

**SANTA CRUZ COUNTY REGIONAL
TRANSPORTATION COMMISSION**

AUDIT REPORT
June 30, 2022

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
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June 30, 2022

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FINANCIAL SECTION



Moss, Levy & Hartzheim LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Santa Cruz County Regional Transportation Commission
Santa Cruz, California

Report on the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Commission'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 governmental activities, each major fund, and the aggregate remaining fund information of Santa Cruz County Regional Transportation Commission, as of June 30, 2022, 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.

Basis for Opinions

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. 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 County Regional Transportation Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, for the fiscal year ended June 30, 2022, the Santa Cruz County Regional Transportation Commission adopted new accounting guidance, *GASB No. 87 Leases*. Our opinions are not modified with respect to this matter.

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 Santa Cruz County Regional Transportation Commission'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 generally accepted auditing standards 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 generally accepted auditing standards 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 the Santa Cruz County Regional Transportation Commission's internal control. 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 Santa Cruz County Regional Transportation Commission'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.

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 19, the budgetary information on pages 55 through 62, the schedule of changes in the OPEB liability and related ratios on page 63, the schedule of OPEB contributions on page 64, the schedule of proportionate share of net pension liability on page 65, and the schedule of pension contributions on page 66, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 schedules of allocations and expenditures are presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2023, 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 & Hartgeim LLP

Santa Maria, California
April 10, 2023

Management Discussion and Analysis

Fiscal Year Ending June 30, 2022

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 1989, the RTC was established as the Service Authority for Freeway Emergencies under California Streets and Highways Code Sections 2550-2559. This allowed the RTC to provide highway call boxes, freeway service patrols and other motorist aid services to Santa Cruz County with funds collected from a \$1 vehicle registration fee on all cars registered in the County. 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 purchased the Santa Cruz Branch Rail Line in 2012 and contracts with an operator to provide freight and recreational rail service. The RTC is also the designated administrator and taxing authority for the Measure D ½-cent transactions and use tax, which was approved by over two-thirds of Santa Cruz County voters in November 2016.

The RTC is governed by a Board of Directors composed of 12 members and one ex-officio member. The Board sets policies related to transportation planning, funding, projects, and programs throughout the county; delivers regional projects; and, for FY2021/22, oversaw 22 full and part-time employees representing 21 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 active 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 (TDA) 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), Senate Bill 1 (SB1) Transit State of Good Repair (SGR), State Transportation Improvement Program (STIP), Surface Transportation Block Grant Program/Regional Surface Transportation Program Exchange (STBG/RSTPX), Low Carbon Transit Operations Program (LCTOP) and SB1 Local Partnership Program (LPP) funds. In 2021, the RTC was also responsible for selecting projects to receive formula shares of funds made available from the federal Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA). 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 RTC is required to meet numerous other state and federal requirements, to develop a variety of transportation system plans and to help ensure a more efficient, effective, and resilient transportation system for the Santa Cruz County community.

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. The draft 2045 RTP and environmental analysis was released for public review in FY2021/22 and the Final 2045 RTP was adopted by the RTC in June 2022. 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) 2017 RTP Guidelines for RTPAs and the SB 375-mandated Sustainable Communities Strategy prepared by the region's MPO, the Association of Monterey Bay Area Governments (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 Regional Transportation Improvement Program (RTIP), which covers a 5-year period. The RTC adopted the 2022 RTIP in December 2021, programming over \$11 million in state and federal funds to 15 projects and programs following a public hearing. RSTPX funds and funds programmed to projects being implemented by the RTC are also included in the RTC's annual budgets in the year in which expenditures are expected.

The RTC contributed and/or secured state and federal funds for local agencies for the following projects which were under construction or were implemented in FY2021/22:

- Hwy 1/9 Intersection Modifications, Santa Cruz
- Aptos Village Plan Improvements including Aptos Creek Road Traffic Signal, Soquel Drive Sidewalks and Bike Lanes
- Empire Grade Resurfacing

- Hwy 17 to Soquel Corridor Resurfacing
- Pioneer-Varni Road Resurfacing
- Zayante Corridor Resurfacing
- Hwy 1 Auxiliary Lanes & Bus on Shoulders and bicycle/pedestrian bridges: design, environmental review, and right-of-way pre-construction
- Pacific Ave Sidewalk near Wharf, Santa Cruz
- Bluebonnet Sidewalk Improvements, Scotts Valley
- Scotts Valley Area Routes Chip Seal, unincorporated county area
- Freedom Boulevard Reconstruction, Watsonville
- BikeSmart & WalkSmart, Ecology Action
- Bike Challenge+, Ecology Action
- Project PASEO, Smart Streets and Open Streets, Bike Santa Cruz County

Highway 1 Projects

In FY2021/22, the RTC continued sponsorship and delivery of regionally significant projects on Highway 1 using Measure D, federal and state funds. The RTC in partnership with Caltrans is implementing a program of multimodal projects to reduce congestion, improve safety, improve transit travel time and reliability of Santa Cruz METRO routes, and construct bicycle and pedestrian overcrossings to improve access and connectivity for active transportation users. Improvements include auxiliary lanes (Aux), a bus-on-shoulder facility (BOS), bridge replacements, and the construction of new bicycle and pedestrian overcrossings. There are currently three Highway 1 projects being developed to construct five sets of auxiliary lanes and a bus-on shoulder facility that stretches 7.5 miles and includes 4 new bicycle and pedestrian overcrossing and bike/ped improvements to local roadway overcrossings. RTC received a grant for cycle 2 of the Solutions to Congested Corridors Program (SCCP) and Local Partnership Program (LPP), to fully fund the first two projects: auxiliary lanes and bus on shoulder improvements between the Soquel Drive and State Park Drive interchanges, which includes bicycle and pedestrian overcrossings at Chanticleer Avenue and Mar Vista Drive, in combination with improvements to Soquel Drive along the Watsonville-Santa Cruz Corridor that are being implemented by the County of Santa Cruz.

Highway 1 – 41st to Soquel Auxiliary Lanes & BOS Project

This project includes one set of auxiliary lanes on Highway 1 between the 41st Avenue and Soquel Dr/Ave interchanges with bus-on-shoulder improvements and a new bicycle and pedestrian overcrossing at Chanticleer Avenue. Caltrans advertised the construction contract in FY2021/22 and started construction in early 2023.

Highway 1 – State Park to Bay/Porter Auxiliary Lanes & BOS Project

This project includes two sets of auxiliary lanes on Highway 1 between State Park Drive and Rio Del Mar Blvd interchanges and Rio Del Mar and Bay/Porter interchanges with bus on shoulder improvements and a new bicycle and pedestrian overcrossing at Mar Vista Drive. The project also includes the replacement of the Capitola Avenue overcrossing, soundwalls, and retaining walls. The RTC continued final design and right-of-way activities in FY2021/22. The project is on schedule to complete all pre-construction work by the end of 2022, with Caltrans advertising the project for construction bids in 2023.

Highway 1 – Freedom to State Park Auxiliary Lanes & BOS Project

This project includes auxiliary lanes and bus-on-shoulder improvements on Highway 1 between Freedom Blvd and State Park Drive interchanges and the construction of a 1.25-mile-long multiuse trail along the Santa Cruz Branch Rail Corridor (segment 12 of the Coastal Rail Trail). Consultants and staff worked on preliminary engineering and environmental analysis of the project in FY2021/22. The draft Environmental Impact Report/Environmental Assessment (EIR/EA) is expected to be completed in the Spring of 2023. RTC is working with Caltrans to seek grant funding for construction.

Rail Corridor Maintenance and Preservation

RTC continued constructing the storm damage repair projects along the branch line which were a result of the declared disaster from early 2017. They include 7 storm damage repair projects and one debris removal project. In FY2021/22, RTC started construction work on the seven sites and the debris removal project, completing work on four sites.

The RTC continued the final design of the phase 1 bridge repairs along the branch line. RTC secured a Shortline Railroad Improvement Program grant to repair the Pajaro River bridge located in Watsonville, with matching funds from Measure D Rail category funds and private sources. The project is scheduled to begin construction in 2023.

In FY2021/22, the RTC consulted with the Coastal Commission regarding rail line right-of-way erosion repairs needed near Manresa State Beach. The RTC also continued vegetation control efforts through various contracts which included tree trimming and removal, ground vegetation mowing and removal and spraying of herbicides not considered hazardous per federal standards. Work was also done to clear drainage ditches and culverts, and to repair drainage ditch areas to improve water runoff and prevent damage to the rail line ROW and neighboring properties. In early 2022, the RTC initiated a pilot project employing goats for vegetation control and clearing. In addition, work was done in cooperation with law enforcement to address trash and encampments.

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

Implementation of segments of the Monterey Bay Sanctuary Scenic Trail (MBSST) Network (and Coastal Rail Trail) continued during FY2021/22. The Coastal Rail Trail 32- mile multi-use bicycle and pedestrian trail along the Santa Cruz Branch Rail Line is the spine of Santa Cruz County's larger Monterey Bay Sanctuary Scenic Trail (MBSST) Network, a system of trails providing connections to the coast from the San Mateo County line to the Monterey County Line. The RTC works with local jurisdictions to implement various segments of the trail. The RTC oversees all trail development activities.

MBSST Network Implementation

RTC staff provided oversight and technical assistance for implementation of the Monterey Bay Sanctuary Scenic Trail Network (MBSST). This included coordination with Caltrans, local jurisdictions and Central Federal Lands of the Federal Highways Administration who are implementing specific sections of the trail network.

Segment 7 - Phase 2

The City of Santa Cruz continued working on the final design and in FY2021/22 initiated construction of Phase 2, from Bay Street/California Avenue to the Santa Cruz Wharf.

North Coast Segment 5, Wilder Ranch-Davenport

In coordination with the SCCRTC, Federal Highway Administration Central Federal Lands Highway Division (FHWA-CFLHD) continued development of the 7.5-mile trail from Davenport to Wilder Ranch State Park. Work on preconstruction activities, including environmental, design, right-of-way and permitting, continued in FY2021/22. The 5.4-mile section from Wilder Ranch to Panther/Yellowbank Beach is fully funded for construction and expected to be ready to break ground once approved federal grant funds are available in FY2024/25. The RTC received notice that the 2.1-mile section of the trail from Panther/Yellowbank Beach was shortlisted for federal funding in October 2021. Final awards will be announced in FY2022/23.

Segments 8 & 9, Santa Cruz-Live Oak

The City of Santa Cruz, in partnership with the County of Santa Cruz and SCCRTC continued preliminary design and environmental review of Segments 8 & 9 of the Coastal Rail Trail between the Santa Cruz Wharf and 17th Avenue (2.5 miles). The preliminary design and environmental review phase is funded by state and private funds. The City prepared and submitted a grant application using Measure D funds as a match.

Segments 10 & 11, Live Oak to Seacliff/Aptos

In FY2021/22, the County of Santa Cruz, in partnership with the City of Capitola and SCCRTC, continued preliminary design of Segments 10 & 11 of the trail from 17th Ave to State Park Drive (4.7 miles) using Measure D funds. The County also prepared and submitted a grant application using Measure D funds as match.

Segment 12, Aptos/Rio del Mar

Environmental review and preliminary design continued for Segment 12 of the Coastal Rail Trail between State Park Drive and Rio Del Mar Blvd., as part of the Highway 1 Freedom-State Park Auxiliary Lanes and Bus-on-Shoulder project by Caltrans in partnership with the SCCRTC. This section of trail includes pedestrian and bicycle overcrossing bridges over Highway 1 and Soquel Drive connecting coastal neighborhoods and Aptos Village. RTC is pursuing grants for construction.

Segment 18, Watsonville

Construction of the trail between Ohlone Parkway and Watsonville Slough Trail (Phase 1) was completed in FY2020/21, with the official ribbon cutting in July 2021. Measure D expenditures for Segment 18 Phase 1 are reflected in the FY2021/22 audit. The City of Watsonville continued design for Phase 2 of the trail, between Lee Road and Ohlone and between the Slough Trail and Walker Street.

SAFE and FSP

The Service Authority for Freeway Emergencies (SAFE) annual budget provides funds for several motorist aid services.

The RTC administers the Freeway Service Patrol (FSP) which consists of roving tow trucks during commute and other high traffic periods 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. In FY2021/22, FSP tow providers roved Highways 1 and 17 for 3,787 hours and provided 1,497 assists to motorists and the California Highway Patrol (CHP). The program benefit/cost ratio is 5.0 and the most frequent services provided by FSP include assistance with collisions, mechanical quick fixes, and flat tire repairs.

The emergency call box program connects stranded motorists with roadside assistance through a network of cellular phone service call boxes located along Highways 1, 9, 17, 152, and 129. In FY 2021/22, 760 calls were placed from 38 call boxes. Call box usage has continued to decline annually as personal cellular phones become available to nearly the entire population. However,

call boxes in more remote areas continue to be used because they have more reliable phone service than personal cellular phones.

The RTC also administers the Safe on 17 Program which aims to maintain a reduced collision rate on Highway 17 by providing additional resources for CHP enforcement. Program funding is provided annually by the RTC SAFE (\$50,000) and the Metropolitan Transportation Commission (MTC) SAFE (\$50,000) programs. In FY2021/22, RTC SAFE allocated an additional \$50,000 annually for extra enforcement using Measure D- Highway funds. In FY2021/22, CHP Santa Cruz provided 460 hours of extra enforcement on Highway 17 and rolled over remaining funds for extra enforcement to FY2022/23. Through the Safe on 17 Program, the RTC, Caltrans and the CHP work in partnership to develop highway improvements that will help to reduce collisions and provide information to the public to encourage safer driving.

Cruz511, a 511-traveler information project (described in more detail in the next section), is also funded in part through the SAFE budget.

Cruz511 and Alternatives to Driving Alone

Since 1979, the RTC has provided the community with a centralized resource for traveler information. Cruz511 is the umbrella brand under which all RTC traveler information services take place. 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 FY2020/21, the RTC, in partnership with the City of Santa Cruz, UCSC, Ecology Action, and other entities, launched "Go Santa Cruz County," a robust demand management program, including an online commute manager and rewards platform with dynamic ride matching and trip planning. In FY2021/22 more than 2,500 participants registered during the months following the announcement for countywide expansion, joining the 1,000+ participants already enrolled in the downtown GO Santa Cruz pilot. Consultants assisted with designing a new program website (gosantacruzcounty.org), promotional items, brochures, and event-related informational flyers. The consultants also created content for social media channels and developed a social media strategy to promote the program.

Additionally, consultants assisted with employer outreach by engaging with

major employers, onboarding new employers to the platform, and providing virtual and in-person commuter workshops to participants. RTC staff attended in-person community events to promote the GO Santa Cruz County Program and signup new participants.

In FY2021/22 the RTC also continued to provide rideshare, transit, bicycle, traffic information, and county road and lane closure information to the public, via Go Santa Cruz County and Cruz511 websites. Staff continued to provide traffic safety messaging and active transportation mapping resources to community members throughout the county.

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

The RTC completed work on the Highway 9/San Lorenzo Valley (SLV) Complete Streets Corridor Plan in June 2019. Priorities identified in the plan improve safety for pedestrians, bicyclists and motorists; improve access to schools, businesses, residences, and transit; and improve traffic operations throughout this travel corridor.

The RTC worked with Caltrans to prepare a Project Initiation Document (PID) for the complete streets elements identified in the plan, completed in 2022. Work included coordination with Caltrans to develop the Complete Streets PID and coordinating the addition of complete streets elements into other Caltrans projects, community outreach, and stakeholder engagement.

RTC negotiated a Memorandum of Understanding (MOU) with San Lorenzo Valley Unified School District, Caltrans, Santa Cruz Metro, and Santa Cruz County Department of Public Works to collaborate on solutions for multimodal access and circulation at the SLV Schools Complex in Felton. Using grant funding leveraged using Measure D, as well as funding from SLVUSD, RTC began the SLV Schools Access Study, which seeks to develop preliminary engineering concepts for improving circulation to and past the SLV elementary, middle, and high schools on Highway 9 north of Felton, for all modes of transportation. These concepts build upon community input in the SLV Plan and position the project for future implementation agreements and to compete for final design, environmental, and construction funding.

RTC also applied for two different grant opportunities that, if secured, would fund through construction complete streets improvements identified in the SLV Plan for Highways 9 and 236 in Boulder Creek. The proposal included an updated and extended sidewalk network, bike lanes, and various additional traffic calming improvements.

3. FINANCIAL STATEMENTS

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

A. RTC Wide Financial Statements

The RTC-wide statements (Statement of Net Position and the Statement of Activities) are on full accrual basis of accounting; and consistent with the Government Accounting Standards Board (GASB) Statement 34, the fixed assets are capitalized, depreciated, and reported net of accumulated depreciation on the Statement of Net Position (balance sheet). In addition, the expenses are recognized for accrued vacation and sick leaves (compensated absences), and the related outstanding balance is reflected in the liability section. In accordance with GASB 45, the RTC Wide Financial Statements include the expenses and liabilities associated with Other Post-Employment Benefits (OPEB) as discussed in Note 11 of the report. The RTC adheres to GASB 68 which requires the measurement and reporting of the pension liability; and pension is discussed in detail in Note 9 starting on page 47. The impact of GASB 75 and GASB 68 is the ever increasing Noncurrent (long-term) liability and decreasing Net Position.

B. Funds Financial Statements

The RTC had sixteen funds in FY2021/22. There are eight governmental funds (pages 22 – 31) and eight fiduciary funds (pages 32 – 35).

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

FY2021/22 is another year of major accomplishment, which included programming over \$43 million in local transportation funding thanks to Measure D, the final design of the 41st Avenue-Soquel Drive Auxiliary Lane and Bus on Shoulder project, preparing an Environmental Impact Report/Environmental Assessment (EIR/EA) for the auxiliary lanes and bus on shoulder improvements between State Park Drive and Freedom Boulevard interchanges, preparing for the implementation of MyCruz511 a web-based commuter management and rewards platform, working on the Highway 9/San Lorenzo Valley (SLV) Complete Streets Corridor Plan priorities including community outreach, and stakeholder engagement, and implementing segments of the Monterey Bay Sanctuary Scenic Trail (MBSST) Network.

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

Governmental Funds

Net Position

The Net Position is up \$2,572,341 to \$22,630,950 from \$20,058,609 in FY2021. While the combined cash balance is healthy at \$5,014,502 (page 20) the Net Position has a modest Unrestricted balance of \$52,803 (page 20) due to the continuing rise of OPEB liabilities. There are adequate current assets to finance current liabilities, Noncurrent Liability Balance of \$3,350,969 can 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 been making additional payments above normal costs and the minimum required payment for the Unfunded Actuarial Liability. The table below shows how the Noncurrent liabilities – OPEB (\$2,639,104), Compensated Absence (\$303,088), Lease Payable (\$408,777) and Net Pension Asset of \$111,641, are depressing the Net Position when fixed assets are excluded:

UNRESTRICTED NET POSITION DEFICIT ANALYSIS		
	FY2022	FY2021
Current Assets (Cash & Receivables)*	13,850,718	14,758,379
Less:		
Restricted Fund Balance**	(2,586,559)	(1,811,327)
Current Liabilities (Net of D/T Other Funds)	(8,709,830)	(10,853,191)
Unassigned Fund Balance**	2,554,329	2,093,861
Less Noncurrent Liabilities ***	(2,942,192)	(5,259,162)
Add:		
Prepays*	45,013	190,910
Net Deferred Outflows & Inflows***	395,653	1,355,660
Unrestricted Net Position	52,803	(1,618,731)
* Statement of Net Position page 20 - Governmental Fund Balance - pages 22-23		
** <i>Governmental Fund Balance</i> - pages 22-23		
*** <i>Statement of Net Position</i> – page 20 or <i>Note 8, Long-term Liabilities</i> on page 47		
less amount from Lease Payable (Amount not calculated in Unrestricted Net Position)		

Cash, Receivables, and Payables

Cash and Investment balance shows an increase of \$557,060 to \$5,014,502 from \$4,457,442 (pages 22 – 23) on 6/30/2021. The RTC has adequate resources to meet its current obligations with a 1.5x current ratio. The current liabilities have decreased by \$2,143,361 mostly due to decreases in Accounts Payable (\$1,071,764) and Due to Other Agencies (\$825,203).

Capital Assets

Net fixed assets totaled \$20,008,726 in FY2022. The non-depreciable assets value remained unchanged from FY2021 at \$19,848,411. The depreciable fixed assets increased by \$142,713 to \$160,315, the increase is due to leasehold improvements and equipment acquisition (Page 47).

Other Balance Sheet Highlights

- Due From and Due To Other funds (\$8,985 each) consist of \$8,817 due to Administration and Planning from Rail; and \$168 due to Administration and Planning from Monterey Bay Scenic Sanctuary Trail (MBSST).
- Unearned Revenue decreased by \$290,337 to \$135,715. The Unearned Revenue balance in FY2022 is distributed as follows: \$4,678 in Administration & Planning, \$54,417 RSTPX funds in Active Transportation/MBSST and \$76,620 RSTPX funds in Rail/Trail.

Condensed Balance Sheet of Governmental Funds			
	6/30/2022	6/30/2021	Change
Cash	\$ 5,014,502	\$ 4,457,442	\$ 557,060
Accounts Receivable and Due From	8,733,560	10,595,684	(1,862,124)
Prepaid Items	45,013	190,910	(145,897)
Total Assets	\$ 13,793,075	\$ 15,244,036	\$ (1,450,961)
Accounts Payable and Due To	8,482,071	10,721,886	(2,239,815)
Unearned Revenue	135,715	426,052	(290,337)
Total Liabilities	8,617,786	11,147,938	(2,530,152)
Total Fund Balances	5,175,289	4,096,098	1,079,191
Total Liabilities and Fund Balances	\$ 13,793,075	\$ 15,244,036	\$ (1,450,961)

Revenues

The combined governmental funds revenues are down \$5,393,269 to \$17,906,595. The table below is a year to year revenue comparison:

Revenues Comparison			
	6/30/2022	6/30/2021	Change
RSTPX	\$ 675,416	\$ 3,640,802	\$ (2,965,386)
Local Transportation Fund (TDA)	1,539,364	1,281,891	257,473
Measure D	9,035,928	9,669,516	(633,588)
CA Dept of Transp Grant - SB1	71,165	80,397	(9,232)
RPA (Admin & Planning)	401,071	290,120	110,951
Sust Transp Grant WCB	243,222	162,479	80,743
Sust Transp Grant CDFW	54,721	158,318	(103,597)
Caltrans SHA Grant	-	58,568	(58,568)
FEMA	825,022	3,879,384	(3,054,362)
Motor Vehicle Fees	253,077	261,721	(8,644)
Active Transportation Program	-	9,525	(9,525)
Aid From Other Governments	46,330	46,395	(65)
STIP	1,163,996	2,576,296	(1,412,300)
Local Partnership Program Grant	628,642	720,807	(92,165)
Caltrans Grant (FSP)	248,925	167,519	81,406
Land Trust	2,455,929	94,217	2,361,712
Interest, Lease, & Other	263,787	201,909	61,878
	\$ 17,906,595	\$ 23,299,864	\$ (5,393,269)

There are two major funding sources with the State at 19% and Local 75%. The local revenues (\$13,417,642) comprise 75% of revenues and consist of

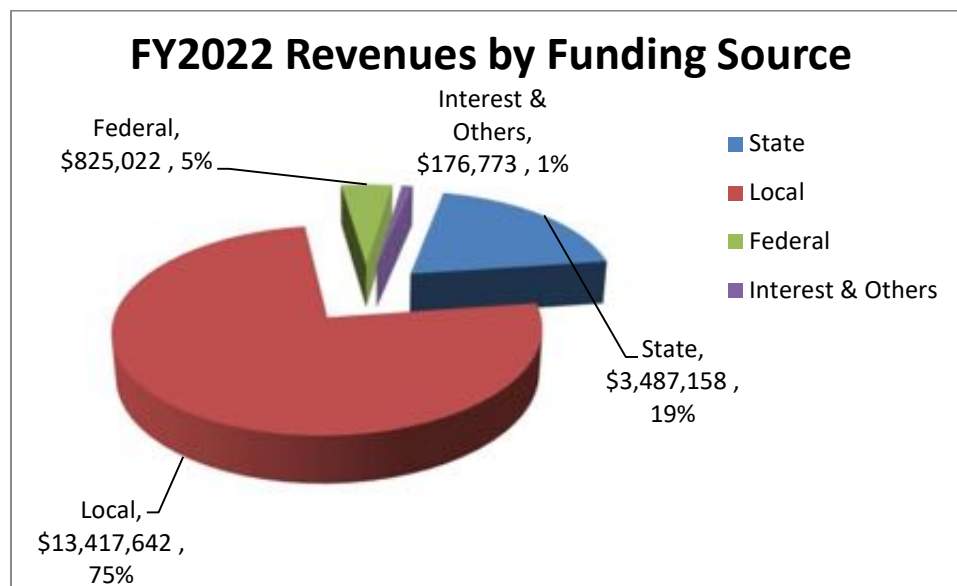
TDA funds (\$1,539,364); Motor Vehicle fees (\$253,077); Land Trust (\$2,455,929); Lease by Rail/Trail (\$87,014); MTC Safe for Safe on 17 (\$46,330); and Measure D (\$9,035,928).

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

Table FY2022 Funding by Source				
	FY2022		FY2021	
Local	\$ 13,417,642	75%	\$ 11,353,740	49%
State	3,487,158	19%	7,864,831	34%
Federal	825,022	5%	3,879,384	17%
Interest & Others	176,773	1%	201,909	1%
	<u>\$ 17,906,595</u>		<u>\$ 23,299,864</u>	

Figure 1

FY2022 Funding by Source



Expenditures

- The expenditures are down \$6,277,846 to \$17,375,571; and major expenditures were for payroll (\$3,836,696); Towing in FSP (\$355,833);

Regional Conservation Investment Study (\$227,668) Highway 17 Wildlife Crossing (\$2,350,658): 2017 Storm Damage Repairs (\$930,832) and consultants in various funds.

- Payroll costs (\$3,836,696) are up 20% due to; full fiscal year of salaries and benefits for filled positions in FY2021; work status change for staff; higher insurance costs; and they are \$95,331 (2%) below budget (\$3,932,027).
- 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 combined cash balance remains high and is down \$126,991 (0.3 %) to \$41,423,947 from a year ago due to unclaimed allocations; revenue growth; the unspent FY2022 Measure D proceeds (\$34,573,151); and the undistributed (unallocated) RSTPX (\$983,468) and TDA (\$938,183) funds. The undistributed RSTPX funds balance of \$2,584,367 does not include \$3,545,948 to be received for FY2022.

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

UNCLAIMED TDA AND STP EXCHANGE ALLOCATIONS FY 2022 ENDING 6/30/2022

	Total	TDA	RSTPX
County of Santa Cruz	4,942,796	635,631	4,307,164
City of Capitola	1,338,485	71,221	1,267,264
City of Santa Cruz	1,094,597	494,597	600,000
City Scotts Valley	1,013,523	83,754	929,769
City of Watsonville	2,073,174	521,334	1,551,840
SCCRTC	849,723	-	849,723
Unallocated	1,921,651	938,183	983,468
Total Allocated	13,233,948	2,744,719	10,489,229

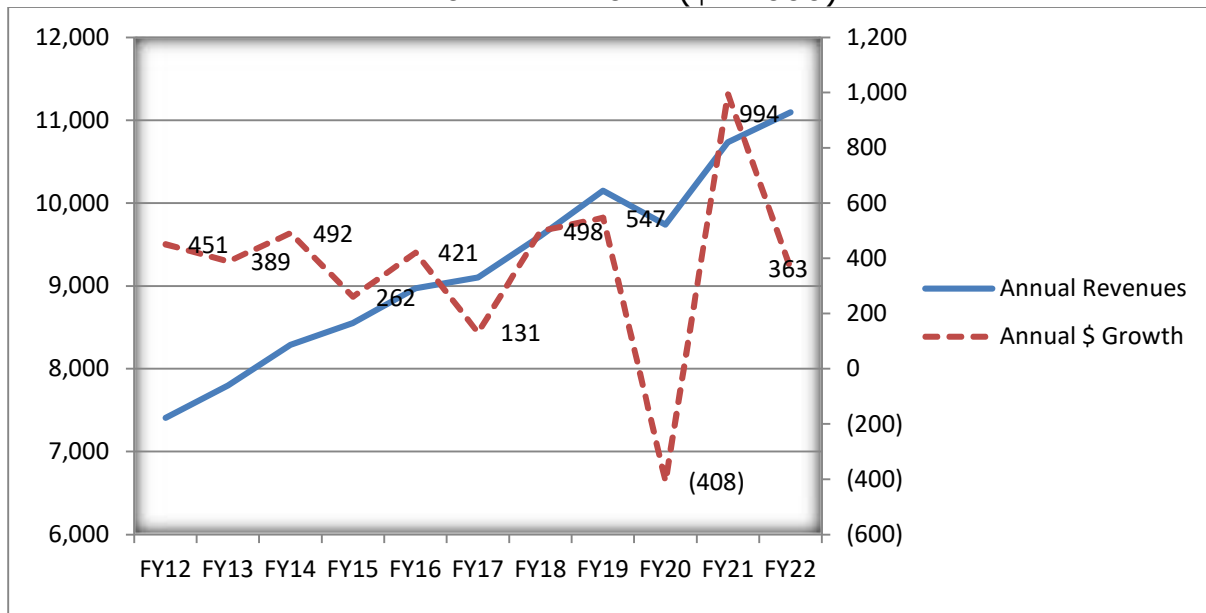
- The Net Position increased by \$6,489,089 (14%) to \$53,778,291 due to Measure D revenues (\$27,625,973) which are offset by expenses and disbursements to claimants of \$21,732,487 (pages 33-34).
- The STA (\$4,537,224) revenues increased 29%.

- The audit report shows an increase in TDA of \$ 362,923 (3%) to \$11,096,338 from \$10,733,415 in FY2021. 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>	
FY2013	7,796,002	388,575	5.2%
FY2014	8,287,590	491,588	6.3%
FY2015	8,549,340	261,750	3.2%
FY2016	8,970,056	420,716	4.9%
FY2017	9,101,315	131,259	1.5%
FY2018	9,599,732	498,417	5.5%
FY2019	10,147,019	547,287	5.7%
FY2020	9,738,939	(408,080)	-4.0%
FY2021	10,733,415	994,476	10.2%
FY2022	11,096,338	362,923	3.4%

Figure 2
TDA Annual Revenues and Changes – Last Ten (10) Years
FY2012 – FY2022 (\$ in 000)



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

The SCMTD receives 85.5% of all TDA allocated funds after the RTC share; and all of the STA funds with the exception of \$100,000 apportioned to Community Bridges Lift Line. The expenditure levels in the fiduciary funds are dependent on revenue fluctuations, the allocations, and the claims for disbursement.

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 continued to be a priority in FY2021/22 and into the future. 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 leverage grants and fund priority transportation projects. The California legislature's approval of Senate Bill 1 in April 2017 provided an increase and a degree of stability to transportation funding. Nonetheless these new fund sources have still not provided sufficient funds for all of the identified transportation needs. The *2018 Regional Transportation Plan* identified a funding gap of over \$3.4 billion for transportation needs countywide through the year 2040, even with the Measure D ½ cent sales tax and SB1 revenues. The draft 2045 Regional Transportation Plan (RTP) identifies a funding gap of nearly \$5 billion. Part of what exacerbates the funding gap is the fact that construction costs have increased significantly and continue to increase. Therefore, the RTC continues to work with agencies throughout the county and state to leverage local funds to increase transportation funding and use existing funds efficiently.

Major RTC projects currently under development for which existing funding is insufficient to fully fund include the Highway 1 Corridor Investment program, the Monterey Bay Sanctuary Scenic Trail (MBBST) Network project, and rail projects. Scoping project grant applications to be multi-modal has proved to be a successful strategy in securing competitive grants. Partnering with the County of Santa Cruz and Santa Cruz METRO to not only build auxiliary lanes on Highway 1 between Soquel Drive and State Park Drive but also implement Bus on Shoulders on the highway and make bicycle, pedestrian and transit improvements along Soquel Drive. In December 2021, the RTC and its partners secured \$107.2 million from the State for these projects which will be implemented in FYs 2022/23 and 2023/24. Measure D funds were used to leverage this state grant.

Throughout FY 2020/21, the RTC continued to implement the voter-approved investment plan for the Measure D sales tax measure. Measure D is estimated to raise approximately \$22 million per year (2022\$) over 30 years. The

expenditure plan included in Measure D includes Neighborhood Projects such as local streets and roads, safety, bicycle and pedestrian, and school safety projects; Community Projects such as transit and paratransit projects; and Regional Projects such as Highways, Rail Trail and other transportation improvements on the rail corridor.

With the RTC purchase of the Santa Cruz Branch Rail Line and an agreement with a shortline railroad operator, freight service continues, and recreational passenger rail service was implemented. Unfortunately, the 2017 winter storms caused significant damage to portions of the rail line right-of-way. A significant portion of the storm damage repair work was completed in FY 2020/21 and the remainder completed in FY 2021/22. The 2017 storm damage was caused by a federally declared disaster and considered eligible for Federal Emergency Management Agency (FEMA) reimbursement. The RTC continues to work with the FEMA to obtain maximum reimbursement for the storm damage repair work. If full reimbursement from FEMA is not received, RTC will need to use other funding to pay for the repairs. Measure D-Rail funding and revenue generated from the SCBRL property are eligible fund sources to backfill any repair work not reimbursed by FEMA.

Future liabilities associated with retirement and other post-employment benefits (OPEB) continue to impact the RTC's net position. For a number of years the RTC has been making additional payments to CalPERS to address the future liability associated with retirement benefits and has been investigating options for addressing the OPEB future liability. In FY 2022/23, the RTC initiates contributions to a Section 115 trust to address the OPEB future liability.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION
June 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 5,014,502
Receivables	8,713,709
Deposits held by others	10,866
Prepaid items	45,013
Net pension asset	111,641
Right to use asset, net	473,076
Capital assets:	
Nondepreciable	19,848,411
Depreciable, net	<u>160,315</u>
Total assets	<u>34,377,533</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	775,732
OPEB related	<u>457,979</u>
Total deferred outflows of resources	<u>1,233,711</u>
LIABILITIES	
Accounts payable	6,974,385
Accrued expenses	74,048
Due to other agencies	1,424,653
Unearned revenue	135,715
Current portion of compensated absences	101,029
Current portion of lease payable	81,437
Noncurrent liabilities:	
Compensated absences	303,088
Lease payable	408,777
OPEB liability	<u>2,639,104</u>
Total liabilities	<u>12,142,236</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related	139,324
OPEB related	<u>698,734</u>
Total deferred inflows of resources	<u>838,058</u>
NET POSITION	
Net investment in capital assets	19,991,588
Restricted for programs	2,586,559
Unrestricted	<u>52,803</u>
Total net position	<u><u>\$ 22,630,950</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, 2022

		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	\$ 15,334,254	\$ -	\$ 17,642,808	\$ -
Total governmental activities	\$ 15,334,254	\$ -	\$ 17,642,808	\$ -
General Revenues				
Investment income				106,360
Other				157,427
Total general revenues				263,787
Change in net position				2,572,341
Net position - beginning of fiscal year				20,058,609
Net position - end of fiscal year				\$ 22,630,950

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2022

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund	Freeway Service Patrol Fund
ASSETS				
Cash and investments	\$ 2,565,468	\$ 828,050	\$ 582,175	\$ 42,900
Accounts receivable	621,050	500	351	
Due from other agencies	331,126	4,667,584	47,005	273,928
Due from fiduciary funds	27,905	96,616	5,430	680
Due from other funds	8,985			
Deposits held by others	10,866			
Prepaid items	13,388			
Total assets	<u>\$ 3,578,788</u>	<u>\$ 5,592,750</u>	<u>\$ 634,961</u>	<u>\$ 317,508</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 494,255	\$ 85,841	\$ 3,312	\$ 44,175
Accrued payroll	74,048			
Unearned revenue	4,678	76,620		
Due to other agencies	448,702		24,090	25,004
Due to fiduciary funds		4,773,394	180	70,213
Due to other funds		8,817		
Total liabilities	<u>1,021,683</u>	<u>4,944,672</u>	<u>27,582</u>	<u>139,392</u>
Fund Balances:				
Nonspendable:				
Prepaid items	13,388			
Deposits held by others	10,866			
Restricted:				
Transportation planning		648,078	607,379	178,116
Unassigned	2,532,851			
Total fund balances	<u>2,557,105</u>	<u>648,078</u>	<u>607,379</u>	<u>178,116</u>
Total liabilities and fund balances	<u>\$ 3,578,788</u>	<u>\$ 5,592,750</u>	<u>\$ 634,961</u>	<u>\$ 317,508</u>

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
GOVERNMENTAL FUNDS
BALANCE SHEET (CONTINUED)
June 30, 2022

	Highway 1 Program Fund	Highway 1 Auxiliary Fund	Cruz 511 Fund	Active Transportation MBSST Fund	Totals
ASSETS					
Cash and investments	\$ 154,904	\$ 140,198	\$ 485,358	\$ 215,449	\$ 5,014,502
Accounts receivable					621,901
Due from other agencies		1,435,092			6,754,735
Due from fiduciary funds		270,815	21,522	914,105	1,337,073
Due from other funds					8,985
Deposits held by others					10,866
Prepaid items			31,625		45,013
Total assets	<u>\$ 154,904</u>	<u>\$ 1,846,105</u>	<u>\$ 538,505</u>	<u>\$ 1,129,554</u>	<u>\$ 13,793,075</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 312,082	\$ 23,353	\$ 195,992	\$ 1,159,010
Accrued payroll					74,048
Unearned revenue				54,417	135,715
Due to other agencies		105,121		821,736	1,424,653
Due to fiduciary funds		963,219	8,369		5,815,375
Due to other funds				168	8,985
Total liabilities		<u>1,380,422</u>	<u>31,722</u>	<u>1,072,313</u>	<u>8,617,786</u>
Fund Balances:					
Nonspendable:					
Prepaid items			31,625		45,013
Deposits held by others					10,866
Restricted:					
Transportation planning	154,904	465,683	475,158	57,241	2,586,559
Unassigned					2,532,851
Total fund balances	<u>154,904</u>	<u>465,683</u>	<u>506,783</u>	<u>57,241</u>	<u>5,175,289</u>
Total liabilities and fund balances	<u>\$ 154,904</u>	<u>\$ 1,846,105</u>	<u>\$ 538,505</u>	<u>\$ 1,129,554</u>	<u>\$ 13,793,075</u>

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SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
RECONCILIATION OF THE GOVERNMENTAL
FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2022

Total Fund Balances - Governmental Funds \$ 5,175,289

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 and right to use assets and accumulated depreciation and amortization

Capital assets at historical cost	\$	20,176,830	
Accumulated depreciation		(168,104)	
Right to use assets		548,167	
Accumulated amortization		<u>(75,091)</u>	
Net			20,481,802

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	\$	404,117	
Lease payable		490,214	
OPEB liability		2,639,104	
Net pension liability (asset)		<u>(111,641)</u>	
Total			(3,421,794)

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

Deferred inflows of resources relating to pensions	\$	(139,324)	
Deferred inflows of resources relating to OPEB		(698,734)	
Deferred outflows of resources relating to OPEB		457,979	
Deferred outflows of resources relating to pensions		<u>775,732</u>	
			<u>395,653</u>

Total Net Position - Governmental Activities \$ 22,630,950

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2022

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund	Freeway Service Patrol Fund
Revenues				
Local Transportation Funds	\$ 1,539,364	\$ -	\$ -	\$ -
Motor vehicle fees			253,077	
California Department of Transportation Grant - SB1				71,165
RSTP Exchange Funds	62,781	449,711		
RSTP				
STP Exchange Funds				
State Planning, Programming and Monitoring Funds	230,111			
Local Partnership Program Grant				
Caltrans Grant (FSP)				248,925
State Rural Planning Assistance	401,071			
Sustainable Transportation Grant CDFW	54,721			
Sustainable Transportation Grant WCB	243,222			
FEMA		825,022		
Aid from other governments			46,330	
Land Trust	2,350,658			
Measure D	1,218,911	801,180	5,430	154,609
Use of money and property	8,199	90,252	2,814	127
Other	96,499	50,912		
Total revenues	6,205,537	2,217,077	307,651	474,826
Expenditures				
Salaries and benefits	1,854,424	352,655	87,304	84,175
Services and supplies	565,993	535,183	138,205	9,395
Bike Challenge	55,360			
Bike to Work	74,814			
Bike/Walk Smart	4,217			
Community Traffic Safety Coalition	174,730			
Towing service				355,833
Regional Conservation Investment Study	227,668			
Measure D Administration	26,846			
Bike SC Project Paseo	4,838			
Scotts Creek Marsh	47,419			
SR9 San Lorenzo Valley Complete Streets	149,493			
RTP CEQA EIR	30,000			
Highway 17 Wildlife Crossing	2,350,658			
Other	1,180	930,832		
Capital outlay	704,175			
Debt Service:				
Principal on lease	57,953			
Interest on lease	11,757			
Total expenditures	6,341,525	1,818,670	225,509	449,403
Excess of revenues over (under) expenditures	(135,988)	398,407	82,142	25,423

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)

For the Fiscal Year Ended June 30, 2022

	Highway 1 Program Fund	Highway 1 Auxiliary Lanes Fund	Cruz 511 Fund	Active Transportation MBSST Fund	Totals
Revenues					
Local Transportation Funds	\$ -	\$ -	\$ -	\$ -	\$ 1,539,364
Motor vehicle fees					253,077
California Department of Transportation Grant - SB1					71,165
RSTP Exchange Funds		125,000		15,583	653,075
RSTP			1,780		1,780
STP Exchange Funds	20,561				20,561
State Planning, Programming and Monitoring Funds		933,885			1,163,996
Local Partnership Program Grant		628,642			628,642
Caltrans Grant (FSP)					248,925
State Rural Planning Assistance					401,071
Sustainable Transportation Grant CDFW					54,721
Sustainable Transportation Grant WCB					243,222
FEMA					825,022
Aid from other governments					46,330
Land Trust				105,271	2,455,929
Measure D		3,531,203	200,000	3,124,595	9,035,928
Use of money and property	735	1,582	2,066	585	106,360
Other		10,016			157,427
Total revenues	21,296	5,230,328	203,846	3,246,034	17,906,595
Expenditures					
Salaries and benefits	20,561	353,381	152,603	931,593	3,836,696
Services and supplies		4,576,083	101,404	2,404,839	8,331,102
Bike Challenge					55,360
Bike to Work					74,814
Bike/Walk Smart					4,217
Community Traffic Safety Coalition					174,730
Towing service					355,833
Regional Conservation Investment Study					227,668
Measure D Administration					26,846
Bike SC Project Paseo					4,838
Scotts Creek Marsh					47,419
SR9 San Lorenzo Valley Complete Streets					149,493
RTP CEQA EIR					30,000
Highway 17 Wildlife Crossing					2,350,658
Other					932,012
Capital outlay					704,175
Debt Service:					
Principal on lease					57,953
Interest on lease					11,757
Total expenditures	20,561	4,929,464	254,007	3,336,432	17,375,571
Excess of revenues over (under) expenditures	735	300,864	(50,161)	(90,398)	531,024

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)

For the Fiscal Year Ended June 30, 2022

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund	Freeway Service Patrol Fund
Other Financing Sources (Uses):				
Operating transfers in	\$ -	\$ 110,000	\$ -	\$ -
Operating transfers out	(110,000)		(50,000)	
Proceeds from lease	548,167			
Total other financing sources (uses)	438,167	110,000	(50,000)	
Excess of revenues and other sources over (under) expenditures and other uses	302,179	508,407	32,142	25,423
Fund balances - July 1	2,254,926	139,671	575,237	152,693
Fund balances - June 30	\$ 2,557,105	\$ 648,078	\$ 607,379	\$ 178,116

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
For the Fiscal Year Ended June 30, 2022

	Highway 1 Program Fund	Highway 1 Auxiliary Fund	Cruz 511 Fund	Active Transportation MBSST Fund	Totals
Other Financing Sources (Uses):					
Operating transfers in	\$ -	\$ -	\$ 50,000	\$ 6,333	\$ 166,333
Operating transfers out	(6,333)				(166,333)
Proceeds from lease					548,167
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(6,333)		50,000	6,333	548,167
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess of revenues and other sources over (under) expenditures and other uses	(5,598)	300,864	(161)	(84,065)	1,079,191
Fund balances - July 1	160,502	164,819	506,944	141,306	4,096,098
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances - June 30	<u>\$ 154,904</u>	<u>\$ 465,683</u>	<u>\$ 506,783</u>	<u>\$ 57,241</u>	<u>\$ 5,175,289</u>

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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, 2022

Net Change in Fund Balances - Governmental Funds	\$	1,079,191
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Amounts reported for governmental activities in the statement of activities are different because:

Capital assets are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital assets of \$156,008 was more than depreciation expense of \$13,295 in the period.

142,713

Right to use assets are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over the length of the lease. This is the amount by which additions to right to use assets of \$548,167 is greater than amortization expense of \$75,091.

473,076

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 \$25,006.

(25,006)

The issuance of lease payable provides current financial resources to governmental funds, while the repayment of the principal of lease payable consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. The amount is the net effect of these differences in the treatment of lease payable and related items.

New lease payable issued	\$ (548,167)
Principal payments	<u>57,953</u>

(490,214)

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 fiscal year, the difference between accrual-basis pension costs and actual employer contributions was:

1,569,810

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

(177,229)

Change in Net Position - Governmental Activities	\$	<u><u>2,572,341</u></u>
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The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2022

	Private Purpose Trust Funds			
	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund	Measure D Fund
ASSETS				
Cash and investments	\$ 4,112,802	\$ 376	\$ 2,584,367	\$ 34,573,151
Accounts receivable	2,114,093		3,545,948	4,880,609
Due from SCCRTC			3,587,805	2,227,570
Due from other agencies		1,413,813		
Deposits held by others				256,200
Prepays				31,625
Total assets	6,226,895	1,414,189	9,718,120	41,969,155
LIABILITIES				
Accounts payable				
Due to SCCRTC			4,440	1,332,633
Due to other agencies	146,397	1,414,189	77,129	2,878,178
Total liabilities	146,397	1,414,189	81,569	4,210,811
NET POSITION				
Held in trust for other governments	\$ 6,080,498	\$ -	\$ 9,636,551	\$ 37,758,344

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS (CONTINUED)
June 30, 2022

	Pension (and Other Employee Benefits) Trust Funds				
	Low Carbon Transit Operators Program Fund	PERS Health Fund	In Lieu of Social Security Fund	Miscellaneous Deductions Fund	Totals
ASSETS					
Cash and investments	\$ 145,469	\$ 945	\$ -	\$ 6,837	\$ 41,423,947
Accounts receivable	150,000				10,690,650
Due from SCCRTC					5,815,375
Due from other agencies					1,413,813
Deposits held by others					256,200
Prepays					31,625
Total assets	295,469	945		6,837	59,631,610
LIABILITIES					
Accounts payable				353	353
Due to SCCRTC					1,337,073
Due to other agencies					4,515,893
Total liabilities				353	5,853,319
NET POSITION					
Held in trust for other governments	\$ 295,469	\$ 945	\$ -	\$ 6,484	\$ 53,778,291

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2022

	Private Purpose Trust Funds			
	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund	Measure D Fund
Additions:				
Sales tax	\$ 12,074,828	\$ 4,537,224	\$ -	\$ 27,625,973
State highway exchange funds			3,545,948	
Contributions from SCCRTC				
Transfer from SCCRTC				
SB1 Additional Gas Tax		742,919		
LCTOP				
Other income			490,496	70,677
Interest	20,244	376	19,091	148,385
Total additions	12,095,072	5,280,519	4,055,535	27,845,035
Deductions:				
Claimants:				
Santa Cruz Metropolitan Transit District	8,592,943	5,180,519		4,382,809
Santa Cruz County Regional Transportation Commission	1,539,364		554,911	6,978,104
City of Capitola				388,072
City of Santa Cruz	22,774			1,728,743
City of Scotts Valley			75,495	372,501
County of Santa Cruz	591,433		3,416,412	4,003,018
City of Watsonville	337,920			1,336,421
Community Bridges	844,219	100,000		1,095,702
Volunteer Center	94,281			
Salaries and benefits				944,863
Services and supplies				428,950
Consultant services				73,304
Plan payments				
Total deductions	12,022,934	5,280,519	4,046,818	21,732,487
Change in net position	72,138		8,717	6,112,548
Net position - beginning of fiscal year	6,008,360		9,627,834	31,645,796
Net position - end of fiscal year	\$ 6,080,498	\$ -	\$ 9,636,551	\$ 37,758,344

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS (CONTINUED)
For the Fiscal Year Ended June 30, 2022

	Pension (and Other Employee Benefits) Trust Funds				
	Low Carbon Transit Operators Program Fund	PERS Health Fund	In Lieu of Social Security Fund	Miscellaneous Deductions Fund	Totals
Additions:					
Sales tax	\$	\$ -	\$ -	\$ -	\$ 44,238,025
State highway exchange funds					3,545,948
Contributions from SCCRTC				3,550	3,550
Transfer from SCCRTC	147,485				147,485
SB1 Additional Gas Tax					742,919
LCTOP	190,460				190,460
Other income					561,173
Interest	559				188,655
Total additions	338,504			3,550	49,618,215
Deductions:					
Claimants:					
Santa Cruz Metropolitan Transit District					18,156,271
Santa Cruz County Regional Transportation Commission					9,072,379
City of Capitola					388,072
City of Santa Cruz					1,751,517
City of Scotts Valley					447,996
County of Santa Cruz					8,010,863
City of Watsonville					1,674,341
Community Bridges	43,035				2,082,956
Volunteer Center					94,281
Salaries and benefits					944,863
Services and supplies					428,950
Consultant services					73,304
Plan payments				3,333	3,333
Total deductions	43,035			3,333	43,129,126
Change in net position	295,469			217	6,489,089
Net position - beginning of fiscal year		945		6,267	47,289,202
Net position - end of fiscal year	\$ 295,469	\$ 945	\$ -	\$ 6,484	\$ 53,778,291

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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 meet 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, No. 80, and No. 90.

B. Government-wide and Fund Financial Statements

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

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

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

C. Basis of Presentation

Government-wide Financial Statements:

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues – exchange and non-exchange transactions:

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

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

Unearned revenue:

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

Expenses/expenditures:

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting

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

Major Governmental Funds:

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

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

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

Freeway Service Patrol – State funds for roadside assistance.

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

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

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

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

Fiduciary Funds:

These funds account for assets held by the Commission as a trustee or agent for other units of government. The fiduciary funds used by the Commission are 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, Low Carbon Transit Operators Program 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's 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

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

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

Equipment	3 to 7 years
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I. Unearned Revenue

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

J. Long-term Obligations

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

K. Compensated Absences

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

L. Fund Balances

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balances (Continued)

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

M. Prepaid Items

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

N. Estimates

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

O. Pensions

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

P. Other Postemployment Benefits (OPEB)

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

Q. Deferred Outflows and Inflows of Resources

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The Commission has two items which qualify for reporting in this category; refer to Note 9 and Note 11 for a detailed listing of the deferred outflows of resources the Commission has reported.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the Commission that is applicable to a future reporting period. The Commission has two items which qualify for reporting in this category; refer to Note 9 and 11 for a detailed listing of the deferred inflows of resources the Commission has reported.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Right to use assets

The Commission has recorded right to use lease assets as a result of implementing GASB Statement No. 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

S. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 87

For the fiscal year ended June 30, 2022, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 87, "Leases." This statement is effective for period beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Implementation of the GASB Statement No. 87 did have an impact on the Commission's financial statements for the fiscal year ended June 30, 2022, see Note 5 – Right to use asset and Note 6 – Lease Payable.

T. Future Accounting Pronouncements

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

Statement No. 91	"Conduit Debt Obligations"	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
Statement No. 93	"Replacement of Interbank Offered Rates"	The provisions of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. Paragraph 11b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021.
Statement No. 94	"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 96	"Subscription-Based Information Technology Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 99	"Omnibus 2022"	The provisions of this statement are effective in April 2022 except for the provisions related to leases, PPPs, SBITAs, financial guarantees and derivative instruments. The provisions related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The provisions related to financial guarantees and derivative instruments are effective for fiscal years beginning after June 15, 2023.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Future Accounting Pronouncements (Continued)

Statement No. 100	"Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62"	The provisions of this statement are effective for fiscal years beginning after June 15, 2023.
Statement No. 101	"Compensated Absences"	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.

NOTE 2 – CASH AND INVESTMENTS

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

Investments are carried at fair value. On June 30, 2022, the Commission had the following cash and investments on hand:

Cash in bank and on hand	\$ 94,782
Cash and investments with the Santa Cruz County Treasurer's Investment Fund	<u>46,343,667</u>
Total cash and investments	<u><u>\$ 46,438,449</u></u>

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

Cash and investments, statement of net position	\$ 5,014,502
Cash and investments, statement of fiduciary net position	<u>41,423,947</u>
Total cash and investments	<u><u>\$ 46,438,449</u></u>

The Commission categorizes its fair value measurements within the fair value hierarchy established by U.S. 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, this external pool is measured under Level 2.

Investments Authorized by the Commission's Investment Policy

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

Disclosures Relating to Interest Rate Risk

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

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

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13 - 24 Months	25 - 60 Months	More than 60 months
Santa Cruz County Treasurer's Investment Fund	\$ 46,343,667	\$ 46,343,667	\$ -	\$ -	\$ -
Total	\$ 46,343,667	\$ 46,343,667	\$ -	\$ -	\$ -

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	\$ 46,343,667	N/A	\$ -	\$ -	\$ -	\$ 46,343,667
Total	\$ 46,343,667		\$ -	\$ -	\$ -	\$ 46,343,667

Concentration of Credit Risk

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

Custodial Credit Risk

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

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

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

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

Investment in Santa Cruz County Treasurer's Investment Fund

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

NOTE 3 – DUE FROM OTHER AGENCIES

Due from other agencies consists of the following at June 30, 2022:

Special Revenue Funds						
Agency	Administration and Planning Fund	Rail/Authority Fund	Service Authority for Emergencies Fund	Freeway Service Patrol Fund	Highway 1 Program Fund	Highway 1 Auxiliary Fund
State grants (DOT)	\$ 331,126	\$ -	\$ -	\$ 273,928	\$ -	\$ 1,435,092
Federal grants (DOT)		4,667,584				
Other			47,005			
Totals	<u>\$ 331,126</u>	<u>\$ 4,667,584</u>	<u>\$ 47,005</u>	<u>\$ 273,928</u>	<u>\$ -</u>	<u>\$ 1,435,092</u>

Special Revenue Funds (cont)			Fiduciary Funds			
Agency	Cruz 511 Fund	Active Transportation MBSST Fund	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund	Low Carbon Transit Operators Program Fund
State grants (DOT)	\$ -	\$ -	\$ -	\$ 1,413,813	\$ -	\$ -
Federal grants (DOT)						
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,413,813</u>	<u>\$ -</u>	<u>\$ -</u>

Fiduciary Funds (cont)	
Agency	Measure D Fund
State grants (DOT)	\$ -
Federal grants (DOT)	
Totals	<u>\$ -</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

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, 2022, are as follows:

	Interfund Receivables	Interfund Payables
Major Funds:		
Administration and Planning	\$ 8,985	\$ -
Rail/Trail Authority		8,817
Active Transportation MBSST		168
	<u>\$ 8,985</u>	<u>\$ 8,985</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the 2021-2022 fiscal year, are as follows:

	Transfers In	Transfers Out
Major Funds:		
Administration and Planning	\$ -	\$ 110,000
Rail/Trail Authority	110,000	
Service Authority for Freeway Emergencies		50,000
Highway 1 Program		6,333
Cruz 511	50,000	
Active Transportation MBSST	6,333	
	<u>\$ 166,333</u>	<u>\$ 166,333</u>

NOTE 5 – RIGHT TO USE ASSET

Right to use asset activity for the Commission for the fiscal year ended June 30, 2022, was as follows:

	Balance July 1	Additions	Reductions	Balance June 30
Right to use assets				
Leased office	\$ -	\$ 548,167	\$ -	\$ 548,167
Total right to use assets		<u>548,167</u>		<u>548,167</u>
Less accumulated amortization for:				
Leased office		75,091		75,091
Total accumulated amortization		<u>75,091</u>		<u>75,091</u>
Right to use assets, net	<u>\$ -</u>	<u>\$ 473,076</u>	<u>\$ -</u>	<u>\$ 473,076</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 – LEASE PAYABLE

On August 23, 2021, the Commission agreed to new terms on an amendment to the office space lease agreement to extend the term to September 30, 2027. Rent is \$7,745 per month and increases by 3% on October 1st of each subsequent year. The lease liability is measured at a discount rate of 3%, which is the U.S Treasury Bill rate. As a result of the lease, the Commission has recorded a right to use asset of \$548,167.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Fiscal Year Ending June 30	Principal Payments	Interest Payments	Total
2023	\$ 81,437	\$ 13,601	\$ 95,038
2024	86,804	11,084	97,888
2025	92,422	8,404	100,826
2026	98,299	5,551	103,850
2027	104,448	2,518	106,966
2028	26,804	134	26,938
	<u>\$ 490,214</u>	<u>\$ 41,292</u>	<u>\$ 531,506</u>

NOTE 7 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Governmental activities				
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	\$ 172,411	\$ 39,221	\$ -	\$ 211,632
Leasehold improvements		116,787		116,787
Total depreciable capital assets	172,411	156,008		328,419
Less accumulated depreciation	(154,809)	(13,295)		(168,104)
Net depreciable capital assets	<u>\$ 17,602</u>	<u>\$ 142,713</u>	<u>\$ -</u>	<u>\$ 160,315</u>
Net capital assets	<u>\$ 19,866,013</u>	<u>\$ 142,713</u>	<u>\$ -</u>	<u>\$ 20,008,726</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 – LONG-TERM LIABILITIES

Changes in long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2022, is shown below:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due within One Year
Governmental activities					
Compensated Absences	\$ 379,111	\$ 222,443	\$ 197,437	\$ 404,117	\$ 101,029
Lease payable		548,167	57,953	490,214	81,437
OPEB Liability	3,187,432		548,328	2,639,104	
Net Pension Liability (Asset)	1,692,619		1,804,260	(111,641)	
Governmental activities Long-term liabilities	<u>\$ 5,259,162</u>	<u>\$ 770,610</u>	<u>\$ 2,607,978</u>	<u>\$ 3,421,794</u>	<u>\$ 182,466</u>

NOTE 9 – PENSION PLAN

A. General Information about the Pension Plan

Plan Descriptions

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

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, 2022, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	2.0% @ 55	2.0 % @ 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	6.91%	6.75%
Required employer contribution rates	10.88% + \$130,608	7.59% + \$1,637

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 9 – 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 \$454,857 for the fiscal year ended June 30, 2022.

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

At June 30, 2022, the Commission reported an asset of \$111,641 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 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, 2021, the Commission's proportion was -0.00588%, which decreased by .04601% from June 30, 2020.

For the fiscal year ended June 30, 2022, the Commission recognized pension expense of \$(1,114,953). 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, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to pension from the sources shown below:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 454,857	\$ -
Differences between expected and actual experience		12,519
Changes in assumptions		
Net difference between projected and actual earnings on retirement plan investments	97,457	
Adjustment due to differences in proportions		126,805
Difference in actual contributions and proportionate share of contributions	223,418	
	<u>\$ 775,732</u>	<u>\$ 139,324</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 9 – PENSION PLAN (Continued)

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

\$454,857 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 fiscal year ended June 30, 2023. 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:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Amount</u>
2023	\$ 52,058
2024	51,326
2025	51,234
2026	26,933
	<u>\$ 181,551</u>

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.0% 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 2.50% 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 15 years of mortality improvements using 90% Scale MP 2016 published by the Society of Actuaries. For more details on this table please refer to the 2017 experience study report.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund including PERF C. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB No. 68 section.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 9 – PENSION PLAN (Continued)

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

Discount Rate (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2022. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB No. 67 and No. 68 calculations through at least the 2021-22 fiscal year. CalPERS will continue to check the materiality of the difference in calculation.

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

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

The following represents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15 percent) or 1 percentage point higher (8.15 percent) than the current rate:

	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
District's proportionate share of the net pension plan liability	\$ 1,391,110	\$ (111,641)	\$ (1,353,945)

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 9 – PENSION PLAN (Continued)

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

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, 2022, the Commission had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2022.

NOTE 10 – NET POSITION

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

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

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

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

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

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

Plan administration – Integrated medical/prescription drug coverage is provided through CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA). Employees may choose from a variety of HMO and PPO options. The Commission offers the same health plans to its retirees as its active employees, with the exception that once a retiree becomes eligible for Medicare, he or she must join a Medicare HMO or a Medicare Supplement plan under PEMHCA. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

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

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

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

Employees Covered

As of the July 1, 2021, actuarial valuation, the following current and former employees were covered by the benefit terms under the Commission's Plan:

Active plan members	17
Inactive employees or beneficiaries currently receiving benefits	10
Total	<u>27</u>

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

Total OPEB Liability

The Commission's total OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated July 1, 2021. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

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

Discount Rate	3.69%
Inflation	2.75%
Salary Increases	3.00%
Mortality Rate	Mortality rates from CalPERS Experience Study (2000-2019)
Healthcare Trend Rate	5.40% decreasing to 4.00% for 2070 and later years

Actuarial assumptions used in the July 1, 2019 valuation were based on a review of plan experience during the period July 1, 2017 to June 30, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or in excess of the target rate of return of 1.92 percent.

Change in assumptions. For the June 30, 2022 measurement date, the discount rate was increased from 1.92 percent to 3.69 percent. The medical cost trend rate decreased from 5.70 percent to 5.40 percent. Inflation decreased from 3.00 percent to 2.75 percent.

Discount rate. GASB Statement No. 75 requires a discount rate that reflects the following:

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

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

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

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

Total OPEB Liability (Continued)

Reporting Date	Measurement Date	Municipal 20 Year High Grade Rate Index	Discount Rate
June 30, 2021	June 30, 2021	1.92%	1.92%
June 30, 2022	June 30, 2022	3.69%	3.69%

Changes in the OPEB Liability

	Total OPEB Liability
Balance at June 30, 2021 (Valuation Date June 30, 2021)	<u>\$ 3,187,432</u>
Changes recognized for the measurement period:	
Service cost	224,198
Interest	64,948
Difference between expected and actual experience	32,946
Changes of assumptions	(777,945)
Benefit payments	<u>(92,475)</u>
Net Changes	<u>(548,328)</u>
Balance at June 30, 2022 (Measurement Date June 30, 2022)	<u><u>\$ 2,639,104</u></u>

Sensitivity of the OPEB liability to changes in the discount rate. The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.69 percent) or 1 percentage-point higher (4.69 percent) than the current discount rate:

	1% Decrease 2.69%	Discount Rate 3.69%	1% Increase 4.69%
OPEB Liability	\$ 3,033,244	\$ 2,639,104	\$ 2,319,090

Sensitivity of the OPEB liability to changes in the healthcare trend rates. The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1 percentage-point lower (4.40 percent) or 1 percentage-point higher (6.40 percent) than the current healthcare cost trend rates:

	1% Decrease (4.40% Decreasing to 4.00%)	Healthcare Cost Trend Rate (5.40% Decreasing to 4.00%)	1% Increase (6.40% Decreasing to 4.00%)
OPEB Liability	\$ 2,259,152	\$ 2,639,104	\$ 3,119,971

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

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

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

For the fiscal year ended June 30, 2022, the Commission recognized OPEB expense of \$269,704. As of the fiscal year ended June 30, 2021, the Commission reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 28,370	\$ 6,505
Change in assumptions	429,609	692,229
	<u>\$ 457,979</u>	<u>\$ 698,734</u>

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

Fiscal Year Ending June 30,	Amount
2023	\$ (19,444)
2024	(9,835)
2025	(22,558)
2026	(22,558)
2027	(45,664)
2028-2029	(120,696)
	<u>\$ (240,755)</u>

NOTE 12 – SENATE BILL 1 – STATE OF GOOD REPAIR

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

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

In the fiscal year ended June 30, 2022, the Santa Cruz County Regional Transportation Commission received \$742,919. The funding was distributed to the Santa Cruz Metropolitan Transit District.

NOTE 13 – EXCESS EXPENDITURES OVER APPROPRIATIONS

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

Fund	Excess Expenditures
Major Fund:	
Highway 1 Program Fund	
Salaries and benefits	\$ 20,561

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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Transportation Funds	\$ 1,362,799	\$ 1,539,364	\$ 1,539,364	\$ -
RSTP Exchange	175,000	280,000	62,781	(217,219)
State Planning, Programming and Monitoring Funds	144,579	144,579	230,111	85,532
State Rural Planning Assistance	337,000	421,250	401,071	(20,179)
Sustainable Transportation Grant CDFW	75,000	75,000	54,721	(20,279)
Sustainable Transportation Grant WCB	75,448	75,448	243,222	167,774
Measure D	3,194,330	2,347,843	1,218,911	(1,128,932)
Land Trust		2,000,000	2,350,658	350,658
Use of money and property			8,199	8,199
Other			96,499	96,499
Total revenues	5,364,156	6,883,484	6,205,537	(677,947)
Expenditures				
Salaries and benefits	1,924,770	1,994,058	1,854,424	139,634
Services and supplies	1,040,411	683,069	565,993	117,076
Bike Challenge	100,000	100,000	55,360	44,640
Bike to Work	60,000	60,000	74,814	(14,814)
Bike/Walk Smart	25,000	25,000	4,217	20,783
Community Traffic Safety Coalition	130,000	130,000	174,730	(44,730)
Regional Conservation Investment Study	60,476	60,476	227,668	(167,192)
Measure D Administration			26,846	(26,846)
Bike SC Project Paseo	50,000	50,000	4,838	45,162
Scotts Creek Marsh	75,000	75,000	47,419	27,581
SR9 San Lorenzo Valley Complete Streets	1,092,600	257,325	149,493	107,832
RTP CEQA EIR	30,000	30,000	30,000	
Highway 17 Wildlife Crossing	1,350,333	3,350,333	2,350,658	999,675
Other			1,180	(1,180)
Capital outlay	135,000	135,000	704,175	(569,175)
Debt Service:				
Principal on lease			57,953	(57,953)
Interest on lease			11,757	(11,757)
Total expenditures	6,073,590	6,950,261	6,341,525	608,736
Excess of revenues over (under) expenditures	(709,434)	(66,777)	(135,988)	(69,211)
Other Financing Sources (Uses):				
Operating transfers out	(110,000)	(110,000)	(110,000)	
Proceeds from lease			548,167	548,167
Total other financing sources (uses)	(110,000)	(110,000)	438,167	548,167
Change in fund balance	(819,434)	(176,777)	302,179	478,956
Fund balance - July 1	2,254,926	2,254,926	2,254,926	
Fund balance - June 30	\$ 1,435,492	\$ 2,078,149	\$ 2,557,105	\$ 478,956

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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure D	\$ 774,574	\$ 1,200,000	\$ 801,180	\$ (398,820)
Use of money and property	70,000	83,772	90,252	6,480
RSTP Exchange			449,711	449,711
FEMA	880,000	600,000	825,022	225,022
Other revenue	285,000		50,912	50,912
Total revenues	2,009,574	1,883,772	2,217,077	333,305
Expenditures				
Salaries and benefits	350,000	506,000	352,655	153,345
Services and supplies	1,954,346	1,478,352	535,183	943,169
Other			930,832	(930,832)
Total expenditures	2,304,346	1,984,352	1,818,670	165,682
Excess of revenues over (under) expenditures	(294,772)	(100,580)	398,407	498,987
Other Financing Sources (Uses):				
Operating transfers in	110,000	110,000	110,000	
Total other financing sources (uses)	110,000	110,000	110,000	
Excess of revenues and other sources over (under) expenditures and other uses	(184,772)	9,420	508,407	498,987
Fund balance - July 1	139,671	139,671	139,671	
Fund balance - June 30	\$ (45,101)	\$ 149,091	\$ 648,078	\$ 498,987

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, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Motor vehicle fees	\$ 257,750	\$ 257,750	\$ 253,077	\$ (4,673)
Aid from other governments	50,000	50,000	46,330	(3,670)
Measure D	50,000	50,000	5,430	(44,570)
Use of money and property	3,000	3,000	2,814	(186)
Total revenues	360,750	360,750	307,651	(53,099)
Expenditures				
Salaries and benefits	134,000	134,000	87,304	46,696
Services and supplies	239,550	297,050	138,205	158,845
Total expenditures	373,550	431,050	225,509	205,541
Excess of revenues over (under) expenditures	(12,800)	(70,300)	82,142	152,442
Other Financing Sources (Uses):				
Operating transfers out	(50,000)	(50,000)	(50,000)	
Total other financing sources (uses)	(50,000)	(50,000)	(50,000)	
Excess of revenues and other sources over (under) expenditures and other uses	(62,800)	(120,300)	32,142	152,442
Fund balance - July 1	575,237	575,237	575,237	
Fund balance - June 30	\$ 512,437	\$ 454,937	\$ 607,379	\$ 152,442

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, 2022

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget
				Positive (Negative)
Revenues				
California Department of				
Transportation Grant - SB1	\$ 80,397	\$ 80,397	\$ 71,165	\$ (9,232)
Caltrans Grant (FSP)	167,519	167,519	248,925	81,406
Measure D	239,825	203,091	154,609	(48,482)
Use of money and property			127	127
Total revenues	487,741	451,007	474,826	23,819
Expenditures				
Salaries and benefits	86,500	91,500	84,175	7,325
Services and supplies	17,200	12,200	9,395	2,805
Towing service	347,307	347,307	355,833	(8,526)
Total expenditures	451,007	451,007	449,403	1,604
Excess of revenues over (under)				
expenditures	36,734		25,423	25,423
Fund balance - July 1	152,693	152,693	152,693	
Fund balance - June 30	\$ 189,427	\$ 152,693	\$ 178,116	\$ 25,423

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, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Use of money and property	\$ -	\$ -	\$ 735	\$ 735
Other state revenue	22,000			
STP Exchange Funds			20,561	20,561
Total revenues	22,000		21,296	21,296
Expenditures				
Salaries and benefits	5,000		20,561	(20,561)
Services and supplies	17,000			
Total expenditures	22,000		20,561	(20,561)
Excess of revenues over (under) expenditures			735	735
Other Financing Sources (Uses):				
Operating transfers out			(6,333)	(6,333)
Total other financing sources (uses)			(6,333)	(6,333)
Excess of revenues and other sources over (under) expenditures and other uses			(5,598)	(5,598)
Fund balance - July 1	160,502	160,502	160,502	
Fund balance - June 30	<u>\$ 160,502</u>	<u>\$ 160,502</u>	<u>\$ 154,904</u>	<u>\$ (5,598)</u>

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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 1,582	\$ 1,582
SB1	200,000			
RSTP Exchange Funds			125,000	125,000
State Planning, Programming and Monitoring Funds	2,550,000	1,031,958	933,885	(98,073)
Local Partnership Program Grant	595,000	513,000	628,642	115,642
Measure D	13,146,410	5,026,000	3,531,203	(1,494,797)
Other		10,000	10,016	16
Total revenues	16,491,410	6,580,958	5,230,328	(1,350,630)
Expenditures				
Salaries and benefits	550,000	450,000	353,381	96,619
Services and supplies	15,941,410	6,130,958	4,576,083	1,554,875
Total expenditures	16,491,410	6,580,958	4,929,464	1,651,494
Excess of revenues over (under) expenditures			300,864	300,864
Fund balance - July 1	164,819	164,819	164,819	
Fund balance - June 30	\$ 164,819	\$ 164,819	\$ 465,683	\$ 300,864

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
BUDGETARY COMPARISON SCHEDULE
CRUZ 511 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
RSTP	\$ 68,663	\$ 68,663	\$ 1,780	\$ (66,883)
Measure D	200,000	200,000	200,000	
Use of money and property	4,000	4,000	2,066	(1,934)
Total revenues	272,663	272,663	203,846	(68,817)
Expenditures				
Salaries and benefits	213,663	193,663	152,603	41,060
Services and supplies	150,100	170,100	101,404	68,696
Total expenditures	363,763	363,763	254,007	109,756
Excess of revenues over (under) expenditures	(91,100)	(91,100)	(50,161)	40,939
Other Financing Sources (Uses):				
Operating transfers in	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	(41,100)	(41,100)	(161)	40,939
Fund balance - July 1	506,944	506,944	506,944	
Fund balance - June 30	\$ 465,844	\$ 465,844	\$ 506,783	\$ 40,939

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
BUDGETARY COMPARISON SCHEDULE
ACTIVE TRANSPORTATION MBSST FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget
				Positive (Negative)
Revenues				
RSTP Exchange Funds	\$ 300,000	\$ 425,000	\$ 15,583	\$ (409,417)
Land Trust	338,720	338,720	105,271	(233,449)
Measure D	9,345,976	4,346,185	3,124,595	(1,221,590)
Use of money and property			585	585
Total revenues	9,984,696	5,109,905	3,246,034	(1,863,871)
Expenditures				
Salaries and benefits	329,130	958,685	931,593	27,092
Services and supplies	9,655,566	4,151,220	2,404,839	1,746,381
Total expenditures	9,984,696	5,109,905	3,336,432	1,773,473
Excess of revenues over (under) expenditures			(90,398)	(90,398)
Other Financing Sources (Uses):				
Operating transfers in			6,333	6,333
Total other financing sources (uses)			6,333	6,333
Excess of revenues and other sources over (under) expenditures and other uses			(84,065)	(84,065)
Fund balance - July 1	141,306	141,306	141,306	
Fund balance - June 30	\$ 141,306	\$ 141,306	\$ 57,241	\$ (84,065)

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND RELATED RATIOS

Last 10 Years*

As of June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 224,198	\$ 211,434	\$ 177,210	\$ 113,898	\$ 121,414
Interest on the total OPEB liability	64,948	71,228	76,179	69,300	60,196
Actual and expected experience difference	32,946		(10,840)		
Changes in assumptions	(777,945)	246,455	357,350	139,953	(133,982)
Change in benefit items					
Benefit payments	(92,475)	(74,599)	(72,998)	(62,470)	(50,598)
Net change in total OPEB liability	(548,328)	454,518	526,901	260,681	(2,970)
Total OPEB liability - beginning	3,187,432	2,732,914	2,206,013	1,945,332	1,948,302
Total OPEB liability - ending	<u>\$ 2,639,104</u>	<u>\$ 3,187,432</u>	<u>\$ 2,732,914</u>	<u>\$ 2,206,013</u>	<u>\$ 1,945,332</u>
Covered payroll	\$ 2,127,147	\$ 1,961,919	\$ 1,880,332	\$ 1,888,097	\$ 1,374,598
Total OPEB liability as a percentage of covered payroll	124.07%	162.47%	145.34%	116.84%	141.52%

*- Fiscal year 2018 was the 1st year of implementation, therefore only five years are shown.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION

SCHEDULE OF OPEB CONTRIBUTIONS

Last 10 Years*

As of June 30, 2022

The Commission's contribution for the fiscal year ended June 30, 2022 was \$92,475. The Commission did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2022, therefore the Commission does not need to comply with GASB 75's Required Supplementary Information requirements.

The Commission's contribution for the fiscal year ended June 30, 2021 was \$74,599. The Commission did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2021, therefore the Commission does not need to comply with GASB 75's Required Supplementary Information requirements.

The Commission's contribution for the fiscal year ended June 30, 2020 was \$72,998. The Commission did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2020, therefore the Commission does not need to comply with GASB 75's Required Supplementary Information requirements.

The Commission's contribution for the fiscal year ended June 30, 2019 was \$62,470. The Commission did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2019, therefore the Commission does not need to comply with GASB 75's Required Supplementary Information requirements.

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

*- Fiscal year 2018 was the 1st year of implementation, therefore only five years are shown.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**

Last 10 Years*

As of June 30, 2022

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

	2022	2021	2020	2019
Proportion of the net pension liability	-0.00206%	0.01556%	0.01626%	0.01717%
Proportionate share of the net pension liability	\$ (111,641)	\$ 1,692,619	\$ 1,665,720	\$ 1,654,850
Covered payroll	\$ 1,967,823	\$ 1,880,332	\$ 2,081,870	\$ 1,590,897
Proportionate share of the net pension liability as percentage of covered payroll	-5.67%	90.02%	80.01%	104.02%
Plan's total pension liability	\$ 46,174,942,264	\$ 43,702,930,887	\$ 41,426,453,489	\$ 38,944,855,364
Plan's fiduciary net position	\$ 40,766,653,876	\$ 32,822,501,335	\$ 31,179,414,067	\$ 29,308,589,559
Plan fiduciary net position as a percentage of the total pension liability	88.29%	75.10%	75.26%	75.26%
	2018	2017	2016	2015
Proportion of the net pension liability	0.01902%	0.01925%	0.01875%	0.02073%
Proportionate share of the net pension liability	\$ 1,886,393	\$ 1,665,777	\$ 1,286,988	\$ 1,289,646
Covered payroll	\$ 1,541,379	\$ 1,523,462	\$ 1,351,432	\$ 1,333,752
Proportionate share of the net pension liability as percentage of covered payroll	122.38%	109.34%	95.23%	96.69%
Plan's total pension liability	\$ 37,161,348,332	\$ 33,358,627,624	\$ 31,771,217,402	\$ 30,829,966,631
Plan's fiduciary net position	\$ 27,244,095,376	\$ 24,705,532,291	\$ 24,907,305,871	\$ 24,607,502,515
Plan fiduciary net position as a percentage of the total pension liability	73.31%	74.06%	78.40%	79.82%

Note to Schedule:Change in assumptions

In 2018, inflation was changed from 2.75 percent to 2.50 percent and individual salary increases and overall payroll growth was reduced from 3.00 percent to 2.75 percent.

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

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

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

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

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION

SCHEDULE OF PENSION CONTRIBUTIONS

Last 10 Years*

As of June 30, 2022

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution (actuarially determined)	\$ 454,857	\$ 725,030	\$ 440,212	\$ 443,077
Contribution in relation to the actuarially determined contributions	<u>(454,857)</u>	<u>(725,030)</u>	<u>(440,212)</u>	<u>(443,077)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,240,016	\$ 1,967,823	\$ 1,880,332	\$ 2,081,870
Contributions as a percentage of covered payroll	20.31%	36.84%	23.41%	21.28%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 552,504	\$ 267,135	\$ 214,636	\$ 170,439
Contribution in relation to the actuarially determined contributions	<u>(552,504)</u>	<u>(267,135)</u>	<u>(214,636)</u>	<u>(170,439)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,590,897	\$ 1,541,379	\$ 1,523,462	\$ 1,351,432
Contributions as a percentage of covered payroll	34.73%	17.33%	14.09%	12.61%

Notes to Schedule

Valuation Date: 6/30/2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age Normal

Amorization method/period For details, see the June 30, 2017 funding valuation report.

Discount rate 7.15%

Payroll growth 3.00%

Price inflation 2.63%

Salary increases Varies by entry age and years of service.

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

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

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

SUPPLEMENTARY INFORMATION SECTION



Moss, Levy & Hartzheim LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON TRANSPORTATION DEVELOPMENT ACT COMPLIANCE

Santa Cruz County Regional Transportation Commission
Santa Cruz, California

Report on Compliance

Opinion on Compliance with the Transportation Development Act

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, 2022.

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, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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*; published by the State of California Department of Transportation. Our responsibilities under those standards and the *Transportation Development Act Guidebook* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Santa Cruz County Regional Transportation Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of Santa Cruz County Regional Transportation Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Transportation Development Act.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Santa Cruz County Regional Transportation Commission's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and *Transportation Development Act Guidebook* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Santa Cruz County Regional Transportation Commission's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *Transportation Development Act Guidebook*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 Commission's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the *Transportation Development Act Guidebook*, but not for the purpose of expressing an opinion on the effectiveness of the Santa Cruz County Regional Transportation Commission's internal control. Accordingly, we express no such opinion.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 *Transportation Development Act Guidebook*. Accordingly, this report is not suitable for any other purpose.

Moss, Remy & Hartshorn LLP

Santa Maria, California
April 10, 2023



Moss, Levy & Hartzheim LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON MEASURE D COMPLIANCE

Santa Cruz County Regional Transportation Commission
Santa Cruz, California

Report on Compliance

Opinion on Compliance with the Measure D

We have audited the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of the Santa Cruz County Regional Transportation Commission's (the Commission) compliance with the types of compliance requirements described in *Ordinance No. 2016-01* (Measure D), applicable for the fiscal year ended June 30, 2022.

In our opinion, the funds allocated to and received by Santa Cruz County Regional Transportation Commission pursuant to the Measure D, complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements of Measure D and the allocation instructions and resolutions of Santa Cruz County Regional Transportation Commission for the fiscal year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *Ordinance No. 2016-01*. Our responsibilities under those standards and the *Ordinance No. 2016-01* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Santa Cruz County Regional Transportation Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of Santa Cruz County Regional Transportation Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Measure D.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Santa Cruz County Regional Transportation Commission's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and *Ordinance No. 2016-01* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Santa Cruz County Regional Transportation Commission's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *Ordinance No. 2016-01*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 Commission's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the *Ordinance No. 2016-01*, but not for the purpose of expressing an opinion on the effectiveness of the Santa Cruz County Regional Transportation Commission's internal control. Accordingly, we express no such opinion.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 *Ordinance No. 2016-01*. Accordingly, this report is not suitable for any other purpose.

Moss, Remy & Hartgeheim LLP

Santa Maria, California
April 10, 2023

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
SCHEDULE OF ALLOCATIONS AND EXPENDITURES
LOCAL TRANSPORTATION FUND
For the Fiscal Year Ended June 30, 2022

Claimant/Purpose/Authority*	Allocated Balance July 1, 2021	Allocation	Expended	Allocated Balance June 30, 2022
Santa Cruz Metropolitan Transit District				
Transit operator assistance PUC § 99260(a)	\$ -	\$ 8,592,943	\$ 8,592,943	\$ -
Totals		8,592,943	8,592,943	
Santa Cruz County Regional Transportation Commission				
Administration				
PUC § 99233.1		725,452	725,452	
Planning				
PUC § 99402		623,912	623,912	
Pedestrian and bicycle				
PUC § 99400 (a)		190,000	190,000	
Totals		1,539,364	1,539,364	
City of Santa Cruz				
Volunteer Center and Community Bridges				
PUC § 99400 (c)	(6,221)	944,721	938,500	
Pedestrian and bicycle				
PUC § 99400 (a)	407,139	110,233	22,774	494,598
Totals	400,918	1,054,954	961,274	494,598
County of Santa Cruz				
Pedestrian and bicycle				
PUC § 99400 (a)	968,448	258,616	591,433	635,631
Totals	968,448	258,616	591,433	635,631
City of Scotts Valley				
Pedestrian and bicycle				
PUC § 99400 (a)	60,679	23,075		83,754
Totals	60,679	23,075		83,754
City of Capitola				
Pedestrian and bicycle				
PUC § 99400 (a)	51,413	19,808		71,221
Totals	51,413	19,808		71,221
City of Watsonville				
Pedestrian and bicycle				
PUC § 99400 (a)	758,424	100,830	337,920	521,334
Totals	758,424	100,830	337,920	521,334
Grand totals	\$ 2,239,882	\$ 11,589,590	\$ 12,022,934	\$ 1,806,538

* 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, 2022

Claimant/Purpose/Authority*	Allocated Balance July 1, 2021	Allocation	Expended	Allocated Balance June 30, 2022
Santa Cruz Metropolitan Transit District				
Transit operator assistance CAC § 6730 a	\$ -	\$ 4,437,224	\$ 4,437,224	\$ -
Total	<u>\$ -</u>	<u>\$ 4,437,224</u>	<u>\$ 4,437,224</u>	<u>\$ -</u>
City of Santa Cruz				
Community Bridges CAC § 6730 a	\$ -	\$ 100,000	\$ 100,000	\$ -
	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>