest benefit and most effective use of Highway 1, Soquel Avenue/Drive and Freedom Blvd, and the Santa Cruz Branch Rail Line. Goals for the UCS focus on developing a sustainable transportation system which seeks to maximize benefits in terms of the natural environment, economic vitality and health and equity. In 2017, the RTC approved goals, criteria, performance measures and a project list as well as groups of projects or scenarios to be evaluated in the Step 1 analysis. Input from the public, stakeholders, and RTC advisory committees have been solicited at key milestones of project development.

An analysis is in progress to determine how different scenarios or groups of transportation projects implemented by 2035 will advance the goals of the project. The scenarios being evaluated are designed to include all modes (auto, transit, bike, and walk) consistent with RTC sustainability policies to advance triple bottom line goals of environment, equity and economy. The development of the scenarios considered input from the public, community organizations, stakeholders, RTC Advisory Committees, and the RTC.

### **User Oriented Transit Project**

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

Program was carried out in Santa Cruz County between March 2017 and September 2017.

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

The Cruz511 In Your Neighborhood Program’s effectiveness is measured by the changes in: the frequency of drive alone, riding the bus, bike, walk and carpool trips, and awareness and attitudes towards transportation options before and after the program intervention. Program effectiveness also considers the number of program participants and materials distributed and the public’s perception of the Cruz511 In Your Neighborhood Project.

### **Visualization**

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

The primary technology chosen for this project is a tool called an “Owl” viewer. It was developed in the Bay Area by a firm called Owlized. The viewer looks similar to the binocular units at scenic lookouts, but functions much differently. Looking into the viewer, the participant sees a photo-realistic virtual reality representation of proposed sustainable transportation improvements. Participants will be able to provide feedback about the short and long term sustainable transportation and land use visualizations via a short survey which will be administered by the Owl and will be available on the RTC website.

The project is coordinated with other RTC projects through incorporation of transportation improvements under consideration in the long range Regional Transportation Plan (RTP) and Unified Corridors Investment Study (UCS) using technologically advanced and effective techniques to engage the community. The final product will be a toolkit for public engagement that includes a review of these methods as well as a final plan that documents lessons learned and current public understanding of sustainable transportation systems in Santa Cruz County. The toolkit will be

available for others throughout the state.

### **SR9 SLV Complete Streets Corridor Transportation Plan**

The RTC initiated work on the Highway 9/San Lorenzo Valley (SLV) Complete Streets Corridor Plan in FY16/17. Work included developing scope of work, hiring a consultant to conduct technical analysis, meetings with stakeholders, two community workshops, development of an online survey, and other public outreach to solicit input on needs for the corridor. Consultants developed a draft project report, evaluating feasibility and developing visuals for a dozen projects identified as priorities.

## **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 9 of the report. The RTC adheres to GASB 68 which requires the measurement and reporting of the pension liability; and pension is discussed in detail in Note 7 starting on page 44. The impact of GASB 45 and GASB 68 is the ever increasing Noncurrent (long-term) liability and decreasing Net Position.

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

The RTC had thirteen funds in FY2017 including Measure D Fund, a new fiduciary fund required by the 1/2 –cent sales tax measure voted for and passed by the Santa Cruz residents in November 2016. There are six governmental funds (pages 20 – 28) and seven fiduciary funds (pages 30 – 33).

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

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

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

#### **4. FINANCIAL HIGHLIGHTS**

FY 2017 is another year of major accomplishment, which included initiation of environmental documents and design for significant portions of the rail trail, advancing toward completion of the tiered draft environmental documents for the Highway 1 Corridor Investment Program, and the Santa Cruz County resident approved Measure D, a ½-cent transportation sales tax, in November 2016. The RTC received the first Measure D payment in June 2017. 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 strong financial position.

#### **Governmental Activities**

##### **Net Position**

The Net Position is up \$1,496,648 to \$20,411,195 from \$18,914,547 in FY2016. While the combined fund balance is healthy at \$3,141,767 (page 21) the Net Position has a negative Unrestricted balance of \$1,234,864 (page 17) due to continuing rise of pension and OPEB liabilities. While there are adequate current assets to finance current liabilities, Noncurrent Liability Balance of \$3,097,885 cannot be fully covered. The ability to meet these long term obligations depends mostly on the benefit plans offered and/or the funding strategies. The RTC has increased payment for the Side funds (retirement liability inherited from the separation from the County) in order to accelerate the debt extinction date; and has been making additional payment above normal costs. The table below shows how the Noncurrent liabilities – OPEB (\$1,109,001), Compensated Absence (\$323,107), and Net Pension Liability (\$1,665,777) – are depressing the Net Position when capital assets are excluded:

## UNRESTRICTED NET POSITION DEFICIT ANALYSIS

	<u>FY2017</u>	<u>FY2016</u>
Current Assets (Cash & Receivables) *	4,188,802	3,631,290
Less:		
Restricted Fund Balance**	(1,784,761)	(1,215,140)
Current Liabilities (Net of D/T Other Funds)*	<u>(1,081,626)</u>	<u>(2,082,492)</u>
Unassigned Fund Balance**	<b>1,322,415</b>	<b>333,658</b>
Less Noncurrent Liabilities***	(3,097,885)	(2,553,075)
Add:		
Prepays*	34,591	16,196
Net Deferred Outflows & Inflows***	<u>506,015</u>	<u>39,496</u>
Unrestricted Net Position	<b><u>(1,234,864)</u></b>	<b><u>(2,163,725)</u></b>

\* *Statement of Net Position – page 17 or Governmental Fund Balance- pages 20 -21*

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

\*\*\* *Statement of Net Position – page 17 or Note 6, Long-term Debt on page 44*

### **Cash, Receivables, and Payables**

Cash and Investment balance shows a slight decreased of \$55,218 to \$2,923,406 (pages 17) from \$2,978,624 on 6/30/2016. The RTC has adequate resources to meet its current obligations with a 3.4x current ratio. The current liabilities have decreased by \$1,000,866 mostly due to decreased Unearned Revenue (\$498,850) and no lawsuit settlement in FY2017. The lawsuit settlement cost (\$875,000) was accrued in FY2016, but the actual payment was made FY2017.

The Prepaid Items Balance of \$34,591 is a result of FY 2018 liability insurance (\$27,345) paid in FY2017 and the July rent (\$7,246) for offices in Santa Cruz (\$6,713) and Watsonville (\$533) also paid in FY2017.

### **Capital Assets**

Net fixed assets totaled \$19,861,298 in FY2017. The non-depreciable assets value remained unchanged from FY2016 at \$19,848,411. The depreciable fixed assets decreased by \$1,834 to \$12,887. The decrease is the difference between new laptops acquisition of \$3,283 and the depreciation expense of \$5,117 (Page 43).

### **Other Balance Sheet Highlights**

- Due From and Due To Other funds (\$208,261 each) consist of \$110,144 due to Rail/Trail from Administration and Planning; \$50,000 due to Administration and Planning (511Cruz) from SAFE; \$22,761 due to Administration and Planning from Highway 1 Program; \$159 due to Freeway Service Patrol from SAFE, and \$25,197 due to Administration and Planning



from FSP. FSP borrowed \$100,000 from SAFE and 50,000 was repaid in the same year. The loan payable and the receivable were offset and eliminated on the financial statements.

- Unearned Revenue decreased by \$498,850 to \$307,406 as a result of significant RSTPX and CMIA revenue recognition respectively in Rail/Trail and Highway 1 Auxiliary Lanes Fund. The Unearned Revenue balance in FY2017 is distributed as follows: \$38,616 STIP funds in Administration and Planning and \$268,790 RSTPX funds in Rail/Trail.

### **Condensed Balance Sheet of Governmental Funds**

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>Change</u>
Cash	2,923,406	2,978,624	(55,218)
Accounts Receivables and Due From	1,473,657	1,017,804	455,853
Prepaid Items	<u>34,591</u>	<u>16,196</u>	<u>18,395</u>
<b>Total Assets</b>	<b><u>4,431,654</u></b>	<b><u>4,012,624</u></b>	<b><u>419,030</u></b>
Accounts Payable and Due To	982,481	766,374	216,107
Unearned Revenue	307,406	806,256	(498,850)
Settlement	<u>0</u>	<u>875,000</u>	<u>(875,000)</u>
<b>Total Liabilities</b>	<b><u>1,289,887</u></b>	<b><u>2,447,630</u></b>	<b><u>(1,157,743)</u></b>
<b>Total Fund Balances</b>	<b><u>3,141,767</u></b>	<b><u>1,564,994</u></b>	<b><u>1,576,773</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>4,431,654</u></b>	<b><u>4,012,624</u></b>	<b><u>419,030</u></b>

### **Revenues**

The combined governmental funds revenues are up \$2,723,202 to \$6,960,675. The table below is a year to year revenue comparison:

### **Revenues Comparison**

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>Change</u>
RSTPX	2,446,384	1,074,879	1,371,505
Local transportation Fund (TDA)	1,325,634	1,181,350	144,284
Coastal Conservancy	986,538	25,404	961,134
FTA Section 5304	475,752	180,245	295,507
Federal Highway Planning		45,526	(45,526)
RPA (Admin & Planning)	332,334	337,031	(4,697)
Motor Vehicle Fees	260,341	251,024	9,317
STIP	253,448	241,552	11,896
RSTP	209,607	111,876	97,731
CMIA (Hwy 1 Auxiliary Lanes)	194,935	149,637	45,298
Caltrans Grant (FSP)	163,680	171,195	(7,515)
Aid from other governments	50,000	42,840	7,160
Land Trust	152,732	144,949	7,783
County of Santa Cruz (Unified Corridor)		100,000	(100,000)
Use of money and property	97,661	170,643	(72,982)
Other	<u>11,629</u>	<u>9,322</u>	<u>2,307</u>
<b>Total</b>	<b>6,960,675</b>	<b>4,237,473</b>	<b>2,723,202</b>

- The RSTPX funds show the highest growth with \$800,000 (100%) in Highway 1 Auxiliary Lanes, \$291,724 (100%) in Rail/Trail, and \$256,006 in Highway 1 HOV. The Coastal Conservancy provided \$986,538 in State revenues for the Monterey Bay Scenic Sanctuary Trail (MBSST) Project; up \$961,134 from \$25,404 in FY2016. Additional outside funding for MBSST came from the Land Trust of Santa Cruz County. The federal FTA Sections 5304 funding increased by \$290,507 and the funds were used to support the following projects: Prioritization (\$126,462); SR9 San Lorenzo Valley Complete Streets (\$88,219); User Oriented (\$79,096); and Unified Corridor Phase II.
- The State remains the main funding source at 63% of all revenues. The local revenues (\$1,870,319) are a distant second with 27% of revenues, and consist of TDA funds (\$1,325,634); Motor Vehicle fees (\$260,341); Land Trust (\$152,732); Lease by Rail/Trail (\$88,092); and MTC Safe for Safe on 17 (\$50,000). The Motor Vehicle fees show a modest growth of \$9,317 (4%) in FY2017.

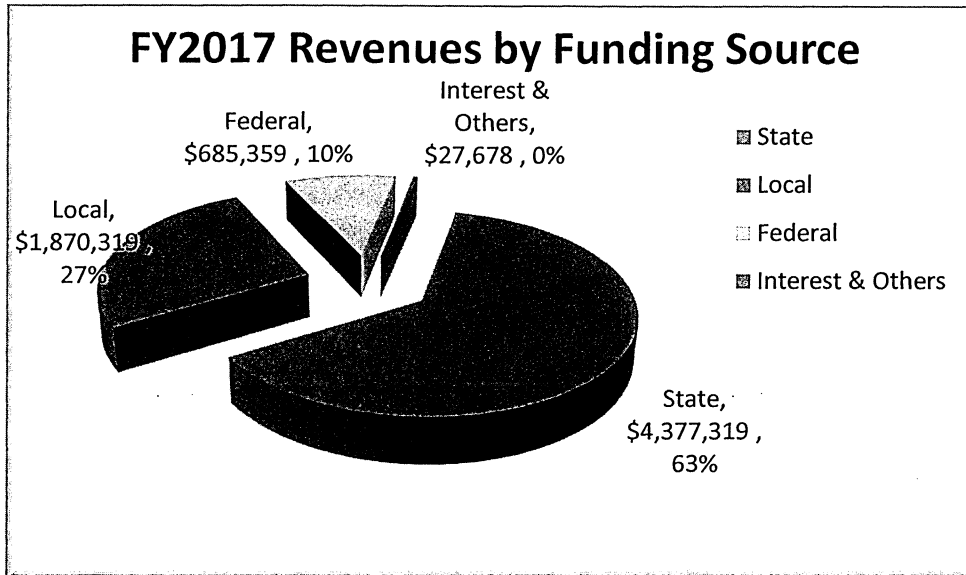
The funding sources comparative table and the graph (Figure 1) are presented below:

Table  
FY2017 Funding by Source

	<u>FY2017</u>		<u>FY2016</u>	
State	4,377,319	(63%)	1,999,698	(47%)
Local	1,870,319	(27%)	1,875,710	(44%)
Federal	685,359	(10%)	337,647	(8%)
Interest & Others	<u>27,678</u>	<u>(0%)</u>	<u>24,419</u>	<u>(1%)</u>
<b>Total</b>	<b><u>6,960,675</u></b>	<b>(100%)</b>	<b><u>4,237,473</u></b>	<b>(100%)</b>

Figure 1

FY2017 Funding by Source



**Expenditures**

- The expenditures are up \$25,208 to \$5,383,902; and major expenditures were for payroll (\$2,226,808); MBSST (1,180,836); Towing in FSP (\$247,063); and consultants in various funds.
- Payroll costs (\$2,226,908) are flat with a minor decrease of \$5,928 from a year ago; and they are \$280,032 (11%) below budget (\$2,506,940).
- The RTC continued to fund the Bike to Work and the Community Traffic Safety Coalition at the same level as in FY2016 at \$50,000 and \$100,000 respectively.
- Overall, costs are in line and in accordance with the budget.

**Fiduciary Funds**

- With the passage of ½-cent sales tax Measure D in November 2016, there are now 7 fiduciary funds. The RTC received one month payment from Measure D in June 2017 for the April's advance. Two additional months were accrued in the audit report for May and June for the proceeds which were received respectively in July and August 2017. Funds are advanced two months arrear and a reconciliation (clean up) to actual receipts is done each quarter for prior quarter advances; and an adjustment up or down is made.

- The combined cash balance remains high and is up \$4,858,409 (27.9%) to \$16,294,567 from a year ago due to unclaimed allocations; revenue growth; the unspent June's Measure D proceeds (\$1,153,155); and the undistributed (Unallocated) RSTPX (4,195,148) and TDA (\$805,634) funds. The undistributed RSTPX funds balance of \$4,195,148 includes \$3,027,985 which was received practically at year end on June 27, 2017.

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

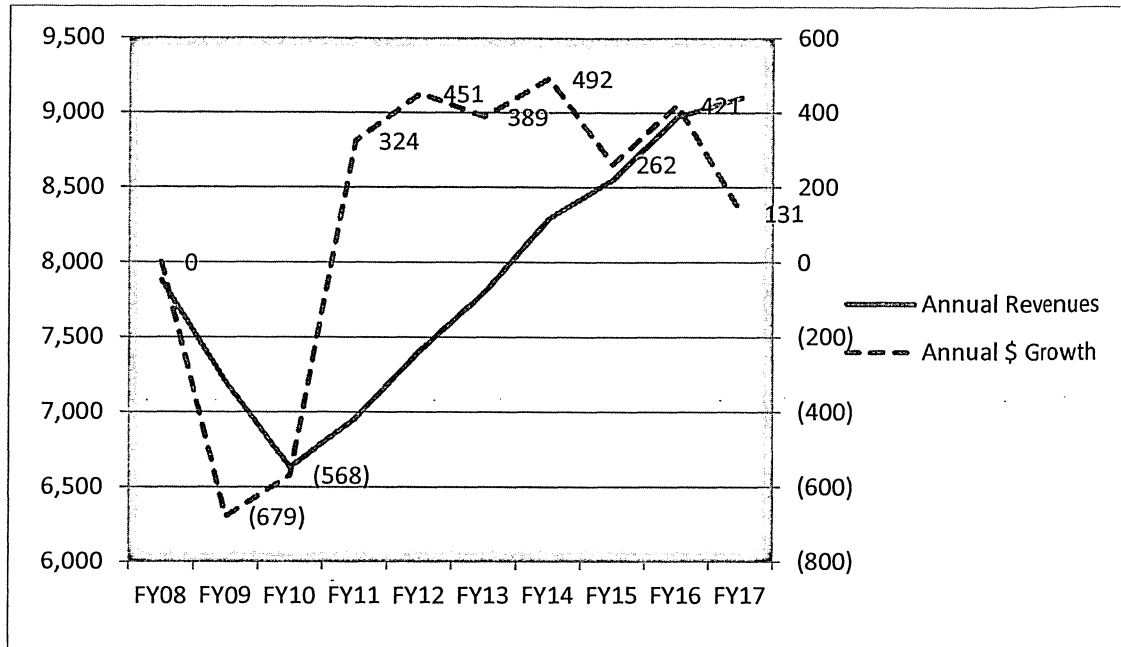
UNCLAIMED TDA AND STP EXCHANGE ALLOCATIONS			
FY 2017 ENDING 6/30/2017			
	Total	TDA	RSTP Exchange
County of Santa Cruz	4,609,209	535,379	4,073,830
City of Capitola	953,521	184,521	769,000
City of Santa Cruz	558,726	323,726	235,000
City of Scotts Valley	455,994	109,994	346,000
City of Watsonville	1,459,762	424,762	1,035,000
Santa Cruz Metro (SCMTD)	500,000	0	500,000
SCCRTC	1,549,907	0	1,549,907
Unallocated	<u>5,000,782</u>	<u>805,634</u>	<u>4,195,148</u>
<b>TOTAL</b>	<b><u>15,087,901</u></b>	<b><u>2,384,016</u></b>	<b><u>12,703,885</u></b>

- The Net Position increased by \$2,876,909 (18%) to \$18,774,450 due to Measure D revenues (\$3,828,606) which are partially offset by expenses of only \$697,880 (pages 32-33). The STA (\$2,005,031) and STPX revenues show a modest growth of 3% and 1% respectively
- The audit report shows a decline in TDA of \$41,941 (0.5%) to \$8,993,915 from \$9,035,856 in FY2016; however the TDA revenues set another new high record in FY2017 when comparing just July to June receipts. The TDA performance in the last ten years is shown on the following table and graph:

The TDA cash receipts performance over the last ten years

<u>Fiscal Year</u>	<u>Actual Receipts</u>	<u>(Change)</u>	
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%
FY2017	9,101,315	131,259	1.50%

Figure 2  
TDA Annual Revenues and Changes – Last Ten (10) Years  
FY2008 – FY2017  
(\$ 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. While the numbers and graph above show TDA revenues increase of 1.5% in FY2017 the audited numbers, which contain accruals for July and August receipts show a \$41,941 decline (0.5%) to \$8,993,915 from \$9,035,856 in FY2016.*

The SCMTD receives 85.5% of all TDA allocated funds after the RTC share; and 100% of all STA funds. The expenditure levels in the fiduciary funds are dependent on revenue fluctuations, the allocations, and the claims for disbursement. FY2017 shows the lowest TDA growth as a rate and as well as in dollar value since FY2011.

The In Lieu of Social Security funds were reverted to the Administration and Planning Fund (General Fund) making the fund inactive in FY2018. Overall the financial position of the RTC is healthy and the passage of Measure D could make a dent in solving problems on the revenue side of its operations.

## 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 was a priority in FY16/17. In November 2016, Santa Cruz County voters approved Measure D, a comprehensive transportation sales tax measure which will help address some of the backlog of local road, highway, and transit shortfalls, as well as fund priority transportation projects. The California legislature's approval of Senate Bill 1 in April 2017 provides further stability to transportation funding. This does not provide sufficient funds for all of the identified transportation needs so the RTC will continue to work to increase transportation funding.

Funding RTC core functions continues to be a challenge since the elimination of federal Planning (PL) funding in FY2016 and the severe reduction in other state and federal grant dollars. The *2014 Regional Transportation Plan* identified a funding gap of over \$2.9 billion for transportation needs countywide through the year 2035, even with a new ½ cent sales tax.

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 has identified smaller projects within the Highway 1 corridor which could be constructed incrementally as funds become available, including new auxiliary lanes. Throughout FY16/17, 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, which was approved by voters. Designated as Measure D, this proposition is estimated to raise over \$700 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 continues 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. Measure D provides some funding for this need but it is still necessary to work to maximize the revenues that can be derived from the property. Longer term uses of the rail corridor, for other types of passenger transit services will require capital and operation funding from other sources.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
STATEMENT OF NET POSITION  
June 30, 2017

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 2,923,406
Receivables	1,265,396
Prepaid items	34,591
Capital assets:	
Nondepreciable	19,848,411
Depreciable, net	<u>12,887</u>
 Total assets	 <u>24,084,691</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	<u>599,202</u>
 Total deferred outflows of resources	 <u>599,202</u>
 <b>LIABILITIES</b>	
Accounts payable	405,043
Accrued expenses	78,560
Due to other agencies	290,617
Unearned revenue	307,406
Noncurrent liabilities	
Compensated absences	323,107
OPEB liability	1,109,001
Net pension liability	<u>1,665,777</u>
 Total liabilities	 <u>4,179,511</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	<u>93,187</u>
 Total deferred inflows of resources	 <u>93,187</u>
 <b>NET POSITION</b>	
Net investment in capital assets	19,861,298
Restricted for programs	1,784,761
Unrestricted	<u>(1,234,864)</u>
 Total net position	 <u><u>\$ 20,411,195</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, 2017

		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	\$ 5,464,027	\$ -	\$ 6,851,385	\$ -
Total governmental activities	<u>\$ 5,464,027</u>	<u>\$ -</u>	<u>\$ 6,851,385</u>	<u>\$ -</u>
General Revenues				
Investment income				97,661
Other				<u>11,629</u>
Total general revenues				<u>109,290</u>
Change in net position				1,496,648
Net position - beginning of fiscal year				<u>18,914,547</u>
Net position - end of fiscal year				<u>\$ 20,411,195</u>

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, 2017

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund
<b>ASSETS</b>			
Cash and investments	\$ 1,013,498	\$ 733,795	\$ 385,249
Accounts receivable	373,120		
Due from other agencies	514,706		77,771
Due from other funds	97,958	110,144	
Prepaid items	24,591		6,000
Total assets	<u>\$ 2,023,873</u>	<u>\$ 843,939</u>	<u>\$ 469,020</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 195,574	\$ 95,487	\$ 4,549
Accrued payroll	78,560		
Unearned revenue	38,616	268,790	
Due to other agencies	243,973	8,375	35,769
Due to other funds	110,144		159
Total liabilities	<u>666,867</u>	<u>372,652</u>	<u>40,477</u>
<b>Fund Balances:</b>			
Nonspendable:			
Prepaid items	24,591		6,000
Restricted:			
Transportation planning		471,287	422,543
Unassigned	1,332,415		
Total fund balances	<u>1,357,006</u>	<u>471,287</u>	<u>428,543</u>
Total liabilities and fund balances	<u>\$ 2,023,873</u>	<u>\$ 843,939</u>	<u>\$ 469,020</u>

The accompanying notes are an integral part of this statement.

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Freeway Service Patrol Fund	Highway 1 Program Fund	Highway 1 Auxiliary Fund	Totals
\$ 10,523	\$ 694,610	\$ 85,731	\$ 2,923,406
	82,543		455,663
163,680	53,576		809,733
159			208,261
4,000			34,591
<u>\$ 178,362</u>	<u>\$ 830,729</u>	<u>\$ 85,731</u>	<u>\$ 4,431,654</u>
\$ 24,642	\$ 84,791	\$	\$ 405,043
			78,560
			307,406
		2,500	290,617
<u>75,197</u>	<u>22,761</u>		<u>208,261</u>
<u>99,839</u>	<u>107,552</u>	<u>2,500</u>	<u>1,289,887</u>
4,000			34,591
74,523	723,177	83,231	1,774,761
			1,332,415
<u>78,523</u>	<u>723,177</u>	<u>83,231</u>	<u>3,141,767</u>
<u>\$ 178,362</u>	<u>\$ 830,729</u>	<u>\$ 85,731</u>	<u>\$ 4,431,654</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
RECONCILIATION OF THE GOVERNMENTAL  
FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2017

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Total Fund Balances - Governmental Funds \$ 3,141,767

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	\$ 20,012,567	
Accumulated depreciation	<u>(151,269)</u>	
Net		19,861,298

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	\$ 323,107	
OPEB liability	1,109,001	
Net pension liability	<u>1,665,777</u>	
Total		(3,097,885)

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	\$ (93,187)	
Deferred outflows of resources relating to pensions	<u>599,202</u>	
		506,015

Total Net Position - Governmental Activities		<u>\$ 20,411,195</u>
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The accompanying notes are an integral part of this statement.

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**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2017**

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund
<b>Revenues</b>			
Local Transportation Funds	\$ 1,325,634	\$ -	\$ -
Motor vehicle fees			260,341
California Department of Transportation Grant			
RSTP Exchange Funds	116,547	291,274	
RSTP	209,607		
State Planning, Programming and Monitoring Funds	170,000		
State Rural Planning Assistance	332,334		
Fed 5305 Partnership Planning	181,975		
Fed 5304 Prioritization	126,462		
Fed 5304 User Oriented	79,096		
Fed 5304 SR9	88,219		
Coastal Conservancy	986,538		
Aid from other governments			50,000
CMIA			
Land Trust	152,732		
Use of money and property	296	88,092	3,728
Other	11,621		
Total revenues	3,781,061	379,366	314,069
<b>Expenditures</b>			
Salaries and benefits	1,583,598	148,814	135,000
Services and supplies	503,219	157,609	139,808
Bike to work	50,000		
User Oriented	12,672		
Trail Master Plan Consultant	1,180,836		
Community Traffic Safety Coalition	100,000		
Towing service			
Unified Corridor Investment	36,808		
Prioritization	58,509		
SR9 San Lorenzo Valley Complete Streets	53,789		
Capital outlay	3,283		
Other expenses	5,245		
Total expenditures	3,587,959	306,423	274,808
Excess of revenues over (under) expenditures	193,102	72,943	39,261

The accompanying notes are an integral part of this statement.

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Freeway Service Patrol Fund	Highway 1 Program Fund	Highway 1 Auxiliary Lanes Fund	Totals
\$ -	\$ -	\$ -	\$ 1,325,634
			260,341
163,680			163,680
100,000	1,138,563	800,000	2,446,384
			209,607
83,448			253,448
			332,334
			181,975
			126,462
			79,096
			88,219
			986,538
			50,000
		194,935	194,935
			152,732
550	3,574	1,421	97,661
		8	11,629
<u>347,678</u>	<u>1,142,137</u>	<u>996,364</u>	<u>6,960,675</u>
77,500	241,996	40,000	2,226,908
5,519	404,676	197,958	1,408,789
			50,000
			12,672
			1,180,836
			100,000
247,063			247,063
			36,808
			58,509
			53,789
			3,283
			5,245
<u>330,082</u>	<u>646,672</u>	<u>237,958</u>	<u>5,383,902</u>
<u>17,596</u>	<u>495,465</u>	<u>758,406</u>	<u>1,576,773</u>

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2017**

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	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	\$ 50,000	\$ 110,000	\$ -
Operating transfers out	<u>(110,000)</u>	<u></u>	<u>(50,000)</u>
Total other financing sources (uses)	<u>(60,000)</u>	<u>110,000</u>	<u>(50,000)</u>
Excess of revenues and other sources over (under) expenditures and other uses	133,102	182,943	(10,739)
Fund balances - July 1	<u>1,223,904</u>	<u>288,344</u>	<u>439,282</u>
Fund balances - June 30	<u><u>\$ 1,357,006</u></u>	<u><u>\$ 471,287</u></u>	<u><u>\$ 428,543</u></u>

The accompanying notes are an integral part of this statement.



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Freeway Service Patrol Fund	Highway 1 Program Fund	Highway 1 Auxiliary Fund	Totals
\$ -	\$ -	\$ 199,825	\$ 359,825
	(199,825)		(359,825)
	(199,825)	199,825	
17,596	295,640	958,231	1,576,773
60,927	427,537	(875,000)	1,564,994
<u>\$ 78,523</u>	<u>\$ 723,177</u>	<u>\$ 83,231</u>	<u>\$ 3,141,767</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, 2017**

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Net Change in Fund Balances - Governmental Funds \$ 1,576,773

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

Capital assets are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital assets of \$3,283 was less than depreciation expense of \$5,117 in the period.

(1,834)

In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This fiscal year, vacation earned exceeded the amounts used by \$25,111.

(25,111)

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:

87,730

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:

(140,910)

Change in Net Position - Governmental Activities \$ 1,496,648

The accompanying notes are an integral part of this statement.

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**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
June 30, 2017

	Private Purpose Trust Funds		
	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund
<b>ASSETS</b>			
Cash and investments	\$ 2,384,016	\$ 917	\$ 12,703,885
Accounts receivable	1,361,500		
Due from other agencies		526,748	
Total assets	<u>3,745,516</u>	<u>527,665</u>	<u>12,703,885</u>
<b>LIABILITIES</b>			
Accounts payable			245,521
Due to other agencies		511,205	628,727
Total liabilities		<u>511,205</u>	<u>874,248</u>
<b>NET POSITION</b>			
Unrestricted	<u>\$ 3,745,516</u>	<u>\$ 16,460</u>	<u>\$ 11,829,637</u>

The accompanying notes are an integral part of this statement.

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<u>Pension (and Other Employee Benefits) Trust Funds</u>				
<u>Measure D Fund</u>	<u>PERS Health</u>	<u>In Lieu of Social Security</u>	<u>Miscellaneous Deductions</u>	<u>Totals</u>
\$ 1,153,155	\$ 44,857	\$ 4	\$ 7,733	\$ 16,294,567
2,675,700				4,037,200
				526,748
<u>3,828,855</u>	<u>44,857</u>	<u>4</u>	<u>7,733</u>	<u>20,858,515</u>
697,880			732	944,133
				1,139,932
<u>697,880</u>			<u>732</u>	<u>2,084,065</u>
<u>\$ 3,130,975</u>	<u>\$ 44,857</u>	<u>\$ 4</u>	<u>\$ 7,001</u>	<u>\$ 18,774,450</u>

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

	Private Purpose Trust Funds		
	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund
<b>Additions:</b>			
Sales tax	\$ 8,993,915	\$ 2,005,031	\$ -
State highway exchange funds			3,023,985
Contributions from SCCRTC			
Interest	22,305	459	86,780
Total additions	9,016,220	2,005,490	3,110,765
<b>Deductions:</b>			
Claimants:			
Santa Cruz Metropolitan Transit District	6,804,838	1,989,488	2,168,696
Santa Cruz County Regional Transportation Commission	1,325,634		
City of Santa Cruz	748,134		
County of Santa Cruz	448,288		873,994
Measure D Administration			
Measure D Neighborhood			
Measure D Transit			
Plan payments			
Total deductions	9,326,894	1,989,488	3,042,690
Change in net position	(310,674)	16,002	68,075
Net position - beginning of fiscal year	4,056,190	458	11,761,562
Net position - end of fiscal year	\$ 3,745,516	\$ 16,460	\$ 11,829,637

The accompanying notes are an integral part of this statement.

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Pension (and Other Employee Benefits) Trust Funds

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<u>Measure D Fund</u>	<u>PERS Health</u>	<u>In Lieu of Social Security</u>	<u>Miscellaneous Deductions</u>	<u>Totals</u>
\$ 3,828,606	\$ -	\$ -	\$ -	\$ 14,827,552
	399,701		21,413	3,023,985
249		77		421,114
				109,870
<u>3,828,855</u>	<u>399,701</u>	<u>77</u>	<u>21,413</u>	<u>18,382,521</u>
				10,963,022
				1,325,634
				748,134
				1,322,282
336,437				336,437
200,199				200,199
161,244				161,244
	416,012	9,531	23,117	448,660
<u>697,880</u>	<u>416,012</u>	<u>9,531</u>	<u>23,117</u>	<u>15,505,612</u>
3,130,975	(16,311)	(9,454)	(1,704)	2,876,909
	61,168	9,458	8,705	15,897,541
<u>\$ 3,130,975</u>	<u>\$ 44,857</u>	<u>\$ 4</u>	<u>\$ 7,001</u>	<u>\$ 18,774,450</u>

# SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. The Reporting Entity

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

The reporting entity is the Santa Cruz County Regional Transportation Commission. There are no component units included in this report which meets the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, and No. 80.

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

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

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

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

#### C. Basis of Presentation

##### Government-wide Financial Statements:

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

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



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

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

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus.

**D. Basis of Accounting**

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

Revenues – exchange and non-exchange transactions:

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

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

Unearned revenue:

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

Expenses/expenditures:

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

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

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

**E. Fund Accounting**

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

Major Governmental Funds:

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

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

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

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

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

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

Fiduciary Funds:

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

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

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

**F. Budgets**

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

**G. Cash and Investments**

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

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

**H. Capital Assets**

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

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

**H. Capital Assets (Continued)**

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

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

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

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

**J. Long-term Obligations**

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

**K. Compensated Absences**

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

**L. Fund Balances**

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

**L. Fund Balances (Continued)**

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

**M. Prepaid Items**

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

**N. Estimates**

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

**O. Pensions**

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

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

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

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

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

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**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. 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. 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.
Statement No. 83	"Certain Asset Retirement Obligations"	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 84	"Fiduciary Activities"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.
Statement No. 85	"Omnibus 2017"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 86	"Certain Debt Extinguishment Issues"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.

**NOTE 2 - CASH AND INVESTMENTS**

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

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
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**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

Investments are carried at fair value. On June 30, 2017, the Commission had the following cash and investments on hand:

Cash in bank and on hand	\$ 12,171
Cash and investments with the Santa Cruz County Treasurer's Investment Fund	<u>19,205,802</u>
Total cash and investments	<u>\$ 19,217,973</u>

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

Cash and investments, statement of net position	\$ 2,923,406
Cash and investments, statement of fiduciary net position	<u>16,294,567</u>
Total cash and investments	<u>\$ 19,217,973</u>

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

Investments Authorized by the Commission's Investment Policy

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Commission manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

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

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13 - 24 Months	25 - 60 Months	More than 60 months
Santa Cruz County Treasurer's Investment Fund	\$ 19,205,802	\$ 19,205,802	\$ -	\$ -	\$ -
Total	<u>\$ 19,205,802</u>	<u>\$ 19,205,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
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**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by the California Government Code and the Commission's investment policy, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Ratings as of fiscal year end		
				AAA	Aa	Not Rated
Santa Cruz County Treasurer's Investment Fund	\$ 19,205,802	N/A	\$ -	\$ -	\$ -	\$ 19,205,802
Total	<u>\$ 19,205,802</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,205,802</u>

Concentration of Credit Risk

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

Custodial Credit Risk

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

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

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

Investment in Santa Cruz County Treasurer's Investment Fund

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

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
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**NOTE 3 – DUE FROM OTHER AGENCIES**

Due from other agencies consists of the following at June 30, 2017:

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)	\$ 172,335	\$ -	\$ -	\$ 163,680	\$ 53,576	\$ -
Federal grants (DOT)	296,379					
Other	45,992		77,771			
<b>Totals</b>	<b>\$ 514,706</b>	<b>\$ -</b>	<b>\$ 77,771</b>	<b>\$ 163,680</b>	<b>\$ 53,576</b>	<b>\$ -</b>

Fiduciary Funds

<u>Agency</u>	<u>State Transit Assistance Fund</u>	<u>Surface Transportation Program Exchange Fund</u>
State grants (DOT)	\$ 526,748	\$ -
Other		
<b>Totals</b>	<b>\$ 526,748</b>	<b>\$ -</b>

**NOTE 4 - INTERFUND TRANSACTIONS**

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

Due From/Due To Other Funds

Interfund receivable and payable balances at June 30, 2017, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
Administration and Planning	\$ 97,958	\$ 110,144
Rail/Trail Authority	110,144	
Service Authority for Freeway Emergencies		159
Freeway Service Patrol	159	75,197
Highway 1 Program		22,761
	<b>\$ 208,261</b>	<b>\$ 208,261</b>



**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 4 - INTERFUND TRANSACTIONS (CONTINUED)**

Interfund Transfers

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

Interfund transfers for the 2016-2017 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
Highway 1 Program		199,825
Highway 1 Auxiliary	199,825	
	<u>\$ 359,825</u>	<u>\$ 359,825</u>

**NOTE 5 – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
<b>Governmental activities</b>				
Nondepreciable capital assets				
Right of way	\$ 14,200,000	\$ -	\$ -	\$ 14,200,000
Construction in progress	5,648,411			5,648,411
Total nondepreciable capital assets	<u>\$ 19,848,411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,848,411</u>
Depreciable capital assets				
Equipment	\$ 160,873	\$ 3,283	\$ -	\$ 164,156
Total depreciable capital assets	160,873	3,283		164,156
Less accumulated depreciation	(146,152)	(5,117)		(151,269)
Net depreciable capital assets	<u>\$ 14,721</u>	<u>\$ (1,834)</u>	<u>\$ -</u>	<u>\$ 12,887</u>
Net capital assets	<u>\$ 19,863,132</u>	<u>\$ (1,834)</u>	<u>\$ -</u>	<u>\$ 19,861,298</u>

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
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**NOTE 6 – LONG-TERM DEBT**

**Changes in long-term liabilities**

Long-term liability activity for the fiscal year ended June 30, 2017, is shown below:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due within One Year
<b>Governmental activities</b>					
Compensated Absences	\$ 297,996	\$ 214,656	\$ 189,545	\$ 323,107	\$ -
OPEB Liability	968,091	174,921	34,011	1,109,001	
Net Pension Liability	1,286,988	593,425	214,636	1,665,777	
Governmental activities Long-term liabilities	<u>\$ 2,553,075</u>	<u>\$ 983,002</u>	<u>\$ 438,192</u>	<u>\$ 3,097,885</u>	<u>\$ -</u>

**NOTE 7 –PENSION PLAN**

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

*Plan Descriptions*

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

*Benefits Provided*

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

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	2.0% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.555%
Required employer contribution rates	8.880%	6.250%

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
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**NOTE 7 –PENSION PLAN (CONTINUED)**

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

*Contributions*

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Commission is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the Commission were \$267,135 for the fiscal year ended June 30, 2017.

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

At June 30, 2017, the Commission reported a liability of \$1,665,777 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30 2015 rolled forward to June 30, 2016 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, 2016, the Commission's proportion was 0.04795%, which increased by 0.00104% from June 30, 2015.

For the year ended June 30, 2017, the Commission recognized pension expense of \$179,405. 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, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 267,135	\$ -
Differences between expected and actual experience	4,902	
Changes in assumptions		60,344
Net difference between projected and actual earnings on retirement plan investments	314,069	
Adjustment due to differences in proportions	7,870	20,194
Difference in actual contributions and proportionate share of contributions	5,226	12,649
	<u>\$ 599,202</u>	<u>\$ 93,187</u>

\$267,135 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
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June 30, 2017

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**NOTE 7 –PENSION PLAN (CONTINUED)**

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

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amount</u>
2018	\$ 7,580
2019	8,801
2020	141,150
2021	81,349
	<u>\$ 238,880</u>

*Actuarial Assumptions*

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Acturial 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 improvementss using Society of Actuaries Scale BB. For more detail on this table please refer to the 2014 experience study report.

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2017

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**NOTE 7 –PENSION PLAN (CONTINUED)**

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

*Discount Rate*

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	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	1.0%	-0.55%	-1.05%
Total	<u>100.0%</u>		

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

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

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2017

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**NOTE 7 –PENSION PLAN (CONTINUED)**

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

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

The following represents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.65 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	\$ 2,595,236	\$ 1,665,777	\$ 897,624

*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, 2017, the Commission had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2017.

**NOTE 8– NET POSITION**

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

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

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

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

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

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

**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.

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2017

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

**A. Plan Description (Continued)**

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, 2017, the amount actually contributed to the plan (including administrative costs), and changes in the Commission's Net OPEB Obligation/(Asset):

<u>Item</u>	<u>FYE 6/30/17</u>
Annual Required Contributions	\$ 169,684
Interest on Net OPEB Obligation/(Asset)	38,724
Adjustment to the Annual Required Contributions	(33,487)
Annual OPEB cost (expense)	174,921
Contributions made	(34,011)
Increase in Net OPEB Obligation/(Asset)	140,910
Net OPEB Obligation/(Asset) - beginning of fiscal year	968,091
Net OPEB Obligation/(Asset) - end of fiscal year	<u>\$ 1,109,001</u>

The Commission's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligations/(Asset) for the fiscal years ended June 30, 2017, June 30, 2016, and June 30, 2015 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/ (Asset)</u>
6/30/15	\$ 194,474	\$ 30,899	15.89%	\$ 842,641
6/30/16	\$ 169,903	\$ 44,453	26.16%	\$ 968,091
6/30/17	\$ 174,921	\$ 34,011	19.44%	\$ 1,109,001

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

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

**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.

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.



## **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, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Local Transportation Funds	\$ 1,327,363	\$ 1,325,634	\$ 1,325,634	\$ -
RSTP Exchange	63,010	527,813	116,547	(411,266)
RSTP	200,000	238,124	209,607	(28,517)
State Planning, Programming and Monitoring Funds	175,000	170,000	170,000	
State Rural Planning Assistance	337,000	337,000	332,334	(4,666)
Fed 5305 Partnership Planning	486,907	286,647	181,975	(104,672)
Fed 5304 Prioritization		178,150	126,462	(51,688)
Fed 5304 User Oriented		92,614	79,096	(13,518)
Fed 5304 SR9		207,022	88,219	(118,803)
Coastal Consevancy	500,000	977,784	986,538	8,754
Land Trust	127,473	147,473	152,732	5,259
Use of money and property			296	296
Other		9,458	11,621	2,163
<b>Total revenues</b>	<b>3,216,753</b>	<b>4,497,719</b>	<b>3,781,061</b>	<b>(716,658)</b>
<b>Expenditures</b>				
Salaries and benefits	1,524,173	1,835,440	1,583,598	251,842
Services and supplies	651,462	904,877	503,219	401,658
Bike to work	50,000	50,000	50,000	
User Oriented	35,133	38,133	12,672	25,461
Trail Master Plan Consultant	500,000	1,277,784	1,180,836	96,948
Community Traffic Safety Coalition	100,000	100,000	100,000	
Unified Corridor Investment	182,400	182,400	36,808	145,592
Prioritization	45,188	124,066	58,509	65,557
SR9 San Lorenzo Valley Complete Streets		144,000	53,789	90,211
Capital outlay			3,283	(3,283)
Other expenses			5,245	(5,245)
<b>Total expenditures</b>	<b>3,088,356</b>	<b>4,656,700</b>	<b>3,587,959</b>	<b>1,068,741</b>
<b>Excess of revenues over (under) expenditures</b>	<b>128,397</b>	<b>(158,981)</b>	<b>193,102</b>	<b>352,083</b>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	50,000	50,000	50,000	
Operating transfers out	(110,000)	(110,000)	(110,000)	
<b>Total other financing sources (uses)</b>	<b>(60,000)</b>	<b>(60,000)</b>	<b>(60,000)</b>	
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>68,397</b>	<b>(218,981)</b>	<b>133,102</b>	<b>352,083</b>
<b>Fund balance - July 1</b>	<b>1,223,904</b>	<b>1,223,904</b>	<b>1,223,904</b>	
<b>Fund balance - June 30</b>	<b>\$ 1,292,301</b>	<b>\$ 1,004,923</b>	<b>\$ 1,357,006</b>	<b>\$ 352,083</b>

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**BUDGETARY COMPARISON SCHEDULE**  
**RAIL/TRAIL AUTHORITY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**For the Fiscal Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
RSTP Exchange Funds	\$ 527,822	\$ 560,064	\$ 291,274	\$ (268,790)
Use of money and property	85,000	85,000	88,092	3,092
Total revenues	612,822	645,064	379,366	(265,698)
<b>Expenditures</b>				
Salaries and benefits	190,010	170,010	148,814	21,196
Services and supplies	110,000	130,000	157,609	(27,609)
Rail Improvements	590,000	605,000		605,000
Total expenditures	890,010	905,010	306,423	598,587
Excess of revenues over (under) expenditures	(277,188)	(259,946)	72,943	332,889
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	110,000	110,000	110,000	
Total other financing sources (uses)	110,000	110,000	110,000	
Excess of revenues and other sources over (under) expenditures and other uses	(167,188)	(149,946)	182,943	332,889
Fund balance - July 1	288,344	288,344	288,344	
Fund balance - June 30	\$ 121,156	\$ 138,398	\$ 471,287	\$ 332,889

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Motor vehicle fees	\$ 238,000	\$ 238,000	\$ 260,341	\$ 22,341
Aid from other governments	50,000	50,000	50,000	
Use of money and property	3,000	3,000	3,728	728
Total revenues	291,000	291,000	314,069	23,069
<b>Expenditures</b>				
Salaries and benefits	135,000	135,000	135,000	
Services and supplies	214,300	214,300	139,808	74,492
Total expenditures	349,300	349,300	274,808	74,492
Excess of revenues over (under) expenditures	(58,300)	(58,300)	39,261	97,561
<b>Other Financing Sources (Uses):</b>				
Operating transfers out	(50,000)	(50,000)	(50,000)	
Total other financing sources (uses)	(50,000)	(50,000)	(50,000)	
Excess of revenues and other sources over (under) expenditures and other uses	(108,300)	(108,300)	(10,739)	97,561
Fund balance - July 1	439,282	439,282	439,282	
Fund balance - June 30	<u>\$ 330,982</u>	<u>\$ 330,982</u>	<u>\$ 428,543</u>	<u>\$ 97,561</u>

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**BUDGETARY COMPARISON SCHEDULE**  
**FREEWAY SERVICE PATROL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**For the Fiscal Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
RSTP Exchange Funds	\$ 150,000	\$ 250,000	\$ 100,000	\$ (150,000)
California Department of Transportation Grant	170,598	160,702	163,680	2,978
State Planning, Programming and Monitoring Funds		83,448	83,448	
Use of money and property	1,000	1,000	550	(450)
Total revenues	321,598	495,150	347,678	(147,472)
<b>Expenditures</b>				
Salaries and benefits	77,500	77,500	77,500	
Services and supplies	17,000	17,000	5,519	11,481
Towing service	285,000	285,000	247,063	37,937
Total expenditures	379,500	379,500	330,082	49,418
Excess of revenues over (under) expenditures	(57,902)	115,650	17,596	(98,054)
Fund balance - July 1	60,927	60,927	60,927	
Fund balance - June 30	<u>\$ 3,025</u>	<u>\$ 176,577</u>	<u>\$ 78,523</u>	<u>\$ (98,054)</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ -	\$ -	\$ 3,574	\$ 3,574
RSTP Exchange Funds	1,326,247	1,626,364	1,138,563	(487,801)
Total revenues	1,326,247	1,626,364	1,142,137	(484,227)
<b>Expenditures</b>				
Salaries and benefits	288,000	249,000	241,996	7,004
Services and supplies	1,023,422	1,656,365	404,676	1,251,689
Total expenditures	1,311,422	1,905,365	646,672	1,258,693
Excess of revenues over (under) expenditures	14,825	(279,001)	495,465	774,466
<b>Other Financing Sources (Uses):</b>				
Operating transfers out	(14,825)	(14,825)	(199,825)	(185,000)
Total other financing sources (uses)	(14,825)	(14,825)	(199,825)	(185,000)
Excess of revenues and other sources over (under) expenditures and other uses		(293,826)	295,640	589,466
Fund balance - July 1	427,537	427,537	427,537	
Fund balance - June 30	\$ 427,537	\$ 133,711	\$ 723,177	\$ 589,466

**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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ -	\$ -	\$ 1,421	\$ 1,421
RSTP Exchange Funds		985,000	800,000	(185,000)
CMIA	229,298	195,998	194,935	(1,063)
Other revenue			8	8
Total revenues	229,298	1,180,998	996,364	(184,634)
<b>Expenditures</b>				
Salaries and benefits	30,000	40,000	40,000	
Services and supplies	199,298	280,823	197,958	82,865
Settlement		875,000		875,000
Total expenditures	229,298	1,195,823	237,958	957,865
Excess of revenues over (under) expenditures		(14,825)	758,406	773,231
<b>Other Financing Sources (Uses):</b>				
Operating transfers in		14,825	199,825	185,000
Total other financing sources (uses)		14,825	199,825	185,000
Excess of revenues and other sources over (under) expenditures and other uses			958,231	958,231
Fund balance - July 1	(875,000)	(875,000)	(875,000)	
Fund balance - June 30	<u>\$ (875,000)</u>	<u>\$ (875,000)</u>	<u>\$ 83,231</u>	<u>\$ 958,231</u>



**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**SCHEDULE OF FUNDING PROGRESS FOR POST EMPLOYMENT BENEFITS**  
**OTHER THAN PENSIONS**  
**For the Fiscal Year Ended June 30, 2017**

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

<u>Valuation Date</u>	<u>Actuarial Asset Value</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
July 1, 2009	\$ -	\$ 1,296,810	\$ 1,296,810	0.0%	\$ 1,707,826	76%
July 1, 2012	\$ -	\$ 1,595,221	\$ 1,595,221	0.0%	\$ 1,239,820	129%
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, 2017

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

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

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

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
Last 10 Years\*  
As of June 30, 2017

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

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

**Notes to Schedule**

Valuation Date: 6/30/2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age Normal

Asset valuation method 5-year smoothed market

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

Discount rate 7.50%

Amortization growth rate 3.75%

Price inflation 3.25%

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

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

Valuation Date: 6/30/2015

Discount rate: 7.65%

\*- Fiscal year 2015 was the 1st year of implementation, therefore only three 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, 2017.

***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, 2017.

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 23, 2018

**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**  
**SCHEDULE OF ALLOCATIONS AND EXPENDITURES**  
**LOCAL TRANSPORTATION FUND**  
**For the Fiscal Year Ended June 30, 2017**

Claimant/Purpose/Authority*	Allocated Balance July 1, 2016	Allocation	Expended	Allocated Balance June 30, 2017
<b>Santa Cruz Metropolitan Transit District</b>				
Transit operator assistance PUC § 99260(a)	\$ -	\$ 6,804,838	\$ 6,804,838	\$ -
Totals		6,804,838	6,804,838	
<b>Santa Cruz County Regional Transportation Commission Administration</b>				
PUC § 99233.1		649,719	649,719	
Planning PUC § 99402		675,915	675,915	
Totals		1,325,634	1,325,634	
<b>City of Santa Cruz Volunteer Center</b>				
PUC § 99400 (c)		748,134	748,134	
Pedestrian and bicycle PUC § 99400 (a)	228,410	95,316		323,726
Totals	228,410	843,450	748,134	323,726
<b>County of Santa Cruz Pedestrian and bicycle</b>				
PUC § 99400 (a)	783,754	199,914	448,288	535,380
Totals	783,754	199,914	448,288	535,380
<b>City of Scotts Valley Pedestrian and bicycle</b>				
PUC § 99400 (a)	92,171	17,823		109,994
Totals	92,171	17,823		109,994
<b>City of Capitola Pedestrian and bicycle</b>				
PUC § 99400 (a)	169,501	15,020		184,521
Totals	169,501	15,020		184,521
<b>City of Watsonville Pedestrian and bicycle</b>				
PUC § 99400 (a)	346,932	77,830		424,762
Totals	346,932	77,830		424,762
Grand totals	\$ 1,620,768	\$ 9,284,509	\$ 9,326,894	\$ 1,578,383

\* 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, 2017**

Claimant/Purpose/Authority*	Allocated Balance July 1, 2016	Allocation	Expended	Allocated Balance June 30, 2017
<b>Santa Cruz Metropolitan Transit District</b>				
Transit operator assistance CAC § 6730 a	\$ -	\$ 1,989,488	\$ 1,989,488	\$ -
Total	<u>\$ -</u>	<u>\$ 1,989,488</u>	<u>\$ 1,989,488</u>	<u>\$ -</u>

\* California Administrative Code

