

## 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 Metropolitan Transit District**

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	6/23/2017	Resolution	part of overall annual budget adoption
Date of 5-Year Plan Public Hearing	6/22/2018	Staff report	part of overall annual budget adoption
Date of annual audit of Measure D Expenditures	12/31/2018	audit	attached
News Article	5/31/2018	News release	Press conference held on Measure D and SB1 funded projects
Website with info on Meas. D projects	ongoing	Annual budget details use of Measure D funds	<a href="https://www.scmtd.com/images/department/finance/financials/finaloperatingbudgetfy18fy19.pdf">https://www.scmtd.com/images/department/finance/financials/finaloperatingbudgetfy18fy19.pdf</a>
Map of Measure D-funded Projects	NA		Projects and drivers funded by Measure D cover entire service area
Photos (before/after)	ongoing	Document with photos, captions	Attached stickers are on buses and paratransit vehicles
Signage	ongoing	Stickers have been placed on buses and vans	
Describe any other public outreach conducted during the reporting year about Measure D	There were no significant service changes during FY18 which required outreach. Measure D budget outreach was conducted as part of the annual budget public comment period, concluding with a public hearing on 6/22/18		

## Maintenance of Effort

FY17/18 LOCAL funds spent on multimodal local road repairs & maintenance (excludes formula state & fed funds, special grants)	\$ 36,385,158	Locally-generated funds
Maintenance of Effort BASELINE (should match MOE report submitted to RTC in 2017)	\$ 45,648,421	Pre-Measure D Baseline of average of locally-generated revenues and expenditures for transportation purposes in the three fiscal years prior to the start of Measure D allocations to recipient agencies (FY16/17, FY15/16, FY14/15).
FY18/19 LOCAL (exclude HUTA, formula state & fed funds) funds BUDGETED on multimodal local road repairs & maintenance	\$ 39,093,012	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.		
Does your agency have an indirect cost allocation plan?	No	If "no", Measure D funds cannot be used for indirect costs.

## 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
Barrow Emerson	Projects	<a href="mailto:bemerson@scmttd.com">bemerson@scmttd.com</a>
Debbie Kinslow	Revenue/Expenditures	<a href="mailto:dkinslow@scmttd.com">dkinslow@scmttd.com</a>

## MEASURE D EXPENDITURE REPORT

need to be submitted with this report, all Measure D funds must included in recipient agency's fiscal audit and projects will

Agency	Beginning of Year Fund Balance	FY 16/17-17/18 Measure D Received (4/1/17-6/30/18)	Interest Earned on Measure D funds	Measure D Expended (4/1/17-6/30/18)	End of Year Fund Balance/ Carryover to be Spent in Future Years	Anticipated Future Interest
Santa Cruz Metropolitan Transit District		\$ 3,358,782.01	\$ 19,647.05	\$ 1,800,226.93	\$ 1,578,202.13	\$ 15,782.02

### 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 (non-infrastructure, outreach, admin, etc)	Measure D-funded indirect costs	Leveraged Funds (grants & other funds secured, which used Meas. D as match)	Leveraged Fund Source Name(s)
1	Fixed route - 9 operators (average cost of Operator with benefits plus cost of mileage driven in year)	\$ 41,659,131	\$ -	\$ 1,695,024	\$ 1,294,128	see below	\$ 1,695,024	N/A	\$ 39,964,107	See MOE for all other Local Funds received
1	Sustaining of Paracruz service levels - 1 operator minus farebox recovery	\$ 5,020,672	\$ -	\$ 105,203	\$ 74,848	see below	\$ 105,203	N/A	\$ 4,915,469	See MOE for all other Local Funds received
2	Capital - vehicle replacement (accrual basis-not cash)	\$ 1,257,720	\$ -	\$ 532,333	\$ 2,303,589	\$ 532,333	\$ -	\$ -	\$ 5,966,900	FTA 5339(a), STIP, FTA 5310 (Caltrans)
Total		\$	-	\$ 2,332,559.97	\$ 3,672,565.49	\$ 532,332.74	\$ 1,800,227.23	\$ -	\$ 50,846,475.77	

## Agency

Santa Cruz Metropolitan Transit  
District

TAILED SUMMARY OF EXPENDITURES AND		5-year	Project Information Continued				Project Status/Timeline		
Project Name	Project in approved 5-year plan?	Location/ Limits	Description <i>(may include additional project components, ex. complete streets, traffic calming, crossing improvements, drainage upgrades, etc.)</i>	Project Category <i>(Drop-down Menu)</i>	Primary Project Type <i>(Drop-down Menu)</i>	Project Status	CEQA compliance <i>(List type of document &amp; certification date - e.x. CE, 5/1/18)</i>	Construction schedule	Completion Date <i>(actual or estimate)</i>
Fixed route - 9 operators (average cost of Operator with benefits plus cost of mileage driven in year)	Yes	countywide	Fixed Route-frequency, span of service - Routes 35, 40, 41, 68, 69A, 71, 72, 75, 79, 91X, Route 71 weekend-17 addtl. trips to provide 30 minute frequency in/outbound for 8 hrs during the days	Public Transit	Staffing	Complete	N/A	N/A	6/30/2018
Sustaining of Paracruz service levels - 1 operator minus farebox recovery	Yes	countywide	Paracruz - sustain service levels	Public Transit	Staffing	Complete	N/A	N/A	6/30/2018
Capital - vehicle replacement (accrual basis-not cash)	Yes	countywide	Capital - vehicle replacement - FY18 activity (METRO advanced funds and was reimbursed in FY19)	Public Transit	Equipment and New Vehicles	In-progress	N/A	N/A	6/30/2018-and ongoing

Agency									
Santa Cruz Metropolitan Transit District									
TAILED SUMMARY OF EXPENDITURES AND									
Project Costs by Mode - estimate percent of project by mode									Other
Project Name	% System Preservation	% Roadway (on local roads, non-sys. preservation - ex. traffic circulation, intersections, highway, etc.)	% State Highway	% Bike	% Ped	% Transit	% Paratransit	% other (e.g. airport, planning, TSM, etc)	Other Notes or Information (optional)
Fixed route - 9 operators (average cost of Operator with benefits plus cost of mileage driven in year)	0%	0%	0%	0%	0%	100%	0%	0%	See separate schedule for breakdown of average labor & fringe costs
Sustaining of Paracruz service levels - 1 operator minus farebox recovery	2%	0%	0%	0%	0%	0%	100%	0%	See separate schedule for breakdown of average labor & fringe costs
Capital - vehicle replacement (accrual basis-not cash)	0%	0%	0%	0%	0%	100%	0%	0%	Spending reported here is on an accrual basis; not cash. Capital Projects in FY18 with spending = \$1,257,720; the expenditures of \$532K were recorded in FY19 when the cash transfer was made; the leveraged funds of \$5.9M lists ALL grants awarded during the fiscal year using Measure D as a match, not all projects are completed - and are in progress while some projects have no spending to date

Measure D Transportation for Seniors and People with Disabilities Program

**Performance Measures**

Direct Allocation 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.

Submittal date: 12/31/2018

AGENCY: Santa Cruz Metropolitan Transit District

Performance Measure	Performance Metric and Standard	Fixed Route - FY16/17 (Baseline)	Fixed Route Current Numbers - FY17/18	Corrective Action (If applicable)	Paratransit Baseline - FY16/17	Paratransit Current Numbers - FY17/18	Corrective Action (If applicable)
<b>Ridership/Service Utilization</b>				<i>Provide information on why numbers went down</i>			<i>Provide information on why numbers went down</i>
• Annual Ridership	Change in annual ridership and passenger trips per revenue vehicle hour and mile and qualitative explanation for possible reasons.	5,091,394	5,048,512	0.84% decrease. During this time-frame our agency also underwent a 13.0% service cut.	75,116	72,209	Decrease of 3.90% as a result of the discontinuation of Demand-Response Taxi Service. Contract ended due to taxi service going out of
• Passenger trips per revenue vehicle service hour		24.38	24.31	0.29% decrease. During this time-frame our agency also underwent a 13.0% service cut.	1.90	1.86	Decrease of 2.11% as a result of the discontinuation of Demand-Response Taxi Service. Contract ended due to taxi service going out of
• Passenger trips per revenue vehicle service miles		1.76	1.77	N/A	0.16	0.16	N/A
<b>Cost Effectiveness</b>				<i>Any agency with significant increase in costs must provide an explanation</i>			<i>Any agency with significant increase in costs must provide an explanation</i>
• Operating Cost per Passenger	Maintain operating cost per passenger, per revenue vehicle hour, per revenue mile, or trip; percentage increase less than or equal to inflation as measured by CPI	\$7.90	\$8.25	FY17 to FY18: CPI increased 3.90%. Operating cost per passenger increased 4.43%. <u>This was not a significant increase.</u>	\$65.29	\$69.53	FY17 to FY18: CPI increased 3.90%. Operating cost increased 6.5%. <u>Cost per passenger increased due to ridership declines of 3.90%.</u>
• Operating Cost per Revenue Vehicle Hour		\$192.56	\$200.59	FY17 to FY18: CPI increased 3.90%. Operating cost per hour increased 4.17%. <u>This was not a significant increase.</u>	\$124.25	\$129.47	FY17 to FY18: CPI increased 3.90%. Operating cost per hour increased 4.20%. <u>This was not a significant increase.</u>
• Operating Cost per Revenue Vehicle Mile		\$13.89	\$14.57	FY17 to FY18: CPI increased 3.90%. Fixed Route operating cost per mile increased 4.90%. <u>Peak service occurs during peak traffic congestion, which increases trip time over the same distance and leads to greater overhead costs per</u>	\$10.75	\$11.11	FY17 to FY18: CPI increased 3.9%. Paracruz operating cost per mile increased 3.35%. <u>This was not an increase.</u>
Cost per Trip		\$226.16	\$239.38	FY17 to FY18: CPI increased 3.90%. Fixed Route operating cost increased 4.90%. <u>Due to a 13% reduction in service in September FY16/17 there</u>	N/A	N/A	N/A

Measure D Transportation for Seniors and People with Disabilities Program

**Performance Measures**

Direct Allocation 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.

Submittal date: 12/31/2018

AGENCY: Santa Cruz Metropolitan Transit District

<b>State of Good Repair</b>				Provide information on plan to keep bus and paratransit vehicles in state of good repair.			Provide information on plan to keep bus and paratransit vehicles in state of good repair.
• Average age of bus and paratransit vehicles	Reduce average age of fleet/number of vehicles beyond useful life	12.46	13.13	Transit Asset Management Performance Measure Targets, submitted to NTD in DV18 Report Deck	7.25	5.88	Transit Asset Management Performance Measure Targets, submitted to NTD in DV18 Report Deck
• Number of vehicles beyond useful life		8	8	Transit Asset Management Performance Measure Targets, submitted to NTD in DV18 Report Deck	6	6	Transit Asset Management Performance Measure Targets, submitted to NTD in DV18 Report Deck
<b>Service Provision</b>				Any agency not meeting expected performance must provide an explanation and a description of how service provision will be met in the future			Any agency not meeting expected performance must provide an explanation and a description of how service provision will be met in the future
• Service hours/span	Maintain or increase service span - goal is 7 days/week, 20 hours per day	Weekday (5 days) : 21.08 hours Weekend (2 days) : 18.67 hours	Weekday (5 days): 21.08 hours Weekend (2 days): 18.67 hours	N/A	Weekday (5 days): 21.08 hours Weekend (2 days): 18.67 hours	Weekday (5 days): 21.08 hours Weekend (2 days): 18.67 hours	N/A
• Frequency on major corridors or trunk lines		0.25 0.50 0.50	0.25 0.50 0.50	UCSC Cabrillo/South County Scotts Valley/San Lorenzo Valley	N/A	N/A	There is no scheduled frequency on paratransit service as it is on-demand service
• Revenue hours		208,797	207,680	Revenue hours were reduced in FY18 due to service cut in September of FY16/17.	39,474	38,779	Revenue hours were reduced in FY18 due to discontinuation of Demand Response-Taxi Service in FY16/17.
• Revenue miles	Maintain or increase frequencies, revenue hours, miles, routes, and service areas.	2,895,295	2,858,408	Revenue miles were reduced in FY18 due to service cut in September of FY16/17.	456,208	451,985	Revenue miles were reduced in FY18 due to discontinuation of Demand Response-Taxi Service in FY16/17.
• Service areas		UZA 204 (Santa Cruz) UZA 378 (Watsonville)	UZA 204 (Santa Cruz) UZA 378 (Watsonville)	N/A	UZA 204 (Santa Cruz) UZA 378 (Watsonville) 0-CA (Non-UZA within Santa Cruz County)	UZA 204 (Santa Cruz) UZA 378 (Watsonville) 0-CA (Non-UZA within Santa Cruz County)	N/A
• Number of routes		26	26	N/A	N/A	N/A	Paratransit service is on demand and operates within 0.75 miles of any operating bus route
<b>Service Operations and Provisions</b>	Track number of seniors or people with disabilities served by program. Service types: ADA mandated paratransit, door-to-door service, taxi programs, accessible van service, shuttle service, group trips, travel training, meal delivery, and fixed-route transit			Report on ridership or service data. Explain reasons for ridership reductions.			Report on ridership or service data. Explain reasons for ridership reductions.
Number of people served or trips provided to seniors or people with disabilities		659,799	657,710	Fixed Route ridership declined 0.84% following the 13% service cut in September of FY16/17. Discounted Ridership decreased only	75,116	72,209	Demand Response-Taxi Service was discontinued in April FY17 because the company went out of business, resulting in 3.90%
Percent of fixed route service used by seniors and people with disabilities		12.96%	13.03%	N/A	100.00%	100.00%	N/A

Measure D Transportation for Seniors and People with Disabilities Program

**Performance Measures**

Direct Allocation 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.

AGENCY:

Santa Cruz Metropolitan Transit District

Submittal date:

12/31/2018

METRO: Budget Apportionment				If other funds shifted from one program to another, provide explanation			If other funds shifted from one program to another, provide explanation
Paratransit and Fixed Route % of Total Operating Expenses	Maintain paratransit operating budget and service.	89.12%	89.24%	Discontinuation of Demand Response-Taxi Service reduced the amount of funds expended on Paratransit	10.87%	10.76%	Discontinuation of Demand Response-Taxi Service reduced the amount of funds expended on Paratransit
Leveraged Funds	Report total grants and other funding secured using Measure D revenues as a match.	N/A	\$5,324,862	N/A	N/A	\$642,038	N/A
Total Measure D Leveraged Funds divided by total passengers during period.		N/A	\$1.05	N/A	N/A	\$8.89	N/A
Other Measures (optional)							

**SANTA CRUZ METROPOLITAN  
TRANSIT DISTRICT  
MEASURE D**

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

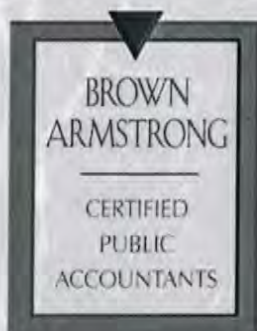
**FOR THE YEAR ENDED  
JUNE 30, 2018**



SANTA CRUZ METROPOLITAN TRANSIT DISTRICT  
MEASURE D  
FOR THE YEAR ENDED JUNE 30, 2018

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# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Measure D Program of the Santa Cruz Metropolitan Transit District (Santa Cruz METRO), as of and for the year ended June 30, 2018, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Santa Cruz METRO'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 Santa Cruz METRO's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### BAKERSFIELD OFFICE

(MAIN OFFICE)

4200 TRUXTON AVENUE  
SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL [info@bacpas.com](mailto: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](http://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 Program of Santa Cruz METRO as of June 30, 2018, and the respective changes in financial position 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 Program and do not purport to, and do not, present fairly the financial positions of Santa Cruz METRO as of June 30, 2018, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## Other Matters

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure D 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.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board (GASB), which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## 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 Santa Cruz METRO's internal control over financial reporting relating to the Measure D Program and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance relating to the Measure D Program and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance relating to the Measure D Program. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Cruz METRO's internal control over financial reporting and compliance relating to the Measure D Program.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
December 31, 2018

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT  
MEASURE D  
BALANCE SHEET  
JUNE 30, 2018**

**ASSETS**

Cash and investments	\$ 1,578,202
Intergovernmental receivables	
Receivables from SCCRTC for Measure D Allocations	<u>514,798</u>
<b>Total assets</b>	<b><u>\$ 2,093,000</u></b>

**LIABILITIES AND NET POSITION**

Liabilities	
Unearned income	\$ 1,560,667
Interfund payable	<u>532,333</u>
<b>Total liabilities</b>	<b><u>2,093,000</u></b>
Net position	
Restricted	<u>-</u>
<b>Total net position</b>	<b><u>-</u></b>
<b>Total liabilities and net position</b>	<b><u>\$ 2,093,000</u></b>

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT  
MEASURE D  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018**

**REVENUES**

Measure D revenue	\$ 1,782,105
Interest income	<u>19,647</u>
<b>Total revenues</b>	<u>1,801,752</u>

**EXPENDITURES**

Transit operations	1,269,419
Transit capital	<u>532,333</u>
<b>Total expenditures</b>	<u>1,801,752</u>

**REVENUES OVER EXPENDITURES**

-

**NET POSITION**

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

See accompanying Notes to Financial Statements.



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

**B. Basis of Accounting and Measurement Focus**

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

**C. Use of Estimates**

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

**NOTE 2 – MEASURE D PROGRAM**

Under Measure D, approved by the voters of Santa Cruz County in 2016, Santa Cruz METRO receives a portion of the proceeds of a 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 sales tax will not fund transportation-related expenditures previously paid for by existing funds, revenues, and other resources, but rather, will be used for additional projects and programs, so as to supplement (and not replace) the revenue funds designated and used for transportation programs and expenditures.

The major project funded by Measure D was as follows:

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

**NOTE 3 – CASH AND INVESTMENTS**

Cash and investments consisted of \$1,578,202.

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

**NOTE 4 – INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables of \$514,798 represent the Measure D sales tax allocations for fiscal year 2018 that were received from the Santa Cruz County Regional Transportation Commission (SCCRTC) after June 30, 2018.

**NOTE 5 – UNEARNED INCOME**

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

**NOTE 6 – INTERFUND PAYABLE**

Interfund payables of \$532,333 represent amounts due to Santa Cruz METRO's general operating fund, in order to reimburse the agency for Measure D capital expenditures paid for with Santa Cruz METRO unrestricted monies during the fiscal year.

## SUPPLEMENTARY INFORMATION



**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT  
MEASURE D  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN NET POSITION – BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>REVENUES</b>				
Measure D revenue	\$ 2,978,897	\$ 2,978,897	\$ 1,782,105	\$ (1,196,792)
Interest income	-	-	19,647	19,647
<b>Total revenues</b>	<u>2,978,897</u>	<u>2,978,897</u>	<u>1,801,752</u>	<u>(1,177,145)</u>
<b>EXPENDITURES</b>				
Transit operations	1,175,000	1,175,000	1,269,419	(94,419)
Transit capital	<u>1,803,897</u>	<u>1,803,897</u>	<u>532,333</u>	<u>1,271,564</u>
<b>Total expenditures</b>	<u>2,978,897</u>	<u>2,978,897</u>	<u>1,801,752</u>	<u>1,177,145</u>
<b>REVENUES OVER EXPENDITURES</b>	-	-	-	-
<b>NET POSITION</b>				
Beginning of year	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**EXPENDITURES IN EXCESS OF PROJECT BUDGET**

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

The fiscal year 2018 project list and expenditure plan used preliminary estimates for assigning costs of fixed-route and paratransit operator wages and benefits and vehicle consumables to various transit service improvements. Subsequent to the approval of this 5-year Program of Projects, a more accurate costing method was developed and used to identify the value of operator labor, resulting in Transit operations expenditures exceeding budget for this first year of the program.



# 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 BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

### **BAKERSFIELD OFFICE (MAIN OFFICE)**

4200 TRUXTON AVENUE  
SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL [info@bacpas.com](mailto: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](http://WWW.BACPAS.COM)

REGISTERED with the Public Company  
Accounting Oversight Board and  
MEMBER of the American Institute of  
Certified Public Accountants

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

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Santa Cruz METRO's internal control over financial reporting (internal control) relating to the Measure D Program 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 Santa Cruz METRO's internal control relating to the Measure D Program. Accordingly, we do not express an opinion on the effectiveness of Santa Cruz METRO's internal control relating to the Measure D Program.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Measure D Program's financial statements are free of material misstatement, we performed tests of Santa Cruz METRO's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 relating to the Measure D Program and the results of that testing, and not to provide an opinion on the effectiveness of Santa Cruz METRO's internal control or on compliance relating to the Measure D Program. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Cruz METRO's internal control and compliance relating to the Measure D Program. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
December 31, 2018





# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT ON MEASURE D COMPLIANCE

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

### Compliance

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

### Management's Responsibility

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

### Auditor's Responsibility

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

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

### Opinion on Measure D Program

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

#### BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTUN AVENUE  
SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL [info@bacpas.com](mailto:info@bacpas.com)

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TEL 888.565.1040

[WWW.BACPAS.COM](http://WWW.BACPAS.COM)

### Internal Control Over Compliance

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

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

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

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

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
December 31, 2018