

**SANTA CRUZ METROPOLITAN
TRANSIT DISTRICT
MEASURE D PROGRAM**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2022**

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
MEASURE D PROGRAM
FOR THE YEAR ENDED JUNE 30, 2022**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
 <u>Financial Statements</u>	
Balance Sheet	4
Statement of Revenues, Expenditures, and Changes in Fund Balance	5
Notes to Financial Statements	6
 <u>Supplementary Information</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	8
 <u>Other Report</u>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	9
Independent Auditor's Report on Measure D Program Compliance.....	11

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Santa Cruz Metropolitan Transit District
Santa Cruz, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure D Program of the Santa Cruz Metropolitan Transit District (Santa Cruz METRO), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Measure D Program of Santa Cruz METRO's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure D Program of Santa Cruz METRO, as of June 30, 2022, and the respective changes in financial position for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Santa Cruz METRO and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Measure D Program of Santa Cruz METRO's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Santa Cruz METRO's internal control relating to the Measure D Program. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Measure D Program of Santa Cruz METRO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure D Program and do not purport to, and do not, present fairly the financial positions of Santa Cruz METRO as of June 30, 2022, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

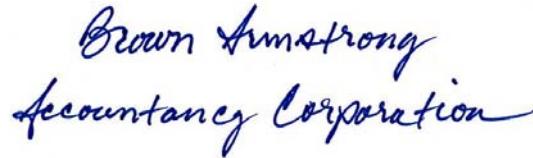
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure D Program of Santa Cruz METRO's basic financial statements. The accompanying schedule of revenues, expenditures, and changes in fund balance – budget and actual is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of revenues, expenditures, and changes in fund balance – budget and actual is fairly stated, in all material respects, in relation 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 December 9, 2022, on our consideration of Santa Cruz METRO's internal control over financial reporting, relating to the Measure D Program, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance, relating to the Measure D Program, and the results of that testing, and not to provide an opinion on the effectiveness of Santa Cruz METRO's internal control over financial reporting or on compliance relating to the Measure D Program. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Cruz METRO's internal control over financial reporting and compliance relating to the Measure D Program.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
December 9, 2022

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
MEASURE D PROGRAM
BALANCE SHEET
JUNE 30, 2022**

ASSETS

Cash and Investments	\$ 6,820,314
Intergovernmental Receivables	
Receivables from SCCRTC for Measure D Allocations	757,581
Total Assets	\$ 7,577,895

LIABILITIES AND FUND BALANCE

Liabilities	
Unearned Income	\$ 6,974,373
Interfund Payable	
Reimbursements for Capital Expenditures	603,522
Total Liabilities	7,577,895
Fund Balance	
Restricted	-
Total Fund Balance	-
Total Liabilities and Fund Balance	\$ 7,577,895

See accompanying Notes to Financial Statements.

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
 MEASURE D PROGRAM
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2022**

REVENUES

Measure D Revenue	\$ 1,984,619	
Interest Income	29,732	
Total Revenues		2,014,351

EXPENDITURES

Transit Operations	1,410,829	
Transit Capital	603,522	
Total Expenditures		2,014,351

REVENUES OVER EXPENDITURES -

FUND BALANCE

Beginning of Year		-
End of Year		\$ -

See accompanying Notes to Financial Statements.

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
MEASURE D PROGRAM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

On November 8, 2016, the voters of Santa Cruz County, pursuant to the provisions of the Local Transportation Authority and Improvement Act (the Act), California Public Utilities Code, Division 19, Section 180000 et seq., adopted an ordinance approving the Santa Cruz County Transportation Improvement Plan Measure (Measure D), thereby authorizing Santa Cruz County Regional Transportation Commission (SCCRTC) to administer the proceeds from a retail transaction and use tax of one-half of one-percent (0.5%) that will last 30 years from the initial date of collection. The Measure D Ordinance authorizes SCCRTC to allocate, administer, and oversee the expenditure of all Measure D revenues and to distribute revenues no less than quarterly to local agencies (including Santa Cruz Metropolitan Transit District).

All transactions of the Measure D Program by the Santa Cruz Metropolitan Transit District (Santa Cruz METRO) are included as an enterprise fund in the basic financial statements of Santa Cruz METRO. These statements account for Santa Cruz METRO's share of revenues earned and expenditures incurred under Santa Cruz METRO's Transportation for Seniors and People with Disabilities Program. The accompanying financial statements are for the Measure D Program only and are not intended to fairly present the financial position or results of operations of Santa Cruz METRO.

B. Basis of Accounting and Measurement Focus

Santa Cruz METRO uses an enterprise fund format to report its activities for financial statement purposes. The accompanying financial statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenditures are recorded at the time liabilities are incurred regardless of when the related cash flows take place.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 during the reporting period. Actual results could differ from those estimates.

NOTE 2 – MEASURE D PROGRAM

Under Measure D, Santa Cruz METRO receives 16% of the proceeds (after administrative costs) of a one-half cent local sales tax, to be used for transportation-related expenditures. This Measure was adopted with the intention that the funds generated by the sales tax will not fund transportation-related expenditures previously paid for by existing funds, revenues, and other resources, but rather, will be used for additional projects and programs, so as to supplement (and not replace) the revenue funds designated and used for transportation programs and expenditures.

NOTE 2 – MEASURE D PROGRAM (Continued)

Santa Cruz METRO must receive Board approval of a 5-year Program of Projects prior to expending Measure D funding on any project or program, in accordance with the requirements of the Measure D Master Funding Agreement. The approved 5-year Program of Projects is submitted to the SCCRTC annually, and includes information about each of the projects to be funded with the estimated annual Measure D revenues, allocated according to the Measure D Ordinance and Expenditure Plan.

The major project funded by Measure D was as follows:

Transportation for Seniors and People with Disabilities Program – To provide transit services to seniors and people with disabilities, and to purchase transportation capital improvements.

In fiscal year 2022, \$1,410,829 of Measure D sales tax proceeds were used to fund bus operator wages and benefits in order to sustain paratransit service levels during the year. Measure D capital outlays of \$603,522 were used to purchase three (3) New Flyer CNG buses, two (2) 35' CNG buses, and two (2) new Proterra zero-emission buses during the year.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments are tracked and held in a separate Measure D fund account in the Santa Cruz County Pooled Investment Fund, and consisted of \$6,820,314 of Measure D sales tax allocations and interest earnings at June 30, 2022.

See Santa Cruz METRO's basic financial statements for disclosures related to the cash and investments as prescribed by GASB Statement No. 40. The basic financial statements may be obtained from Santa Cruz METRO at 110 Vernon Street, Santa Cruz, CA 95060.

NOTE 4 – INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables of \$757,581 represent the Measure D Program sales tax allocations for fiscal year 2022 that were received from the Santa Cruz County Regional Transportation Commission (SCCRTC) after June 30, 2022.

NOTE 5 – UNEARNED INCOME

Measure D Program sales tax allocations that are allocated to Santa Cruz METRO during the fiscal year are restricted and reported as liabilities (unearned income) until spent on the specific purpose for which they were intended, as outlined in the 5-Year Program of Projects approved by the Santa Cruz METRO Board of Directors and submitted to the SCCRTC. The balance of unearned Measure D proceeds is currently committed as cost sharing on awarded capital grants in progress.

NOTE 6 – INTERFUND PAYABLE

Interfund payables of \$603,522 represent amounts due to Santa Cruz METRO's general operating fund, in order to reimburse the agency for the Measure D Program capital expenditures paid for with Santa Cruz METRO unrestricted monies during the fiscal year.

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events were evaluated by management through December 9, 2022, which is the date of issuance.

SUPPLEMENTARY INFORMATION

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
MEASURE D PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Measure D Revenue	\$ 3,556,627	\$ 3,556,627	\$ 1,984,619	\$ (1,572,008)
Interest Income	-	-	29,732	29,732
Total Revenues	<u>3,556,627</u>	<u>3,556,627</u>	<u>2,014,351</u>	<u>(1,542,276)</u>
EXPENDITURES				
Transit Operations	1,410,829	1,410,829	1,410,829	-
Transit Capital	2,145,798	2,145,798	603,522	1,542,276
Total Expenditures	<u>3,556,627</u>	<u>3,556,627</u>	<u>2,014,351</u>	<u>1,542,276</u>
REVENUES OVER EXPENDITURES	-	-	-	-
FUND BALANCE				
Beginning of Year	-	-	-	-
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Santa Cruz Metropolitan Transit District
Santa Cruz, California

We have audited, in accordance with the 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, the financial statements of the Measure D Program of the Santa Cruz Metropolitan Transit District (Santa Cruz METRO), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Santa Cruz METRO's Measure D Program's financial statements, and have issued our report thereon dated December 9, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Santa Cruz METRO's internal control over financial reporting (internal control), relating to the Measure D Program, as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Santa Cruz METRO's internal control relating to the Measure D Program. Accordingly, we do not express an opinion on the effectiveness of Santa Cruz METRO's internal control relating to the Measure D Program.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Santa Cruz METRO's Measure D Program's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

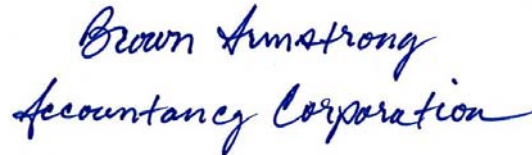
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Measure D Program's financial statements are free of material misstatement, we performed tests of Santa Cruz METRO's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance relating to the Measure D Program and the results of that testing, and not to provide an opinion on the effectiveness of Santa Cruz METRO's internal control or on compliance relating to the Measure D Program. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Cruz METRO's internal control and compliance relating to the Measure D Program. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
December 9, 2022

**INDEPENDENT AUDITOR'S REPORT ON
MEASURE D PROGRAM COMPLIANCE**

To the Board of Directors
Santa Cruz Metropolitan Transit District
Santa Cruz, California

Compliance

We have audited 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, the basic financial statements of the Santa Cruz Metropolitan Transit District (Santa Cruz METRO) Measure D Program as of and for the year ended June 30, 2022, and the related notes, and have issued our report thereon dated December 9, 2022.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of Santa Cruz METRO's management.

Auditor's Responsibility

Our responsibility is to express an opinion on Santa Cruz METRO's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the agreement between Santa Cruz METRO and Santa Cruz County Regional Transportation Commission (SCCRTC). 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 material effect on the Measure D Program occurred. An audit also includes examining, on a test basis, evidence about Santa Cruz METRO'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. Our audit does not provide a legal determination of Santa Cruz METRO's compliance with those requirements.

Opinion on Measure D Program

In our opinion, Santa Cruz METRO complied, in all material respects, with the compliance requirements referred to above that are applicable to the Measure D Program for the year ended June 30, 2022.

Internal Control Over Compliance

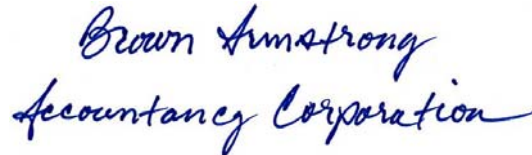
Management of Santa Cruz METRO is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered Santa Cruz METRO's internal control over compliance relating to the Measure D Program as a basis for designing auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance relating to the Measure D Program. Accordingly, we do not express an opinion on the effectiveness of Santa Cruz METRO's internal control over compliance relating to the Measure D Program.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the agreement between Santa Cruz METRO and SCCRTC. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation".

Bakersfield, California
December 9, 2022