

General Compliance Reporting:

Confirm completion of the following Measure D Agreement requirements during the reporting year. The RTC shall utilize information from Recipient on expenditures to prepare a comprehensive report to the public on the expenditure of Measure D revenues.

Recipient - Update all highlighted fields on 3 tabs. Reporting Requirements (Articles from the Master Fund Agreement are referenced as comments)

REPORTING YEAR: **FY17/18**

Recipient Agency **Santa Cruz County**

Public Information/ Outreach	Date	Documentation (ex. copy of resolution, minutes, notices, articles, webpage, signage, etc) - <i>please attach.</i>	Comments, additional info. If applicable, briefly explain why publicity requirement was not completed
Date Initial 5-Year Plan Adopted	6/27/2017	Resolution	Approved by Board of Supervisors
Date of 5-Year Plan Public Hearing	6/27/2017	Resolution	
Date of annual audit of Measure D Expenditures	6/30/2018	Audited Financial Statements	Attached
News Article	ongoing	FB notices	Several facebook notices and news releases on work
Website with info on Meas. D projects	ongoing	webpage sample	http://www.dpw.co.santa-cruz.ca.us/Home/TransportationRoads/MeasureDandSB1.aspx
Map of Measure D-funded Projects	ongoing	copy of map or webpage	See webpage
Photos (before/after)	ongoing	Document with photos, captions	
Signage	ongoing	photo of signs	
Describe any other public outreach conducted during the reporting year about Measure D			

Maintenance of Effort

FY17/18 LOCAL funds spent on multimodal local road repairs & maintenance (exclude HUTA, formula state & fed funds, special grants)	\$ 7,466,667	Locally-generated funds beyond HUTA or Measure D (ex. general funds, city tax, developer fees, etc)
Maintenance of Effort BASELINE (should match MOE report submitted to RTC in 2017)	\$ 6,029,980	Pre-Measure D Baseline of average of locally-generated revenues (ex. general funds, sales and property taxes and other fees) and expenditures for transportation purposes in the three to five fiscal years prior to the start of Measure D allocations to recipient agencies (FY16/17, FY15/16, FY14/15, and optionally FY13/14 and FY12/13).
FY18/19 LOCAL (exclude HUTA, formula state & fed funds) funds BUDGETED on multimodal local road repairs & maintenance	\$ 9,422,067	Locally-generated funds beyond HUTA or Measure D (ex. general funds, city tax, developer fees, etc)
If FY17/18 local expenditures were lower than the baseline amount, explain why. (e.g. emergencies, extraordinary event - fires, etc) Recipient agencies have up to three fiscal years to meet the adjusted minimum local revenue expenditure requirement.	N/A	
Does your agency have an indirect cost allocation plan?	Yes	If "no", Measure D funds cannot be used for indirect costs.
Cities/County Only: Does your agency have an adopted Complete Streets policy?	In Process	If "yes" - when was it adopted? If "no", agency is required to immediately adopt one in order to continue to receive Measure D funds.

Contacts

Administrative officer or designated staff available to report on or answer any and all inquiries in regard to Recipient's receipt, usage, and/or compliance audit findings regarding Measure D funds before the RTC and/or the Independent Oversight Committee or RTC advisory committees, as applicable.

Name	Title/Measure D tasks	Phone/email
Steve Wiesner	Assistant Director of Public Works	(831)454-2794/Steve.Wiesner@santacruzcounty.us
Kim Moore	Assistant Director of Public Works	(831)454-2360/Kim.Moore@santacruzcounty.us

MEASURE D EXPENDITURE REPORT

List how Measure D funds were expended. While backup documentation (e.g. invoices from contractors, payroll, etc) do not need to be submitted with this report, all Measure D funds must included in recipient agency's fiscal audit and projects will be randomly selected for more detailed review. Agencies should retain records documenting Measure D expenditures for at least 3 years on each project.

Agency	Beginning of Year Fund Balance	FY 16/17-17/18 Measure D Received <small>(4/1/17-6/30/18)</small>	Interest Earned on Measure D funds	Measure D Expended <small>(4/1/17-6/30/18)</small>	End of Year Fund Balance/ Carryover to be Spent in Future Years	Anticipated Future Interest <small>(include in 5-Year plan updates)</small>
Santa Cruz County	NA in first report	\$ 2,969,212.16	\$ 16,899.81	\$ 223,161.88	\$ 2,762,950.09	\$ 27,629.50

DETAILED SUMMARY OF EXPENDITURES AND ACCOMPLISHMENTS.										
#	Project Name	Total Project Cost	Past year(s) Measure D Expenditures on this project	FY17/18 Measure D Expenditures	(Est) Future Year(s) Measure D Expenditures	Measure D-funded Capital Costs	Measure D-funded Non-capital <small>(non-infrastructure, outreach, admin, etc)</small>	Measure D-funded indirect costs	Leveraged Funds <small>(grants & other funds secured, which used Meas. D as match)</small>	Leveraged Fund Source Name(s)
1	Casserty Road Bridge Replacement	\$ 427,469.00	\$ -	\$ 199,500.00	\$ -	\$ 199,500.00	\$ -	\$ -	N/A	N/A
2	2018 Measure D Resurfacing	\$ 2,155,000.00	\$ -	\$ 8,911.88	\$ 2,146,088.12	\$ 5,884.92		\$ 3,026.96	N/A	N/A
3	FY18 Outreach and Education - Ecology Action	\$ 13,000.00	\$ -	\$ 13,000.00	\$ -	\$ -	\$ 13,000.00		N/A	N/A
4	FY18 Outreach and Education - Bike Santa Cruz	\$ 1,750.00	\$ -	\$ 1,750.00	\$ -	\$ -	\$ 1,750.00		N/A	N/A
Total		\$ -	\$ -	\$ 223,161.88	\$ 2,146,088.12	\$ 205,384.92	\$ 14,750.00	\$ 3,026.96	\$ -	

Agency

Santa Cruz County

TAILED SUMMARY OF EXPENDITURES AND		5-Year	Project Information Continued			Project Status/Timeline			
Project Name	Project in approved 5-year plan?	Location/Limits	Description <small>(may include additional project components, ex. complete streets, traffic calming, crossing improvements, drainage upgrades, etc.)</small>	Project Category <small>(Drop-down Menu)</small>	Primary Project Type <small>(Drop-down Menu)</small>	Project Status	CEQA compliance <small>(List type of document & certification date - e.x. CE, 5/1/18)</small>	Construction schedule	Completion Date <small>(actual or estimate)</small>
Casserly Road Bridge Replacement	Yes	Casserly Road at Smith Road	Bridge Repalcement	Road O&M	Bridges and Tunnels	Complete	CAT EX	6/17-8/17	8/1/2017
2018 Measure D Resurfacing	Yes	Various Roads Countywide	Roadway Resurfacing	Road Rehab	Street Resurfacing/ Maintenance	In-progress	CAT EX	6/18-9/18	11/21/2018
FY18 Outreach and Education - Ecology Action	Yes	Countywide	Outreach	Bike only	Education and Promotion	Complete	n/a	n/a	n/a
FY18 Outreach and Education - Bike Santa Cruz	Yes	Countywide	Outreach	Bike only	Education and Promotion	Complete	n/a	n/a	n/a

Agency

Santa Cruz County

TAILED SUMMARY OF EXPENDITURES AND		Project Costs by Mode - estimate % of project by mode				Additional Metrics - if applicable				
Project Name	% System Preservation	% Roadway <small>(on non-sys. Preservation; ex. traffic circulation, intersections, highway, etc.)</small>	% State Highway	% Bike	% Ped	New Bike Lane Miles	New Pedestrian Path or Sidewalk Miles	Miles of pavement rehab/repair (pothole, seals, etc)	Rehab of bikeways, sidewalks, or ADA ramps included? <small>(describe)</small>	If Complete Streets not incorporated into project, why not?
Casserly Road Bridge Replacement	100%	100%	0%	0%	0%	0	0	0.01	No	Existing Road Constraints
2018 Measure D Resurfacing	100%	100%	0%	0%	0%	0	0	6.51	No	System maintenance only
FY18 Outreach and Education - Ecology Action	0%	0%	n/a	n/a	n/a	n/a	n/a	0	No	n/a
FY18 Outreach and Education - Bike Santa Cruz	0%	0%	n/a	n/a	n/a	n/a	n/a	0	No	n/a
	50%	50%	0%	0%	0%	0.00	0.00	6.52		

Measure D: Neighborhood Projects Program (Funds to Cities and County for Local Streets and Roads - LSR)

Performance Measures

AGENCY:

Santa Cruz County

Measure D recipients are to document the performance and benefits of the projects and programs funded with Measure D funds. The following performance measures are a selection of performance standards to be documented by the recipients, as applicable. Additional or alternate performance measures may be provided or requested by the RTC or recipients.

Submittal date 28-Dec-18

Performance Measure	Performance Metric and Standard		Corrective Action
	Baseline/Prior Year	Current	
Pavement State of Repair	Track city/countywide Pavement Condition Index (PCI), which rates the "surface condition" of local streets from 1 to 100, at least every three years.		Any agency with a falling PCI must provide an explanation. If the PCI drops, specify what funding amounts, policies, or other needs are required to enable increasing the PCI to 60 (fair) or above.
Average Network PCI (0-100)*	53	48	Based on our 2018 PCI survey the County would need an annual resurfacing budget of \$24 million in order to maintain our current PCI of 48. For the past 5 years our resurfacing budget has been approximately \$2.2 million per year, with the introduction of new funding sources such as Measure D, SB-1, and refuse impact fees we hope to build up over the next few years to an average annual resurfacing budget of approximately \$8 million. Even with these new funding sources our resurfacing funding levels are far below that needed even to maintain our current PCI, it is
Date of PCI Analysis (month/year)	July 2012	May 2018	
Miles repaved in FY17/18 (using all funds, not just Measure D)	3.63 (2016)	0 (2017)	
Miles agency plans to repave in FY18/19 (using all funds, not just Measure D)	0 (2017)	9.04	
Total centerline miles in jurisdiction	596.78	596.78	
Complete Streets Implementation			Provide an explanation if less than 20% of Measure D funds are spent on bicycle and pedestrian facilities.
Percent of annual Measure D funds used to support bicycling and walking.	N/A	9%	The County has committed to allocating \$20,000 of its yearly share toward bicycle education. Given the existing pavement funding gap, the remainder of the County share of Measure D funds is being directed towards road pavement preservation. While this strategy does not specifically target improvements to bike facilities, it does preserve existing facilities for all road users including bikes. If upgrades to bike or pedestrian facilities are planned on a road
Number of linear feet or lane miles of bicycle facilities built or maintained (bike lanes, bike routes, multi-use pathways)	99.98 mi (bi-directional) (Data From 2009)	*99.98 (currently in process of developing new bike plan)	
Number of pedestrian projects completed (linear feet of sidewalks, number of crossing improvements/stripping, quantify traffic calming items, lighting, landscaping/streetscape, number of curb/ADA ramps, linear feet of	0	1-education and outreach	
Describe how school access was improved for children bicycling and walking, which may include collision data.	0	1-education and outreach	
Capital Project and Program Investment	Investment into capital projects and programs is greater than funding program	Investment into capital projects and programs is greater than funding program	Any agency expending less on capital investments compared to other activities must explain how capital investments will increase in the subsequent years
Amount expended on capital projects and programs by phase (design, right-of-way, construction and capital support)	See Expenditures Tab	See Expenditures Tab	
Leveraged Funds	Report total grants and other funding secured using Measure D as a match.	Report total grants and other funding secured using Measure D as a match.	Explain if Measure D funds fully funding all projects.
Amount of competitive grants secured using Measure D as match	na	\$0.00	Measure D funds were not used to match grants in FY17/18

**SANTA CRUZ COUNTY
MEASURE D FUNDS

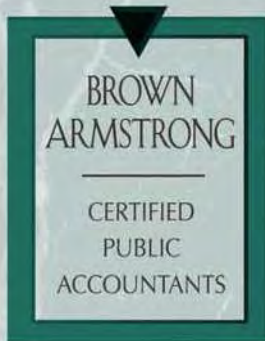
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
JUNE 30, 2018**

**SANTA CRUZ COUNTY
MEASURE D FUNDS
JUNE 30, 2018**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
 <u>Financial Statements</u>	
Balance Sheet.....	3
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	4
Notes to Financial Statements	5
 <u>Supplemental Information</u>	
Note to the Supplemental Information – Budget and Budgetary Accounting	9
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	10
 <u>Other Reports</u>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11
Independent Auditor's Report on Measure D Compliance	13



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the
Board of Supervisors
Santa Cruz County
Santa Cruz, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure D Funds of the County of Santa Cruz (the County), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTON AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92653
TEL 949.652.5422

STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure D Funds of the County, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed, in Note 1, the financial statements present only the Measure D Funds and do not purport, and do not, present fairly the financial position of County as of June 30, 2018, the changes in its financial position for the year ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure D Funds' financial statements. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018, on our consideration of the County's internal control over financial reporting as it relates to the Measure D Funds of the County 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 relating to the Measure D Funds 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 County's internal control over financial reporting and compliance as it relates to the Measure D Funds.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 31, 2018

**SANTA CRUZ COUNTY
MEASURE D FUNDS
BALANCE SHEET
JUNE 30, 2018**

ASSETS

Cash and investments	<u>\$ 2,977,230</u>
Total assets	<u><u>\$ 2,977,230</u></u>

LIABILITIES AND FUND BALANCE

Liabilities	
Unearned revenue	\$ 2,762,950
Interfund payable	<u>214,280</u>
Total liabilities	<u>2,977,230</u>
Fund balance	
Restricted	<u>-</u>
Total fund balance	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 2,977,230</u></u>

The accompanying notes are an integral part of these financial statements.

**SANTA CRUZ COUNTY
MEASURE D FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018**

REVENUES

Measure D sales tax	\$ 206,262
Interest income	<u>16,900</u>
Total revenues	<u>223,162</u>

EXPENDITURES

Capital costs	205,385
Non-capital costs	14,750
Indirect costs	<u>3,027</u>
Total expenditures	<u>223,162</u>

REVENUES OVER EXPENDITURES	<u>-</u>
-----------------------------------	----------

FUND BALANCE

Beginning of year	<u>-</u>
End of year	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

**SANTA CRUZ COUNTY
MEASURE D FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Measure D Funds of the County of Santa Cruz (the County) are included as a separate special revenue fund in the financial statements of the County. Measure D Funds are used to account for the County's share of revenues earned and expenditures incurred under the County's local streets and roads, and bike and pedestrian programs. The accompanying financial statements are for Measure D Funds only and are not intended to fairly present the financial position or results of operations of the County.

B. Basis of Accounting and Measurement Focus

The accompanying financial statements are prepared on the modified accrual basis of accounting. Revenues are generally recorded when measurable and available, and expenditures are recorded when the related liabilities are incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus, wherein only current assets and current liabilities generally are included on the balance sheet. Operating statements of governmental funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

C. Fund Accounting

The operations of the Measure D Funds are accounted for in a separate special revenue fund. Funds are separate accounting entities with a set of self-balancing accounts which comprise their assets, liabilities, fund equity, revenues, and expenditures.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – MEASURE D FUNDS

Under Measure D, approved by the voters of the County in 2016, the County receives a portion of the proceeds of an additional one-half cent sales tax to be used for transportation-related expenditures. This measure was adopted with the intention that the funds generated by the additional sales tax will not fund expenditures previously paid for by property taxes but, rather, would be used for additional projects and programs.

Streets and Roads Program – To improve, repair, resurface, and overlay streets and bridges within the County.

Bike and Pedestrian Program – To provide sidewalk and American Disability Act (ADA) improvements and to implement the bikeway network.

NOTE 3 – CASH AND INVESTMENTS

Measure D Funds are pooled with the County's cash and investments in order to generate optimum interest income.

The County pools its available cash for investment purposes. The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

Measure D Funds had the following cash and investments at June 30, 2018:

Cash and investments	<u>\$ 2,977,230</u>
----------------------	---------------------

A. Investments

Under the provisions of the County's investment policy, and in accordance with California Government Code, the following investments are authorized:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Minimum Credit Quality Requirements</u>
California Local Agency Investment Fund (LAIF)	None	None	None
Securities of the U.S. Government	5 years	None	None
Bankers' Acceptances	180 days	40%	None
Collateralized Certificates of Deposit	5 years	50%	None
Negotiable Certificates of Deposit	5 years	30%	None
Commercial Paper	270 days	25%	A-1
Repurchase Agreements	1 year	50%	None
Reverse Repurchase Agreements	92 days	50%	None

Under the provisions of bond indentures, the following are authorized investment types for investments held by fiscal agents:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality Requirements</u>
U.S. Treasury Obligations	None	None
Federal Housing Administration Bonds	None	None
U.S. Agency Securities	None	None
Senior Debt Obligations	None	Aaa, AAA
FDIC Insured Deposits	None	None
Unsecured Certificates of Deposit, Time Deposits, and Bankers' Acceptances	360 days	A-1, P-1

NOTE 3 – CASH AND INVESTMENTS (Continued)

A. Investments (Continued)

Commercial Paper	270 days	A-1, P-1
Money Market Funds	None	AAAm, AAAm-G
State Obligations	None	A, A3
Pre-Funded Municipal Obligations	None	Aaa, AAA
Investment Agreements	None	AA, Aa
Repurchase Agreements	None	A
California Arbitrage Management Program	None	None
California Local Agency Investment Fund	None	None
Investment approved by Municipal Bond Insurer	None	None

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method in all funds and component units. The County's investments are carried at fair value as required by accounting principles generally accepted in the United States of America. The County accounts for all changes in fair value that occurred during the year and are reflected in the fund balance for the fiscal year. These investment value changes are unrealized since the County's policy is to generally buy and hold investments until their maturity dates.

B. Risk Disclosures

Interest Risk – Interest rate risk is the fluctuation in fair value of investments due to changes in interest rates. The County's exposure to losses caused by rising interest rates is minimized by limiting the average maturity of the County's investment not to exceed five years.

Credit Risk – Credit risk is the risk of loss of value of a security or investment due to a downgrade of its rating due to a change in the ability of the issuer to fulfill its debt obligation. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the County's total investment portfolio will be invested in a single security type or with a single financial institution to reduce the County's exposure to credit risks.

Custodial Credit Risk – The custodial credit risk for an investment is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the County's investments were subject to custodial credit risk.

C. Local Agency Investment Fund

The County of Santa Cruz is a voluntary participant in LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The balance is available for withdrawal on demand. The County's investments with LAIF at June 30, 2018, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

NOTE 3 – CASH AND INVESTMENTS (Continued)

C. Local Agency Investment Fund (Continued)

As of June 30 2018, the County invested in LAIF, which had invested 0.08% of the pool investment funds in Structured Notes and Asset-Backed Securities. The County reports its investment in LAIF at cost which approximates fair value.

NOTE 4 – INTERFUND PAYABLE

The interfund payables represent the Measure D sales tax revenues for the fiscal year owed to the Road Fund as of June 30, 2018. This balances resulted from Road Fund paying for capital project and administrative expenses for the Measure D Funds. This amounts will be repaid in the following fiscal year.

NOTE 5 – UNEARNED INCOME

Measure D sales tax funds that are allocated to the County during the fiscal year are restricted and reported as liabilities (unearned income) until spent on the specific purpose for which they were intended, as outlined in the 5-Year Program of Projects approved by the SCCRTC.

SUPPLEMENTAL INFORMATION

**SANTA CRUZ COUNTY
MEASURE D FUNDS
NOTE TO THE SUPPLEMENTAL INFORMATION
BUDGET AND BUDGETARY ACCOUNTING
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – BUDGET AND BUDGETARY ACCOUNTING

The County of Santa Cruz (the County) follows budgetary procedures in establishing the budgetary data reflected in the financial statements:

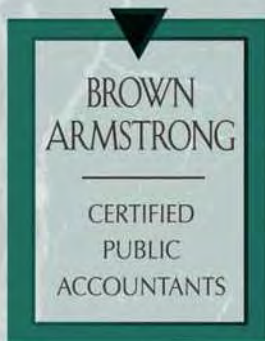
1. Every other year, the County Manager submits to the Board of Directors (the Board) a proposed biennial operating budget for the two fiscal years commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public work sessions are conducted to obtain taxpayer comments.
3. The budget is adopted by the Board resolution prior to July 1st of even numbered years.
4. Expenditures may not legally exceed budgeted appropriations at the department level.
5. All budget adjustments and transfers between funds must be approved by the Board by resolution during the fiscal year. The County Manager is authorized to transfer any unencumbered appropriations within a department within the same fund.
6. Formal budgetary integration, including the recording of encumbrances, is employed as a management control device during the year in all budgeted funds. Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities at that date.
7. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
8. Budgeted amounts are as originally adopted or as amended by the Board. Individual amendments were not material in relation to the original appropriations, which were amended.

**SANTA CRUZ COUNTY
MEASURE D FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Measure D sales tax	\$ 2,500,000	\$ 2,500,000	\$ 206,262	\$ (2,293,738)
Interest income	-	-	16,900	16,900
Total revenues	<u>2,500,000</u>	<u>2,500,000</u>	<u>223,162</u>	<u>(2,276,838)</u>
EXPENDITURES				
Capital costs	2,482,223	2,482,223	205,385	2,276,838
Non-capital costs	14,750	14,750	14,750	-
Indirect costs	<u>3,027</u>	<u>3,027</u>	<u>3,027</u>	<u>-</u>
Total expenditures	<u>2,500,000</u>	<u>2,500,000</u>	<u>223,162</u>	<u>2,276,838</u>
REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the note to the supplemental information.

OTHER REPORTS



BROWN ARMSTRONG

Certified Public Accountants

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

BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTON AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92653
TEL 949.652.5422

STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

To the Honorable Members of the
Board of Supervisors
Santa Cruz County
Santa Cruz, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure D Funds of the County of Santa Cruz (the County), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Measure D Funds' basic financial statements, and have issued our report thereon dated December 31, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) relevant to the Measure D Funds to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control relevant to the Measure D Funds. Accordingly, we do not express an opinion on the effectiveness of the County's internal control relevant to the Measure D Funds.

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

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

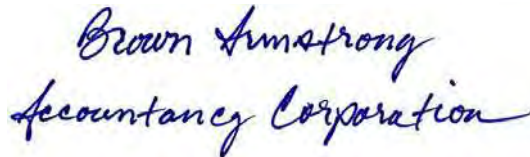
Compliance and Other Matters

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

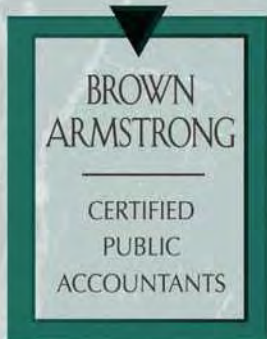
Purpose of this Report

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

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

Bakersfield, California
December 31, 2018



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON MEASURE D COMPLAINT

To the Honorable Members of the
Board of Supervisors
Santa Cruz County
Santa Cruz, California

Compliance

We have audited the County of Santa Cruz's (the County) compliance with the types of compliance requirements described in the agreement between the County and Santa Cruz County Regional Transportation Commission (SCCRTC) applicable to the County's Measure D Funds for the year ended June 30, 2018.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the County's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the agreement between the County and SCCRTC. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Measure D Funds occurred. An audit also includes examining, on a test basis, evidence about the County's compliance relating to the Measure D Funds with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Santa Cruz's compliance with those requirements.

Opinion

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that are applicable to the Measure D Funds for the year ended June 30, 2018.

BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTON AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92653
TEL 949.652.5422

STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

Internal Control Over Compliance

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

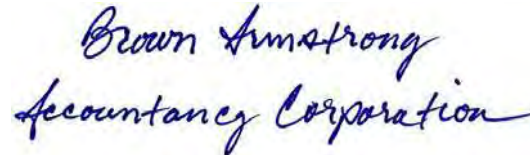
A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control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

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

Purpose of the Report

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

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

Bakersfield, California
December 31, 2018