



**THE COUNTY OF SANTA CRUZ
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018**

HENRY COWELL REDWOODS STATE PARK

Henry Cowell Redwoods State Park encompasses 4,623 acres of hilly forests, meadows and hiking trails in the San Lorenzo River watershed. The park was cobbled together from three historic Mexican land grants — Rancho Rincon, Rancho Carbonera, and Rancho Zayante. Established as a state park in 1954, the area was heavily logged due to sharp demand for lumber from the towering redwood trees that proliferated. Other species of tree were used as fuel for the numerous lime kilns. Logging in the area ceased in the 1920s and a walk through the remaining 40-acre grove of ancient redwoods is an experience bordering on the numinous. The diversity of the park's habitats provides the opportunity to transition easily from the chilly majesty of the redwood groves to the sunny, breezy joy of a meadow filled with lupine.

Photo by Leigh Ann Gessner

County of Santa Cruz, California

*Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2018*

Prepared Under the Direction of
Edith Driscoll
Auditor-Controller



COUNTY OF SANTA CRUZ
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2018

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INTRODUCTORY SECTION





COUNTY OF SANTA CRUZ

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December 18, 2018

The Honorable Board of Supervisors
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

Members of the Board and Fellow Citizens:

The Comprehensive Annual Financial Report (CAFR) of the County of Santa Cruz (the County) for the fiscal year ended June 30, 2018 is hereby submitted in accordance with the statutes of the State of California. The CAFR represents the culmination of all budgeting and accounting activities during the year and covers all funds of the County, its component units and its financial transactions.

Management assumes full responsibility for the completeness and reliability of the information contained in this report which is based upon a comprehensive internal control framework established for this purpose. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the County. The independent auditors, Brown Armstrong Accountancy Corporation, who have rendered an unmodified opinion thereon, have audited these statements. Their report is provided herein.

The Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 (with amendment in 1996) and U.S. Office of Management and Budget (OMB) Uniform Guidance, the OMB Circular Compliance Supplement and Government Auditing Standards. A single audit is intended to provide a cost-effective audit for non-Federal entities that receive federal assistance awards in that one audit is conducted in lieu of multiple audits of individual programs. These reports are available in the County's separately issued Single Audit Report.

FINANCIAL INFORMATION

Management of the County is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal

controls should not exceed the anticipated benefits, the objective is to provide a reasonable, rather than an absolute, assurance that the financial statements are free of any material misstatements.

PROFILE OF THE COUNTY

The County of Santa Cruz was established by an act of the State Legislature in 1850 as one of the original 27 counties of the State of California. The County is a general law county and is governed by a five-member Board of Supervisors who are elected by district to serve alternating four-year terms. The Board of Supervisors appoints a County Administrative Officer (Chief Executive) to carry out its policies as set forth by County Ordinance. The Assessor-Recorder, Auditor-Controller/Treasurer-Tax Collector, County Clerk, District Attorney and Sheriff-Coroner are elected officials and all other department heads are appointed officials.

The County's principal functions include seven major areas: general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. In the public assistance and health areas, the state and federal governments mandate certain minimum levels of service. These functions are required by County ordinance or by state or federal law.

Santa Cruz is located on the Central Coast of California, and is bordered by San Mateo County to the North, Santa Clara County to the East, San Benito and Monterey Counties to the South and the Monterey Bay National Marine Sanctuary to the West. The County of Santa Cruz is the second smallest county in California in terms of land mass and the 23rd of 58 counties in terms of population. The County's population is 276,864. Approximately half of the County residents live in one of the County's four cities; Capitola, Santa Cruz, Scotts Valley, or Watsonville, with the other half living in the unincorporated County area.

In accordance with the County Budget Act in the California Government Code, the County must adopt a budget on or before October 2 for each fiscal year. The County maintains budgetary controls, whose objective is to ensure compliance with legal provisions embodied in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the character level of salaries and benefits, services and supplies for each budget unit within each budgeted fund. Other charges, land, plant and improvements, and equipment are controlled by line item within each budget unit.

The encumbrance system is employed by the County to record amounts committed for purchase orders or contracts. If appropriations are not sufficient, the Board of Supervisors must approve amendments or transfers of appropriations between funds or departments.

Factors Effecting Financial Conditions

The following highlights and graphs are evidence of the changing economy on a Countywide basis that includes both the unincorporated area and the four incorporated cities.

Overall, economic indicators at the national, state and local levels show that the economy continued to improve slowly but steadily on most measures in FY 2017-2018. The Santa Cruz local economy has continued to recover after the global recession in the real estate and construction industry and the financial market meltdown.

Property-related tax revenues in Santa Cruz County have experienced steady growth. Property taxes are determined based upon assessed values. The assessed values of secured property in Santa Cruz County increased by 6.24% in 2017-2018 and has had a positive increase for the last four years with an annual

average growth over the last five years of 6.13%. These revenues comprise approximately 82% of the County's total tax revenues.

An important indicator of the local economy is retail sales. Sales tax receipts in the unincorporated County comprise approximately 9.1% of the County's total tax revenues. Sales tax receipts decreased by 2.9% in fiscal year 2017-2018, however the total increase over the last five years reflects a 5.01% annual average growth. The County voters passed a Cannabis Business Tax effective November 2014. The tax, currently set at 7%, resulted in the collection of \$3.1 million in taxes in 2017-2018.

Tourism is important to the local economy. Transient Occupancy Tax (TOT) collections, which comprise 6.62% of the County's total tax revenues, have increased an average of 12.87% over the past five years, with an increase in fiscal year 2017-2018 of 4.79%. On July 1, 2013, the voters passed a TOT rate increase on lodging facilities in the unincorporated area from 9.5% to 11%.

The County's population is estimated to be 276,864 as of January 2018, increasing by 14,502 residents or 5.5 % since the April 2010 Census. The County's unemployment rate at June 30, 2018, was 6.7%, 0.2% lower than it was one year ago at 6.7%, and much lower than the high of 13.3% in 2011-2012.

The County's General Fund revenues increased by \$24.9 million from \$442.6 million in fiscal year 2016-2017 to \$467.5 million in fiscal year 2017-2018, an increase of approximately 5.3%. There were revenue increases in taxes, licenses and permits sold, fines, forfeits and penalties, as well as charges for services which increased primarily due to outpatient clinic fees and other patient revenues. Intergovernmental revenue increased by \$3.7 million.

The County General Fund increased its expenditures by \$18.4 million from \$431.9 million in fiscal year 2016-2017 to \$450.0 million in fiscal year 2017-2018, approximately 4.3%. The increases were primarily in General Government, Public Protection, Health and Sanitation and Recreation and Cultural Services. The increased expenditures in the health and human services program have relied on considerable growth in federal and state grants.

Long Term Financial Planning

The County is committed to building and maintaining a strategic reserve. The County has maintained its General Fund reserves within the minimum level.

- Total General Fund balance was \$60.4 million at June 30, 2018, an increase of \$4.6 million from \$55.8 million from June 30, 2017.
- General Fund committed and assigned designations totaled \$52.45 million at June 30, 2018, an increase of \$3.5 million from \$48.96 million at June 30, 2017, not including \$6.2 million assigned to fund next year's budget.

In November 2014, the County Board of Supervisors adopted a modified Fund Balance Policy which revised the Policy originally adopted in 2011 by increasing the minimum fund balance in the General Fund from 7% to 10% over the following seven years. The original 2011 Fund Balance Reserve Policy established a minimum balance in the committed and assigned categories for the County General Fund at 7% of the upcoming budget year's estimated revenues. This policy has helped the County maintain a stronger fiscal position to weather economic trends while still preserving flexibility.

The committed and assigned fund balance designations of the County's General Fund at June 30, 2018, of \$52.6 million (excluding liabilities and the amount assigned to fund the fiscal year 2018-2019 budget) were at 9.9% of fiscal year 2018-2019 budgeted general fund operating revenues.

The County's fiscal year 2018-2019 adopted budget reflects some economic improvements. However, the County has yet to recover from the ongoing structural deficit. The County continues to rely on fund balance to address the deficit. The fiscal year 2018-2019 adopted budget focuses on maintaining operations, budgeting for increases in the cost of doing business including salaries and benefits, responding to numerous statutory changes including the Affordable Care Act and Public Safety Realignment, improving reserves, restoring public safety services, expanding economic development in the County, and continuing to address the many deferred maintenance projects. While the County receives only 13% of the property tax dollar, approximately 79.0% of the County's general purpose revenues are related to real estate, either through property tax revenues or vehicle license fee revenues which change lock-step with property tax revenues. Although the local economy is in recovery, the County continues to employ strict cost control measures to balance its budget.

At the State level, California voters approved Proposition 30 in November 2012 to temporarily increase the statewide sales tax rate and the income tax rates on wealthier individuals. This Proposition was re-authorized through Measure 55 "Tax Extension for Education and Healthcare" approved by voters in November 2016. Voters also approved Proposition 39 to close a loophole for out-of-state businesses, projected to raise about \$1 billion a year. These tax measures, coupled with the State's economic recovery and past budget cuts, provided California a positive economic outlook for fiscal year 2017-2018.

Employees' Retirement Plan

The California Public Employees Retirement System (CalPERS) pension fund, in which Santa Cruz County employees participate, has made significant and changes in costs and benefits. In August 2012, the State legislature adopted changes including an increased retirement age and a lowered benefit formula for new employees, a cap on the annual pension payout, and a requirement for workers to pay half of their costs. CalPERS realized a gain of just 11.2% on its investments for the year ended June 30, 2017, following gains of 0.6%, 2.4%, 17.7%, 13.2%, and 0.2% in the five prior years.

CalPERS stated long-term 20-year investment return remains at 7.5%. The CalPERS Board of Administration adopted a Risk Mitigation Policy in November 2015 which is designed to reduce funding risk over time. The policy establishes a mechanism whereby CalPERS investment performance that significantly outperforms the discount rate triggers adjustments to the discount rate, expected investment return and strategic asset allocation targets. As modified in February 2017 a minimum excess investment return of 2% above the existing discount rate is necessary to cause a funding risk mitigation event.

Beginning with Fiscal Year 2017-2018 CalPERS collects employer contributions toward the plan's unfunded liability as dollar amounts instead of the prior method of a contribution rate. This change addresses potential funding issues that could arise from a declining payroll or reduction in the number of active members in the plan. The plan's normal cost contribution continues to be collected as a percentage of payroll.

County employees also participate in the CalPERS health insurance program, whose average premiums increased by 3.3% in 2018, and will increase by 2.6% in 2019.

MAJOR INITIATIVES

During the last fiscal year, under the leadership of the Board of Supervisors, several key programs and projects were successfully undertaken by the County:

- The County Administrative Officer initiated a countywide strategic planning effort in Fiscal Year 2017-2018. Throughout this process, called “Vision Santa Cruz County,” County staff have engaged with internal and external stakeholders through the use of surveys, employee mixers, community forums, focus groups, and Board updates. The information gathered was used to inform and develop the strategic plan elements, and the final six-year strategic plan.
- Santa Cruz County voters passed Measure D, a one-half cent sales tax that funds transportation projects for a 30-year period. Included in the Measure was an Expenditure Plan that specified the amount of funds and the types of projects that it would support. The County of Santa Cruz Public Works estimates it will receive an average of \$2.6 million per year for the next 30 years. The three top priorities ranked by the community were maintenance and repair of County roadways, neighborhood resurfacing projects, and neighborhood safety projects which the County has begun implementing.
- Santa Cruz voters approved Measure S for Libraries. With approval of this measure, the Santa Cruz Libraries Facilities Financing Authority (LFFA) is authorized to distribute up to \$62 million in special tax revenues and bond proceeds to improve community libraries in Santa Cruz County. A total of \$26 million in funding has been identified for the library branches and facilities in the unincorporated areas of Santa Cruz County. The new Felton Library was the first project to break ground and others will follow thereafter.
- The County maintained organizational stability, customer service levels, and program efficiencies during recent leadership changeovers of the Director of Personnel, the Director of Public Works, the Director of General Services and Emergency Services, the Director of Human Services and the Director of Health Services.
- The County implementing energy efficiency projects including installing LED lighting at the Government Center and the installation of rooftop and carport solar at seven County sites: 1080 Emeline, 1400 Emeline, Main County Building, Men's Detention Center, Public Safety Center, Animal Shelter, Simpkins Swim Center and Brommer Yard.
- The Department of Public Works continued to work on the repairs related to the 2016-17 storms, which included 142 Federal Emergency Management Agency (FEMA) storm related projects and 95 Federal Highway Administration (FHWA) project storm related projects. The projects included the placement of a temporary bridge on Swanton Road and the Valencia Road Emergency Culvert Replacement Project.
- The Department of Public Works embarked upon the South County Striping Project, the first of three proposed projects to provide safety improvements County wide. The improvement to the striping and markings will provide for better visibility at night and a decrease in future maintenance.
- The Planning Department prepared an Environmental Impact Report for the Commercial Cannabis Cultivation and Manufacturing Regulations and Licensing Program.

- The County approved the Watsonville Health Center-1430 Freedom Blvd., Suite D Remodel Project which consisted of the renovation of an existing waiting room into staff offices and workstations, a behavioral health therapy office and medical exam rooms, and converting an outdoor patio area into a new waiting room.
- The Planning Department initiated work on the ADU Forgivable Loan Program and received input from the Housing Advisory Commission and other stakeholders including Bay Federal Credit Union. The purpose of the ADU Forgivable Loan Program is to provide up to \$40,000 of County financing to property owners interested in constructing an ADU on their property in exchange for a deed restriction through which the homeowner agrees to rent the unit to a low-income tenant for an affordable rent for twenty years.
- The Probation Department received an award from the Board of State and Community Corrections SB81 Local Youthful Offender Rehabilitative Facility Financing Program to use toward construction costs of the Gym project. This is a bond lease financing program administered by the California Department of Corrections and Rehabilitation with a multitude of approvals required by state agencies including the State Public Works Board and Department of Finance.
- The Department of General Services and Department of Parks, Open Space and Cultural Services (Parks), with several partners, has been working towards completing the inclusive playground (LEO's Haven) at Chanticleer Park. Efforts have included grant applications, fundraising efforts led by the Santa Cruz Playground Project and Chanticleer Park Neighbors Association.
- The Department of General Services and Department of Parks, Open Space and Cultural Services began the process for the construction of a new bike pump track at Pinto Lake County Park.
- The Board approved a 15-year license agreement with CEMEX at the former Davenport Cement Plant site for the construction of a new public safety communications tower that will provide the necessary coverage for law enforcement on the North Coast.
- The Health Services Agency (HSA) entered into an agreement with Ecology Action to develop a Complete Streets to Schools Plan. This will provide the County of Santa Cruz and the City of Scotts Valley with a Complete Streets to Schools Plan which will define tools to help reduce barriers to walking and biking for parents and students. The Plan will provide comprehensive assessment and analysis of the greatest barriers to increased school-based active transportation and access to public transit.
- The Homeless Outreach, Proactive Engagement and Services (HOPES) Team, a model of service delivery for wrap-around care of high-risk homeless individuals, began in March 2018. The goal of the HOPES Team model is to stabilize chronically homeless persons with mental illness and/or substance use disorder and frequent contact with law enforcement through early referral, intensive engagement and coordinated access to integrated treatment and services.
- The County, in collaboration with the cities of Santa Cruz and Watsonville, has been working on two independent tracks to establish permanent day services centers and examine expansion from winter only to year-round emergency shelter capacity. Both efforts strive to move from a basic emergency shelter model to a 24/7 operational model commonly referred to as a Navigation Center.

- The Auditor-Controller-Treasurer-Tax Collector oversaw consolidation of the five (5) Redevelopment Successor Agency Oversight Boards in the County of Santa Cruz into one (1) Consolidated Oversight Board, and continues to staff the Consolidated Oversight Board, with the assistance of other county departments as assigned by the County Administrative Officer.
- The Sheriff’s Office Rountree Reentry and Rehabilitation Facility was completed. Construction was funded by a \$25 million grant from the California Board of State and Community Corrections. This newly completed facility will allow us to better serve the needs of long-term inmates in developing pro-social and basic life skills to facilitate their return to society.
- The Personnel Department has focused their efforts towards achieving long term collective bargaining agreements with labor unions and associations and expanding the on-line “Santa Cruz County Learns” Training Program to all County employees. In 2017 the County approved agreements with the Middle Management Association in and the District Attorney/Child Support Attorney Association.
- The work for the Mosquito Abatement and Vector Control Building Improvement project was completed, which included the remodel of the existing building by adding laboratories, meeting rooms, additional storage and upgrades to the mechanical system.

OTHER INFORMATION

State statutes require an annual audit by independent Certified Public Accountants. The firm of Brown Armstrong was selected to audit the financial statements of the County’s various funds and account groups and has issued an unqualified (“Clean”) opinion thereon. In addition to meeting the requirements of State law, the audit was also designed to comply with the federal Single Audit Act of 1984 (with amendment in 1996) and U.S. Office of Management and Budget (OMB) Uniform Guidance, the OMB Circular Compliance Supplement and Government Auditing Standards. The auditors’ report on the financial statements is included in the financial section of this report. The auditors’ reports related specifically to the single audit are included in a separate Single Audit Report.

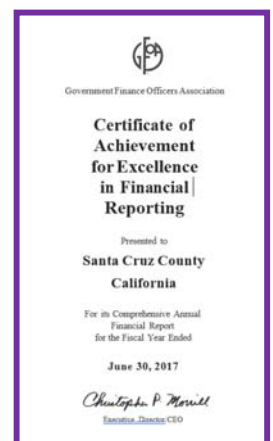
Awards and Acknowledgments

We are very proud of this CAFR and all of the County’s award-winning financial reporting publications. Each publication has been prepared with great care and expertise with a goal of meeting the highest level of financial reporting preparation standards.

GFOA Financial Reporting Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Santa Cruz for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.



GFOA Budget Presentation Award

The County received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2017. This award has been achieved annually since 1998. To receive this prestigious award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

Acknowledgments

I wish to express my appreciation to my Accounting Division and Audit Division, the County departments that participated in the audit process, and Brown Armstrong for their contributions, assistance, and guidance in the preparation of this report.

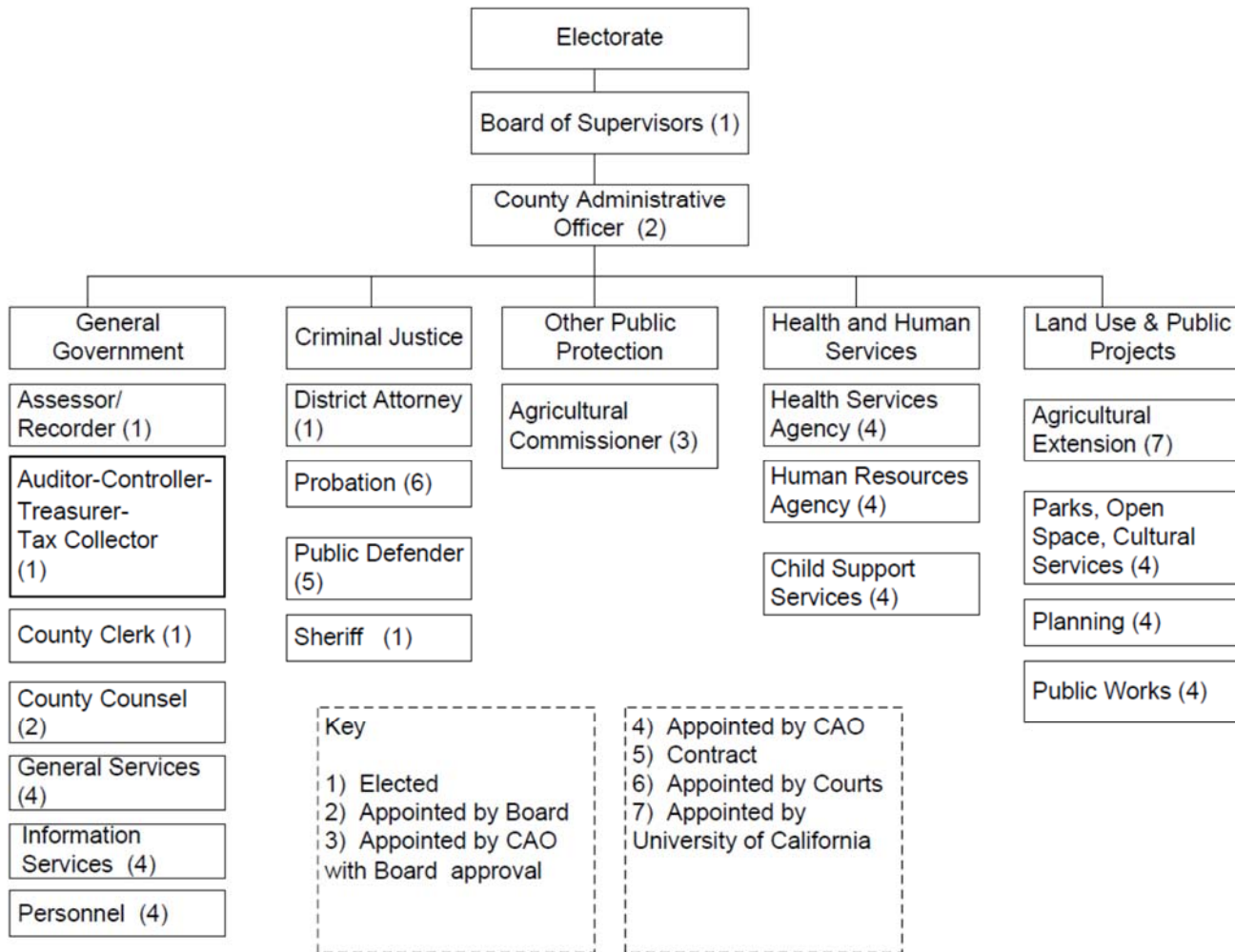
Respectfully submitted,



Edith Driscoll
Auditor-Controller-Treasurer-Tax Collector

COUNTY OF SANTA CRUZ

ORGANIZATION CHART



Directory of Public Officials

Elective Officers

		<u>Term ends</u>
Supervisor, 1st District	John Leopold	January 2021
Supervisor, 2nd District	Zach Friend	January 2021
Supervisor, 3rd District	Ryan Coonerty	January 2019
Supervisor, 4th District	Greg Caput	January 2019
Supervisor, 5th District	Bruce McPherson	January 2021
State Senator, 17 th District	Bill Monning	December 2020
State Assemblyman, 29 th District	Mark Stone	December 2024
State Assemblyman, 30 th District	Anna M. Caballero	December 2018
U.S. Congressman, 20 th District	Jimmy Panetta	January 2019
U.S. Senator	Dianne Feinstein	January 2019
U.S. Senator	Kamala Harris	January 2023
U.S. Congresswoman, 18 th District	Anna G. Eshoo	January 2019
Assessor-Recorder	Sean Saldavia	January 2019
Auditor-Controller Treasurer-Tax Collector	Edith Driscoll	January 2019
County Clerk-Elections	Gail Pellerin	January 2019
District Attorney-Public Administrator	Jeff Rosell	January 2019
Sheriff-Coroner	Jim Hart	January 2019

Appointed Officers

Administrative Officer	Carlos J. Palacios
Agricultural Commissioner	Juan Hidalgo
County Counsel	Dana McRae
Director of Agricultural Extension	Mark Bolda
Director of Child Support Services	Jamie Murray
Director of General Services	Michael Beaton
Director of Information Services	Kevin Bowling
Director of Human Services Department	Ellen Timberlake
Director of Planning	Kathleen Molloy
Director of Public Works/Road Commissioner	Matt Machado
Director of Parks, Recreation and Cultural Services	Jeff Gaffney
Health Officer	Dr. Arnold Leff
Health Services Administrator	Mimi Hall
Personnel Director	Ajita Patel
Probation Officer	Fernando Giraldo
Veteran's Services Officer	Dean Kaufman



Government Finance Officers Association

**Certificate of
Achievement for
Excellence in Financial
Reporting**

Presented to

**Santa Cruz County
California**

For its Comprehensive Annual Financial Report
for the Fiscal Year Ended

June 30, 2017

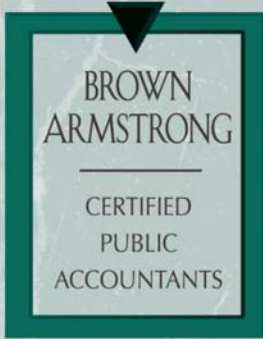
Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION





BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Santa Cruz, California (County), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis pages 7-21, the respective Budgetary Comparison for the General Fund, the Off Highway, Road, and Transportation Fund, the Housing Fund, and the Capital Projects Fund on pages 114-128, and the County's Retirement Plans' Schedule of Changes in the Net Pension Liability and Related Ratios and the Schedule of Contributions on pages 129-136 and Schedule of Changes in Total Other Postemployment Benefit (OPEB) Liability and Related Ratios and the Schedule of Contributions on pages 137-138 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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.

Emphasis of Matter

Implementation of New Accounting Standards

During the fiscal year ended June 30, 2018, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and schedules are the responsibility of management and were derived from and relate 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 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 combining and individual non-major fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and schedules and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 18, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS



**COUNTY OF SANTA CRUZ
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

This section of the County of Santa Cruz (the "County") Comprehensive Annual Financial Report presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the County exceeded liabilities plus deferred inflows of resources at the close of the 2017-2018 fiscal year by \$167,145,304 (*net position*). Of this amount, a negative amount of \$422,126,404 is unrestricted, \$55,966,715 is restricted for specific purpose (*restricted net position*), and \$533,304,993 is the net investment in capital assets.
- The County's total net position decreased by \$(29,990,104). This decrease was primarily due a negative prior period adjustment of \$36.5 million resulting from the implementation of GASB 75 requiring the recognition of a liability and expenses for Other Postemployment Benefits attributable to prior years. The County's total revenues of \$564.9 million exceeded total expenses of \$558.4 million by approximately \$6.5 million, partially offsetting the negative prior period adjustment.
- As of June 30, 2018, the County's governmental funds reported combined ending fund balances of \$172,031,855, an increase of \$88,778 in comparison with the prior year.
- Governmental fund revenues increased by approximately \$35 million, \$13.8 million from taxes, \$9.7 million from Federal and State Aid, \$3.7 million from charges for services and \$8.4 million from other revenue. Proceeds from the issuance of bonds provided \$7.9 million of revenue under other financing sources.
- Governmental fund expenditures increased by 7.33% or \$37,700,880. Increases in expenditures for capital outlay of \$20.4 million accounted for the largest portion of the increase. Major capital projects included \$14.9 million for the construction of the Rountree Medium Security Facility and \$7.7 million for the solar project. Expenditures for salaries and benefits increased by approximately \$11.6 million and expenditures for services and supplies increased by approximately \$7.1 million.
- At the end of the fiscal year, the general fund reported an ending fund balance of \$60,408,265, of which \$1,757,808 was nonspendable, \$21,557,098 was committed, \$37,093,359 was assigned, and \$- was unassigned, as shown on page 35.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all County assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference in assets plus deferred outflows of resources

and liabilities plus deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and culture. The business-type activities of the County can be found on the next page listed under Proprietary funds.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. The Santa Cruz County Sanitation District is reported as a discretely presented component unit of the County. The District is managed by the County Department of Public Works and provides sanitation services to a portion of the unincorporated areas of the County. For more detail, please refer to the Sanitation District's separately issued financial statements.

The government-wide financial statements can be found on pages 27-28 of this report.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related funds which are used to account for resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are reported in the governmental funds. The governmental funds financial statements focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the County's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities.

The County maintains several individual governmental funds organized according to their type (general, special revenue, and capital projects). Information is presented separately in the governmental funds balance sheet and the statement of revenues, expenditures, and changes in fund balances for the General Fund, Off Highway Road and Transportation Fund, Housing Fund, and the Capital Projects Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental funds financial statements can be found on pages 35-38 of this report.

Proprietary funds are used to account for services for which the County charges customers—either outside customers or internal units or departments of the County. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The County maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The County enterprise funds used to account for the operations of the County include the County Disposal Sites CSA 9C, and the following Board of Supervisor Governed Districts: Boulder Creek CSA 7, Rolling Woods CSA 10, Septic Tank Maintenance CSA 12, Freedom County Sanitation District, Davenport Sanitation District, Place de Mer CSA 2, Sand Dollar Beach CSA 5, Trestle Beach CSA 20, Summit West CSA 54, and Graham Hill CSA 57 operations.
- **Internal Service funds** are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its central duplicating, information services, public works, service center, and insurance (risk management, dental and health, liability and property, workers' compensation, employee benefit staffing, and state unemployment insurance) functions. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary funds financial statements can be found on pages 41-45 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The fiduciary funds the County maintains are agency, investment trust funds and private purpose trust funds. Since these funds are custodial in nature, they do not involve the measurement of results of operations.

The fiduciary funds financial statements can be found on pages 49-51 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 57 - 112 of this report.

Required Supplementary Information (other than MD&A)

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the County's general fund budgetary comparison schedule and progress in funding its obligation to provide pension benefits to its employees and other post-employment obligations to retirees.

The County adopts an annual budget, which is a compilation of operating budgets from individual functional units within the General Fund, Special Revenue Funds, Capital Projects Funds and Proprietary Funds. Budgets are adopted for all funds except for Fiduciary Funds and certain special revenue funds, namely the Financing Authorities and the Geological Hazard Abatement Districts. A budgetary comparison schedule has been provided for the General Fund, Off Highway, Road and Transportation Fund, Housing Fund and Capital Projects Fund to demonstrate compliance with these budgets. These can be found on pages 116-163 of this report.

Combining Statements and Schedules

The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental funds, enterprise and internal service funds, and fiduciary funds are presented immediately following the required supplementary information.

	Analysis of Net Position						Dollar Change
	Governmental Activities		Business-Type Activities		Total		
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated	
Assets:							
Current and other assets	\$ 296,419,601	\$ 332,947,589	\$ 21,692,219	\$ 18,869,848	\$ 318,111,820	\$ 351,817,437	\$ (33,705,617)
Capital assets	579,254,292	538,883,944	28,261,201	27,452,539	607,515,493	566,336,483	41,179,010
Total assets	875,673,893	871,831,533	49,953,420	46,322,387	925,627,313	918,153,920	7,473,393
Deferred outflow of resources	174,029,944	136,552,212	3,049,457	2,402,487	177,079,401	138,954,699	38,124,702
Liabilities:							
Current and other liabilities	127,383,833	165,032,038	1,801,223	1,238,108	129,185,056	166,270,146	(37,085,090)
Long-term liabilities	720,325,546	659,634,604	24,493,613	23,473,649	744,819,159	683,108,253	61,710,906
Total liabilities	847,709,379	824,666,642	26,294,836	24,711,757	874,004,215	849,378,399	24,625,816
Deferred inflow of resources	60,428,477	46,230,451	1,128,718	846,324	61,557,195	47,076,775	14,480,420
Net position:							
Net investment in capital assets	511,615,174	476,456,050	21,689,819	20,724,458	533,304,993	497,180,508	36,124,485
Restricted	55,332,944	57,359,492	633,771	380,638	55,966,715	57,740,130	(1,773,415)
Unrestricted	(425,382,137)	(396,328,890)	3,255,733	2,061,697	(422,126,404)	(394,267,193)	(27,859,211)
Total net position	\$ 141,565,981	\$ 137,486,652	\$ 25,579,323	\$ 23,166,793	\$ 167,145,304	\$ 160,653,445	\$ 6,491,859

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the County, assets plus deferred outflows of resources exceed liabilities plus deferred inflows of resources by \$167,145,304 at the close of the 2017-2018 fiscal year.

The portion of the County's net investment in capital assets, \$533,304,993 (318%), reflects its investment in capital assets (e.g., land, building and structures, and equipment) less accumulated depreciation in the amount of \$607,515,493, less the related debt of \$74,210,500 used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, \$55,966,715 (33%), represents resources that are subject to external restrictions on how they may be used. Of the total, 28% is restricted for capital asset acquisition, 41% is dedicated to public roads and facilities, 20% is restricted for public safety and the rest is restricted for debt service, health and various County imposed purposes.

The County's unrestricted net position of \$(422,126,404) decreased by \$27,859,211 from the prior year after a \$36,481,963 restatement arising from increases in the 2017 Deferred outflow of resources and Long-term liabilities upon implementation of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This amount consists of all net position that does not meet the definition of restricted net position or net investment in capital assets. The majority of negative unrestricted net position is primarily the result of the County's unfunded pension and OPEB obligations, due to the implementation of GASB Statement Nos. 68 and 75, offset by positive unrestricted net position

predominantly in the County's General Fund.

	Change in Net Position							
	Governmental Activities		Business-Type Activities		Total		Dollar Change	%
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated		
Revenues:								
Program Revenues:								
Charges for services	\$ 95,344,096	\$ 92,492,686	\$ 18,021,551	\$ 15,637,513	\$ 113,365,647	\$ 108,130,199	\$ 5,235,448	4.8%
Operating grants and contributions	259,971,892	261,567,078	2,856,181	342,089	262,828,073	261,909,167	918,906	0.4%
Capital grants and contributions	19,532,096	8,192,673	-	327,377	19,532,096	8,520,050	11,012,046	129.2%
General Revenues:								
Property taxes	117,336,994	107,283,370	34,923	31,861	117,371,917	107,315,231	10,056,686	9.4%
Other taxes	31,143,069	27,409,953	-	-	31,143,069	27,409,953	3,733,116	13.6%
Investment earnings	4,453,572	3,740,469	(24,505)	(231,747)	4,429,067	3,508,722	920,345	26.2%
Miscellaneous	15,915,057	7,572,873	408,527	719,834	16,323,584	8,292,707	8,030,877	96.8%
Gain (Loss) on sale of assets	(7,478)	6,450	(91,004)	-	(98,482)	6,450	(104,932)	-1626.9%
Total revenues	543,689,298	508,265,552	21,205,673	16,826,927	564,894,971	525,092,479	\$ 39,802,492	7.6%
Expenses:								
General government	39,827,934	36,793,359	-	-	\$ 39,827,934	\$ 36,793,359	\$ 3,034,575	8.2%
Public protection	177,635,846	157,414,434	-	-	177,635,846	157,414,434	20,221,412	12.8%
Public ways and facilities	29,193,317	24,715,771	-	-	29,193,317	24,715,771	4,477,546	18.1%
Health and sanitation	141,326,763	123,519,200	-	-	141,326,763	123,519,200	17,807,563	14.4%
Public assistance	132,800,689	129,000,259	-	-	132,800,689	129,000,259	3,800,430	2.9%
Education	5,883,813	5,745,697	-	-	5,883,813	5,745,697	138,116	2.4%
Recreation and cultural services	11,548,714	10,784,246	-	-	11,548,714	10,784,246	764,468	7.1%
Interest on long-term debt	1,731,164	2,210,128	-	-	1,731,164	2,210,128	(478,964)	-21.7%
County Disposal Sites CSA	-	-	14,859,256	13,283,158	14,859,256	13,283,158	1,576,098	11.9%
Boulder Creek CSA	-	-	400,639	308,098	400,639	308,098	92,541	30.0%
Rolling Woods CSA	-	-	31,493	31,478	31,493	31,478	15	0.0%
Septic Tank Maintenance CSA	-	-	923,420	1,016,302	923,420	1,016,302	(92,882)	-9.1%
Freedom County Sanitation District	-	-	1,122,579	1,090,284	1,122,579	1,090,284	32,295	3.0%
Davenport Sanitation District	-	-	581,024	555,804	581,024	555,804	25,220	4.5%
Place De Mer CSA	-	-	157,126	30,243	157,126	30,243	126,883	419.5%
Sand Dollar Beach CSA	-	-	322,969	246,684	322,969	246,684	76,285	30.9%
Trestle Beach CSA	-	-	56,032	62,131	56,032	62,131	(6,099)	-9.8%
Summit West CSA	-	-	334	135	334	135	199	147.4%
Graham Hill CSA	-	-	-	8,124	-	8,124	(8,124)	-100.0%
Total expenses	539,948,240	490,183,094	18,454,872	16,632,441	558,403,112	506,815,535	51,587,577	10.2%
Revenues over/(under) expenditures	3,741,058	18,082,458	2,750,801	194,486	6,491,859	18,276,944	(11,785,085)	-64.5%
Transfers	338,271	386,892	(338,271)	(386,892)	-	-	-	0.0%
Change in net position	4,079,329	18,469,350	2,412,530	(192,406)	6,491,859	18,276,944	(11,785,085)	-64.5%
Net position, beginning of year	137,486,652	119,017,302	23,166,793	23,359,199	160,653,445	142,376,501	18,276,944	12.8%
Net position, end of year	\$ 141,565,981	\$ 137,486,652	\$ 25,579,323	\$ 23,166,793	\$ 167,145,304	\$ 160,653,445	\$ 6,491,859	4.0%

Analysis of Change in Net Position

During the current fiscal year, the County's net position increased by \$6,491,859. This increase is explained in the governmental and business-type activity discussion below.

- **Governmental activities** increased the County's net position by \$4,079,329, accounting for 63% of the total increase in net position of the County.

The fiscal year 2017-2018 change in net position was \$4,079,329. Revenues increased by \$35,423,746 or 7.0% from the prior year. Contributing to this overall revenue increase were:

- Charges for Services increase in the amount of \$2.9 million primarily due to increases in medical and clinic fees;
- Capital grants and contributions increase in the amount of \$11.3 million due to grants from the federal government for 2017 storm emergency road and bridge repairs, approximately

- \$4 million of which, were for the repairs of Valencia Road in Aptos;
- Property taxes increase in the amount of \$10.1 million as the County's Assessed value increased by 5.75%;
- Other taxes increase in the amount of \$3.7 million, \$3.0 million of which, came from the new Measure D ½ cent sales tax;
- Miscellaneous revenues increase in the amount of \$8.3 million due to additional contributions received by Health Services Agency from other funds for agency projects and reserve.

Expenses overall increased by \$49,765,146 or 10.2% from the prior year. Major factors for the overall expense increase were:

- Pension expense increase in the amount of \$26.8 million arising mainly from recognized changes of demographic assumptions based on the most recent experience study report, the most significant of which, is the improvement in post-retirement mortality acknowledging the greater life expectancies of members; and, increased service cost;
- Employee Insurance and Benefits, including Other Postemployment Benefits, increase in the amount of \$5.1 million mainly as a result of the implementation of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" and increases in employee health insurance;
- Salaries increase in the amount of \$6.6 million mainly due to employee payroll increases;
- Highway, Road & Transportation - public works costs for the 2017 storm repairs increase in the amount of \$3.9 million;
- Public Ways & Facilities (Board of Supervisors governed) – public works costs for various road maintenance and repairs increase in the amount of \$1.9 million, \$1.5 million of which, was for Hutchinson Road CSA 13;
- Telecom services increase in the amount of \$1.1 million;
- Data processing services increase in the amount of \$0.8 million;
- Workers compensation insurance cost increase in the amount of \$0.5 million; and,
- Maintenance for building and facilities costs increase in the amount of \$0.4 million.

Overall expense increase by function follows:

	Amount	Percentage increase (decrease)
General government	\$ 3,034,575	8.2%
Public protection	20,221,412	12.8%
Public ways and facilities	4,477,546	18.1%
Health and sanitation	17,807,563	14.4%
Public assistance	3,800,430	2.9%
Education	138,116	2.4%
Recreation and cultural services	764,468	7.1%
Interest on long-term debt	(478,964)	-21.7%
	<u>\$ 49,765,146</u>	10.2%

- **Business-type activities** increased the County's net position by \$2,412,530 over the prior year. Revenues and expenses increased by \$4,378,746 and \$1,822,431, respectively. The difference in net position was primarily due to \$2.2 million in grants in the current year from the State Water Resources Control Board for the Davenport Sanitation Recycled Water Project. There was also an increase of \$2 million in Charges for Services for the County Disposal Site CSA9C, \$1.5 million of which were from other waste haulers.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with financial related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the County include the general fund, special revenue funds, debt service funds, and capital project funds.

At June 30, 2017, the County's governmental funds reported combined ending fund balances of \$172,031,855, an increase in comparison with the prior year. The components of total fund balance are as follows (see Note 19 – Fund Balances).

- Nonspendable fund balance, \$1,757,808, are amounts that are not spendable in form, or are legally or contractually required to be maintained intact, and are made up of (1) inventory, prepaids, and imprest cash of \$1,579,014, and (2) advances and loans of \$178,794
- Restricted fund balance, \$ 116,612,250, consists of amounts with constraints put on their use by externally imposed creditors, grantors, contributions, laws, regulations, or enabling legislation. Examples of restrictions on funds are those for (1) purpose of fund (i.e., flood control, library) of \$99,770,018, (2) debt service of \$2,391,716 and (3) amounts restricted for capital asset acquisition of \$14,450,516.
- Committed fund balance, \$21,557,098, are amounts for specific purposes determined by the Board of Supervisors, which includes (1) Natural Disasters of \$2,000,000, (2) Working Capital of \$6,000,000, (3) Economic Uncertainty of \$10,000,000 and (4) MHSA Prudent Reserve of \$3,557,098.
- Assigned fund balance of \$37,093,359 represents amounts that are intended for specific purposes and are established by the Board of Supervisors or an official or body delegated by the governing body. Examples of assigned fund balances are (1) MBCP Credit Guaranty of \$272,727 (2) federally qualified health programs of \$12,768,801, (3) structural deficit of \$6,224,517, (4) projected budgetary deficit of \$6,069,973, (4) unanticipated liabilities of \$2,000,000, (5) human services programs of \$2,696,508 and (6) salary savings of \$7,060,833.
- Unassigned fund balance is currently \$(4,988,660).

Revenues for governmental functions totaled \$ 544,244,743 in fiscal year 2017-2018, which represents an increase of \$35,363,166, or 6.9% from fiscal year 2016-2017. Expenditures for governmental functions totaling \$552,207,472 increased by \$37,700,880, or 7.33%, from fiscal year 2016-2017. In the fiscal year 2017-2018, expenditures for governmental functions exceeded revenues by \$(7,962,729). Other financing sources, including interfund, exceeded other financing uses by \$8,051,507.

The general fund is the primary operating fund of the County. At June 30, 2017, the general fund's total fund balance was \$60,408,265, of which \$1,757,808 was nonspendable, and \$58,650,457 was spendable. The spendable fund balance consists of \$21,557,098 in committed fund balance, \$37,093,359 in assigned fund balance, and \$- in unassigned fund balance. As a measure of the general fund's liquidity, it may be useful to compare both total fund balance and spendable fund balance to total fund expenditures. Total fund balance is 13.4% of total General Fund expenditures while spendable fund balance is 13.0% of total General Fund expenditures.

The Off Highway Roads and Transportation Fund is a major fund of the County. At June 30, 2017, the fund had a negative unassigned fund balance of \$4,988,660.

The Housing Fund is a major fund of the County. At June 30, 2017, the Housing Fund's total fund balance was \$77,850,206, all of which is spendable (restricted) for the purpose of the fund.

The Capital Projects fund balance of \$6,732,465 was spendable (restricted) at June 30, 2017, a decrease of \$922,441 from the prior year. The decrease was due to a reduction in capital outlay expenses as many projects were completed in the prior year.

The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year for all governmental funds:

Revenues Classified by Source					
Governmental Funds					
	<u>2018</u>	<u>% of Total</u>	<u>2017</u>	<u>% of Total</u>	<u>Change</u>
Taxes	\$ 148,480,064	27.28%	\$ 134,693,325	26.47%	\$ 13,786,739
Licenses and permits	12,664,538	2.33%	13,267,926	2.61%	(603,388)
Fines, forfeits and penalties	3,870,473	0.71%	4,100,792	0.81%	(230,319)
Use of money and property	4,196,947	0.77%	3,622,536	0.71%	574,411
Aid from other governments	279,503,987	51.36%	269,759,749	53.01%	9,744,238
Charges for services	78,809,087	14.48%	75,123,968	14.76%	3,685,119
Other	<u>16,719,647</u>	<u>3.07%</u>	<u>8,313,281</u>	<u>1.63%</u>	<u>8,406,366</u>
Total	<u><u>\$ 544,244,743</u></u>	<u><u>100.00%</u></u>	<u><u>\$ 508,881,577</u></u>	<u><u>100.00%</u></u>	<u><u>\$ 35,363,166</u></u>

Revenues increased by \$35.4 million over the prior year. There was a \$13.8 million increase in taxes, consisting of \$6.5 million in property taxes and \$3.4 million in various other taxes. Increases were offset by a decrease in Sales and Use taxes of \$2.6 million.

Aid from other governments increased by \$9.7 million due to Federal grants, primarily FEMA grants, received as a result the 2017 winter storms.

Charges for services increased by \$3.7 million. There was an increase of \$2.7 million patient and outpatient clinic fees and a \$1.1 million increase in fees for planning and engineering services.

Other revenue increased by \$8.4 million as a result of recognizing funds that had been committed and set aside as revenue to make the funds available to budget for Mental Health Services Act programs in 2018-19.

The following table presents expenditures by function compared to prior year amounts for all governmental funds:

**Expenditures Classified by Source
Governmental Funds**

	2018	% of Total	2017	% of Total	Change
General government	\$ 36,240,195	6.56%	\$ 33,188,505	6.45%	\$ 3,051,690
Public protection	161,157,501	29.18%	156,581,616	30.43%	4,575,885
Public ways and facilities	37,324,349	6.76%	34,217,089	6.65%	3,107,260
Health and sanitation	133,423,762	24.16%	122,842,428	23.88%	10,581,334
Public assistance	125,795,624	22.78%	129,505,276	25.17%	(3,709,652)
Education	5,654,940	1.02%	5,534,789	1.08%	120,151
Recreation and culture	10,471,103	1.90%	10,013,962	1.95%	457,141
Capital outlay	35,286,850	6.39%	14,861,969	2.89%	20,424,881
Debt Service - bond redemption	4,576,542	0.83%	4,856,542	0.94%	(280,000)
Debt Service -Interest and fiscal charges	2,276,606	0.41%	2,904,416	0.56%	(627,810)
Total	\$ 552,207,472	100.00%	\$ 514,506,592	100.00%	\$ 37,700,880

Overall expenditures increased by \$37.70. Over half of the increase was for capital outlay, which increased by \$20.4 million. General government expenditures increased by \$3 million, public protection increased by \$4.6 million, public ways and facilities increased by \$3.1 million and health and sanitation increased by \$10.6 million. Increases were offset by a decrease of \$3.7 million in public assistance. Increases were primarily due to increases in salaries and benefits and services and supplies.

Other financing sources and uses are presented below, including changes from the prior year. In 2017-18 Lease Revenue Bonds were issued in the amount of \$7,940,000. Refer to Note 10 for more information on long-term debt.

Transfers in and out are detailed in Note No. 5.

**Expenditures Classified by Source
Governmental Funds**

	2018	% of Total	2017	% of Total	Change
Proceeds of long-term debt	\$ 7,940,000	98.62%	\$ 10,500,000	1314.65%	\$ (2,560,000)
Bond premium/discount	(63,415)	-0.79%	950,674	119.03%	(1,014,089)
Inception of capital lease	92,489	1.15%	129,212	16.18%	(36,723)
Sale of general capital assets	23,500	0.29%	6,450	0.81%	17,050
Miscellaneous	143,591	1.78%	(7)	0.00%	143,598
Payment to refunding escrow agent	-	0.00%	(10,620,000)	-1329.67%	10,620,000
Transfers in	28,411,340	352.87%	21,581,902	2702.15%	6,829,438
Transfers out	(28,495,998)	-353.92%	(21,749,537)	-2723.14%	(6,746,461)
Total	\$ 8,051,507	100.00%	\$ 798,694	100.00%	\$ 7,252,813

The current year excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses is presented below:

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

	Major Funds					Total Governmental Funds
	General Fund	Off Highway, Road and Transportation Fund	Housing Fund	Capital Projects Fund	Nonmajor Governmental Funds	
Revenues	\$ 467,525,849	\$ 24,314,862	\$ 2,458,683	\$ 17,015,178	\$ 32,930,171	\$ 544,244,743
Expenditures	(450,379,791)	(30,345,041)	(2,111,813)	(35,286,850)	(34,083,977)	(552,207,472)
Net other financing sources/(uses)	(12,528,678)	1,098,042	-	17,349,231	2,132,912	8,051,507
Net change in fund balances	4,617,380	(4,932,137)	346,870	(922,441)	979,106	88,778
Fund balances, beginning (restated)	55,790,885	(56,523)	77,503,336	7,654,906	31,050,473	171,943,077
Fund balances, ending	60,408,265	(4,988,660)	77,850,206	6,732,465	32,029,579	172,031,855

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The business-type activities had total net position of \$25,223,362 at June 30, 2018, of which \$2,899,772 was unrestricted.

The following table shows the enterprise funds' actual revenues, expenses and results of operations for the current fiscal year:

	Major Funds			
	County Disposal Sites CSA 9c	Nonmajor Funds	Total	Internal Service Funds
Operating Revenues	\$ 14,740,019	\$ 3,690,059	\$ 18,430,078	\$ 75,987,051
Operating Expenditures	(14,288,267)	(3,493,602)	(17,781,869)	(78,311,897)
Net operating income (loss)	451,752	196,457	648,209	(2,324,846)
Net nonoperating revenues/(expenditures)	314,121	2,123,203	2,437,324	731,517
Change in net position	765,873	2,319,660	3,085,533	(1,593,329)
Net position - Beginning of year, as restated	6,103,312	16,034,517	22,137,829	(50,289,222)
Net position - end of Year	\$ 6,869,185	\$ 18,354,177	\$ 25,223,362	\$ (51,882,551)

Total enterprise fund net position increased by \$3.1 million. Operating revenues of \$18,430,078 increased by \$2,072,731 over the prior fiscal year. Operating expenses of \$17,781,869 increased by \$893,020 over the prior year, mostly from overhead costs.

There was a restatement of the beginning net position in the amount of \$3.3 million resulting from the implementation of GASB 75 requiring the recognition of a liability and expenses for Other Postemployment Benefits attributable to prior years.

The Internal Service fund net position decreased by \$1.6 million compared to the prior fiscal year. This was primarily due to higher operating expenses than revenue from internal billings in Public Works.

GENERAL FUND BUDGETARY HIGHLIGHTS

After the adoption of the 2017-2018 fiscal year budget, the original General Fund budget was increased by \$10,318,111 during the year, not including transfers out.

The General Government budget was increased by approximately \$2.7 million. Of the \$2.7 million, \$1.05 million was for the construction of a new public safety communications tower and \$515,000 to cover startup costs related to the Monterey Bay Community Power Authority. The remainder of the increase was a result of various mid-year budget adjustments.

The budget for Public Protection increased by approximately \$2.4 million, all of which was due to various small grants and mid-year budget adjustments.

Health and Sanitation increased by approximately \$3.2 million over the adopted budget resulting from \$3.8 million of unanticipated revenue received from a Federal Block Grant and State Short/Doyle funds for the expansion of Drug Medi-Cal Services. Other changes in the budget are a result of mid-year budget adjustments.

The budget for Public Assistance was increased by approximately \$1.9 million in the 2017-18 fiscal year. The Human Services Department received unanticipated revenue of \$335,000 from California Department of Social Services for housing support services and \$763,106 from the State of California Employment Development Department for Workforce Innovation and Opportunity Act (WIOA) programs. The balance of the change to the budget was caused by various mid-year budget adjustments.

The 2017-2018 total expenditures were \$18,459,474, or 4.3%, greater than the prior fiscal year, not including transfers. General Government spending increased by \$2.9 million due to increases of \$2.3 million in salaries expenditures and \$1.6 million in services and supplies. Increases were offset by decreases in spending for other charges, capital assets and intrafund transfers.

Spending in Public Protection increased by \$6.9 million due to increases in expenditures for salaries and benefits, services and supplies and intra fund transfers of \$3.9 million, \$2.6 million and \$0.4 million respectively. Spending for capital assets also increased slightly, while other charges decreased.

An increase of \$10.6 million came from Health and Sanitation due to increases in expenditures of \$5.3 million for salaries and benefits expenditures, \$3.2 million for services and supplies and \$3.1 million for other charges. Increases were offset by decreases in intra fund transfers.

Public Assistance spending decreased by \$1.9 million. Decreases were seen in all categories except intrafund transfers, which increased by \$50,291.

General Fund actual revenues were \$34.3 million lower than the original budget. Less revenue was received than budgeted in several areas. The difference was due to a difference of \$22.3 million from the original budget originating from transfers In, \$5.2 million less than budget for aid from other governments and \$9 million less than budget for charges for services. These were offset by a \$2 million increase in tax revenue over budget and \$3.4 million more than budget for other revenue.

For additional information, readers should refer to the letter of transmittal.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2018 totaled \$607,515,494 (net of accumulated depreciation of \$481,432,141). These capital assets include land, construction in progress, infrastructure, buildings and structures, and equipment. There was a 7.27% increase in the County's capital assets for the 2017-2018 fiscal year in the amount of \$41,179,011.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the 2017-2018 fiscal year.

Fund financial statements record capital asset purchases as expenditures.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 64,007,639	\$ 64,038,616	\$ 1,858,849	\$ 1,858,849	\$ 65,866,488	\$ 65,897,465
Construction in progress	50,865,790	17,006,669	2,912,412	752,030	53,778,202	17,758,699
Infrastructure	665,926,249	640,345,911	-	-	665,926,249	640,345,911
Buildings and structures	192,506,962	190,890,203	51,485,894	51,534,976	243,992,856	242,425,179
Equipment	50,887,575	49,604,381	8,496,265	9,752,454	59,383,840	59,356,835
Accumulated depreciation	(444,939,923)	(423,001,836)	(36,492,218)	(36,445,770)	(481,432,141)	(459,447,606)
Total	\$ 579,254,292	\$ 538,883,944	\$ 28,261,202	\$ 27,452,539	\$ 607,515,494	\$ 566,336,483

Capital Assets in Governmental Activities increased by \$40.4 million. Additions of \$62.3 million were offset by a change in depreciation of \$21.9 million. All categories of capital assets increased except land, which decreased by \$30,977. Most of the change was in construction in progress, which increased by \$33.9 million and infrastructure, which increased by \$25.6 million.

Business-type capital assets increased by \$808,663. Additions of \$855,111 to capital assets were offset by a change in depreciation of \$46,448.

Additional information on the County's capital assets can be found in Note No. 7 on pages 80-82 of this report.

Long-term Debt

The County's long-term debt for governmental and business-type activities is presented below to illustrate changes from the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Refunding certificates of participation	\$ 37,332,157	\$ 40,896,230	\$ -	\$ -	\$ 37,332,157	\$ 40,896,230
Lease revenue bonds	21,948,023	14,504,461	6,295,018	6,549,724	28,243,041	21,054,185
Lease revenue refunding bonds	1,495,646	1,561,349	-	-	1,495,646	1,561,349
Certificates of participation	6,429,116	6,990,744	-	-	6,429,116	6,990,744
Revenue bonds	70,000	105,000	-	-	70,000	105,000
Loans payable	-	15,641	192,102	240,021	192,102	255,662
Capital leases	5,578,553	5,968,454	2,197	3,472	5,580,750	5,971,926
Total	\$ 72,853,495	\$ 70,041,879	\$ 6,489,317	\$ 6,793,217	\$ 79,342,812	\$ 76,835,096

For the governmental activities, the County had total long-term debt outstanding of \$72,853,495 as compared to \$70,041,879 the prior year (excluding compensated absences and estimated claims), an increase of \$2,811,616. Lease revenue bonds were issued in the amount of \$7,940,000 to fund the acquisition and installation of photovoltaic energy systems at various County facilities, and pay the costs incurred to issue the 2017 bonds. This was offset by retirement of debt in the amount of \$6.2 million.

For the business-type activities, the County had total long-term debt outstanding of \$6,489,317 as compared to \$6,793,217 in the prior year (excluding post-closure liability), a decrease of \$303,900 due to bond debt retirement.

The County's total debt for all primary government activities increased by \$2,507,716 or 3.3% during the current fiscal year (excluding compensated absences, estimated claims, and post-closure liability).

The County maintains a Standard & Poor's 'SP-1+' and a Moody's 'MIG 1' rating for short-term notes. Moody's has assigned its long-term rating on the County's general fund certificates of participation and lease revenue bonds of "A1" and its Issuer Rating of "Aa3." This rating was last reviewed by Moody's in June 2018. Standard & Poor's has assigned its long-term rating on the County's general fund certificates of participation and lease revenue bonds of "AA+." This rating was last reviewed by Standard & Poor's in November 2017. Such ratings reflect only the views of the rating agency and any desired explanation of the significance of such ratings should be obtained from the rating agency.

The component unit, Santa Cruz Sanitation District, had total long-term debt outstanding of \$10,895,403 as compared to \$14,372,372 in the prior year. This amount was comprised of \$90,000 of Limited Obligation Refunding Improvement Bonds, \$10,802,817 of Loans Payable and \$2,586 of capital leases. During the year, retirement of debt amounted to \$3,476,939.

Additional information on the County's long-term debt can be found in Note No. 10 on pages 86-94 of this report.

RETIREMENT COSTS AND OBLIGATIONS

Retirement Costs

The County's current retirement costs consist of several components, including pension costs, other post-employment benefits (OPEB) costs and social security costs. For the 2017-2018 fiscal year, total retirement costs for the County were \$83,831,088. Of the \$83.8 million in retirement costs, the County contributed \$57.7 million. Employee contributions account for the remaining \$26.1 million. Total retirement costs included pension cost of \$52.2 million, other post-employment benefits of \$6.8 million and social security costs of \$24.8 million. These costs reflect an increase of \$13.3 million or 18.8% compared to the prior year. Most of the change resulted from an increase in OPEB costs resulting from implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which deferred fiscal year 2016-2017 costs of \$6,773,092 to fiscal year 2017-2018. Pension and social security costs also increased by \$5.5 million and \$1.0 million, respectively, over the prior year.

Retirement Obligations

Obligations to pay pension and OPEB benefits in the future make up the County's retirement obligation. Total retirement obligations of the County were \$633,919,579 as of June 30, 2018; \$470.9 million was the liability for pension benefits and \$163.0 million was the liability for OPEB. Total retirement obligations increased by \$65.3 million or 11.5% over the prior year. The total increase was made up of an increase in the pension liability of \$65.4 million and a decrease in the OPEB liability of \$0.1 million after implementation of GASB Statement No. 75 and restatement of the 2017 OPEB liability from \$126.6 million to \$163.1 million.

Pension plan costs and obligations are presented below to illustrate changes from the prior three years.

Annual Summary of Total Retirement Costs and Obligations

	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
Total Pension Cost	\$ 36,540,999	\$ 40,402,558	\$ 46,744,026	\$ 52,259,332
Total OPEB Cost	4,917,343	6,477,103	3,871	6,773,092
Total Social Security Cost	20,822,743	22,330,939	23,824,548	24,798,664
Total Retirement Cost	\$ 62,281,085	\$ 69,210,600	\$ 70,572,445	\$ 83,831,088
Total Employee Contribution	\$ 21,899,950	\$ 23,063,788	\$ 24,808,840	\$ 26,082,530
Total County Contribution	40,381,134	46,146,811	45,763,605	57,748,558
Total Retirement Cost	\$ 62,281,085	\$ 69,210,600	\$ 70,572,445	\$ 83,831,088
Unfunded County Pension Liability Obligation	\$ 299,464,765	\$ 321,814,432	\$ 405,524,537	\$ 470,946,789
Unfunded County OPEB Liability Obligation	110,390,529	118,348,505	163,130,908	162,972,790
Total County Unfunded Liabilities	\$ 409,855,294	\$ 440,162,937	\$ 568,655,445	\$ 633,919,579
Miscellaneous Pension Plan Funded ratio Market Value of Assets (MVA)	78.0%	74.3%	68.5%	70.3%
Safety Pension Plan Funded Ratio (MVA)	78.4%	74.7%	68.8%	69.3%
Safety Sheriff Pension Plan Funded Ratio (MVA)	67.0%	64.4%	59.9%	61.5%

Additional information on Pension Plans and Post-Retirement Health Care Benefits can be found in Notes 14 and 15 of this report.

Fund financial statements record contributions to the County's pension and OPEB liabilities as expenditures.

FISCAL YEAR 2018-19 BUDGET AND ECONOMIC CONDITIONS

The following factors were considered in preparing the County's operating budget for fiscal year 2018-19:

- The budget continues to project a steady improvement in County revenue. For budget year 2018-19 the proposed budget reflects modest increases including \$14.5 million in Intergovernmental revenues for State and Federal programs, \$6 million in Taxes, primarily from growth and \$3.3 million in Charges for Services to offset cost increases. Revenues from licenses & permits, use of money and other financing sources are not expecting significant growth, while fines & assessments and miscellaneous revenues are expected to decline slightly.
- Total Governmental Fund budgeted revenues show a projected increase of 19%, or \$97 million, comparing 2018-19 budget to 2017-18 actual revenues. The 2018-19 budget shows an increase in General Fund total revenues of 12%, or \$55.6 million, compared to 2017-18 actual revenues.
- The budget appropriations for total Governmental Fund expenditures for FY 2018-19 includes a 24% increase, or \$124.8 million, when compared to 2017-18.
- As of June 30, 2018, the available spendable General Fund balance was \$60.6 million. Of this amount, \$21.6 million was Committed and \$31 million is Assigned, but remains available for appropriation.
- There was an increase of 44.25 positions in the County. Departments within the General Government added 2 positions, the Health and Human Services department added 18.75 positions, Land use and community services added 13.25 positions and 10.25 positions were to Public Safety & Justice.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Auditor-Controller's Office, County of Santa Cruz, 701 Ocean Street, Room 100, Santa Cruz, CA 95060.



BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS



COUNTY OF SANTA CRUZ
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and investments	\$ 173,364,962	\$ 11,071,310	\$ 184,436,272	\$ 13,605,952
Restricted cash	10,639,625	7,614,348	18,253,973	-
Loans receivable	60,718,534	44,231	60,762,765	-
Receivables, net	48,472,310	2,413,609	50,885,919	30,700
Deposits with others	240,000	11,481	251,481	-
Inventory	401,972	181,279	583,251	13,202
Prepaid items	1,643,268	-	1,643,268	-
Land held for resale	1,166,891	-	1,166,891	-
Notes receivable	-	-	-	55,077
Advances to other entities	128,000	-	128,000	-
Internal balances	(355,961)	355,961	-	-
Capital Assets:				
Nondepreciable assets	114,873,429	4,771,260	119,644,689	4,360,005
Depreciable assets, net	464,380,863	23,489,941	487,870,804	129,455,260
Total assets	875,673,893	49,953,420	925,627,313	147,520,196
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on bond refunding	1,020,621	-	1,020,621	-
Deferred pensions	166,273,590	2,911,650	169,185,240	-
Deferred OPEB	6,735,733	137,807	6,873,540	-
Total deferred outflows of resources	174,029,944	3,049,457	177,079,401	-
LIABILITIES				
Payables	38,825,053	1,379,831	40,204,884	2,818,542
Accrued interest payable	875,744	106,083	981,827	69,192
Advances from grantors and third parties	47,461,075	-	47,461,075	-
Compensated absences:				
Due within one year	23,534,450	-	23,534,450	-
Due in more than one year	4,930,089	-	4,930,089	-
Estimated claims:				
Due within one year	10,424,128	-	10,424,128	-
Due in more than one year	26,333,000	-	26,333,000	-
Other long-term liabilities:				
Due within one year	6,263,383	315,309	6,578,692	2,213,738
Due in more than one year	66,590,112	13,046,379	79,636,491	8,681,665
OPEB liability	159,705,369	3,267,421	162,972,790	-
Net pension liability	462,766,976	8,179,813	470,946,789	-
Total liabilities	847,709,379	26,294,836	874,004,215	13,783,137
DEFERRED INFLOWS OF RESOURCES				
Deferred pensions	48,715,006	889,071	49,604,077	-
Deferred OPEB	11,713,471	239,647	11,953,118	-
Total deferred inflows of resources	60,428,477	1,128,718	61,557,195	-
NET POSITION				
Net investment in capital assets	511,615,174	21,689,819	533,304,993	122,838,205
Restricted for:				
Debt service	3,867,157	-	3,867,157	-
Capital asset acquisition	15,823,999	-	15,823,999	-
Public safety	11,420,134	-	11,420,134	-
Health and public assistance	1,344,365	-	1,344,365	-
Public ways and facilities	22,877,289	-	22,877,289	-
Other	-	633,771	633,771	-
Unrestricted	(425,382,137)	3,255,733	(422,126,404)	10,898,854
Total net position	\$ 141,565,981	\$ 25,579,323	\$ 167,145,304	133,737,059

See accompanying Notes to Basic Financial Statements.

**COUNTY OF SANTA CRUZ
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Total
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 39,827,934	\$ 19,799,075	\$ 19,943,880	\$ 387,453	\$ 40,130,408
Public protection	177,635,846	23,356,990	49,279,039	2,319,356	74,955,385
Public ways and facilities	29,193,317	6,153,595	4,188,766	16,767,136	27,109,497
Health and sanitation	141,326,763	41,364,211	77,506,296	-	118,870,507
Public assistance	132,800,689	1,278,361	108,620,739	58,151	109,957,251
Education	5,883,813	-	95,914	-	95,914
Recreation and cultural services	11,548,714	3,391,864	93,295	-	3,485,159
Debt service	1,731,164	-	243,963	-	243,963
Total governmental activities	<u>539,948,240</u>	<u>95,344,096</u>	<u>259,971,892</u>	<u>19,532,096</u>	<u>374,848,084</u>
Business-type activities:					
County Disposal Sites CSA 9C	14,859,256	14,331,492	439,237	-	14,770,729
Boulder Creek CSA 7	400,639	491,016	11,258	-	502,274
Rolling Woods CSA 10	31,493	83,423	-	-	83,423
Septic Tank Maintenance CSA 12	923,420	1,268,638	-	-	1,268,638
Freedom County Sanitation District	1,122,579	935,805	-	-	935,805
Davenport Sanitation District	581,024	493,281	2,402,811	-	2,896,092
Place de Mer CSA 2	157,126	91,681	2,875	-	94,556
Sand Dollar Beach CSA 5	322,969	277,507	-	-	277,507
Trestle Beach CSA 20	56,032	48,708	-	-	48,708
Summit West CSA 54	334	-	-	-	-
Total business-type activities	<u>18,454,872</u>	<u>18,021,551</u>	<u>2,856,181</u>	<u>-</u>	<u>20,877,732</u>
Total primary government	<u>\$ 558,403,112</u>	<u>\$ 113,365,647</u>	<u>\$ 262,828,073</u>	<u>\$ 19,532,096</u>	<u>\$ 395,725,816</u>
Component unit:					
Santa Cruz County Sanitation District	\$ 23,001,289	\$ 24,758,144	\$ -	\$ 965,497	\$ 25,723,641

General Revenues:

Taxes:

- Property taxes
- Property transfer fees
- Sales and use taxes
- Transient occupancy taxes
- Other taxes
- Total taxes

- Interest and investment earnings
- Loss on disposal of capital assets
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position before prior period adjustment

Net position - beginning of year

Prior period adjustment (Note 21)

Net position-beginning, as restated

Net position - end of year

See accompanying Notes to Basic Financial Statements.

**COUNTY OF SANTA CRUZ
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ 302,474	\$ -	\$ 302,474	
(102,680,461)	-	(102,680,461)	
(2,083,820)	-	(2,083,820)	
(22,456,256)	-	(22,456,256)	
(22,843,438)	-	(22,843,438)	
(5,787,899)	-	(5,787,899)	
(8,063,555)	-	(8,063,555)	
(1,487,201)	-	(1,487,201)	
<u>(165,100,156)</u>	<u>-</u>	<u>(165,100,156)</u>	
-	(88,527)	(88,527)	
-	101,635	101,635	
-	51,930	51,930	
-	345,218	345,218	
-	(186,774)	(186,774)	
-	2,315,068	2,315,068	
-	(62,570)	(62,570)	
-	(45,462)	(45,462)	
-	(7,324)	(7,324)	
-	(334)	(334)	
<u>-</u>	<u>2,422,860</u>	<u>2,422,860</u>	
<u>\$ (165,100,156)</u>	<u>\$ 2,422,860</u>	<u>\$ (162,677,296)</u>	
			<u>\$ 2,722,352</u>
117,336,994	34,923	117,371,917	-
2,609,245	-	2,609,245	-
11,514,343	-	11,514,343	-
8,385,246	-	8,385,246	-
8,634,235	-	8,634,235	91,348
<u>148,480,063</u>	<u>34,923</u>	<u>148,514,986</u>	<u>91,348</u>
4,453,572	(24,505)	4,429,067	(77,323)
(7,478)	(91,004)	(98,482)	(66,796)
15,915,057	408,527	16,323,584	-
338,271	(338,271)	-	-
<u>169,179,485</u>	<u>(10,330)</u>	<u>169,169,155</u>	<u>(52,771)</u>
<u>4,079,329</u>	<u>2,412,530</u>	<u>6,491,859</u>	<u>2,669,581</u>
170,698,024	26,437,384	197,135,408	131,067,478
<u>(33,211,372)</u>	<u>(3,270,591)</u>	<u>(36,481,963)</u>	<u>-</u>
<u>137,486,652</u>	<u>23,166,793</u>	<u>160,653,445</u>	<u>131,067,478</u>
<u>\$ 141,565,981</u>	<u>\$ 25,579,323</u>	<u>\$ 167,145,304</u>	<u>\$ 133,737,059</u>

See accompanying Notes to Basic Financial Statements.



FUND FINANCIAL STATEMENTS



GOVERNMENTAL FUND

FINANCIAL STATEMENTS

General Fund – The General Fund is used to account for sources and uses of financial resources traditionally associated with governments, which are not required to be accounted for in another fund.

Off Highway, Road, and Transportation Fund – The Off Highway, Road, and Transportation Fund provides for the construction and maintenance of County roads, along with transportation planning activities. Revenues consist primarily of State and Federal grants, State taxes, and a State subvention from vehicle license fees.

Housing Fund – The Housing Fund is primarily used to account for Community Development Block Grant Programs. The principal sources of revenues are State grants and housing rehabilitation loan repayments.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition of land, and acquisition and construction of major facilities other than those financed by the proprietary funds.

Nonmajor Governmental Funds – Nonmajor Governmental Funds is the aggregate of all the nonmajor governmental funds.



**COUNTY OF SANTA CRUZ
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

	Major Funds					Total Governmental Funds
	General Fund	Off Highway, Road and Transportation Fund	Housing Fund	Capital Projects Fund	Nonmajor Governmental Funds	
ASSETS						
Cash and investments	\$ 100,557,242	\$ -	\$ 16,089,535	\$ 8,323,327	\$ 20,472,194	\$ 145,442,298
Restricted cash and investments	-	-	-	-	10,639,625	10,639,625
Receivables, net	27,923,018	14,905,475	117,987	2,697,417	2,689,459	48,333,356
Due from other funds	211,723	-	-	529,857	-	741,580
Loans receivable	50,794	-	60,667,740	-	-	60,718,534
Deposits with others	90,000	-	-	-	-	90,000
Prepays	1,547,183	-	-	-	-	1,547,183
Land held for resale	-	-	1,166,891	-	-	1,166,891
Advances to other entities	128,000	-	-	-	-	128,000
Total assets	\$ 130,507,960	\$ 14,905,475	\$ 78,042,153	\$ 11,550,601	\$ 33,801,278	\$ 268,807,467
LIABILITIES						
Payables	\$ 23,943,897	\$ 6,041,078	\$ 191,947	\$ 4,818,136	\$ 1,030,119	\$ 36,025,177
Due to other funds	-	12,547,780	-	-	741,580	13,289,360
Advances from grantors and third parties	46,155,798	1,305,277	-	-	-	47,461,075
Total liabilities	70,099,695	19,894,135	191,947	4,818,136	1,771,699	96,775,612
FUND BALANCES						
Nonspendable	1,757,808	-	-	-	-	1,757,808
Restricted	-	-	77,850,206	6,732,465	32,029,579	116,612,250
Committed	21,557,098	-	-	-	-	21,557,098
Assigned	37,093,359	-	-	-	-	37,093,359
Unassigned	-	(4,988,660)	-	-	-	(4,988,660)
Total fund balances	60,408,265	(4,988,660)	77,850,206	6,732,465	32,029,579	172,031,855
Total liabilities and fund balances	\$ 130,507,960	\$ 14,905,475	\$ 78,042,153	\$ 11,550,601	\$ 33,801,278	\$ 268,807,467

See accompanying Notes to Basic Financial Statements.

COUNTY OF SANTA CRUZ
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2018

Total Fund Balances - Total Governmental Funds \$ 172,031,855

Amounts reported for Governmental Activities in the Statement of Net Position were different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. (Net of \$10,512,496 of internal service fund capital assets.) 568,553,287

Deferred outflows of resources reported in the Statement of Net Position are not reported in the governmental funds. 155,629,723

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Position:

Internal service funds included in governmental activities	(51,882,551)
Transfer of internal service funds to business-type activities	(355,961)

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental funds.

Refunding certificates of participation, including premium	(37,332,157)	
Lease revenue bonds	(21,948,023)	
Lease revenue refunding bonds, including premium	(1,495,646)	
Certificates of participation, including premium	(6,429,116)	
Revenue bonds	(70,000)	
Pension liability	(411,776,666)	
Other post-employment benefits (OPEB) liability	(140,977,368)	
Compensated absences	(23,782,978)	
Capital leases	(4,426,025)	(648,237,979)

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds. (875,744)

Deferred inflows of resources reported in the Statement of Net Position are not reported in the governmental funds. (53,296,649)

Net Position of Governmental Activities \$ 141,565,981

COUNTY OF SANTA CRUZ
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Major Funds					Total Governmental Funds
	General	Off Highway, Road and Transportation	Housing	Capital Projects	Nonmajor Governmental	
	Fund	Fund	Fund	Fund	Funds	
REVENUES:						
Taxes	\$ 126,644,424	\$ 2,969,212	\$ -	\$ -	\$ 18,866,428	\$ 148,480,064
Licenses and permits	12,625,349	-	-	-	39,189	12,664,538
Fines, forfeits and penalties	3,847,716	-	-	-	22,757	3,870,473
Use of money and property	3,399,029	(105,393)	482,420	12,266	408,625	4,196,947
Aid from other governments	239,529,185	19,629,217	322,426	16,883,229	3,139,930	279,503,987
Charges for services	65,688,016	1,801,407	990,234	17,123	10,312,307	78,809,087
Other	15,792,130	20,419	663,603	102,560	140,935	16,719,647
Total revenues	467,525,849	24,314,862	2,458,683	17,015,178	32,930,171	544,244,743
EXPENDITURES:						
Current:						
General government	35,571,689	-	-	-	668,506	36,240,195
Public protection	148,868,444	-	-	-	12,289,057	161,157,501
Public ways and facilities	192,018	30,345,041	-	-	6,787,290	37,324,349
Health and sanitation	133,386,632	-	-	-	37,130	133,423,762
Public assistance	123,683,811	-	2,111,813	-	-	125,795,624
Education	135,086	-	-	-	5,519,854	5,654,940
Recreation and cultural services	8,804,934	-	-	-	1,666,169	10,471,103
Debt service:						
Principal	-	-	-	-	4,576,542	4,576,542
Interest and fiscal charges	(262,823)	-	-	-	2,539,429	2,276,606
Capital outlay	-	-	-	35,286,850	-	35,286,850
Total expenditures	450,379,791	30,345,041	2,111,813	35,286,850	34,083,977	552,207,472
REVENUES OVER (UNDER) EXPENDITURES	17,146,058	(6,030,179)	346,870	(18,271,672)	(1,153,806)	(7,962,729)
OTHER FINANCING SOURCES (USES):						
Transfers in	2,598,099	1,098,042	-	17,449,572	7,265,627	28,411,340
Transfers out	(15,242,766)	-	-	(98,042)	(13,155,190)	(28,495,998)
Bonds issued	-	-	-	-	7,940,000	7,940,000
Bond premium/discount	-	-	-	-	(63,415)	(63,415)
Inception of capital lease	92,489	-	-	-	-	92,489
Sale of general capital assets	23,500	-	-	-	-	23,500
Miscellaneous	-	-	-	(2,299)	145,890	143,591
Total other financing sources (uses)	(12,528,678)	1,098,042	-	17,349,231	2,132,912	8,051,507
Net change in fund balances	4,617,380	(4,932,137)	346,870	(922,441)	979,106	88,778
Fund balances - beginning	55,790,885	(56,523)	77,503,336	7,654,906	31,050,473	171,943,077
Fund balances - ending	\$ 60,408,265	\$ (4,988,660)	\$ 77,850,206	\$ 6,732,465	\$ 32,029,579	\$ 172,031,855

See accompanying Notes to Basic Financial Statements.

**COUNTY OF SANTA CRUZ
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$	88,778
Amounts reported for governmental activities in the Statement of Activities were different because:		
Governmental funds reported acquisitions of capital assets as part of capital outlay expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense:		
Expenditures for general capital assets, infrastructure, and other related capital assets	62,172,026	
Retirement of capital assets	(33,384)	
Less current year depreciation	(21,956,797)	40,181,845
Issuance of long-term debt provided current financial resources to the governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Also, the governmental funds report the effect of issuance costs, premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:		
Inception of capital lease	(1,090,219)	
Discount on long-term debt	63,415	
Lease revenue bonds issued	(7,940,000)	(8,966,804)
Repayment of debt principal was an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position:		
Refunding certificates of participation	3,500,000	
Certificates of participation	555,000	
Lease revenue bonds	420,000	
Lease revenue refunding bonds	66,542	
Local agency revenue bonds	35,000	
California Energy Resources Conservation and Development Commission	15,641	
Capital leases	675,769	5,267,952
Some expenses reported in the Government-Wide Statement of Activities do not require the use of current financial resources. Therefore, they are not reported as expenditures in the governmental funds:		
Amortization of bond premium/discount	82,885	
Change in accrued interest payable	(121,737)	
Change in compensated absences	(876,951)	
Change in deferred loss on bond refunding	(107,118)	
Change in other post employment benefits (OPEB) liability	(37,468,615)	
Change in net pension liability	(26,291,952)	(64,783,488)
Internal service funds were used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds was reported with governmental activities.		(1,593,329)
Reverse of prior year transfer of internal service funds to business-type activities.		1,028,964
Transfer of internal service funds to business-type activities.		(355,961)
Change in Net Position of Governmental Activities		(29,132,043)

See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUND

FINANCIAL STATEMENTS

Proprietary Funds – Proprietary Funds consist of Enterprise Funds and Internal Service Funds.

Enterprise Funds – The Enterprise Funds are used to account for County operations that are financed and operated in a manner similar to private business enterprises. The intent of the County in using this type of fund is to determine that the costs (expenses, including depreciation) of providing these services to the general public on a continuing basis are financed or recovered primarily through user charges.

County Disposal Sites CSA 9C – The County Disposal Sites CSA 9C Fund is used to account for the activities of the County’s refuse utility, which provides refuse pick-up services, recycling services, and a sanitary landfill for residents of the County.

Internal Service Funds – The Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.



**COUNTY OF SANTA CRUZ
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018**

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 6,035,216	\$ 5,036,094	\$ 11,071,310	\$ 27,922,666
Restricted cash	7,597,596	16,752	7,614,348	-
Receivables	539,278	1,874,331	2,413,609	138,954
Due from other funds	-	-	-	12,547,780
Deposits with others	11,481	-	11,481	150,000
Inventory	181,279	-	181,279	401,972
Prepaid items	-	-	-	96,087
Total current assets	14,364,850	6,927,177	21,292,027	41,257,459
Noncurrent assets:				
Loans receivable	-	44,231	44,231	-
Capital Assets:				
Land	1,858,849	-	1,858,849	97,087
Construction in progress	-	2,912,411	2,912,411	153,479
Depreciable:				
Buildings and structures	32,308,919	19,176,975	51,485,894	3,763,411
Equipment	8,425,582	70,683	8,496,265	30,502,499
Accumulated depreciation	(26,769,782)	(9,722,436)	(36,492,218)	(23,815,470)
Capital assets, net	15,823,568	12,437,633	28,261,201	10,701,006
Total noncurrent assets	15,823,568	12,481,864	28,305,432	10,701,006
Total assets	30,188,418	19,409,041	49,597,459	51,958,465
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension	2,911,650	-	2,911,650	17,610,349
Deferred OPEB	137,807	-	137,807	789,872
Total deferred outflows of resources	3,049,457	-	3,049,457	18,400,221
LIABILITIES				
Current liabilities:				
Payables	517,110	862,721	1,379,831	2,799,882
Accrued interest payable	106,083	-	106,083	-
Current portion of long-term liabilities	264,707	49,178	313,885	-
Capital leases	1,424	-	1,424	484,172
Claims liability	-	-	-	10,424,128
Compensated absences, due within one year	-	-	-	3,284,999
Total current liabilities	889,324	911,899	1,801,223	16,993,181
Noncurrent liabilities:				
Long-term liabilities	6,030,310	142,965	6,173,275	-
Capital leases	773	-	773	668,356
Claims liability	-	-	-	26,333,000
Closure and postclosure care costs liability	6,872,331	-	6,872,331	-
Compensated absences, due in more than one year	-	-	-	1,396,561
Net pension liability	8,179,813	-	8,179,813	50,990,312
Net OPEB liability	3,267,421	-	3,267,421	18,727,999
Total noncurrent liabilities	24,350,648	142,965	24,493,613	98,116,228
Total liabilities	25,239,972	1,054,864	26,294,836	115,109,409
DEFERRED INFLOWS OF RESOURCES				
Deferred pension	889,071	-	889,071	5,758,237
Deferred OPEB	239,647	-	239,647	1,373,591
Total deferred inflows of resources	1,128,718	-	1,128,718	7,131,828
NET POSITION				
Net investment in capital assets	9,526,353	12,163,466	21,689,819	9,562,502
Restricted for:				
Debt service	590,344	43,427	633,771	1,488,808
Unrestricted	(3,247,512)	6,147,284	2,899,772	(62,933,861)
Total net position	\$ 6,869,185	\$ 18,354,177	25,223,362	\$ (51,882,551)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			355,961	
Net Position of Business-type Activities per Government-Wide Financial Statements			<u>\$ 25,579,323</u>	

See accompanying Notes to Basic Financial Statements.

COUNTY OF SANTA CRUZ
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES:				
Charges for services	\$ 14,331,492	\$ 3,690,059	\$ 18,021,551	\$ 74,154,089
Other revenues	408,527	-	408,527	1,832,962
Total operating revenues	<u>14,740,019</u>	<u>3,690,059</u>	<u>18,430,078</u>	<u>75,987,051</u>
OPERATING EXPENSES:				
Salaries and employee benefits	-	-	-	43,582,410
Services and supplies	12,890,538	2,991,732	15,882,270	18,208,477
Insurance and compensation claims	-	-	-	13,974,711
Depreciation and amortization	1,397,729	501,870	1,899,599	2,546,299
Total operating expenses	<u>14,288,267</u>	<u>3,493,602</u>	<u>17,781,869</u>	<u>78,311,897</u>
Operating income (loss)	<u>451,752</u>	<u>196,457</u>	<u>648,209</u>	<u>(2,324,846)</u>
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental	439,237	2,416,944	2,856,181	(5,417)
Interest and investment income	147,973	67,516	215,489	362,006
Property taxes	-	34,923	34,923	-
Gain/(loss) on disposal of capital assets	(39,627)	(51,377)	(91,004)	57,381
Interest expense	(233,462)	(6,532)	(239,994)	(105,382)
Total nonoperating revenues (expenses)	<u>314,121</u>	<u>2,461,474</u>	<u>2,775,595</u>	<u>308,588</u>
Income (loss) before transfers	<u>765,873</u>	<u>2,657,931</u>	<u>3,423,804</u>	<u>(2,016,258)</u>
Transfers in	-	-	-	452,075
Transfers out	-	(338,271)	(338,271)	(29,146)
Change in net position	<u>765,873</u>	<u>2,319,660</u>	<u>3,085,533</u>	<u>(1,593,329)</u>
Net position - beginning	9,373,903	16,034,517	25,408,420	(31,543,052)
Prior period adjustment	(3,270,591)	-	(3,270,591)	(18,746,170)
Net position - beginning, as restated	<u>6,103,312</u>	<u>16,034,517</u>	<u>22,137,829</u>	<u>(50,289,222)</u>
Net position - ending	<u>\$ 6,869,185</u>	<u>\$ 18,354,177</u>	<u>\$ 25,223,362</u>	<u>\$ (51,882,551)</u>
Change in Net Position of Business-type Activities			\$ 3,085,533	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(673,003)	
Change in Net Position of Business-type Activities per Government-Wide Financial Statements			<u>\$ 2,412,530</u>	

See accompanying Notes to Basic Financial Statements.



**COUNTY OF SANTA CRUZ
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Business-Type Activities - Enterprise Funds			Governmental
	County	Nonmajor	Total	Activities
	Disposal	Enterprise		Internal
	Sites CSA 9C	Funds		Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	14,606,393	\$ 3,694,665	\$ 18,301,058	\$ 77,707,982
Receipts from interfund charges for services	-	-	-	(2,163,442)
Payments to suppliers for goods and services	(5,016,280)	(1,241,414)	(6,257,694)	(21,565,972)
Payments to employees for salaries and benefits	-	-	-	(39,803,414)
Payments to other funds for services provided	(7,346,121)	(1,185,272)	(8,531,393)	-
Payments for judgments and claims	-	-	-	(13,974,714)
Other receipts	408,527	-	408,527	1,832,962
Other payments	367,640	-	367,640	-
Net cash provided (used) by operating activities	3,020,159	1,267,979	4,288,138	2,033,402
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	172,122	111,246	283,368	452,075
Transfers to other funds	(172,122)	(449,517)	(621,639)	(8,504,899)
Operating grants	439,237	713,366	1,152,603	(5,417)
Property taxes	-	34,923	34,923	-
Net cash provided by noncapital financing activities	439,237	410,018	849,255	(8,058,241)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(325,087)	(2,474,176)	(2,799,263)	(3,100,515)
Principal paid on capital debt	(241,275)	(47,878)	(289,153)	(461,649)
Interest paid on capital debt	(250,150)	(6,532)	(256,682)	(105,382)
Proceeds from sale of capital assets	-	-	-	62,074
Net cash provided (used) by capital and related financing activities	(816,512)	(2,528,586)	(3,345,098)	(3,605,472)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	147,973	67,516	215,489	362,006
Net cash provided by investing activities	147,973	67,516	215,489	362,006
Net increase in cash and cash equivalents	2,790,857	(783,073)	2,007,784	(9,268,305)
CASH AND CASH EQUIVALENTS:				
Beginning of year	10,841,955	5,835,919	16,677,874	37,190,971
End of year	<u>\$ 13,632,812</u>	<u>\$ 5,052,846</u>	<u>\$ 18,685,658</u>	<u>\$ 27,922,666</u>

(Continued)

**COUNTY OF SANTA CRUZ
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Business-Type Activities - Enterprise Funds			Governmental
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 451,752	\$ 196,457	\$ 648,209	\$ (2,324,846)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	1,397,729	501,870	1,899,599	2,546,299
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	274,901	4,606	279,507	3,553,890
Inventory	(52,040)	-	(52,040)	44,532
Prepaid items	-	-	-	(14,655)
Due from other funds	-	-	-	(2,163,442)
Increase (decrease) in:				
Payables	(22,839)	565,046	542,207	(3,387,370)
Accrued salaries and benefits	603,016	-	603,016	3,778,994
Closure and postclosure care liability	367,640	-	367,640	-
Total adjustments	2,568,407	1,071,522	3,639,929	4,358,248
Net cash provided (used) by operating activities	\$ 3,020,159	\$ 1,267,979	\$ 4,288,138	\$ 2,033,402

See accompanying Notes to Basic Financial Statements.



FIDUCIARY FUND

FINANCIAL STATEMENTS

Fiduciary Funds – The Fiduciary Funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County’s own programs.

Agency Funds – The Agency Funds are used to account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the County, acting in the capacity of an agent, for distribution to other governmental entities or other organizations.

Investment Trust Fund – The Investment Trust Fund is used to account for the investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities.

Private Purpose Trust Fund – The Private Purpose Trust Fund is used to report resources of other trust arrangements in which principal and income benefit individuals, private organizations, or other governments.



**COUNTY OF SANTA CRUZ
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2018**

	Agency Funds	Investment Trust Fund	Private Purpose Trust Fund
ASSETS			
Cash and investments	\$ 44,751,662	\$ 584,068,092	\$ 14,272,777
Restricted cash with fiscal agents	-	-	3,257
Receivables	11,081,624	-	-
Prepaid insurance	-	-	1,658,707
Capital assets, net	-	-	9,115,733
Total assets	<u>\$ 55,833,286</u>	<u>\$ 584,068,092</u>	<u>\$ 25,050,474</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding of debt	\$ -	\$ -	\$ 289,645
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,645</u>
LIABILITIES			
Accounts payable	\$ 6,625,623	\$ -	\$ 2,712
Interest payable	-	-	2,947,127
Due to other governmental units	17,223,276	-	-
Agency funds held for others	31,984,387	-	-
Long-term debt	-	-	217,630,841
Total liabilities	<u>\$ 55,833,286</u>	<u>\$ -</u>	<u>\$ 220,580,680</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred tax increment revenue	\$ -	\$ -	\$ 1,623,520
Gain on refunding of debt	-	-	1,195,967
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,819,487</u>
NET POSITION			
Net position held in trust	<u>\$ -</u>	<u>\$ 584,068,092</u>	<u>\$ (198,060,048)</u>

See accompanying Notes to Basic Financial Statements.



**COUNTY OF SANTA CRUZ
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Investment Trust Fund</u>	<u>Private Purpose Trust Fund</u>
ADDITIONS		
Contributions:		
Contributions to investment pool	\$ 1,483,050,560	\$ -
Total contributions	<u>1,483,050,560</u>	<u>-</u>
Investment income	6,469,070	91,965
Tax increment received	-	19,210,688
Other revenue	-	82,321
Total Additions	<u>1,489,519,630</u>	<u>19,384,974</u>
DEDUCTIONS		
Distributions from investment pool	1,457,563,883	-
Payments in accordance with trust agreements	-	17,163,056
Total Deductions	<u>1,457,563,883</u>	<u>17,163,056</u>
Change in net position held in trust	<u>31,955,747</u>	<u>2,221,918</u>
Net position held in trust - beginning of year	<u>552,112,345</u>	<u>(200,281,966)</u>
Net position held in trust - end of year	<u>\$ 584,068,092</u>	<u>\$ (198,060,048)</u>

See accompanying Notes to Basic Financial Statements.



NOTES TO BASIC FINANCIAL STATEMENTS



**COUNTY OF SANTA CRUZ
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018
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**COUNTY OF SANTA CRUZ
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

The County of Santa Cruz (County) was established by an act of the State Legislature of California in 1850 and is governed by a five-member elected Board of Supervisors (the Board). The Board is responsible for the legislative and executive control of the County. The County provides various services on a countywide basis including law and justice, education, detention, social, health, hospital, fire protection, road construction, road maintenance, transportation, park and recreation facilities, elections and records, communications, planning, zoning, and tax collection.

As required by generally accepted accounting principles in the United States (GAAP), the accompanying basic financial statements present the County (the primary government) and its component units. Component units are legally separate entities for which the Board is considered to be financially accountable. Component units are entities that meet any one of the following tests:

1. The Board appoints the voting majority of the board and:
 - ◆ is able to impose its will on the component unit and/or
 - ◆ is in a relationship of financial benefit or burden with the component unit
2. The component unit is fiscally dependent upon the County.
3. The financial statements of the County would be misleading if data from the component unit were omitted.

The basic financial statements include both blended and discretely presented component units. The blended component units, although legally separate entities, are, in substance, part of the County's operations and so data from these units are combined with data of the primary government. The discretely presented component unit is reported in a separate column in the Government-Wide Financial Statements since it does not have a shared governing body nor is it of exclusive or almost exclusive benefit to the primary government.

Blended Component Units

The following entities serve citizens of the County and provide for the construction and maintenance of County parks and recreation, police protection, mosquito abatement, fire protection, street lighting, roads, flood control, sewer, and refuse disposal districts. They are reported as if they were part of the primary government because they are governed by the Board. The Board establishes the work program and adopts the budget. Administrative services are provided by various departments of the County.

Santa Cruz County Flood Control and Water Conservation District – Zone 7

Santa Cruz County Flood Control and Water Conservation District – Zone 7 (Zone 7) was established to provide funding for the local share of proposed Army Corps of Engineers flood control projects on the Pajaro River, Salsipuedes Creek, and Corralitos Creek. Zone 7 is governed by a seven-member board consisting of a Board of Directors and two additional members, one appointed by the City of Watsonville and another appointed by the Pajaro Valley Water Management Agency. Administrative services are provided by the County's Department of Public Works. Complete financial statements may be obtained from the Department of Public Works at 701 Ocean Street, Room 410, Santa Cruz, CA 95060.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Blended Component Units, (Continued)

Santa Cruz County Financing Authorities

The Santa Cruz County Financing Authorities (Authorities) facilitate financing for the County. The Authorities are established and governed by the Board and are not legally required to adopt a budget. Administrative services are provided by the County. Complete financial statements may be obtained from the County at 701 Ocean Street, Room 100, Santa Cruz, CA 95060.

Discretely Presented Component Unit

Santa Cruz County Sanitation District

The Santa Cruz County Sanitation District (District) is included as a discretely presented component unit of the County because: 1) the Board appoints the District's governing board, and 2) the District has an ongoing relationship with the County. The District is governed by a three-member board and managed by the County's Department of Public Works under the direction of the District Board of Directors. The District, as a component unit, is presented separately from the primary government in the Government-Wide Financial Statements. Administrative services are provided by the County Department of Public Works and central support departments (i.e., personnel, purchasing, treasury, etc.). Complete financial statements may be obtained from the County, 701 Ocean Street, Room 410, Santa Cruz, CA 95060.

Districts Governed by the Board of Supervisors

Public Protection

- Aptos Seascapes County Service Area (CSA) 3
- County Fire Protection CSA 48
- Police Protection CSA 38
- Pajaro Storm Drain Maintenance District
- Pajaro Dunes Fire Protection CSA 4
- Pajaro Dunes Station Maintenance Fund
- Pajaro Dunes Station Assessment District Reserve
- Santa Cruz County Flood Control and Water Conservation Zone 4
- Santa Cruz County Flood Control and Water Conservation Zone 5
- Santa Cruz County Flood Control and Water Conservation Zone 6
- Santa Cruz County Flood Control and Water Conservation Zone 8
- Santa Cruz County Flood Control and Water Conservation Zone – General

Health and Sanitation

- Pasatiempo Rolling Woods Sewer District

Recreation and Culture

- Streetscape CSA 9E
- Parks and Recreation District CSA 11
- CSA 11 Zone E
- CSA 11L Lompico Community

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Public Ways and Facilities

- County Highway Lighting CSA 9
- County Highway Residential Lighting CSA 9 Zone A
- School Crossing Guard CSA 9 Zone B
- County Road Maintenance CSA 9D Zone 1
- County Road Maintenance CSA 9D Zone 2
- CSA 9D Zone 3
- Hutchinson Road CSA 13
- Oakflat Road CSA 13A
- Huckleberry Woods Road CSA 15
- Robak Drive CSA 16
- Empire Acres CSA 17
- Whitehouse Canyon CSA 18
- Westdale Drive CSA 21
- Kelly Hill CSA 22
- Old Ranch Road CSA 23
- Pineridge CSA 24
- Viewpoint Road CSA 25
- Hidden Valley CSA 26
- Lomond Terrace CSA 28
- Glenwood Acres CSA 30
- View Circle CSA 32
- Soquel Village Parking Improvement
- Underground Utilities #4-41st Ave.
- Redwood Drive CSA 33
- Larsen Road CSA 34
- County Estates CSA 35
- Forest Glen CSA 36
- Roberts Road CSA 37
- Reed Street CSA 39
- Ralston Way CSA 40
- Loma Prieta CSA 41
- Sunlit Lane CSA 42
- Bonita-Encino Drive CSA 43
- Sunbeam Woods CSA 44
- Pinecrest CSA 46
- Braemoor CSA 47
- Vineyard CSA 50
- Hopkins Gulch CSA 51
- Upper Pleasant Valley CSA 52
- Mosquito Abatement CSA 53
- Riverdale Park Road CSA 55
- Felton Grove CSA 56
- Mansfield Street Assessment Dist.
- Ridge Drive CSA 58
- McGaffigan Mill Road CSA 59
- Soquel Village CSA 9F

Geologic Hazard Abatement Districts (GHAD)

- Corralitos GHAD
- Mid-County GHAD
- Heartwood GHAD

The following Board of Supervisors Governed District funds are reported as Enterprise Funds (Sewer and Refuse Disposal Districts):

- Boulder Creek CSA 7
- Rolling Woods CSA 10
- Septic Tank Maintenance CSA 12
- Freedom County Sanitation District
- Davenport County Sanitation District
- County Disposal Sites CSA 9C
- Place De Mer CSA 2
- Sand Dollar Beach CSA 5
- Trestle Beach CSA 20
- Summit West CSA 54
- Graham Hill CSA 57

B. Basis of Accounting and Measurement Focus

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 County's accounting policies are described below. The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purpose of which they are to be spent and means by which spending activities are controlled.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. *Basis of Accounting and Measurement Focus* (Continued)

New Accounting Pronouncements

The following GASB Statements have been implemented in the current financial statements:

GASB Statement No. 75

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and financial reporting requirements for postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of this statement are effective for the County's fiscal year beginning after June 15, 2017. The effect of this statement can be seen in Note 15, *Other Postemployment Benefits (OPEB)*.

GASB Statement No. 81

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement. The requirements of this statement are effective for the County's fiscal year beginning after December 15, 2016. This statement has no significant impact on the County's financial statements.

GASB Statement No. 85

GASB Statement No. 85, *Omnibus 2017*, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits. The impact of implementation on the County's financial statements has not been fully judged. The requirements of this statement are effective for the County's fiscal year beginning after June 15, 2017.

GASB Statement No. 86

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, is intended to improved consistency in accounting and financial reporting for in-substance defeasance of debt. The requirements of this statement are effective for the County's fiscal year beginning after June 15, 2017.

Upcoming Accounting Pronouncements

The following GASB Statements will become effective for fiscal years subsequent to June 30, 2018. The County is currently analyzing its accounting practices to determine the potential impact on the financial statements for these GASB Statements.

GASB Statement No. 83

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (ARO's). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this statement are effective for the County's fiscal year beginning after June 15, 2018.

GASB Statement No. 84

GASB Statement No. 84, *Fiduciary Activities*, provides improved guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. The requirements of this statement are effective for the County's fiscal year beginning after December 15, 2018.

GASB Statement No. 87

GASB Statement No. 87, *Leases*, addresses accounting and financial reporting for leases that were previously reported as operating leases by establishing a single model for lease accounting. The impact of implementation on the County's financial statements has not been fully judged. The requirements of this statement are effective for the County's fiscal year beginning after December 15, 2019.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting and Measurement Focus (Continued)

New Accounting Pronouncements (Continued)

GASB Statement No. 88

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, addresses the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this statement are effective for the County's fiscal year beginning after June 15, 2018.

GASB Statement No. 89

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the end of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this statement are effective for the County's fiscal year beginning after December 15, 2019.

GASB Statement No. 90

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, is intended to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for the County's fiscal year beginning after December 15, 2018.

Government-Wide Financial Statements

The County's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the County accompanied by a total column, as well as its discretely presented component unit. Fiduciary activities of the County are not included in these statements.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the County in three categories:

- Fees, fines, and charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made to interfund activities as prescribed by GASB Statement No. 34. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column, if any. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to and from other funds
- Advances to and from other funds
- Transfers in and out

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. *Basis of Accounting and Measurement Focus* (Continued)

Government-Wide Financial Statements (Continued)

The County prepares a County-wide cost allocation plan in accordance with United States Office of Management and Budget (OMB) Circular A-87. Using this directive, all indirect support costs are allocated to County funds and departments using a step-down method so that the true cost of operations can be included in determining the rates to be charged to users.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. The County has presented all major funds that met the applicable criteria.

The County reports the following major governmental funds:

General Fund – The County’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other specialized funds.

Off Highway Road and Transportation Fund – accounts for the County’s road and transportation fund. Revenues come primarily from State and Federal grants, State taxes, and a State subvention from vehicle license fees.

Housing Fund – accounts for the County’s housing developments and loans. Revenues come from State and Federal awards and grants, and offsets from major housing projects as well as housing impact fees.

Capital Projects Fund – used to account for the construction or acquisition of capital assets such as land, construction-in-progress, buildings and improvements, improvements other than buildings, and infrastructure. Revenues are provided by County Lease Revenue bonds as well as contributions from the former Redevelopment Agency per the County-Redevelopment Agency Cooperation Agreement.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recognized when “*measurable*” and “*available*.” Measurable means knowing or being able to reasonably estimate the amount. Available means having been earned and collectible within the current period or within 60 days after year end for property tax revenues, and 180 days after year end with limited exceptions extending the availability period for certain grant revenues. Expenditures (including capital outlay) are recorded when the related liability is incurred, except for debt service expenditures (principal and interest), as well as expenditures related to compensated absences, which are reported when due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Reconciliations of the Governmental Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. *Basis of Accounting and Measurement Focus* (Continued)

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Fund Net Position; and a Statement of Cash Flows for all proprietary funds. The County reports the following major proprietary funds:

County Disposal Sites CSA 9C Fund – Accounts for the operation and expansion of the County’s landfills and implementation of state mandated environmental health programs. User fees, service area charges and revenues from the waste recovery and recycling projects finance the fund.

Internal Service Funds – Accounts for central duplicating, information services, public works, fleet management, and self-insurance services provided to other departments, or to other governments, on a cost reimbursement basis. Internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements.

The other proprietary funds provide sewer collection, treatment, and disposal services as well as septic tanks and water treatment within their area of service, along with unincorporated parts of the County.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position for all Agency Funds, the Investment Trust Fund, and the Private Purpose Trust Fund and a Statement of Changes in Net Position for the Investment Trust Fund and the Private Purpose Trust Fund. The County reports the following fiduciary funds:

Agency Funds – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are accounted for using the accrual basis accounting. These funds, including State and County revenue funds, tax collection funds, deposit funds, and clearing and revolving funds, account for assets held by the County in an agency capacity for individuals or other government units.

Investment Trust Fund – Accounts for the external portion of the County Treasurer’s investment pool, which commingles resources of legally separate local governments with the County in an investment portfolio for the benefit of all participants.

Private Purpose Trust Fund – Reports resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Private purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. This fund is used to report the assets, deferred outflows of resources, liabilities, deferred inflows of resources and activities of the County of Santa Cruz Redevelopment Successor Agency.

C. *Cash, Cash Equivalents and Investments*

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 the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Cash, Cash Equivalents and Investments* (Continued)

The County participates in an investment pool managed by the State of California titled *Local Agency Investment Fund* (LAIF) which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as well as to changes in interest rates.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*, certain disclosure requirements, if applicable, are provided for deposit and investment risk in the following areas:

- Interest Rate Risk
- Credit Risk
 - ◆ Overall
 - ◆ Custodial Credit Risk
 - ◆ Concentration of Credit Risk
- Foreign Currency Risk

All cash and investments of proprietary funds are held in the County's investment pool. Therefore, all cash and investments in the proprietary funds are considered cash and cash equivalents for purposes of the statement of cash flows as these cash pools have the general characteristic of a demand deposit account.

D. *Interfund Transactions*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., current portion of interfund loans) or "advances from/to other funds" (i.e., noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as "internal balances."

E. *Inventories and Prepaid Items*

Inventories within the various fund types consist of materials and supplies which are valued at cost on a first-in, first-out basis. Cost is determined by the weighted average cost method. A reservation of fund balance has been reported in the governmental funds to show that inventories do not constitute "available spendable resources."

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. The cost of prepaid items is recorded as expenditures/expenses when consumed, rather than when purchased. A reservation of fund balance has been reported in the governmental funds to show that prepaid amounts do not constitute "available spendable resources."

F. *Capital Assets*

Government-Wide Financial Statements

Capital assets, which include land, construction-in-progress, buildings and improvements, improvements other than buildings, machinery and equipment, autos and trucks, equipment under capitalized leases, and infrastructure assets (e.g., roads, bridges, traffic signals, and similar items), are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements. County policy has set the capitalization threshold for reporting capital assets at \$5,000 (for equipment and vehicles) and \$25,000 (for infrastructure, buildings and structures). Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets (Continued)

Government-Wide Financial Statements (Continued)

Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Infrastructure	4-65 years
Buildings and structures	10-50 years
Equipment and vehicles	2-15 years

For infrastructure systems, the County elected to use the “Basic Approach” as defined by GASB Statement No. 34 for infrastructure reporting.

The County defines infrastructure as the basic physical assets that allow the County to function. The assets include streets, bridges, sidewalks, drainage systems, lighting systems, etc. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction-related debt incurred during the period of construction is capitalized as a cost of the constructed assets.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Fund Financial Statements

The Governmental Fund Financial Statements do not present General Government capital assets. Consequently, capital assets are shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

The capital assets of the enterprise funds in the Proprietary Fund Financial Statements are the same as those shown in the business-type activities of the Government-Wide Financial Statements. Internal Service Funds’ capital assets are combined with governmental activities.

G. Land Held for Resale

Land held for resale is carried at cost. An amount equal to the carrying value of land is reported in the nonspendable fund balance because such assets are not available to finance the County’s current operations.

H. Deferred Outflows and Inflows of Resources

The County recognizes deferred outflows of resources and deferred inflows of resources in accordance with GASB Statement No. 63 and GASB Statement No. 65. Deferred outflows and inflows of resources were items previously reported as assets and liabilities and are defined as “a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively.”

I. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other financed obligations are reported as liabilities in Government-Wide Financial Statements and the Proprietary Fund Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Long-Term Debt (Continued)

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Debt issuance costs should be reported as expenses in the period incurred.

Fund Financial Statements

The Governmental Fund Financial Statements do not present long-term debt. As such, long-term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

J. Compensated Absences

Government-Wide Financial Statements

For governmental and business-type activities, compensated absences are recorded as incurred and the related expenses and liabilities are reported.

Fund Financial Statements

In governmental funds, compensated absences are recorded as expenditures in the year paid, as it is the County's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such funds' share of the unpaid liability is recorded as a long-term liability of the fund. Vested or accumulated compensated absences in proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees. Accrued but unpaid liabilities at year-end are recorded in the respective funds.

K. Claims Payable

The County records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers' compensation claims. The estimated liability for workers' compensation claims and general liability claims includes "incurred but not reported" (IBNR) claims. There is no fixed payment schedule to pay these liabilities.

L. Pensions

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Pension Plans note and the required supplementary information (RSI) on page 129 of this report), regardless of the amount recognized as pension expenditures on the governmental fund financial statements, which use the modified accrual basis of accounting.

In general, the County recognizes a net pension liability, which represents the County's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the California Public Employees' Retirement System (CalPERS). The net pension liability is measured as of the County's prior fiscal year end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Pensions (Continued)

For purposes of measuring the net pension liability and deferred outflows/inflows of resources relating to pensions and pension expense, information about the fiduciary net position of the County's pension plan with CalPERS and additions to/deductions from the plan's 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 benefits terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

M. Other Postemployment Benefits (OPEB)

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

N. Net Position and Fund Balances

Government-Wide Financial Statements - In the Government-Wide Financial Statements, net position is classified into the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Fund Financial Statements - In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the County is bound to honor constraints on how specific amounts can be spent.

Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the County's highest level of decision-making authority (the Board of Supervisors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Net Position and Fund Balances (Continued)

Fund Financial Statements (Continued)

Assigned fund balance – amounts that are constrained by the County’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose.

The Board of Supervisors has the authority to assign funds for a specific purpose with a simple majority vote. The same action is required to change or remove an assignment.

The County Administrative Officer also has the authority to assign funds for specific purposes, and to change or remove the assignment. The establishment, change or removal of an assignment by the County Administrative Officer must be reported to the Board of Supervisors at the next Board meeting. The Board may change or remove an assignment established by the County Administrative Officer with a simple majority vote.

An appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year’s budget may be classified as assigned fund balance.

Unassigned fund balance – the residual classification for the County’s General Fund that includes amounts not contained in the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance amount. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, and it may be necessary to report a negative unassigned fund balance in that fund.

The County considers restricted fund balances to be spent first when both restricted and unrestricted resources are available for use. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the County considers Committed amounts to be reduced first, followed by Assigned amounts and then Unassigned amounts.

Fund Balance Policy - The County believes that sound financial management principles require that sufficient funds be retained by the County to provide a stable financial base at all times. To retain this stable financial base, the County needs to maintain unrestricted fund balance in its County funds sufficient to fund cash flows of the County and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the County’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

The County has adopted a policy to achieve and maintain committed and assigned fund balance categories of no less than 7% of the upcoming budget year’s estimated revenues.

Additional detailed information, along with the complete Fund Balance Policy can be obtained from the County Auditor-Controller-Treasurer-Tax Collector’s office located at 701 Ocean Street, Room 100, Santa Cruz, CA 95060.

Committed for Working Capital

The County has established a separate committed fund balance account for Working Capital. Funding for committed Working Capital is established by a resolution of the Board of Supervisors, and will be approved annually by the Board during the budget approval process.

The County’s fund that is committed for Working Capital is to be used only if the Board of Supervisors declares a fiscal emergency. Any use of funds requires a four-fifths vote of the Board of Supervisors appropriating the funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Net Position and Fund Balances (Continued)

Fund Balance Policy (Continued)

Committed for Working Capital (Continued)

As of June 30, 2018, the County's fund for Working Capital had a balance of \$6,000,000 and is included in the General Fund.

Committed for Economic Uncertainty

The County has established a separate committed fund balance account for Economic Uncertainty. Funding for Economic Uncertainty is established by a resolution of the Board of Supervisors and will be approved annually by the Board during the budget approval process.

The County's fund that is committed for Economic Uncertainty is to be used only during recessions or periods of economic distress as measured by periods of time when the local unemployment rate exceeds 8% and/or the rate of inflation exceeds the growth in property taxes. Any use of funds requires a four-fifths vote of the Board of Supervisors appropriating the funds.

As of June 30, 2018, the County's fund for Economic Uncertainty had a balance of \$10,000,000 and is included in the General Fund.

Committed for Natural Disasters

The County has established a separate committed fund balance account for Natural Disasters. Funding for Natural Disasters is established by a resolution of the Board of Supervisors and will be approved annually by the Board during the budget approval process.

The purpose of the County's fund for Natural Disasters is to finance extraordinary operating costs, legal costs, and cash flow problems associated with delays in State and Federal reimbursements for any natural disaster declared by the County's Director of Emergency Services and subsequently ratified by the Board of Supervisors, and the State of California or the Federal government. Any use of funds requires a four-fifths vote of the Board of Supervisors appropriating the funds.

As of June 30, 2018, the County's fund for Natural Disasters had a balance of \$1,251,089 and is included in the General Fund.

O. Property Tax Levy, Collection and Maximum Rates

The State of California Constitution, Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by the voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be increased by no more than 2% per year unless the property is sold or transferred. These general property tax rates do not apply to taxes levied to pay the interest and redemption charges on any indebtedness incurred prior to June 6, 1978, or subsequently approved by the voters. Supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction. The State Legislature has determined the method of distribution among the counties, cities, school districts, and other districts of receipts from the 1% property tax levy.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. *Property Tax Levy, Collection and Maximum Rates* (Continued)

The County assesses properties, bills for, and collects taxes as follows:

	Secured	Unsecured
Levy Dates	July 1	July 1
Lien Dates	January 1	January 1
Due Dates	November 1 and February 1	August 1
Delinquent After	December 10 and April 10	August 31
Tax Rate Per \$100		
Full Cash Value	\$1	\$1
Late Penalty	10%	10%
Delinquent Interest	1-1.5% per month	1-1.5% per month

These taxes are secured by liens on the property being taxed. The Board annually sets the rates of the County and District taxes and levies County and district taxes as provided by law. The term “secured” refers to taxes on land and buildings, while “unsecured” refers to taxes on personal property other than land and buildings. During fiscal year 1993-1994, the Board adopted the Alternative Method of Tax Apportionment (the Teeter Plan). Under this method, the County allocates to all taxing jurisdictions under the County, 100% of the secured property taxes billed, even if it has not yet been collected. In return, the County retains the subsequent delinquent payments and associated penalties and interest. The penalties and interest are accumulated in an Agency Fund. The County may transfer to the General Fund any excess over the reserve required by the Board and the State.

Delinquent property taxes receivables are shown on the Statement of Net Position of the property tax collections funds reported in the Agency Funds. Under California law, real property is not subject to sale for reasons of delinquent taxes until the end of the fifth year of delinquency, and the taxpayer may arrange to repay the delinquent taxes over a five-year period and any time within the five-year period, although the property is subject to a cash redemption up to the time of the sale.

Secured property taxes are recorded as revenue when apportioned in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the State of California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll.

Under the alternate apportionment method, specified amounts of penalties and interest collected on delinquent secured taxes are held in trust in the secured tax losses reserve fund to fund specified tax redemption shortfalls.

P. *Use of Estimates*

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and the disclosure of contingent assets and liabilities at the date of the basic financial statements and the related reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. Cash and investments for most County activities are included in the investment pool. Interest earned on the investment pool is distributed to the participating funds monthly using a formula based on the average daily cash balance of each fund. Interest earned through June 30, 2018, was distributed on June 30, 2018.

The following is a summary of cash and investments at June 30, 2018:

Government-Wide Statement of Net Position				
Primary Government				Component Unit
	Governmental Activities	Business-Type Activities	Total	Santa Cruz County Sanitation District
Cash and Investments	\$ 173,364,962	\$ 11,071,310	\$ 184,436,272	\$ 13,605,952
Restricted Cash and Investments	10,639,625	7,614,348	18,253,973	-
Total Cash and Investments	\$ 184,004,587	\$ 18,685,658	\$ 202,690,245	\$ 13,605,952
Fiduciary Funds				
	Agency Funds	Investment Trust Fund	Private Purpose Trust Fund	County Total
Cash and Investments	\$ 44,751,662	\$ 584,068,092	\$ 14,272,777	\$ 841,134,755
Restricted Cash and Investments	-	-	3,257	18,257,230
Total Cash and Investments	\$ 44,751,662	\$ 584,068,092	\$ 14,276,034	\$ 859,391,985

	Cash and Investments	Restricted Cash and Investments	Total
Primary Government and Fiduciary Funds:			
Cash on hand or imprest cash	\$ 4,210,496	\$ -	\$ 4,210,496
Cash deposits in treasury pool	15,616,987	-	15,616,987
Investments in treasury pool	807,198,760	-	807,198,760
Restricted investments in other pools	-	11,162,195	11,162,195
Restricted cash deposits in treasury pool:			
County Disposal Sites CSA 9C	-	7,597,596	7,597,596
Total	827,026,243	18,759,791	845,786,034
Component Unit:			
Investments in treasury pool	13,605,951	-	13,605,951
Total	13,605,951	-	13,605,951
Total cash and investments	\$ 840,632,194	\$ 18,759,791	\$ 859,391,985

NOTE 2 - CASH AND INVESTMENTS (Continued)

At June 30, 2018, the County's cash on hand, deposits, and investments consisted of:

	Treasury Pool	Investment Pools	Total
Primary Government and Fiduciary Funds:			
Cash on hand or imprest cash	\$ 79,423	\$ 4,131,073	\$ 4,210,496
Deposits	15,616,987	-	15,616,987
Investments	814,796,356	11,162,195	825,958,551
Total Primary Government	830,492,766	15,293,268	845,786,034
Component Unit:			
Investments	13,605,951	-	13,605,951
Total Component Unit	13,605,951	-	13,605,951
Total reporting entity	\$ 844,098,717	\$ 15,293,268	\$ 859,391,985

The carrying amount of the County's cash deposits was \$15,616,987 at June 30, 2018, of which the bank balances were fully insured or collateralized with securities held by the pledging financial institutions in the County's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the County's cash deposits by pledging securities as collateral. This California Government Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the County's name.

The fair value of pledged securities must equal at least 110% of the County's cash deposits. State law also allows institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the County's total cash deposits. The County may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The County, however, has not waived the collateralization requirements.

NOTE 2 - CASH AND INVESTMENTS (Continued)

A. Investments

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's investment policy, where more restrictive. The table also identifies certain provisions of the County's investment policy that address interest rate risk, credit risk, and concentration risk.

Authorized Investment Types	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local agency bonds	5 years	10%	None
U.S. Treasury obligations	5 years	100%	None
U.S. Government Agency obligations	5 years	100%	25%
Bankers' acceptances	180 days	40%	10%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years	30%	10%
Bank deposit	5 years	10%	10%
Repurchase agreements	1 year	100%	10%
Medium-term notes	5 years	30%	10%
Mutual funds/money market mutual funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	\$65 million	None
Joint Powers Authority investment funds	N/A	25%	10%
Supranationals	5 years	30%	10%

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at cost, as the fair value adjustment at year end was immaterial.

Investments of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the County's investment policy.

B. Interest Rate Risk

The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy.

At June 30, 2018, the County had the following investment maturities:

Investment Type	Fair Value	Investment Maturities (In Years)				
		Less than 1	1 to 2	2 to 3	3 to 4	More than 4
Local agency bonds	\$ 12,071,343	\$ -	\$ -	12,071,343	\$ -	\$ -
U.S. Treasury Securities	285,403,828	249,052,548	36,351,280	-	-	-
Federal Agency Securities	231,460,080	193,766,840	37,693,240	-	-	-
Medium-Term Notes - Other	75,723,322	44,449,799	31,273,523	-	-	-
Money Market Mutual Funds	5,000,000	5,000,000	-	-	-	-
Local Agency Investment Fund (LAIF)	45,000,000	45,000,000	-	-	-	-
Certificates of Deposit	151,422,367	151,422,367	-	-	-	-
Investment Agreements	5,000,000	5,000,000	-	-	-	-
Supernationals	39,567,650	29,766,450	9,801,200	-	-	-
Total investments	\$ 850,648,590	\$ 723,458,004	\$ 115,119,243	\$ 12,071,343	\$ -	\$ -

NOTE 2 - CASH AND INVESTMENTS (Continued)

C. Concentration of Credit Risk

At June 30, 2018, in accordance with State law and the County's Investment Policy, the County did not have 5% or more of its net investment in commercial paper, corporate bonds or medium-term notes of a single organization, nor did it have 10% or more of its net investment in any one money market mutual fund. Investments in obligations of the U.S. government, U.S. government agencies, or government-sponsored enterprises are exempt from these limitations.

The following schedule is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County Investment Pool's fair value at June 30, 2018.

Investments Type	Standard & Poor's	Moody's	% of Portfolio
Local Agency Bonds	A	Aa3	1.41%
U.S. Treasury Securities	AA+	Aaa	33.10%
Federal Agency Securities	AA+	Aaa	26.93%
Supranational	AAA	Aaa	4.62%
Medium-Term Notes	A/AAA	A+	8.81%
Money Market Mutual Funds	Unrated	Unrated	0.58%
Local Agency Investment Fund (LAIF)	Unrated	Unrated	5.24%
Certificates of Deposit	A1	P1	17.51%
Checking Account	Unrated	Unrated	1.22%
Investment Agreements	Unrated	Unrated	0.58%
Total			100.00%

D. Custodial Credit Risk

For investments and deposits held with fiscal agents, custodial credit risk 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 deposits that are in the possession of an outside party. At year end, the County's investment pool and cash with fiscal agents had no securities exposed to custodial credit risk.

E. Local Agency Investment Fund (LAIF)

The County is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The County's investments with LAIF at June 30, 2018, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes: 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 have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that 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 (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2018, the County had \$45,288,461 invested in LAIF, which had invested none of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 0.05% in the previous year. LAIF provided a fair value factor of 0.998126869 to calculate the fair value of the investments in LAIF. However, an adjustment was not made to reflect the fair value of LAIF, as the fair value adjustment was considered immaterial.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

NOTE 2 - CASH AND INVESTMENTS (Continued)

F. Fair Value Measurements

The Pool categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

Level 1: Investments reflect prices quoted in active markets,

Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active, and

Level 3: Investments reflect prices based upon unobservable sources.

The Pool has the following recurring fair value measurements as of June 30, 2018:

Investment by Fair Value Level	Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
Local Agency Bonds	\$ 12,071,343	\$ 12,071,343	\$ -	\$ -
U.S. Treasury Securities	285,403,828	285,403,828	-	-
Federal Agency Securities	231,460,080	231,460,080	-	-
Medium-Term Notes - Other	75,723,322	75,723,322	-	-
Certificates of Deposit	151,422,367	151,422,367	-	-
Investment Agreements	5,000,000	5,000,000	-	-
Supnationals	39,567,650	39,567,650	-	-
Total investments measured at fair value	800,648,590	\$ 800,648,590	\$ -	\$ -
Investments measures at amortized cost:				
Money Market Mutual Funds	5,000,000			
Local Agency Investment Fund (LAIF)	45,000,000			
Total pooled and directed investments	\$ 850,648,590			

NOTE 3 - RESTRICTED CASH AND INVESTMENTS

Cash and investments at June 30, 2018, that are restricted by legal or contractual requirements are comprised of the following:

<u>Governmental Activities</u>	
Nonmajor Governmental Funds:	
Used for debt service	<u>\$10,639,625</u>
<u>Business-Type Activities</u>	
County Disposal Site CSA 9C:	
Used for landfill deposits	7,597,596
Davenport Sanitation District:	
Used for debt service and bond reserves	<u>16,752</u>
	7,614,348
<u>Fiduciary Funds</u>	
County of Santa Cruz Redevelopment Successor Agency:	
Used for debt service	<u>3,257</u>
	<u><u>\$18,257,230</u></u>

NOTE 4 - RECEIVABLES

Receivables at year end for the County’s major individual funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Road and Transportation Fund	Housing Fund	Capital Projects Fund	Nonmajor Funds	Internal Service Funds	Total Governmental Activities
Governmental Activities:							
Accounts	\$ 26,597,768	\$ 14,905,475	\$ 117,987	\$ 2,697,417	\$ 2,689,459	\$ 138,954	\$ 47,147,060
Taxes	2,824,261	-	-	-	-	-	2,824,261
Gross receivables	29,422,029	14,905,475	117,987	2,697,417	2,689,459	138,954	49,971,321
Less: allowance for uncollectibles	(1,499,011)	-	-	-	-	-	(1,499,011)
Net receivables	<u>\$27,923,018</u>	<u>\$ 14,905,475</u>	<u>\$ 117,987</u>	<u>\$ 2,697,417</u>	<u>\$ 2,689,459</u>	<u>\$ 138,954</u>	<u>\$ 48,472,310</u>

	County Disposal Sites CSA 9C	Nonmajor Funds	Total Business-Type Activities
Business-Type Activities:			
Accounts receivable	<u>\$ 539,278</u>	<u>\$ 1,874,331</u>	<u>\$ 2,413,609</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Government-Wide Financial Statements

Long-Term Internal Balances

At June 30, 2018, the County had the following long-term internal balances:

	Internal Balances Receivables
	Governmental Activities
Internal Balances Payable	
Business-Type Activities	\$ (355,961)

The “Internal balances” on the Statement of Net Position (Government-wide) represents the net total amount of due to/from and advances to/from between Governmental funds and Enterprise funds and between Internal Service funds and Enterprise funds. These due to/from amounts include any that are the result of allocating operating profits and losses of the Internal Service funds to the Enterprise funds (Internal Service fund allocation). The due to/from amounts that are the results of operating profits/losses of the Internal Service funds are cumulative. Each current year amount is netted with the amounts from prior year.

B. Fund Financial and Proprietary Fund Statements

Due to/from

The County had the following due to/from other funds as of June 30, 2018:

Due to Other Funds	Due from Other Funds			
	General Fund	Capital Projects Fund	Internal Service Funds	Total
Off Highway, Road and Transportation	-	-	12,547,780	12,547,780
Nonmajor Governmental Funds	211,723	529,857	-	741,580
Total	\$ 211,723	\$ 529,857	\$12,547,780	\$13,289,360

All balances resulted from short-term loans used to cover operating cash deficits at year end. These amounts will be repaid in the following fiscal year.

NOTE 5 - INTERFUND TRANSACTIONS (Continued)

B. Fund Financial and Proprietary Fund Statements (Continued)

Transfers in/out

The County had the following transfers for the year ended June 30, 2018:

	Transfers In						Total
	General Fund	Off Highway, Roads & Transportation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ 1,000,000	\$ 6,892,481	\$ 6,927,356	\$ -	\$ 422,929	\$15,242,766
Capital Projects Fund	-	98,042	-	-	-	-	98,042
Nonmajor Governmental	2,598,099	-	10,557,091	-	-	-	13,155,190
Enterprise Funds	-	-	-	338,271	-	-	338,271
Internal Service Funds	-	-	-	-	-	29,146	29,146
Total	\$ 2,598,099	\$ 1,098,042	\$17,449,572	\$ 7,265,627	\$ -	\$ 452,075	\$28,863,415

Transfers are contributions to other funds to finance various programs in accordance with budgetary authorizations.

Transfers to/from other funds at June 30, 2018 are as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Capital Projects Fund	\$ 6,892,481	To finance various facilities capital projects
	Off Highway, Roads & Transportation Fund	1,000,000	To Road Fund for 2016 winter storm recovery efforts
	Nonmajor Governmental Funds	6,927,356	To Financing Authorities Fund for debt service
	Internal Service Fund	422,929	To Fleet Internal Service Fund to purchase vehicles
		<u>15,242,766</u>	
Capital Projects Fund	Off Highway, Roads & Transportation Fund	98,042	To the Road Fund for improvements to Twin Lakes Beachfront
		<u>98,042</u>	
Nonmajor	General Fund	5,670	Library Fund to General Fund for debt service to La Selva Beach Library Renovation
Governmental Funds	General Fund	239,450	Financing Authorities to General Fund for projects
	General Fund	800,000	Public Protection to General Fund for flood water control and storm drain maintenance
	General Fund	64,527	Recreation & Culture to General Fund for debt service
	General Fund	1,477,860	Health & Sanitation to General Fund for capital improvements
	General Fund	10,592	Park Dedication to General Fund for capital improvements
	Capital Projects Fund	9,016,301	Financing Authorities Fund Certificates of Participation drawdown for capital projects
	Capital Projects Fund	971,935	Library Fund to Capital Projects Fund for construction of new Library
	Capital Projects Fund	<u>568,855</u>	Health & Sanitation to Capital Projects for capital improvements
		<u>13,155,190</u>	
Enterprise Funds	Nonmajor Governmental Funds	338,271	Graham Hill CSA 57 to Nonmajor Governmental Fund due to change in operations
Internal Service	Internal Service Fund	29,146	Information Services to Service Center for vehicle
		<u>29,146</u>	
		<u>\$ 28,863,415</u>	

NOTE 6 - LOANS RECEIVABLE

A. *Government-Wide Financial Statements*

GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, requires the disclosure of significant receivable balances not expected to be collected within one year of the date of the financial statements. Following is the detail of receivable balance not expected to be collected within the next fiscal year:

<u>Loans Receivable</u>	
<u>Homeowner Loans</u>	
First Time Homebuyer Program	\$ 5,327,953
Homeowner Loan - Federal Grants	224,052
Homeowner Loan - State Grants	5,719,114
Mobile Home Change Out Program	4,931,980
Mobile Home Rehab Program	246,949
Mobile Home Rehab Program (Bonds)	23,069
Property Tax Postponement Loans	126,751
Sorrento Oaks	10,000
Total Homeowner Loans	<u>16,609,868</u>
<u>Housing Project Loans</u>	
Aptos Cottages (Miller)	7,137,111
CFSC, Inc - Brommer St	2,407,200
Golden Torch	1,290,076
Housing for Independent People	40,940
Marmo's	1,642,323
McGregor	891,748
McIntosh Coach Purchase #12	98,000
McIntosh Coach Purchase	80,000
Mercy - McIntosh (Coach Loan)	348,666
Mercy - Rehab	95,236
MidPen Housing - St. Stephens	4,970,330
Mid-Peninsula the Farm, Inc	2,004,265
Minto	9,611,466
Pacific Family Coach Acquisitions	63,702
Pacific Family - SCH	2,670,411
Pleasant Acres Permanent Financing	3,512,452
San Andreas	700,000
South County Housing Corp	4,907,114
St. Stephens Predevelopment	421,832
Vista Verde Family Housing	1,165,000
Total Housing Project Loans	<u>44,057,872</u>
<u>City of Watsonville Loan</u>	50,794
Total Loans Receivable	<u><u>\$ 60,718,534</u></u>

The St. Stephens Predevelopment loan is an unsecured loan, which will be converted to a loan secured by the deed of trust to the property upon commencement of development. All remaining loans are housing loans secured by deeds of trust on the properties.

NOTE 6 - LOANS RECEIVABLE (Continued)

B. Business-Type Financial Statements

The County had the following loans receivable as of June 30, 2018:

<u>Nonmajor business-type fund:</u>	
Septic tank maintenance CSA 12	\$ 44,231
Total business-type loans receivable	\$ 44,231

NOTE 7 - CAPITAL ASSETS

A. Government-Wide Financial Statements

The following is a summary of capital assets for governmental activities:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclass- ifications</u>	<u>Balance June 30, 2018</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 64,038,616	\$ -	\$ (30,977)	\$ -	\$ 64,007,639
Construction-in-progress	17,006,669	35,833,227	(409,153)	(1,564,953)	50,865,790
Total capital assets, not being depreciated	<u>81,045,285</u>	<u>35,833,227</u>	<u>(440,130)</u>	<u>(1,564,953)</u>	<u>114,873,429</u>
Capital assets, being depreciated:					
Infrastructure	640,345,911	25,580,338	-	-	665,926,249
Buildings	190,890,203		(173,957)	1,790,716	192,506,962
Machinery and equipment	49,604,381	3,926,054	(2,417,097)	(225,763)	50,887,575
Total capital assets, being depreciated	<u>880,840,495</u>	<u>29,506,392</u>	<u>(2,591,054)</u>	<u>1,564,953</u>	<u>909,320,786</u>
Less accumulated depreciation for:					
Infrastructure	(291,455,620)	(15,725,663)	-	-	(307,181,283)
Buildings	(95,569,584)	(4,626,296)	168,580	18,433	(100,008,867)
Machinery and equipment	(35,976,632)	(4,152,008)	2,397,300	(18,433)	(37,749,773)
Total accumulated depreciation	<u>(423,001,836)</u>	<u>(24,503,967)</u>	<u>2,565,880</u>	<u>-</u>	<u>(444,939,923)</u>
Total capital assets, being depreciated, net	<u>457,838,659</u>	<u>5,002,425</u>	<u>(25,174)</u>	<u>1,564,953</u>	<u>464,380,863</u>
Governmental activities capital assets, net	<u>\$ 538,883,944</u>	<u>\$ 40,835,652</u>	<u>\$ (465,304)</u>	<u>\$ -</u>	<u>\$ 579,254,292</u>

NOTE 7 - CAPITAL ASSETS (Continued)

A. Government-Wide Financial Statements, (Continued)

Depreciation expense was charged to governmental functions as follows:

	<u>Total</u>
<u>Governmental Activities:</u>	
General government	\$ 1,201,862
Public protection	2,529,109
Public ways and facilities	15,725,665
Health and sanitation	1,115,252
Public assistance	657,431
Education	218,031
Recreation and culture	509,447
	<u>21,956,797</u>
Subtotal	21,956,797

Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	2,546,297
Total	<u><u>\$ 24,503,094</u></u>

The following is a summary of capital assets for business-type activities:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclass- ifications</u>	<u>Balance June 30, 2018</u>
Business-Type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,858,849	\$ -	\$ -	\$ -	\$ 1,858,849
Construction-in-progress	752,030	2,172,205	(11,824)	-	2,912,411
Total capital assets, not being depreciated	<u>2,610,879</u>	<u>2,172,205</u>	<u>(11,824)</u>	<u>-</u>	<u>4,771,260</u>
Capital assets, being depreciated:					
Buildings	51,534,976	406,093	(543,865)	88,690	51,485,894
Machinery and equipment	9,752,453	226,637	(1,394,135)	(88,690)	8,496,265
Total capital assets, being depreciated	<u>61,287,429</u>	<u>632,730</u>	<u>(1,938,000)</u>	<u>-</u>	<u>59,982,159</u>
Less accumulated depreciation for:					
Buildings	(27,476,013)	(1,753,995)	465,341	(4,434)	(28,769,101)
Machinery and equipment	(8,969,756)	(145,605)	1,387,810	4,434	(7,723,117)
Total accumulated depreciation	<u>(36,445,769)</u>	<u>(1,899,600)</u>	<u>1,853,151</u>	<u>-</u>	<u>(36,492,218)</u>
Total capital assets, being depreciated, net	<u>24,841,660</u>	<u>(1,266,870)</u>	<u>(84,849)</u>	<u>-</u>	<u>23,489,941</u>
Business-Type activities capital assets, net	<u><u>\$ 27,452,539</u></u>	<u><u>\$ 905,335</u></u>	<u><u>\$ (96,673)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 28,261,201</u></u>

NOTE 7 - CAPITAL ASSETS (Continued)

A. Government-Wide Financial Statements, (Continued)

Depreciation expense was charged to business-type functions as follows:

<u>Business-Type Activities:</u>	<u>Total</u>
County Disposal Sites CSA 9C	\$ 1,397,729
Boulder Creek CSA 7	73,664
Rolling Woods CSA 10	9,019
Septic Tank Maintenance CSA 12	2,934
Freedom County Sanitation District	210,880
Davenport Sanitation District	168,327
Place de Mer CSA 2	5,542
Sand Dollar Beach CSA 5	31,505
Total	\$ 1,899,600

B. Component Unit – Santa Cruz County Sanitation District (the District)

	Balance July 1, 2017	Additions	Deletions	Reclassification	Balance June 30, 2018
Nondepreciable assets:					
Construction-in-progress	\$ 7,973,861	\$ 417,240	\$ (4,031,096)	\$ -	\$ 4,360,005
Total nondepreciable assets	7,973,861	417,240	(4,031,096)	-	4,360,005
Depreciable assets:					
Pumping stations	49,096,997	3,125,495	(21,088)	24,861	52,226,265
Transmission systems	124,018,262	4,050,510	(34,955)	(24,861)	128,008,956
Sewage treatment capacity rights	35,148,509	-	-	-	35,148,509
Mobile equipment	3,519,193	-	(318,412)	-	3,200,781
Other equipment	1,755,650	101,539	(153,749)	-	1,703,440
Total depreciable assets	213,538,611	7,277,544	(528,204)	-	220,287,951
Accumulated depreciation:					
Pumping stations	(23,868,769)	(1,066,198)	15,878	-	(24,919,089)
Transmission systems	(42,367,660)	(2,825,830)	26,544	-	(45,166,946)
Sewage treatment capacity rights	(15,827,404)	(912,949)	-	-	(16,740,353)
Mobile equipment	(2,914,253)	(136,124)	298,720	-	(2,751,657)
Other equipment	(1,220,568)	(181,199)	147,121	-	(1,254,646)
Total accumulated depreciation	(86,198,654)	(5,122,300)	488,263	-	(90,832,691)
Depreciable assets, net	127,339,957	2,155,244	(39,941)	-	129,455,260
Total capital assets, net	\$ 135,313,818	\$ 2,572,484	\$ (4,071,037)	\$ -	\$ 133,815,265

Depreciation expense for the District at June 30, 2018, is \$5,122,300.

NOTE 8 - SHORT-TERM DEBT – TAX AND REVENUE ANTICIPATION NOTES

The County issues tax and revenue anticipation notes (TRAN) annually to meet current expenses, capital expenditures, and other obligations or indebtedness until sufficient taxes or revenues are collected to fund the County’s operations.

Tax and revenue anticipation notes payable debt activity for the year ended June 30, 2018, was as follows:

<u>TRAN for Fiscal Year</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Premiums/ Discount</u>	<u>Accrued Interest</u>	<u>Ending Balance</u>
2018	3.0%	\$ 47,977,600	\$ -	\$ (48,406,083)	\$ (977,600)	\$ 1,406,083	\$ -

NOTE 9 - LEASES

A. *Operating Leases*

The County has entered into certain operating leases as lessee. Total expenditures for these operating leases for the fiscal year ended June 30, 2018, were \$2,383,171.

As of June 30, 2018, the County has future minimum operating lease payments with a remaining term in excess of one year as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2019	\$ 2,216,927
2020	1,969,609
2021	1,949,368
2022	1,767,397
2023	913,054
2024-2028	1,710,518
2029-2033	386,920
2034-2038	322,223
2039-2043	364,566
2044-2048	412,473
2049-2053	466,675
2054-2058	528,000
2059-2060	230,142
	<u>\$ 13,237,872</u>

NOTE 9 – LEASES (Continued)

B. Capital Leases

The County has entered into certain capital lease agreements under which the related equipment, computers, vehicles, and furniture become the property of the County. The leased assets are presented as components of capital assets and the lease liabilities are presented as components of long-term debt.

	Stated Interest Rate	Present Value of Remaining Payments as of June 30, 2018
Government-Wide Activities		
<u>Governmental Activities:</u>		
Energy efficient infrastructure	3.62%	\$ 3,424,983
Communications Tower	7.47%	851,245
Copy machines	8.5 % -12.54%	149,797
Subtotal Governmental Activities:		<u>4,426,025</u>
<u>Internal Service Fund Activities:</u>		
Public Works copy machines	9.0% -12.54%	16,346
Information Services copy machines	10.75%	2,402
Information Services Phone System	5.25%	1,119,757
Risk Management copy machine	9.00%	14,023
Subtotal Internal Service Fund Activities:		<u>1,152,528</u>
Total government-wide capital lease obligations		<u><u>\$ 5,578,553</u></u>
Business-type Activities		
<u>Enterprise Fund Activities:</u>		
County Disposal Sites CSA 9C copy machines	11.17%	\$ 2,197
Total business-type capital lease obligations		<u><u>\$ 2,197</u></u>
Component Unit Activities		
<u>Santa Cruz County Sanitation District copy machine</u>	10.94%	\$ 2,586
Total component unit capital lease obligations		<u><u>\$ 2,586</u></u>

Equipment, computers, vehicles, furniture, and accumulated amortization under capital leases are as follows:

	Governmental Activities	Business-Type Activities	Component Unit
Construction-in-Progress	\$ 1,050,000	\$ -	\$ -
Equipment, computers, furniture, and vehicles	4,272,420	5,140	4,205
Structures and improvements	6,041,400	-	-
Total assets under capital leases	11,363,820	5,140	4,205
Less: accumulated depreciation	(3,921,757)	(3,855)	(1,576)
Net	<u><u>\$ 7,442,063</u></u>	<u><u>\$ 1,285</u></u>	<u><u>\$ 2,629</u></u>

NOTE 9 – LEASES (Continued)**B. Capital Leases,** (Continued)

As of June 30, 2018, capital lease annual amortization is as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit</u>
2019	\$ 1,302,089	\$ 1,611	\$ 1,312
2020	1,280,441	805	1,312
2021	873,632	-	328
2022	665,203	-	-
2023	657,674	-	-
2024-2027	1,797,001	-	-
Total Requirements	6,576,040	2,416	2,952
Less: Interest	<u>(997,487)</u>	<u>(219)</u>	<u>(366)</u>
Present Value of Remaining Payments	<u>\$ 5,578,553</u>	<u>\$ 2,197</u>	<u>\$ 2,586</u>

NOTE 10 - LONG-TERM DEBT

The following is a summary of long-term liabilities transactions for the year ended June 30, 2018:

	Balance July 1, 2017	Debt Issued or Transferred In	Debt Retired or Transferred Out	Balance June 30, 2018	Due in One Year	Due in More Than One Year
Governmental Activities Debt:						
1996 Refunding Certificates of Participation	\$ 12,830,000	\$ -	\$ (1,005,000)	\$ 11,825,000	\$ 1,060,000	\$ 10,765,000
1999 Local Agency Revenue Bonds	105,000	-	(35,000)	70,000	35,000	35,000
2008 Certificates of Participation	1,955,000	-	(390,000)	1,565,000	405,000	1,160,000
2008 Unamortized bond premium	44,308	-	(6,816)	37,492	6,816	30,676
Subtotal	1,999,308	-	(396,816)	1,602,492	411,816	1,190,676
2011 Certificates of Participation	4,995,000	-	(165,000)	4,830,000	170,000	4,660,000
2011 Unamortized bond discount	(3,564)	-	188	(3,376)	(188)	(3,188)
Subtotal	4,991,436	-	(164,812)	4,826,624	169,812	4,656,812
2012 Lease Revenue Refunding Bond, Series A	1,575,619	-	(66,542)	1,509,077	68,919	1,440,158
2012 Unamortized bond discount	(14,270)	-	839	(13,431)	(839)	(12,592)
Subtotal	1,561,349	-	(65,703)	1,495,646	68,080	1,427,566
2014 Refunding Certificates of Participation	5,500,000	-	(265,000)	5,235,000	275,000	4,960,000
2014 Unamortized bond premium	248,090	-	(16,539)	231,551	16,539	215,012
Subtotal	5,748,090	-	(281,539)	5,466,551	291,539	5,175,012
2014 Lease Revenue Bonds	4,720,000	-	(180,000)	4,540,000	190,000	4,350,000
2014 Unamortized bond premium	198,339	-	(11,019)	187,320	11,019	176,301
Subtotal	4,918,339	-	(191,019)	4,727,320	201,019	4,526,301
2015 Refunding Certificates of Participation	10,915,000	-	(1,410,000)	9,505,000	1,440,000	8,065,000
2015 Lease Revenue Bonds	9,530,000	-	(240,000)	9,290,000	250,000	9,040,000
2015 Unamortized bond premium	56,122	-	(2,004)	54,118	2,004	52,114
Subtotal	9,586,122	-	(242,004)	9,344,118	252,004	9,092,114
2016 Refunding Certificates of Participation	10,500,000	-	(820,000)	9,680,000	845,000	8,835,000
2016 Unamortized bond premium	903,140	-	(47,534)	855,606	47,534	808,072
Subtotal	11,403,140	-	(867,534)	10,535,606	892,534	9,643,072
2017 Lease Revenue Bonds, Series A	-	7,940,000	-	7,940,000	415,000	7,525,000
2017 Unamortized bond discount	-	(63,415)	-	(63,415)	(3,730)	(59,685)
Subtotal	-	7,876,585	-	7,876,585	411,270	7,465,315
California Energy Resources Conservation and Development Commission	15,641	-	(15,641)	-	-	-
Subtotal bonds and loans payable	64,073,425	7,876,585	(4,675,068)	67,274,942	5,233,074	62,041,868
OPEB Liability	146,973,116	-	(5,995,748)	140,977,368	-	140,977,368
Compensated absences	22,906,027	20,379,742	(19,502,791)	23,782,978	20,249,450	3,533,528
Capital leases	4,011,575	1,090,219	(675,769)	4,426,025	546,137	3,879,888
Total governmental activities	\$ 237,964,143	\$ 29,346,546	\$ (30,849,376)	\$ 236,461,313	\$ 26,028,661	\$ 210,432,652

NOTE 10 - LONG-TERM DEBT (Continued)

	Balance July 1, 2017	Debt Issued or Transferred In	Debt Retired or Transferred Out	Balance June 30, 2018	Due in One Year	Due in More Than One Year
Governmental Activities Debt, Continued:						
Internal Service Funds						
OPEB Liability	\$ 19,524,500	\$ -	\$ (796,501)	\$ 18,727,999	\$ -	\$ 18,727,999
Compensated absences	4,643,616	3,319,711	(3,281,766)	4,681,561	3,285,000	1,396,561
Estimated claims	36,757,128	10,380,266	(10,380,266)	36,757,128	10,424,128	26,333,000
Capital leases	1,956,879	30,283	(834,634)	1,152,528	484,172	668,356
Total Internal Service Funds	\$ 62,882,123	\$ 13,730,260	\$ (15,293,167)	\$ 61,319,216	\$ 14,193,300	\$ 47,125,916
Total Government-Wide Activities						
Compensated absences	\$ 27,549,643	\$ 23,699,453	\$ (22,784,557)	\$ 28,464,539	\$ 23,534,450	\$ 4,930,089
Estimated claims	36,757,128	10,380,266	(10,380,266)	36,757,128	10,424,128	26,333,000
Other long-term liabilities:						
Bonds and loans payable	64,073,425	7,876,585	(4,675,068)	67,274,942	5,233,074	62,041,868
Capital leases	5,968,454	1,120,502	(1,510,403)	5,578,553	1,030,309	4,548,244
Subtotal other long-term liabilities	134,348,650	43,076,806	(39,350,294)	138,075,162	40,221,961	97,853,201
OPEB liability	166,497,616	-	(6,792,247)	159,705,369	-	159,705,369
Total Government-Wide Activities	\$ 300,846,266	\$ 43,076,806	\$ (46,142,541)	\$ 297,780,531	\$ 40,221,961	\$ 257,558,570
Business-Type Activities						
<i>Enterprise Funds</i>						
2014 Lease Revenue Bonds	\$ 6,285,000	\$ -	\$ (240,000)	\$ 6,045,000	\$ 250,000	\$ 5,795,000
2014 Unamortized bond premium	264,724	-	(14,706)	250,018	14,707	235,311
Subtotal Bonds Payable	6,549,724	-	(254,706)	6,295,018	264,707	6,030,311
<i>Loans payable</i>						
Septic Tank Maintenance CSA 12	60,290	-	(16,400)	43,890	16,826	27,064
Davenport Sanitation District	179,731	-	(31,479)	148,252	32,351	115,901
Subtotal Loans Payable	240,021	-	(47,879)	192,142	49,177	142,965
Total Bonds and Loans Payable	\$ 6,789,745	\$ -	\$ (302,585)	\$ 6,487,160	\$ 313,884	\$ 6,173,276
<i>Postclosure Liability</i>						
Enterprise Fund - County Disposal Sites CSA 9	6,504,691	367,640	-	6,872,331	-	6,872,331
Capital Leases	3,472	-	(1,275)	2,197	1,424	773
OPEB liability	3,406,384	-	(138,963)	3,267,421	-	3,267,421
Total Business-Type Activities	\$ 16,704,292	\$ 367,640	\$ (442,823)	\$ 16,629,109	\$ 315,308	\$ 16,313,801
Component Unit - Santa Cruz County						
Sanitation District						
2005 Wastewater Revenue Refunding Bonds	\$ 1,240,000	\$ -	\$ (1,240,000)	\$ -	\$ -	\$ -
2005 Unamortized bond premium	72,874	-	(72,874)	-	-	-
2004 Limited Obligation Refunding						
Improvement Bonds	175,000	-	(85,000)	90,000	90,000	-
2009 State Water Resources Control Board Loan	9,785,160	-	(545,683)	9,239,477	559,326	8,680,151
Loans payable	3,095,760	-	(1,532,420)	1,563,340	1,563,340	-
Capital lease	3,548	-	(962)	2,586	1,072	1,514
Total Component Unit	\$ 14,372,342	\$ -	\$ (3,476,939)	\$ 10,895,403	\$ 2,213,738	\$ 8,681,665

NOTE 10 - LONG-TERM DEBT (Continued)

Descriptions of the long-term liabilities at June 30, 2018, are as follows:

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2018
Governmental Activities:					
Financing Authorities					
<i>Refunding Certificates of Participation</i>					
1996 Issue (financed construction of the County Emeline Avenue Health Services building and an infirmary in the County Medium Security Detention Facility)					
Collateral: Health Services Administration Building/Jail Infirmary					
Serial certificates	9/1/97-9/1/26	4.00-5.65%	\$190,000-\$1,065,000	\$ 20,955,000	\$ 7,925,000
Term bonds	3/1/21-9/1/23	5.60%	\$1,230,000-\$1,370,000	3,900,000	3,900,000
				Total 1996 Issue	11,825,000
2014 Issue (defeased 2001 Series B Lease Revenue Bonds and refinanced existing leases)					
Collateral: Water Street Detention Facility/Blaine Street Women's Detention Facility					
Serial certificates	8/1/14-8/1/31	3.00-4.25%	\$280,000-\$485,000	\$ 6,285,000	5,235,000
Unamortized bond premium				297,707	231,551
				Total 2014 Issue	5,466,551
2015 Issue (defeased 2004 Lease Revenue Bonds and refinanced existing leases)					
Collateral: Main Administrative Building and Main Courts Building					
Serial certificates	6/1/16-6/1/25	1.14-3.97%	\$185,000-\$1,520,000	\$ 8,890,000	4,625,000
Term bonds	6/1/22-6/1/24	3.68%	\$1,570,000-\$1,685,000	4,880,000	4,880,000
				Total 2015 Issue	9,505,000
2016 Issue (defeased certain outstanding lease obligations and prepay the outstanding 2002 Refunding Certificates of Participation, 2005 Refunding Certificates of Participation, and 2006 Certificates of Participation, to finance a variety of capital improvements, to satisfy the Reserve Requirement for the Certificates and to pay the delivery costs of the Certificates)					
Collateral: Water Street Detention Facility and Blaine Street Detention Facility					
Serial certificates	8/1/17-8/1/33	0.64-2.46%	\$340,000-\$920,000	\$ 8,865,000	8,045,000
Term bonds	8/1/34-8/1/36	3.00%	\$525,000-\$565,000	1,635,000	1,635,000
Unamortized bond premium				950,674	855,606
				Total 2016 Issue	10,535,606
Total Refunding Certificates of Participation					36,245,000
Net Premiums/(Discounts)					1,087,157
Total including Premiums/(Discounts)					\$ 37,332,157
<i>Lease Revenue Bonds</i>					
2014 Lease Revenue Bonds (financed capital improvements including financial system and additional module at County's Buena Vista sanitary landfill)					
Collateral: Behavior Health Center and Buena Vista Gatehouse					
Serial bonds	8/1/15-8/1/34	3.00-5.00%	\$170,000-\$360,000	\$ 5,065,000	\$ 4,540,000
Unamortized bond premium				220,377	187,320
				Total 2014 Issue	\$ 4,727,320
2015 Lease Revenue Bonds (financed capital improvements for various Santa Cruz County facilities and the Farm to Table Project)					
Collateral: Main Administrative Building and Main Courts Building					
Serial bonds	6/1/16-6/1/35	2.00-4.00%	\$180,000-\$395,000	\$ 6,115,000	\$ 5,460,000
Term bonds	6/1/36-6/1/40	4.00%	\$400,000-\$470,000	2,170,000	2,170,000
Term bonds	6/1/41-6/1/45	4.00%	\$305,000-\$360,000	1,660,000	1,660,000
Unamortized bond premium				60,130	54,118
				Total 2015 Issue	\$ 9,344,118
2017 Lease Revenue Bonds (financed acquisition and installation of photovoltaic energy systems at various County facilities and pay the cost of issuance.)					
Collateral: Behavior Health Center and Buena Vista Gatehouse					
Serial bonds	6/1/19-6/1/27	1.833-3.00%	\$415,000-\$470,000	\$ 7,940,000	\$ 7,940,000
Unamortized bond discount				(63,415)	(63,415)
				Total 2014 Issue	\$ 7,876,585
Total Lease Revenue Bonds					21,770,000
Net Premiums/(Discounts)					178,023
Total including Premiums/(Discounts)					\$ 21,948,023

NOTE 10 - LONG-TERM DEBT (Continued)

<u>Type of Indebtedness (Purpose)</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2018</u>
Governmental Activities, Continued:					
Financing Authorities, Continued					
<i>Lease Revenue Refunding Bonds</i>					
2012 Series A (refinanced construction and equipment costs for the Santa Cruz County Consolidated Emergency Communications Center)					
Collateral: Santa Cruz County Regional 911 Center					
Serial bonds	6/15/13-6/15/30	2.00-5.00%	\$115,000-\$225,000	\$ 1,402,135	\$ 1,026,647
Term Bonds	6/15/31-6/15/34	5.000%		482,430	482,430
Unamortized bond discount				(18,465)	(13,431)
					<u>\$ 1,495,646</u>
Total Lease Revenue Refunding Bonds					
<i>Local Agency Revenue Bonds</i>					
1999 Issue (defeased 1992 Place de Mer and 1993 Sand Dollar Beach Districts bonds and financed construction of the Sunset Beach Water Main Extension Project)					
Local obligation bonds	9/2/00-9/2/19	4.00-5.50%	\$20,000-\$85,000	\$ 895,000	<u>\$ 70,000</u>
<i>Certificates of Participation</i>					
2008 Series Issue (finance purchase of computer software systems for various County departments)					
Collateral: Water Street Detention Facility/Rountree Lane Detention Facility					
Serial certificates	8/1/09-8/1/23	3.00-4.30%	\$215,000-\$405,000	\$ 4,625,000	\$ 1,565,000
Unamortized bond premium				102,244	37,492
					<u>\$ 1,602,492</u>
Total 2008 Issue					
2011 Series Issue (financed improvements to Veteran's Building and Main Jail roof)					
Collateral: Human Services Department Application Center					
Serial certificates	8/1/12-8/1/21	2.00-4.00%	\$145,000-\$340,000	\$ 1,495,000	\$ 720,000
Term certificates	8/1/22-8/1/26	4.25%		1,080,000	1,080,000
Term certificates	8/1/27-8/1/31	4.625%		1,340,000	1,340,000
Term certificates	8/1/32-8/1/36	5.00%		1,690,000	1,690,000
Unamortized bond discount				(4,692)	(3,376)
					<u>4,826,624</u>
Total 2011 Issue					
Total Certificates of Participation					
Net Premiums/(Discounts)					
<u>\$ 34,116</u>					
Total including Premiums/(Discounts)					
<u>\$ 6,429,116</u>					
California Energy Resources Conservation and Development Commission	2013-2018	3.00%	\$16,642-\$21,172	172,837	<u>\$ -</u>

NOTE 10 - LONG-TERM DEBT (Continued)

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2018
Governmental Activities, Continued:					
<i>Capital leases</i>					
Energy efficient infrastructure	2008 - 2027	3.62%	\$135,989 - \$220,635	\$ 5,989,594	\$ 3,424,983
Elections equipment	2014 - 2017	6.82%	\$47,874 - \$56,225	263,175	-
Parks, Open Space & Cultural Services					
Mower	2013 - 2018	4.34%	\$11,796 - \$12,307	56,626	-
Copy Machines	2012 - 2021	8.50% - 12.54%	\$7,260 - \$108,191	511,089	182,568
Phone System	2014 - 2020	5.25%	\$405,100 - \$529,301	2,929,280	1,119,757
Communications tower	2018 - 2023	7.47%	\$152,682-\$198,755	1,050,000	851,245
Total Governmental Activities				\$	72,853,495
Business-Type Activities:					
Enterprise Fund - County Disposal Site CSA 9C					
2014 Lease Revenue Bonds (financed capital improvements including financial system and additional module at County's Buena Vista sanitary landfill)					
Collateral: Behavior Health Center and Buena Vista Gatehouse					
Serial bonds	8/1/15-8/1/34	3.00-5.00%	\$225,000-\$480,000	\$ 6,745,000	\$ 6,045,000
Unamortized bond premium				294,138	250,018
				Total 2014 Issue	\$ 6,295,018
Enterprise Fund - Davenport Sanitation District					
California State Department of Water Resources (upgrade existing water facilities)					
	1/1/88-1/1/22	2.50%	\$4,550-\$10,575	250,000	\$ 40,644
California Technology, Trade & Commerce Agency (fund sanitation system improvements)					
	2/28/95-7/1/24	2.75%	\$3,550-\$4,817	310,691	88,958
California State Water Resources Control Board - revolving loan (fund sewer reconstruction project)					
	5/31/01-5/31/20	2.60%	\$5,940-\$9,429	151,547	18,610
Enterprise Fund - Septic Tank Maintenance CSA 12					
California State Water Resources Control Board					
	4/23/10-4/23/29	2.60%	\$10,753-\$17,512	277,467	\$ 43,890
				Subtotal Loans	\$ 192,102
				Total Lease Revenue Bonds and Loans	\$ 6,237,102
				Net Premiums/(Discounts)	250,018
				Total including Premiums/(Discounts)	\$ 6,487,120
Copy Machine	3/7/16-12/7/19	11.17%	\$526-\$1,424	5,140	2,197
Landfill postclosure					6,872,331
Total Business-Type Activities				\$	13,361,648
Component Unit - Santa Cruz County Sanitation District (SCCSD)					
2004 Issue Limited Obligation Refunding Improvement Bonds - Freedom Boulevard Sewer Assessment District (financed construction of sewer facility)					
Serial bonds	9/2/05-9/2/18	1.85-5.25%	\$55,000-\$90,000	\$ 950,000	\$ 90,000
2005 Wastewater Revenue Refunding Bonds (financed the SCCSD's share of the improvements to the City of Santa Cruz sewer treatment facility) - redeemed 4/2/18					
Serial bonds	9/1/05-9/1/19	2.80-5.0%	\$140,000-\$940,000	\$ 9,335,000	-
Unamortized bond premium				364,370	-
				Total 2005 Issue	-
2009 State Water Resources Control Board Loan	2013-2032	2.50%	\$630,445-\$959,296	\$ 11,981,910	9,239,477
Loans payable - City of Santa Cruz (construct treatment plant expansion)	2000-2019	1.60%	\$717,884-\$1,563,340	\$ 7,532,957	1,563,340
Copy Machine	10/22/16 - 7/22/20	10.94%	\$657-\$1,194	\$4,205	2,586
Total Component Unit				\$	10,895,403

NOTE 10 - LONG-TERM DEBT (Continued)

A. Governmental Activities

At June 30, 2018, annual debt service requirements of governmental activities to maturity are as follows:

Financing Authorities

Year Ending June 30.	Refunding Certificates of Participation		Lease Revenue Bonds		Lease Revenue Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
	2019	\$ 3,620,000	\$ 1,486,009	\$ 855,000	\$ 765,583	\$ 68,919
2020	3,770,000	1,351,237	870,000	742,776	71,295	64,385
2021	3,920,000	1,205,478	915,000	718,485	73,672	62,068
2022	3,450,000	1,057,043	955,000	691,201	76,048	59,490
2023	3,605,000	902,077	970,000	660,756	78,425	56,638
2024-2028	11,605,000	2,343,414	5,175,000	2,804,850	449,159	230,800
2029-2033	4,130,000	740,347	5,720,000	1,843,131	560,851	118,501
2034-2038	2,145,000	134,025	3,725,000	845,869	130,708	6,535
2039-2043	-	-	1,880,000	350,600	-	-
2044-2048	-	-	705,000	42,600	-	-
Total	\$ 36,245,000	\$ 9,219,630	\$ 21,770,000	\$ 9,465,851	\$ 1,509,077	\$ 664,956

Year Ending June 30.	Local Agency Revenue Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
	2019	\$ 35,000	\$ 2,888	\$ 575,000
2020	35,000	963	390,000	254,325
2021	-	-	410,000	238,325
2022	-	-	420,000	221,725
2023	-	-	440,000	203,975
2024-2028	-	-	1,375,000	809,009
2029-2033	-	-	1,400,000	519,284
2034-2038	-	-	1,385,000	142,625
Total	\$ 70,000	\$ 3,851	\$ 6,395,000	\$ 2,662,893

NOTE 10 - LONG-TERM DEBT (Continued)

A. *Governmental Activities* (Continued)

Financing Authorities (Continued)

The Refunding Certificates of Participation, Lease Revenue Refunding Bonds, Certificates of Participation, and Lease Revenue Bonds retirements and related interest payments are paid from revenues from the General Fund. The Local Agency Revenue Bonds retirements and related interest payments are paid from revenues generated from property owners' assessments.

Defeasance of Bonds

On July 19, 2016, The County issued \$10,500,000 2016 Refunding Certificates of Participation ("2016 Certificates"), with interest rates ranging from 0.64% to 2.46%. The proceeds of the 2016 Certificates were used to refinance certain outstanding lease obligations of the County and to prepay on a current basis the County's outstanding 2002 Refunding Certificates of Participation (the "2002 Certificates"), 2005 Refunding Certificates of Participation (the "2005 Certificates") and 2006 Certificates of Participation (the "2006 Certificates"), to finance a variety of capital improvements, to satisfy the Reserve Requirement for the Certificates and to pay the delivery costs of the Certificates.

As a result of the current refunding of the 2002 Certificates, the 2005 Certificates and the 2006 Certificates, the County decreased its total debt service payments by \$2,274,309, net of the cost to finance the capital improvements, resulting in an economic gain of \$1,464,328.

The 2016 Certificates of \$10,500,000 were issued to refund the County's outstanding 2002 and 2005 Refunding Certificates of Participation and 2006 Certificates of Participation, which had principal amounts outstanding of \$1,830,000, \$4,105,000 and \$5,900,000 respectively. Net of the amount of 2016 Certificates issued to finance capital improvements, the reacquisition price exceeded the net carrying amount of the old debt by \$492,357 resulting in a deferred loss of refunding. This loss on refunding will be amortized over the remaining life of the refunded bonds.

Energy Resources Conservation and Development Commission Loan

In December 2012, the County entered into a loan agreement with the Energy Resources Conservation and Development Commission in the amount of \$172,837. The loan bears an annual interest rate of 3% due semi-annually and matured on December 22, 2017. For the current year, principal and interest paid on the loan was \$42,027. The loan is paid in full.

B. *Business-Type Activities*

At June 30, 2018, annual debt service requirements of business-type activities to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Lease Revenue Bonds</u>		<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 250,000	\$ 244,800	\$ 49,177	\$ 4,557
2020	260,000	234,600	50,459	3,434
2021	270,000	224,000	34,207	2,285
2022	285,000	211,475	25,055	1,477
2023	295,000	196,975	14,917	811
2024-2028	1,675,000	795,925	18,287	439
2029-2033	2,065,000	399,738	-	-
2034-2038	945,000	38,100	-	-
Total	\$ 6,045,000	\$ 2,345,613	\$ 192,102	\$ 13,003

Loans payable principal and interest are paid from various enterprise fund revenues.

NOTE 10 - LONG-TERM DEBT (Continued)

C. Component Unit

At June 30, 2018, annual debt service requirements of the District to maturity are as follows:

Year Ending June 30,	2004 Limited Obligation Refunding Improvement Bonds		2005 Wastewater Revenue Refunding Bonds		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 90,000	\$ 2,363	\$ -	\$ -	\$ 2,122,666	\$ 243,494
2020	-	-	-	-	573,309	217,004
2021	-	-	-	-	587,642	202,671
2022	-	-	-	-	602,333	187,980
2023	-	-	-	-	617,391	172,922
2024-2028	-	-	-	-	3,326,339	625,223
2029-2033	-	-	-	-	2,973,136	188,115
Total	\$ 90,000	\$ 2,363	\$ -	\$ -	\$ 10,802,816	\$ 1,837,409

During 2005, the District issued \$9,335,000 of 2005 Wastewater Revenue Refunding Bonds which refunded the 1977 Sewer Revenue Bonds, Series A, and the 1994 Certificates of Participation issued for the wastewater treatment plant. The bonds are obligations of the District, and are payable from and secured by a pledge of net revenues. These were redeemed on April 2, 2018.

During 2004, the District issued Limited Obligation Refunding Improvement Bonds to refinance the 1994 Freedom Boulevard Sewer Special Assessment bonds, pay costs related to the issuance of the bonds and to make a deposit to a Reserve Fund.

Loans Payable

The City of Santa Cruz loan represents 47% of the State Water Resources Control Board loan for which the District has an agreement to participate in the repayment. The total loan proceeds made available in fiscal year 1998/1999 was approximately \$48 million, of which the District's share was 47% or approximately \$24.4 million of the original principal amount. These funds were used to construct the treatment plant expansion of which the District has capacity rights. On December 12, 2013, the City refunded the existing \$2.7 million 2005 Wastewater Bonds and \$16.0 million in State Revolving Funds, and issued \$18.7 million in 2013 Wastewater Revenue Refunding Bonds. The amount of the District's portion outstanding as of June 30, 2018, is \$1,563,340.

During 2009, the District entered into a Project Finance Agreement (Agreement) with the State Water Resources Control Board (SWRCB) to finance the Aptos Transmission Main Relocation Project. Under this Agreement, the SWRCB has agreed to loan the District a total of \$16,725,699. As of June 30, 2018, the District has received a total of \$11,981,910 in loan disbursements pursuant to this Agreement. Pursuant to the Agreement, the interest rate is 2.5% and the District has begun making payments to repay the loan in the 2013/2014 fiscal year.

D. Legal Debt Limit

The County's legal annual debt service limit as of June 30, 2018, is \$565,817,770. The County's legal debt service limit is 1.25% of the total full cash valuation of all real and personal property within the County.

NOTE 10 - LONG-TERM DEBT (Continued)

E. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. The County has hired a consultant to perform calculations of excess investment earnings on various bonds and financings, and it is anticipated that the County will be determined to be in compliance with arbitrage regulations.

NOTE 11 - PLEDGE OF FUTURE REVENUES

2015 & 2017 Lease Revenue Bonds

The 2015 and 2017 Lease Revenue Bonds, collectively referred to herein as "Bonds" are payable from the revenues pledged under the Indenture. The County is required to make the Lease Payments from legally available funds. The County has covenanted in the Lease Agreement to take such actions as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations for all such Lease Payments subject to complete or partial abatement of such Lease Payments resulting from a taking of the Leased Property (either in whole or in part) under the powers of eminent domain or resulting from title defect or damage or destruction of all or any portion of the Leased Property. Annual principal and interest payments on the 2015 bonds continue through 2045, while payments on the 2017 bonds continue through 2035. Total principal and interest remaining to be paid on the bonds is \$14,598,144 for the 2015 bonds and \$10,336,712 for the 2017 bonds.

2014 Lease Revenue Bonds

The bonds are payable from and secured by a pledge of revenues and certain funds and accounts established and held by the Trustee under the Indenture. Revenues, as defined in the Indenture, means (i) all lease payments and other amounts paid, or caused to be paid, by the County, and received by the Financing Authority pursuant to the Lease Agreement (but not additional payments), and (ii) all interest or other income from any investment of any money in any fund or account established pursuant to the Indenture (other than the Rebate Fund) to repay \$11,810,000 (\$5,065,000 financial management system software and \$6,745,000 County's Buena Vista Sanitary Landfill) in lease revenue bonds issued during April 2014. Proceeds from the bonds provided funds to finance capital improvements, including the County's new financial management system software and an additional module at the County's Buena Vista Sanitary Landfill, to fund capitalized interest for a portion of the bonds, to satisfy the Reserve Requirement for the bonds and to pay the costs of issuance of the bonds. Annual principal and interest payments on the bonds continue through 2034. Total principal for the current year was \$420,000 (\$180,000 from governmental activities and \$240,000 from business type activities). Total interest paid for the current year was \$445,738 (\$191,138 from governmental activities and \$254,600 from business type activities).

2012A Lease Revenue Refunding Bonds

The revenues of the Santa Cruz Regional 911 (Regional 911) were pledged to repay \$3,965,000 in lease revenue refunding bonds issued in May 2012. The Regional 911 was formed in a Joint Powers Authority Agreement with the cities of Santa Cruz, Watsonville, and Capitola and the County of Santa Cruz. Proceeds from the bonds provided funds to refinance an existing lease and to fund equipment purchases. The bonds were payable from use payments paid to the Regional 911 by the different governmental agencies. Annual principal and interest payments on the bonds continue through 2034 and are expected to require less than 12 percent of revenues. The total principal and interest remaining to be paid on the bonds is \$4,574,025. Pursuant to the Joint Powers Authority Agreement, the County is responsible for 47.53% of the total liability, or \$2,174,034. Total principal and interest paid for the current year and total customer revenues were \$284,194 and \$7,002,553 respectively. The County paid \$135,077 of the current year principal and interest. The Bonds were refunded on May 15, 2012.

NOTE 12 - LANDFILL CLOSURE AND POSTCLOSURE COSTS

The County operates the Buena Vista Landfill for the disposal of municipal waste and a transfer station at the site of the closed Ben Lomond Landfill. State and Federal laws and regulations, including the California Integrated Waste Management Board Title 14, California State Water Resources Control Board Title 23, and the Environmental Protection Agency Subtitle D of the Codified Federal Regulations 40, require the County to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that landfills stop accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on the County landfill's capacity used as of June 30 of each year.

As of June 30, 2018, a liability for closure and postclosure maintenance in the amount of \$6,872,331 is reflected in the County Disposal Sites CSA 9C Enterprise Fund based upon landfill capacity used to date. As of June 30, 2018, Ben Lomond Landfill was filled to 100% capacity, and the County estimates that the Buena Vista Landfill is filled to 68.47% of capacity with an estimated remaining useful life of 18 years. The Ben Lomond Landfill was closed during 1989 and the closure and postclosure care costs have been fully paid. The County will recognize the remaining estimated cost of closure and postclosure maintenance of \$3,165,151 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2018. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The estimates will also be adjusted annually for inflation or deflation, in accordance with State guidelines.

The County is required by State and Federal laws and regulations to make annual contributions to a fund to finance closure and postclosure maintenance. The County is in compliance with these requirements, and at June 30, 2018, cash of \$7,095,034 is held for this purpose, reported as restricted assets on the Statement of Net Position. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users.

Postclosure maintenance for both the Buena Vista and closed Ben Lomond Landfills are provided for through a "Pledge of Revenue." The Board adopted resolutions pledging future County Disposal Sites CSA 9C Fund's revenues annually through the prescribed postclosure maintenance period. An initial postclosure cost was estimated at the time of adoption of the Pledge of Revenue resolutions and is adjusted for inflation on an annual basis.

NOTE 13 - DEFICIT NET POSITION AND FUND BALANCES

Individual proprietary fund deficit net position at June 30, 2018, were as follows:

Internal Service Funds:	
Information Services	\$6,719,010
Public Works	\$40,666,687
Risk Management	\$842,283
Workers' Compensation Insurance	\$13,506,912
Employee Benefit Staffing	\$572,163

The deficit net positions in the Information Services Fund, Public Works Fund, Risk Management Fund and Employee Benefit Staffing are primarily due to the reporting of the net pension liability and net the liability of OPEB pursuant to the implementation of GASB Statement No. 68 and GASB Statement No. 75. The County is committed to fully funding the actuarially determined contributions annually.

The Workers' Compensation Fund had a deficit net position of \$13,506,912 related to the losses payable for claims and the inclusion of estimates for IBNR claims. Management anticipates that the County will have sufficient funds to pay annual requirements. These funds will normally show up as deficits since the County is set up on a pay-as-you go program.

NOTE 14 - PENSION PLANS

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the County’s separate Miscellaneous (all other), Safety (police and fire), and Safety Sheriff Plans, through agent multiple-employer defined benefit pension plans administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and County 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.

CalPERS GASB Statement No. 68 Accounting Valuation Report differs from the amounts recognized by the County due to a Plan participants that are not part of the County. The amounts have been reduced based on payments within the Measurement Period of July 1, 2016 to June 30, 2017.

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. All members are eligible for non-duty 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 California Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2018, are summarized as follows:

Hire Date	Miscellaneous		
	Prior to December 17, 2012	December 17, 2012 to December 31, 2012 or reciprocal *	On or after January 1, 2013
Benefit Formula	2% at 55	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years	5 Years
Earliest Retirement Age	50	50	52
Maximum Benefit Factor	2.418% @ 63	2.418% @ 63	2.5% @ 67
Final Compensation	12 Months	36 Months	36 Months
Required Employee Contribution Rates	7.0%	7.0%	6.3%
Required Employer Contribution Rates	19.6%	19.6%	19.6%

NOTE 14 - PENSION PLANS (Continued)

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

Hire Date	Safety		
	Prior to June 9, 2012	June 9, 2012 to December 31, 2012 or reciprocal *	On or after January 1, 2013
Benefit Formula	2% at 50	2% at 50	2.7% at 57
Benefit Vesting Schedule	5 Years	5 Years	5 Years
Earliest Retirement Age	50	50	50
Maximum Benefit Factor	2.7% @ 55	2.7% @ 55	2.7% @ 57
Final Compensation	12 Months	36 Months	36 Months
Required Employee Contribution Rates	9.0%	9.0%	11.0%
Required Employer Contribution Rates	27.7%	27.7%	27.7%

Hire Date	Safety Sheriff		
	Prior to June 9, 2012	June 9, 2012 to December 31, 2012 or reciprocal *	On or after January 1, 2013
Benefit Formula	3% at 50	3% at 55	2.7% at 57
Benefit Vesting Schedule	5 Years	5 Years	5 Years
Earliest Retirement Age	50	50	50
Maximum Benefit Factor	3% @ 55	3% @ 55	2.7% @ 57
Final Compensation	12 Months	36 Months	36 Months
Required Employee Contribution Rates	9.0%	9.0%	12.0%
Required Employer Contribution Rates	39.7%	39.7%	39.7%

*Reciprocal: Any employee who starts working for the County of Santa Cruz within six months of separating from another public agency in California that is either in the CalPERS retirement system or another public retirement system that has reciprocity with CalPERS, so long as the employee began employment with that agency prior to January 1, 2013.

Employees Covered – At June 30, 2018, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety	Safety Sheriff
Inactive Employees or Beneficiaries Currently Receiving Benefits	2,659	275	92
Inactive Employees Entitled to but not yet Receiving Benefits	1,606	244	98
Active Employees	1,989	218	144
Total	6,254	737	334

NOTE 14 - PENSION PLANS (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. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

B. Net Pension Liability

The County’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The June 30, 2016 valuation was rolled forward to determine the June 30, 2017 total pension liability, based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Safety Sheriff</u>
Valuation Date	June 30, 2016	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:			
Discount Rate	7.15%	7.15%	7.15%
Inflation	2.75%	2.75%	2.75%
Payroll Growth	3.00%	3.00%	3.00%
Projected Salary Increase	Varies ⁽¹⁾	Varies ⁽¹⁾	Varies ⁽¹⁾
Investment Rate of Return	7.50% ⁽²⁾	7.50% ⁽²⁾	7.50% ⁽²⁾
Mortality	<u>Derived using CalPERS’ Membership Data for all Funds</u> ⁽³⁾		
Post Retirement Benefit Increase	<u>Contract Cost-of-Living-Adjustment up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter</u>		

⁽¹⁾ Depending on Entry age and service

⁽²⁾ Net of Pension Plan Investment and Administrative Expenses, includes Inflation

⁽³⁾ The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS’ website under Forms and Publications.

NOTE 14 - PENSION PLANS (Continued)

B. Net Pension Liability (Continued)

Change of Assumptions – In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of 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 (PERF) cash flows. Taking into account all historical returns of all the Public Employees’ Retirement Fund’s asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B and C funds), expected compound (geometric) 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 was calculated for each PERF 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 equal 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. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	Current Target Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

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

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

NOTE 14 - PENSION PLANS (Continued)**B. Net Pension Liability** (Continued)**Changes in the Net Pension Liability** - The changes in the Net Pension Liability for each Plan follow:

Miscellaneous Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016	\$ 1,039,946,409	\$ 738,605,100	\$ 301,341,309
Changes in the year:			
Service Cost	22,555,385	-	22,555,385
Interest on the Total Pension Liability	77,995,878	-	77,995,878
Changes of Benefit Terms	-	-	-
Changes in Assumptions	62,091,454	-	62,091,454
Differences between Expected and Actual Experience	4,974,813	-	4,974,813
Plan to Plan Resource Movement	-	(61,373)	61,373
Contribution - Employer	-	28,166,164	(28,166,164)
Contribution - Employee	-	10,534,891	(10,534,891)
Net Investment Income	-	82,225,749	(82,225,749)
Benefit Payments, Including Refunds of Employee Contributions	(51,229,871)	(51,229,871)	-
Administrative Expenses	-	(1,092,049)	1,092,049
Net Changes	116,387,659	68,543,511	47,844,148
Balance at June 30, 2017	<u>\$ 1,156,334,068</u>	<u>\$ 807,148,611</u>	<u>\$ 349,185,457</u>
 Safety Plan	 Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016	167,898,189	117,566,389	\$ 50,331,800
Changes in the year:			
Service Cost	4,308,824	-	4,308,824
Interest on the Total Pension Liability	12,144,727	-	12,144,727
Changes of Benefit Terms	-	-	-
Changes in Assumptions	10,635,917	-	10,635,917
Differences between Expected and Actual Experience	(170,518)	-	(170,518)
Plan to Plan Resource Movement	-	3,626	(3,626)
Contribution - Employer	-	4,636,859	(4,636,859)
Contribution - Employee	-	1,731,239	(1,731,239)
Net Investment Income	-	12,764,280	(12,764,280)
Benefit Payments, Including Refunds of Employee Contributions	(8,473,271)	(8,473,271)	-
Administrative Expenses	-	(170,140)	170,140
Net Changes	18,445,679	10,492,593	7,953,086
Balance at June 30, 2017	<u>\$ 186,343,868</u>	<u>\$ 128,058,982</u>	<u>\$ 58,284,886</u>

NOTE 14 - PENSION PLANS (Continued)

B. Net Pension Liability (Continued)

Changes in the Net Pension Liability (Continued)

Safety Sheriff Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016	\$ 147,286,542	\$ 93,435,114	\$ 53,851,428
Changes in the year:			
Service Cost	4,330,397	-	4,330,397
Interest on the Total Pension Liability	11,690,824	-	11,690,824
Changes of Benefit Terms	-	-	-
Changes in Assumptions	10,427,243	-	10,427,243
Differences between Expected and Actual Experience	1,105,968	-	1,105,968
Plan to Plan Resource Movement	-	53,634	(53,634)
Contribution - Employer	-	5,773,111	(5,773,111)
Contribution - Employee	-	1,417,068	(1,417,068)
Net Investment Income	-	10,827,138	(10,827,138)
Benefit Payments, Including Refunds of Employee Contributions	(6,321,116)	(6,321,116)	-
Administrative Expenses	-	(141,537)	141,537
Net Changes	21,233,316	11,608,298	9,625,018
Balance at June 30, 2017	<u>\$ 168,519,858</u>	<u>\$ 105,043,412</u>	<u>\$ 63,476,446</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the County for each Plan, calculated using the discount rate for each Plan, as well as what the County’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.15 percent) or one percentage point higher (8.15 percent) than the current rate:

	Miscellaneous	Safety	Safety Sheriff
1% Decrease			
Net Pension Liability	\$ 499,357,911	\$ 85,764,867	\$ 88,052,261
Current Discount Rate			
Net Pension Liability	\$ 349,185,457	\$ 58,284,886	\$ 63,476,446
1% Increase			
Net Pension Liability	\$ 224,062,293	\$ 35,769,317	\$ 43,487,934

Pension Plan Fiduciary Net Position – The Plan’s fiduciary net position disclosed in the County’s CalPERS GASB Statement No. 68 accounting valuation report may differ from the Plan assets reported in the County’s CalPERS funding actuarial valuation report due to several reasons. For example, for the accounting valuations, CalPERS must keep items such as deficiency reserves and fiduciary self-insurance included as assets. These amounts are excluded for rate setting purposes in the County’s funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

NOTE 14 - PENSION PLANS (Continued)

C. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the County recognized a pension expense of \$70,561,694. At June 30, 2018, the County's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 29,778,414	\$ -
Changes in Assumptions	42,061,953	-
Differences between Actual and Expected Experience	4,692,041	-
Net Differences between Projected and Actual Earnings on Plan Investments	<u>49,453,093</u>	<u>36,814,162</u>
Total	<u>\$ 125,985,501</u>	<u>\$ 36,814,162</u>
	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 4,855,310	\$ -
Changes in Assumptions	7,836,992	593,436
Differences between Actual and Expected Experience	-	721,365
Net Differences between Projected and Actual Earnings on Plan Investments	<u>7,761,864</u>	<u>5,702,845</u>
Total	<u>\$ 20,454,166</u>	<u>\$ 7,017,646</u>
	Safety Sheriff	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 6,109,786	\$ -
Changes in Assumptions	8,299,235	1,051,574
Differences between Actual and Expected Experience	2,030,448	-
Net Differences between Projected and Actual Earnings on Plan Investments	<u>6,306,104</u>	<u>4,720,695</u>
Total	<u>\$ 22,745,573</u>	<u>\$ 5,772,269</u>

NOTE 14 - PENSION PLANS (Continued)

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

	TOTAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 40,743,510	\$ -
Changes in Assumptions	58,198,180	1,645,010
Differences between Actual and Expected Experience	6,722,489	721,365
Net Differences between Projected and Actual Earnings on Plan Investments	<u>63,521,061</u>	<u>47,237,702</u>
Total	<u>\$ 169,185,240</u>	<u>\$ 49,604,077</u>

\$40,743,511 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Details for each of the plan follow:

Miscellaneous	Safety	Safety Sheriff	TOTAL
\$ 29,778,414	\$ 4,855,310	\$ 6,109,786	\$ 40,743,510

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Miscellaneous Deferred Inflows(Outflows) of Resources	Safety Deferred Inflows(Outflows) of Resources	Safety Sheriff Deferred Inflows(Outflows) of Resources	TOTAL Deferred Inflows(Outflows) of Resources
	2019	\$ 23,293,134	\$ 1,660,518	\$ 2,439,652
2020	34,810,201	4,814,543	4,007,441	43,632,185
2021	7,283,362	3,029,730	3,089,151	13,402,243
2022	<u>(5,993,772)</u>	<u>(923,581)</u>	<u>1,327,274</u>	<u>(5,590,079)</u>
Total	<u>\$ 59,392,925</u>	<u>\$ 8,581,210</u>	<u>\$ 10,863,518</u>	<u>\$ 78,837,653</u>

D. Payable to the Pension Plans

At June 30, 2018, there was no outstanding amount of contributions payable to the Plans required for the year ended June 30, 2018.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan

Plan Description. Employees of the County who retire through CalPERS, their spouse, and eligible dependents may receive health plan coverage through the Public Employees' Medical & Hospital Care Program Plan (Plan). The Plan is a single-employer defined benefit plan administered by CalPERS which provides the retirees a monthly medical contribution that is not to exceed the cost of the plan selected. The cost of the Plan to the County for each bargaining group will be determined through CalPERS' regulations and requirements. For the Physicians Bargaining Unit, the County contributes fixed dollar amounts that vary by coverage [\$327.21 (single) and \$388.41 (for one or more dependents)]. For other bargaining units, the County contributions are based on longevity schedules with fixed dollar scaling that varies by bargaining unit. The Plan does not issue a financial report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Eligibility. All of the County's employees became participants in accordance with the Memorandum of Understanding (MOU) as negotiated by each group or bargaining unit. In order to receive benefits, eligible employees must meet the minimum requirements defined in their MOU.

The Plan is eligible to plan members who retire directly from the County through CalPERS at age 50 with at least 5 years of service.

Employees Covered – At June 30, 2017, the following employees were covered by the benefit terms:

	<u>Total</u>
Active employees	2,196
Inactive employees or beneficiaries currently receiving benefit payments	1,218
Inactive employees entitled but not yet receiving benefit payments	325
Total	<u><u>3,739</u></u>

Contributions. The contribution requirements for the County are established by a Memorandum of Understanding as negotiated by each group or bargaining unit. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2018, the County contributed \$6,873,540 to the Plan, \$1,355,000 of which is implicit subsidy.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

B. Total OPEB Liability

The County's total OPEB liability of \$162,972,790 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation report was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement unless otherwise specified:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Funding Policy	Pay -as-you-go
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of payroll
Amortization Period	18 years for discount sensitivity rate analysis
Actuarial Assumptions:	
Discount Rate	3.56% - No pre-funding
Inflation	2.75% per annum
Payroll Increases	Aggregate Increases -3.00% Merit Increases - CALPERS 1997-2015 Experience Study
Mortality, Termination, Disability and Retirement	CALPERS 1997-2015 Experience Study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2017
Medical Trend	Pre- Medicare - 7.5% for 2019, decreasing to 4.0% for 2076 and later; Medicare - 6.5% for 2019, decreasing to 4.0% for 2076 and later
PEMHCA* Minimum Increase Rate	Actual PEMHCA Minimum thorough 2018; 4.25% per year increase for 2019 & later

*Public Employees' Medical and Hospital Care Act (PEMHCA)

The discount rate was based on the Fidelity Municipal General Obligation AA 20 year bond index.

There was no experience study performed for the Plan. The actuarial assumptions used in the June 30, 2017 valuation were based on CalPERS experience studies, since covered employees are also in CalPERS plans. Mortality Improvement is the most recent Society of Actuaries table. Inflation is based on actuary's estimate for the Plan's very long time horizon. Short-term healthcare trend was developed in consultation by actuary with Axene Health Partners' healthcare actuaries. Long-term healthcare trend was developed using Society of Actuaries' Getzen Model of Long-Run Medical Cost Trends.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

B. Total OPEB Liability (Continued)

Changes in the Total OPEB Liability - The changes in the Total OPEB Liability follow:

	<u>Total OPEB Liability</u>
Balance at June 30, 2016	\$ 169,904,000
Changes for the year:	
Service Cost	8,738,882
Interest	5,117,000
Changes of Benefit Terms	-
Differences between Actual and Expected Experience	-
Changes in Assumptions	(14,014,000)
Benefit Payments	(6,773,092)
Net Changes	<u>(6,931,210)</u>
Balance at June 30, 2017	<u>\$ 162,972,790</u>

Change of Assumptions – In 2017, the accounting discount rate reduced from 4.00 percent to 3.56 percent.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the Total OPEB liability of the County, as well as what the County’s Total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56 percent) or one percentage point higher (4.56 percent) than the current rate:

<u>Total OPEB Liability</u>		
<u>2.56%</u> <u>(1% Decrease)</u>	<u>3.56%</u> <u>(Current Discount Rate)</u>	<u>4.56%</u> <u>(1% Increase)</u>
\$ 185,733,000	\$ 162,972,790	\$ 144,382,000

Sensitivity of the Total OPEB Liability to Changes in healthcare cost trend rates – The following presents the Total OPEB liability of the County, as well as what the County’s Total OPEB liability would be if it were calculated using healthcare cost trend rate that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

<u>Total OPEB Liability</u>		
<u>(1% Decrease)</u>	<u>(Current Healthcare Trend)</u>	<u>(1% Increase)</u>
\$ 152,327,000	\$ 162,972,790	\$ 180,200,000

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

For the year ended June 30, 2018, the County recognized OPEB expense of \$11,795,118. At June 30, 2018, the County's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ 6,873,540	\$ -
Changes in Assumptions or other inputs	-	11,953,118
Total	<u>\$ 6,873,540</u>	<u>\$ 11,953,118</u>

\$6,873,540 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2019	\$ (2,060,882)
2020	\$ (2,060,882)
2021	\$ (2,060,882)
2022	\$ (2,060,882)
2023	\$ (2,060,882)
Thereafter	<u>(1,648,708)</u>
Total	<u>\$ (11,953,118)</u>

NOTE 16 - DEFERRED COMPENSATION PLAN

The County offers all of its full-time employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The deferred compensation plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or emergency. Employees direct the investment of deferred compensation plan assets into certificates of deposits and various mutual funds. The County has insignificant administrative duties.

As of June 30, 2018, the deferred compensation Plan's assets of \$181,253,560 are not recorded in the County's financial statements as they are deposited with a third party administrator independent of the County.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

A. *Contracts*

As of June 30, 2018, the County has construction contract commitments in the Department of Public Works (all funds types) and in Special Revenue and Capital Projects Funds in the amount of \$14,557,437 and \$6,539,641, respectively.

B. *Litigation*

There are several lawsuits and unresolved disputes involving the County or its employees in which the County is represented by the County Counsel. However, in the opinion of the County Counsel these actions will not, in the aggregate, have a material adverse effect upon the operations or financial position of the County.

C. *Federal and State Grants*

The County participates in a number of Federal and State grant programs subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. However, management does not believe that audit disallowances, if any, would have a significant effect on the financial position of the County.

D. *Medicare and Medi-Cal Reimbursements*

The County's Medicare and Medi-Cal cost reports for certain prior years are in various stages of review by the third-party intermediaries and have not been settled as a result of certain unresolved reimbursement issues. The County believes that it has adequately provided for any potential liabilities that may arise from the intermediaries' review.

NOTE 18 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, injuries to employees, natural disasters, medical malpractice, unemployment coverage, and dental benefits to employees. The County is self-insured for its general and automobile liability, workers' compensation, property, and employees' dental coverage. The County has chosen to establish risk-financing internal service funds, where assets are set aside for claim settlements associated with the above risk of loss up to certain limits. Excess coverage is provided by the California State Association of Counties (CSAC) Excess Insurance Authority (Insurance Authority), a joint powers authority whose purpose is to develop and fund programs of excess insurance for its member counties. The Insurance Authority is governed by a Board of Directors consisting of representatives of the member counties. Self-insurance limits per occurrence and Insurance Authority limits per year are as presented in the Statistical Section of this report.

Amounts in excess of these limits are self-insured. None of the insurance settlements over the past three years has exceeded the amount of insurance coverage. As of June 30, 2018, the workers' compensation liability limit per occurrence was \$500,000.

The unpaid claims liability included in each of the Self-Insurance Internal Service Funds are based on the results of actuarial studies and include amounts for claims incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. It is the County's practice to obtain full actuarial studies bi-annually. Annual premiums are charged by each Self-Insurance fund using various allocation methods which include actual costs, claims experience, and number of participants.

NOTE 18 - RISK MANAGEMENT (Continued)

The change in the balance of claims liabilities during the fiscal year ended June 30, 2018, and two prior years for all Self-Insurance Internal Service Funds combined is as follows:

	2018	2017	2016
Unpaid claims and claim adjustment expenses, beginning of the fiscal year	\$ 36,757,128	\$ 39,004,128	\$ 38,986,910
Incurred claims and claim adjustment expenses	10,380,265	15,815,693	9,746,817
Increase(decrease) in provision of insured events for prior years	-	(2,247,000)	-
Claim payments	(10,380,265)	(15,815,693)	(9,729,599)
Unpaid claims and claim adjustment expenses, end of the fiscal year	<u>\$ 36,757,128</u>	<u>\$ 36,757,128</u>	<u>\$ 39,004,128</u>

At June 30, 2018, the Self-Insurance Funds held a total of \$23,203,166 in cash for the payment of these claims.

A. Workers' Compensation

The Workers' Compensation self-insurance program is funded on a cash flow plus contingency reserve basis. The County is liable for the first \$500,000 and carries catastrophic insurance coverage. At June 30, 2018, the estimated future liabilities were \$29,794,000. As permitted by State and Federal guidelines, the Workers' Compensation program is funded on a pay-as-you-go basis. The funding is closely monitored to ensure that claims are paid when due or required by law.

B. Dental and Medical

The County provides a self-funded indemnity dental program for employees and their dependents and is funded by the various County departments through charges to their salary and benefits budgets. At June 30, 2018, the County had an estimated future liability of \$406,120 for dental benefits. The County is fully insured for its alternative capitation dental program and for medical coverage for employees represented by Operating Engineers Union Local 3.

C. Liability and Property

The County has a self-insured retention of \$1 million with excess insurance coverage for the general liability program. At June 30, 2018, the County had estimated future liabilities totaling \$6,495,000 which included estimates for known claims and losses IBNR.

D. Unemployment Insurance

The Unemployment Insurance self-insurance program is considered a "reimbursable" program by the Employment Development Department (EDD), since EDD provides benefits and bills the County quarterly after the fact. As billings are always one quarter in arrears, the estimated future liabilities are based on 25% of the amount budgeted for the new fiscal year. At June 30, 2018, estimated future liabilities were \$62,008.

NOTE 19 - FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (see Note 1 for a description of these categories). A detailed schedule of fund balances at June 30, 2018, is as follows:

	General Fund	Off Highway, Road and Transportation Fund	Housing Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventory, prepaids and imprest cash	\$ 1,579,014	\$ -	\$ -	\$ -	\$ -	\$ 1,579,014
Advances and loans	178,794	-	-	-	-	178,794
Total nonspendable fund balance	1,757,808	-	-	-	-	1,757,808
Restricted for:						
Purpose of fund	-	-	77,850,206	-	21,919,812	99,770,018
Debt service	-	-	-	-	2,391,716	2,391,716
Capital asset acquisition	-	-	-	6,732,465	7,718,051	14,450,516
Total restricted fund balance	-	-	77,850,206	6,732,465	32,029,579	116,612,250
Committed to:						
Natural Disasters	2,000,000	-	-	-	-	2,000,000
Working Capital	6,000,000	-	-	-	-	6,000,000
Economic Uncertainty	10,000,000	-	-	-	-	10,000,000
MHSA Prudent Reserve	3,557,098	-	-	-	-	3,557,098
Total committed fund balance	21,557,098	-	-	-	-	21,557,098
Assigned to:						
MBCP Credit Guaranty	272,727	-	-	-	-	272,727
Federally qualified health program	12,768,801	-	-	-	-	12,768,801
Budgeted Structural Deficit	6,224,517	-	-	-	-	6,224,517
Eliminate projected budgetary deficit in subsequent year's budget	6,069,973	-	-	-	-	6,069,973
Unanticipated liabilities	2,000,000	-	-	-	-	2,000,000
Human services programs	2,696,508	-	-	-	-	2,696,508
Salary Savings	7,060,833	-	-	-	-	7,060,833
Total assigned fund balance	37,093,359	-	-	-	-	37,093,359
Unassigned Fund Balance	-	(4,988,660)	-	-	-	(4,988,660)
Total fund balances	\$ 60,408,265	\$ (4,988,660)	\$ 77,850,206	\$ 6,732,465	\$ 32,029,579	\$ 172,031,855

NOTE 20 - SUBSEQUENT EVENTS

During 2013, Monterey Bay Community Power (MBCP) was formed as a region-wide collaborative partnership comprised of all twenty one (21) local governments within the greater Monterey Bay area, including the Counties of Santa Cruz, Monterey and San Benito and all eighteen (18) cities located within those counties. This collaborative was created to examine the potential for a community choice energy (CCE) program in the Monterey Bay region. The goals of MBCP are to reduce greenhouse gas (GHG) emissions and provide electric power and other forms of energy to customers at competitive prices in the Monterey, Santa Cruz and San Benito County region. In addition, the program seeks to reduce energy consumption, stimulate the local economy by creating jobs and promote long-term electric rate stability and reliability for the residents of the tri-county area.

On February 21, 2017, the MBCP Joint Powers Authority was officially formed when the County of San Benito and the Cities of Scotts Valley and Hollister passed their second reading of the ordinance. On February 28, 2017, the County approved the MBCP Joint Powers Authority agreement, ordinance and resolution.

MBCP began providing electrical service to customers in spring 2018.

On October 13, 2017, the County together with other counties, as members of the MBCP, issued a Non-Revolving Credit Guaranty (Guaranty) for the \$3 million non-revolving line of credit of MBCP to a lender. On October 4, 2018, the lender confirmed that the obligation of MCBP under the non-revolving line of credit had been paid and satisfied in full. Accordingly, the lender had released the Guaranty, and the County shall have no further obligation to the lender thereunder.

On July 2, 2018, the County issued the 2018-2019 Tax and Revenue Anticipation Notes in the amount of \$45,000,000. The 2018-2019 Tax and Revenue Anticipation Notes bear interest at the rate of 4.0% and matures on July 1, 2019. The County issues tax and revenue anticipation notes annually to meet current expenses, capital expenditures, and other obligations or indebtedness until sufficient taxes or revenues are collected to fund the County's operations.

NOTE 21 - PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was made to the governmental and business type activities to reflect prior period costs related to the implementation of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."

The restatement of beginning net position of the governmental activities is summarized as follows:

Governmental activities	
Net position at July, 2017, as previously stated	\$ 170,698,024
Net OPEB liability adjustment	<u>(33,211,372)</u>
Net Position at July, 2017, as restated	<u>\$ 137,486,652</u>

The restatement of beginning net position of the business-type activities' is summarized as follows:

Business-type activities	
Net position at July, 2017, as previously stated	\$ 26,437,384
Net OPEB liability adjustment	<u>(3,270,591)</u>
Net Position at July, 2017, as restated	<u>\$ 23,166,793</u>

NOTE 22 – TAX ABATEMENTS

The County provides property tax abatements through the Williamson Act program (the California Land Conservation Act of 1965), which allows eligible property owners to enter into a contract to preserve commercial agricultural land. Applications to enter into a new contract or to not renew or cancel an existing contract requires approval from the County Board of Supervisors with recommendations from the Agricultural Policy Advisory Commission and the Planning Commission.

Contracts are usually approved for a term of 10 or 20 years and automatically renew every year. The contract is maintained at the original term until the contract is not renewed by the property owner or the County, or until the contract is cancelled by the property owner. In the past, the State reimbursed counties to partially offset the loss of property tax revenue, but they discontinued the subvention payments in 2009. In response, the County resolved to not accept or take action on applications for new contracts.

To be eligible for the tax abatement, the parcels must be located within an Agricultural Preserve as Type 1, 2, or 3, and zoned Commercial Agriculture, Agriculture Preserve, or Timber Production. They must also be designated as Agriculture, Mountain Residential, Parks and Open Space, or Resource Conservation. Parcels must be at least 10 acres if designated as Type 1 or 3 and at least 40 acres if designated as Type 2.

Properties under contract will often be eligible for a reduced land value assessment. The Assessor's office values the parcels under contract annually using the lowest of three value calculations: the Prop 13 value, the Fair Market value, or the Restricted value. The Restricted value is calculated based on the potential income the land could produce based on the land classification and type of agriculture it could support.

No other commitments were made by the County as part of the Williamson Act. For the fiscal year ended June 30, 2018, the Agricultural Preserve Program tax abatements were \$396,942.

**REQUIRED SUPPLEMENTAL
INFORMATION (UNAUDITED)**

COUNTY OF SANTA CRUZ BUDGETARY PRINCIPLES

General Budget Policies

In accordance with Chapter 1, Division 3, Title 3, of the Government Code of the State of California, known as the "Budget Act," the County of Santa Cruz (County) prepares and adopts a budget for each fiscal year. The budget is a compilation of operating budgets from: individual functional units within the General Fund, Special Revenue Funds, Capital Projects Fund, and Proprietary Funds (operating plans). Budgets are adopted for all funds except for Debt Service Funds and certain Special Revenue Funds, namely, the Financing Authorities, Health Services, and Geological Hazard Abatement Districts.

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before June 10, each official in charge of a budget provides the County Administrative Officer an itemized request detailing the estimate of financing sources, financing uses, and any other matters required by the Board of Supervisors (Board). The auditor provides the estimates for bonded debt service requirements.
2. Prior to July 1, the County Administrative Officer submits to the Board a recommended budget for the fiscal year commencing the following July 1. By formal action, the Board approves the recommended budget, including the revisions it deems necessary.
3. On or before September 8, the Board publishes a notice in a newspaper of general circulation stating that the recommended budget documents are available to the public, and the dates of the public hearings at which any member of the public may attend and be heard on any item in the recommended budget.
4. On or before October 2, public hearings are conducted to obtain public comments, and the budget is legally adopted through the passage of a resolution. The public hearings shall be concluded within 14 calendar days.
5. On or before December 1, the Auditor-Controller publishes a final budget as recommended by the County Administrative Officer and adopted by the Board, in a format prescribed by the State Controller.
6. Budget units are expenditure classifications which identify accounting or cost centers necessary or desirable for control of the County financial operation.
7. The County uses formal budgetary integration as a management control device during the year for the primary government and all blended component units, except the Financing Authorities and certain Special Revenue Funds, which do not annually adopt a budget.
8. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) except for the following different classifications:
 - Interfund transfers are reported as revenues or expenditures for budgetary purposes, however, for GAAP purposes are reported as other financing sources or uses.
 - Proceeds from the sale of assets and the issuance of new debt are reported as revenues for budgetary purposes, however, for GAAP purposes they are reported as other financing sources.
9. Budgetary control is maintained at the character level, except for capital assets and other charges which are controlled by line item. Character levels are appropriation totals for salaries and employee benefits, and services and supplies. The Board approves all transfers of budgeted appropriation amounts between budget units within any fund or between expenditures outside of budgetary control limits. Unencumbered appropriations at year-end lapse into fund balance. See the following paragraph for encumbered appropriations at year-end.

BUDGETARY PRINCIPLES (Continued)

General Budget Policies (Continued)

The Board made several supplementary budgetary appropriations throughout the year, primarily to the Special Revenue and Capital Projects Funds. Other supplemental budgetary appropriations in other funds were not considered material.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary accounting in the General and Special Revenue Funds. Encumbrances outstanding at year-end are reported as commitments of fund balance since they do not constitute expenditures or liabilities. Encumbrances at year-end are re-budgeted in the new year.

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with
	Original	Final		Final Budget
FUND BALANCE, BEGINNING	\$ 51,736,019	51,736,019	\$ 55,790,885	\$ 4,054,866
RESOURCES (INFLOWS)				
Taxes	124,652,208	124,652,208	126,644,424	1,992,216
Licenses and permits	14,819,294	14,819,294	12,625,349	(2,193,945)
Fines, forfeits and penalties	4,743,520	4,759,814	3,847,716	(912,098)
Use of money and property	2,628,752	2,628,752	3,399,029	770,277
Aid from other governments	236,645,854	244,715,142	239,529,185	(5,185,957)
Charges for services	74,259,284	74,688,936	65,688,016	(9,000,920)
Other	6,679,141	12,364,077	15,792,130	3,428,053
Sale of capital assets	-	-	23,500	23,500
Inception of capital lease	14,847	1,094,201	92,489	(1,001,712)
Transfers in	25,353,860	24,860,542	2,598,099	(22,262,443)
Amount Available for Appropriation	489,796,760	504,582,966	470,239,937	(34,343,029)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General Government:				
Board of Supervisors				
Salaries and employee benefits	2,591,197	2,627,253	2,627,253	-
Services and supplies	156,024	173,861	170,898	2,963
Other charges	4,059	4,059	3,236	823
Total	2,751,280	2,805,173	2,801,387	3,786
Administrative Office				
Salaries and employee benefits	4,772,141	4,714,864	4,372,784	342,080
Services and supplies	2,789,030	2,871,318	1,798,474	1,072,844
Other charges	11,571	54,462	52,909	1,553
Capital assets	-	16,080	16,080	-
Intrafund transfers	(1,159,873)	(1,059,873)	(1,246,544)	186,671
Appropriations for contingencies	-	15,276	-	15,276
Total	6,412,869	6,612,127	4,993,703	1,618,424
Auditor-Controller				
Salaries and employee benefits	3,641,632	3,676,632	3,648,649	27,983
Services and supplies	1,512,001	1,503,547	1,437,075	66,472
Capital assets	458,065	403,065	239,750	163,315
Intrafund transfers	(1,711,458)	(1,711,458)	(1,685,383)	(26,075)
Appropriations for contingencies	-	31,070	-	31,070
Total	3,900,240	3,902,856	3,640,091	262,765

(Continued)

COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
General Government, Continued:				
Treasurer - Tax Collector				
Salaries and employee benefits	\$ 1,324,289	1,324,289	\$ 1,256,163	\$ 68,126
Services and supplies	873,165	765,454	577,936	187,518
Other charges	1,297	1,297	1,292	5
Intrafund transfers	267,438	267,438	150,663	116,775
Total	<u>2,466,189</u>	<u>2,358,478</u>	<u>1,986,054</u>	<u>372,424</u>
Assessor				
Salaries and employee benefits	2,677,721	2,687,818	2,687,818	-
Services and supplies	731,139	542,719	536,650	6,069
Other charges	225,003	224,919	224,919	-
Intrafund transfers	(244,536)	(244,536)	(175,389)	(69,147)
Total	<u>3,389,327</u>	<u>3,210,920</u>	<u>3,273,998</u>	<u>(63,078)</u>
Purchasing				
Salaries and employee benefits	221,889	230,325	230,325	-
Services and supplies	127,840	120,254	119,658	596
Intrafund transfers	(68,480)	(68,480)	(68,480)	-
Total	<u>281,249</u>	<u>282,099</u>	<u>281,503</u>	<u>596</u>
County Counsel				
Salaries and employee benefits	3,508,191	3,628,200	3,624,678	3,522
Services and supplies	162,311	174,097	155,373	18,724
Other charges	3,524	5,391	4,148	1,243
Intrafund transfers	(1,161,777)	(1,161,777)	(991,658)	(170,119)
Total	<u>2,512,249</u>	<u>2,645,911</u>	<u>2,792,541</u>	<u>(146,630)</u>
Personnel				
Salaries and employee benefits	3,564,963	3,630,756	3,596,120	34,636
Services and supplies	2,380,182	2,305,975	2,283,706	22,269
Other charges	-	5,207	5,207	-
Intrafund transfers	(856,448)	(856,448)	(856,448)	-
Total	<u>5,088,697</u>	<u>5,085,490</u>	<u>5,028,585</u>	<u>56,905</u>
County Clerk/Elections				
Salaries and employee benefits	1,949,482	2,086,445	2,082,324	4,121
Services and supplies	1,479,544	1,297,873	1,242,448	55,425
Other charges	56,226	59,196	58,771	425
Total	<u>3,485,252</u>	<u>3,443,514</u>	<u>3,383,543</u>	<u>59,971</u>

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
General Government, Continued:				
Communications				
Salaries and employee benefits	\$ 926,140	987,215	\$ 987,215	\$ -
Services and supplies	1,933,457	1,688,141	1,603,222	84,919
Other charges	258,824	467,316	467,248	68
Capital assets	222,841	1,272,841	220,927	1,051,914
Intrafund transfers	(1,083,597)	(1,072,114)	(1,180,095)	107,981
Total	<u>2,257,665</u>	<u>3,343,399</u>	<u>2,098,517</u>	<u>1,244,882</u>
General Services				
Salaries and employee benefits	5,069,025	5,006,359	4,991,497	14,862
Services and supplies	4,638,038	5,206,360	5,113,648	92,712
Other charges	470,505	489,326	489,322	4
Intrafund transfers	(5,848,651)	(5,867,469)	(6,150,786)	283,317
Total	<u>4,328,917</u>	<u>4,834,576</u>	<u>4,443,681</u>	<u>390,895</u>
Real Property Management				
Services and supplies	153,000	294,000	239,240	54,760
Total	<u>153,000</u>	<u>294,000</u>	<u>239,240</u>	<u>54,760</u>
Finance: Revenue-General Fund				
Services and supplies	214,669	261,228	233,172	28,056
Other charges	715,245	805,514	793,895	11,619
Intrafund transfers	(1,329,347)	(552,428)	(624,541)	72,113
Total	<u>(399,433)</u>	<u>514,314</u>	<u>402,526</u>	<u>111,788</u>
Surveyor				
Services and supplies	153,060	171,560	123,479	48,081
Intrafund transfers	-	-	(2,667)	2,667
Total	<u>153,060</u>	<u>171,560</u>	<u>120,812</u>	<u>50,748</u>
DPW Engineering				
Services and supplies	139,000	189,000	77,490	111,510
Total	<u>139,000</u>	<u>189,000</u>	<u>77,490</u>	<u>111,510</u>

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
General Government, Continued:				
Central Stores				
Salaries and employee benefits	191,713	198,139	198,139	-
Services and supplies	60,276	64,676	63,456	1,220
Intrafund transfers	(258,461)	(258,461)	(253,577)	(4,884)
Total	<u>(6,472)</u>	<u>4,354</u>	<u>8,018</u>	<u>(3,664)</u>
Total General Government	<u>36,913,089</u>	<u>39,697,771</u>	<u>35,571,689</u>	<u>4,126,082</u>
Public Protection:				
Courts				
Services and supplies	\$ 200,300	278,601	\$ 278,601	\$ -
Other charges	1,797,065	1,797,065	1,737,862	59,203
Total	<u>1,997,365</u>	<u>2,075,666</u>	<u>2,016,463</u>	<u>59,203</u>
Grand Jury				
Services and supplies	51,653	52,253	48,323	3,930
Total	<u>51,653</u>	<u>52,253</u>	<u>48,323</u>	<u>3,930</u>
Child Support				
Salaries and employee benefits	6,148,679	6,098,679	5,814,682	283,997
Services and supplies	731,264	781,264	748,897	32,367
Other charges	199,510	199,510	199,510	-
Total	<u>7,079,453</u>	<u>7,079,453</u>	<u>6,763,089</u>	<u>316,364</u>
District Attorney				
Salaries and employee benefits	15,054,660	14,964,495	14,615,085	349,410
Services and supplies	1,577,169	2,238,114	2,225,524	12,590
Other charges	314,659	412,463	277,323	135,140
Intrafund transfers	(244,450)	(244,450)	(81,031)	(163,419)
Appropriations for contingencies	-	1,570	-	1,570
Total	<u>16,702,038</u>	<u>17,372,192</u>	<u>17,036,901</u>	<u>335,291</u>
Public Defender				
Services and supplies	12,364,510	12,364,510	11,355,610	1,008,900
Total	<u>12,364,510</u>	<u>12,364,510</u>	<u>11,355,610</u>	<u>1,008,900</u>
Sheriff-Coroner				
Salaries and employee benefits	30,058,407	30,407,805	30,407,805	-
Services and supplies	8,036,381	8,042,972	7,699,465	343,507
Other charges	215,273	218,006	181,663	36,343
Capital assets	174,606	337,058	309,826	27,232
Appropriations for contingencies	-	5,000	-	5,000
Total	<u>38,484,667</u>	<u>39,010,841</u>	<u>38,598,759</u>	<u>412,082</u>

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Protection, Continued:				
Jail and Rehabilitation Center				
Salaries and employee benefits	24,801,940	25,014,610	24,526,142	488,468
Services and supplies	8,583,342	9,062,322	9,038,659	23,663
Other charges	211,327	211,327	127,941	83,386
Capital assets	-	30,000	-	30,000
Appropriations for contingencies	-	1,905	-	1,905
Total	33,596,609	34,320,164	33,692,742	627,422
Probation Department				
Salaries and employee benefits	\$ 15,768,163	15,875,891	\$ 15,597,224	\$ 278,667
Services and supplies	7,191,200	6,967,008	6,060,848	906,160
Other charges	85,145	85,145	44,798	40,347
Intrafund transfers	(108,500)	(108,500)	(100,402)	(8,098)
Appropriations for contingencies	-	48,060	-	48,060
Total	22,936,008	22,867,604	21,602,468	1,265,136
State Correctional Schools				
Services and supplies	40,140	40,140	-	40,140
Other charges	24,000	24,000	16,570	7,430
Total	64,140	64,140	16,570	47,570
Agricultural Commissioner/				
Weights and Measures				
Salaries and employee benefits	1,902,615	2,040,459	2,040,459	-
Services and supplies	359,259	351,396	350,136	1,260
Other charges	3,321	3,321	2,639	682
Intrafund transfers	(197,747)	(197,747)	(197,747)	-
Total	2,067,448	2,197,429	2,195,487	1,942
Public Works - Other Construction Inspection				
Services and supplies	65,000	95,000	87,827	7,173
Total	65,000	95,000	87,827	7,173
Recorder				
Salaries and employee benefits	905,973	906,916	906,916	-
Services and supplies	984,507	983,564	670,935	312,629
Other charges	127,344	127,344	126,878	466
Total	2,017,824	2,017,824	1,704,729	313,095

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Protection, Continued:				
County Emergency Office				
Salaries and employee benefits	\$ 248,747	248,747	\$ 235,047	\$ 13,700
Services and supplies	394,146	419,317	418,967	350
Total	<u>642,893</u>	<u>668,064</u>	<u>654,014</u>	<u>14,050</u>
Local Agency Formation Commission				
Other charges	125,067	125,067	125,067	-
Total	<u>125,067</u>	<u>125,067</u>	<u>125,067</u>	<u>-</u>
Planning Department				
Salaries and employee benefits	8,918,614	8,839,791	8,604,575	235,216
Services and supplies	6,289,892	6,929,433	6,401,137	528,296
Other charges	2,260,377	2,390,257	803,840	1,586,417
Intrafund transfers	(4,048,069)	(4,378,320)	(4,316,683)	(61,637)
Total	<u>13,420,814</u>	<u>13,781,161</u>	<u>11,492,869</u>	<u>2,288,292</u>
Animal Services				
Other charges	1,444,293	1,444,293	1,444,293	-
Total	<u>1,444,293</u>	<u>1,444,293</u>	<u>1,444,293</u>	<u>-</u>
Association of Monterey Bay Area Govts.				
Other charges	33,233	33,233	33,233	-
Total	<u>33,233</u>	<u>33,233</u>	<u>33,233</u>	<u>-</u>
Total Public Protection	<u>153,093,015</u>	<u>155,568,894</u>	<u>148,868,444</u>	<u>6,700,450</u>
Public Ways and Facilities:				
Public Ways - DPW				
Services and supplies	344,800	344,800	192,018	152,782
Total	<u>344,800</u>	<u>344,800</u>	<u>192,018</u>	<u>152,782</u>
Total Public Ways and Facilities	<u>344,800</u>	<u>344,800</u>	<u>192,018</u>	<u>152,782</u>

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Health and Sanitation:				
Health Services Agency				
Salaries and employee benefits	\$ 74,619,130	71,879,201	\$ 67,829,557	\$ 4,049,644
Services and supplies	59,429,434	64,212,789	56,296,537	7,916,252
Other charges	20,603,810	22,903,226	22,812,809	90,417
Capital assets	443,000	403,561	320,317	83,244
Intrafund transfers	(14,487,776)	(15,627,452)	(15,405,145)	(222,307)
Total	<u>140,607,598</u>	<u>143,771,325</u>	<u>131,854,075</u>	<u>11,917,250</u>
Mosquito Abatement				
Salaries and employee benefits	1,139,160	1,142,359	1,093,646	48,713
Services and supplies	460,345	462,146	385,796	76,350
Other charges	5,000	5,000	-	5,000
Capital assets	31,500	31,500	-	31,500
Total	<u>1,636,005</u>	<u>1,641,005</u>	<u>1,479,442</u>	<u>161,563</u>
Air Pollution				
Other charges	53,115	53,115	53,115	-
Total	<u>53,115</u>	<u>53,115</u>	<u>53,115</u>	<u>-</u>
Total Health and Sanitation	<u>142,296,718</u>	<u>145,465,445</u>	<u>133,386,632</u>	<u>12,078,813</u>
Public Assistance:				
Human Services Department				
Salaries and employee benefits	57,320,582	56,777,504	55,711,895	1,065,609
Services and supplies	18,791,940	20,293,546	18,010,685	2,282,861
Other charges	13,377,838	14,707,572	12,007,295	2,700,277
Capital assets	50,000	62,393	58,151	4,242
Intrafund transfers	(182,166)	60,317	(102,531)	162,848
Total	<u>89,358,194</u>	<u>91,901,332</u>	<u>85,685,495</u>	<u>6,215,837</u>
Community Programs				
Other charges	4,453,000	4,453,000	4,453,000	-
Total	<u>4,453,000</u>	<u>4,453,000</u>	<u>4,453,000</u>	<u>-</u>

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Assistance, Continued:				
Categorical Aids				
Services and supplies	\$ 196,000	\$ 196,000	\$ 110,343	\$ 85,657
Other charges	35,747,845	34,872,845	31,985,110	2,887,735
Total	<u>35,943,845</u>	<u>35,068,845</u>	<u>32,095,453</u>	<u>2,973,392</u>
General Assistance				
Services and supplies	1,000	1,000	-	1,000
Other charges	715,211	715,211	538,856	176,355
Total	<u>716,211</u>	<u>716,211</u>	<u>538,856</u>	<u>177,355</u>
Burial of Indigents				
Services and supplies	42,000	42,000	37,741	4,259
Total	<u>42,000</u>	<u>42,000</u>	<u>37,741</u>	<u>4,259</u>
Family Relations				
Services and supplies	72,025	72,025	31,780	40,245
Other charges	79,810	79,810	73,770	6,040
Total	<u>151,835</u>	<u>151,835</u>	<u>105,550</u>	<u>46,285</u>
Wards of Court				
Other charges	193,797	259,957	259,155	802
Total	<u>193,797</u>	<u>259,957</u>	<u>259,155</u>	<u>802</u>
Veterans Service Officer				
Salaries and employee benefits	406,616	432,316	430,125	2,191
Services and supplies	80,728	81,227	77,014	4,213
Other charges	1,423	1,424	1,422	2
Total	<u>488,767</u>	<u>514,967</u>	<u>508,561</u>	<u>6,406</u>
Total Public Assistance	<u>131,347,649</u>	<u>133,108,147</u>	<u>123,683,811</u>	<u>9,424,336</u>

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Education:				
Agricultural Extension Services				
Salaries and employee benefits	\$ 101,860	\$ 110,114	\$ 110,113	\$ 1
Services and supplies	21,952	24,973	24,973	-
Total	<u>123,812</u>	<u>135,087</u>	<u>135,086</u>	<u>1</u>
Total Education	<u>123,812</u>	<u>135,087</u>	<u>135,086</u>	<u>1</u>
Recreation and Culture:				
Recreation and Cultural Services				
Salaries and employee benefits	5,873,001	5,904,563	5,867,226	37,337
Services and supplies	2,855,280	2,959,586	2,710,394	249,192
Other charges	466,820	466,820	413,545	53,275
Intrafund transfers	(186,231)	(186,231)	(186,231)	-
Total	<u>9,008,870</u>	<u>9,144,738</u>	<u>8,804,934</u>	<u>339,804</u>
Total Recreation and Culture	<u>9,008,870</u>	<u>9,144,738</u>	<u>8,804,934</u>	<u>339,804</u>
Debt Service:				
Debt Service				
Services and supplies	151,250	151,250	111,712	39,538
Other charges	384,000	384,000	382,900	1,100
Intrafund transfers	(739,765)	(758,583)	(757,435)	(1,148)
Total	<u>(204,515)</u>	<u>(223,333)</u>	<u>(262,823)</u>	<u>39,490</u>
Total Debt Service	<u>(204,515)</u>	<u>(223,333)</u>	<u>(262,823)</u>	<u>39,490</u>
Total Charges to Appropriations (Outflows)	<u>472,923,438</u>	<u>483,241,549</u>	<u>450,379,791</u>	<u>32,861,758</u>

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Transfers Out:				
Plant	60,000	1,060,000	1,060,000	-
District Attorney	-	41,255	41,255	-
Sheriff-Coroner	153,000	157,000	-	157,000
Jail and Rehabilitation Center	-	42,000	42,000	-
Probation Department	-	129,444	129,443	1
Health Services Agency	8,866,311	16,514,512	(8,874,103)	25,388,615
Human Services Department	-	-	15,885,635	(15,885,635)
Debt Service to Financing Authorities	7,412,093	6,937,593	6,927,356	10,237
Total transfers out	<u>16,531,404</u>	<u>24,921,804</u>	<u>15,242,766</u>	<u>9,679,038</u>
Total Charges to Appropriations (Outflows)	<u>489,454,842</u>	<u>508,163,353</u>	<u>465,622,557</u>	<u>42,540,796</u>
Net change in fund balance	<u>341,918</u>	<u>(3,580,387)</u>	<u>4,617,380</u>	<u>8,197,767</u>
FUND BALANCE, ENDING	<u>\$ 52,077,937</u>	<u>\$ 48,155,632</u>	<u>\$ 60,408,265</u>	<u>\$ 12,252,633</u> (Concluded)

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 470,239,937
Differences - budget to GAAP:	
Inception of capital leases are not revenues for financial reporting purposes	(92,489)
Sales of capital assets are not revenues for financial reporting purposes	(23,500)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(2,598,099)</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 467,525,849</u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule	\$ 465,622,557
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(15,242,766)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 450,379,791</u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
OFF HIGHWAY, ROAD, AND TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ (56,523)	\$ (56,523)	\$ (56,523)	\$ -
RESOURCES (INFLOWS)				
Taxes	-	2,500,000	2,969,212	469,212
Use of money and property	7,000	7,000	(105,393)	(112,393)
Aid from other governments	47,656,308	54,349,719	19,629,217	(34,720,502)
Charges for services	7,158,932	7,158,932	1,801,407	(5,357,525)
Other	4,341,992	1,841,992	20,419	(1,821,573)
Transfers in	-	1,015,500	1,098,042	82,542
Amounts available for appropriation	<u>59,164,232</u>	<u>66,873,143</u>	<u>25,412,904</u>	<u>(41,460,239)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	55,439,704	63,148,615	30,345,041	32,803,574
Total charges to appropriations	<u>55,439,704</u>	<u>63,148,615</u>	<u>30,345,041</u>	<u>32,803,574</u>
Net change in fund balance	<u>3,724,528</u>	<u>3,724,528</u>	<u>(4,932,137)</u>	<u>(8,656,665)</u>
FUND BALANCE, ENDING	<u>\$ 3,668,005</u>	<u>\$ 3,668,005</u>	<u>\$ (4,988,660)</u>	<u>\$ (8,656,665)</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 25,412,904
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(1,098,042)</u>
Total revenues as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 24,314,862</u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
HOUSING FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 77,503,336	\$ 77,503,336	\$ 77,503,336	\$ -
RESOURCES (INFLOWS)				
Use of money and property	258,600	258,600	482,420	223,820
Aid from other governments	1,446,405	2,446,405	322,426	(2,123,979)
Charges for services	100,000	640,000	990,234	350,234
Other	823,887	823,887	663,603	(160,284)
Transfers in	425,000	425,000	-	(425,000)
Amounts available for appropriation	<u>3,053,892</u>	<u>4,593,892</u>	<u>2,458,683</u>	<u>(2,135,209)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	3,664,389	4,912,814	864,828	4,047,986
Other charges	15,156,996	15,405,881	1,246,985	14,158,896
Total charges to appropriations	<u>18,821,385</u>	<u>20,318,695</u>	<u>2,111,813</u>	<u>18,206,882</u>
Net change in fund balance	<u>(15,767,493)</u>	<u>(15,724,803)</u>	<u>346,870</u>	<u>16,071,673</u>
FUND BALANCE, ENDING	<u>\$ 61,735,843</u>	<u>\$ 61,778,533</u>	<u>\$ 77,850,206</u>	<u>\$ 16,071,673</u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 7,654,906	\$ 7,654,906	\$ 7,654,906	\$ -
RESOURCES (INFLOWS)				
Use of money and property	69	121	12,266	12,145
Aid from other governments	16,874,776	40,626,166	16,883,229	(23,742,937)
Charges for services	158,069	361,853	17,123	(344,730)
Other	75,000	503,790	102,560	(401,230)
Transfers in	17,818,689	32,008,216	17,449,572	(14,558,644)
Amounts available for appropriation	<u>34,926,603</u>	<u>73,500,146</u>	<u>34,464,750</u>	<u>(39,035,396)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	17,244	17,295	17,295	-
Capital assets	41,684,514	80,211,615	35,269,555	44,942,060
Other charges	-	-	2,299	(2,299)
Transfers out	812,299	911,143	98,042	813,101
Total charges to appropriations	<u>42,514,057</u>	<u>81,140,053</u>	<u>35,387,191</u>	<u>45,752,862</u>
Net change in fund balance	<u>(7,587,454)</u>	<u>(7,639,907)</u>	<u>(922,441)</u>	<u>6,717,466</u>
FUND BALANCE, ENDING	<u>\$ 67,452</u>	<u>\$ 14,999</u>	<u>\$ 6,732,465</u>	<u>\$ 6,717,466</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule \$ 34,464,750

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes (17,449,572)

Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds \$ 17,015,178

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule \$ 35,387,191

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (98,042)

Miscellaneous expenses are outflows of budgetary resources but are not expenditures for financial reporting purposes (2,299)

Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds \$ 35,286,850

COUNTY OF SANTA CRUZ
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
AS OF June 30, 2018
LAST 10 YEARS*

	Miscellaneous			
	2016-17	2015-16	2014-15	2013-14
Total Pension Liability				
Service Cost	\$ 22,555,385	\$ 20,403,352	\$ 18,761,846	\$ 19,489,676
Interest on the Total Pension Liability	77,995,878	78,852,555	71,962,162	68,452,545
Changes in Assumptions	62,091,454	-	(16,868,274)	-
Differences between Expected and Actual Experience	4,974,813	3,966,020	(13,201,310)	-
Benefit Payments, Including Refunds of Employee Contributions	(51,229,871)	(50,461,359)	(44,263,142)	(40,206,837)
Net Change in Total Pension Liability	116,387,659	52,760,568	16,391,282	47,735,384
Total Pension Liability - Beginning	1,039,946,409	987,185,841	970,794,559	923,059,175
Total Pension Liability - Ending (a)	<u>\$ 1,156,334,068</u>	<u>\$ 1,039,946,409</u>	<u>\$ 987,185,841</u>	<u>\$ 970,794,559</u>
Plan Fiduciary Net Position				
Contribution - Employer	\$ 28,166,164	\$ 24,836,370	\$ 20,788,368	\$ 18,466,079
Contribution - Employee	10,534,891	9,898,794	9,264,211	8,586,012
Net Investment Income	82,225,749	4,227,340	16,986,820	112,250,826
Benefit Payments, Including Refunds of Employee Contributions	(51,229,871)	(50,461,359)	(44,263,142)	(40,206,837)
Plan to Plan Resource Movement	(61,373)	2,727	(29,360)	-
Administrative Expenses	(1,092,049)	(482,672)	(855,524)	-
Net Change in Plan Fiduciary Net Position	68,543,511	(11,978,800)	1,891,373	99,096,080
Plan Fiduciary Net Position - Beginning	738,605,100	750,583,900	748,692,527	649,596,447
Plan Fiduciary Net Position - Ending (b)	<u>\$ 807,148,611</u>	<u>\$ 738,605,100</u>	<u>\$ 750,583,900</u>	<u>\$ 748,692,527</u>
Net Pension Liability - Ending [(a) - (b)]	<u>\$ 349,185,457</u>	<u>\$ 301,341,309</u>	<u>\$ 236,601,941</u>	<u>\$ 222,102,032</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.80%	71.02%	76.03%	77.12%
Covered Payroll	\$ 143,976,672	\$ 142,900,632	\$ 129,365,289	\$ 128,891,451
Net Pension Liability as a Percentage of Covered Payroll	242.53%	210.87%	182.89%	172.32%

* Fiscal year 2017-18 was the 4th year of GASB Statement No. 68 implementation; therefore, only four years are shown.

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administration expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

COUNTY OF SANTA CRUZ
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
AS OF June 30, 2018
LAST 10 YEARS*

	Safety			
	2016-17	2015-16	2014-15	2013-14
Total Pension Liability				
Service Cost	\$ 4,308,824	\$ 3,699,113	\$ 3,634,483	\$ 3,669,984
Interest on the Total Pension Liability	12,144,727	12,245,682	10,356,153	10,663,258
Changes in Assumptions	10,635,917	-	(2,711,954)	-
Differences between Expected and Actual Experience	(170,518)	(115,359)	2,154,731	-
Contributions	(8,473,271)	(7,830,764)	(5,050,435)	(6,316,966)
Net Change in Total Pension Liability	18,445,679	7,998,672	8,382,978	8,016,276
Total Pension Liability - Beginning	167,898,189	159,899,517	151,516,539	143,500,263
Total Pension Liability - Ending (a)	<u>\$ 186,343,868</u>	<u>\$ 167,898,189</u>	<u>\$ 159,899,517</u>	<u>\$ 151,516,539</u>
Plan Fiduciary Net Position				
Contribution - Employer	\$ 4,636,859	\$ 3,731,613	\$ 4,503,776	\$ 2,833,995
Contribution - Employee	1,731,239	1,613,925	1,200,032	1,364,228
Net Investment Income	12,764,280	588,970	2,087,758	17,564,582
Benefit Payments, Including Refunds of Employee Contributions	(8,473,271)	(7,830,764)	(5,050,435)	(6,316,966)
Plan to Plan Resource Movement	3,626	(106,353)	-	-
Administrative Expenses	(170,140)	(75,328)	(107,841)	-
Net Change in Plan Fiduciary Net Position	10,492,593	(2,077,937)	2,633,290	15,445,839
Plan Fiduciary Net Position - Beginning	117,566,389	119,644,326	117,011,036	101,565,197
Plan Fiduciary Net Position - Ending (b)	<u>\$ 128,058,982</u>	<u>\$ 117,566,389</u>	<u>\$ 119,644,326</u>	<u>\$ 117,011,036</u>
Net Pension Liability - Ending [(a) - (b)]	\$ 58,284,886	\$ 50,331,800	\$ 40,255,191	\$ 34,505,503
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.72%	70.02%	74.82%	77.23%
Covered Payroll	\$ 17,259,459	\$ 16,451,469	\$ 15,444,933	\$ 15,601,682
Net Pension Liability as a Percentage of Covered Payroll	337.70%	305.94%	260.64%	221.17%

* Fiscal year 2017-18 was the 4th year of GASB Statement No. 68 implementation; therefore, only four years are shown.

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administration expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

COUNTY OF SANTA CRUZ
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
AS OF June 30, 2018
LAST 10 YEARS*

	Safety Sheriff			
	2016-17	2015-16	2014-15	2013-14
Total Pension Liability				
Service Cost	4,330,397	3,942,199	\$ 3,490,555	\$ 3,589,667
Interest on the Total Pension Liability	11,690,824	11,528,363	11,193,336	9,442,627
Changes in Assumptions	10,427,243	-	(2,818,825)	-
Differences between Expected and Actual Experience	1,105,968	531,702	(2,577,906)	-
Benefit Payments, Including Refunds of Employee Contributions	(6,321,116)	(5,816,534)	(7,060,615)	(4,529,774)
Net Change in Total Pension Liability	21,233,316	10,185,730	2,226,545	8,502,520
Total Pension Liability - Beginning	147,286,542	137,100,812	134,874,267	126,371,747
Total Pension Liability - Ending (a)	<u>\$ 168,519,858</u>	<u>\$ 147,286,542</u>	<u>\$ 137,100,812</u>	<u>\$ 134,874,267</u>
Plan Fiduciary Net Position				
Contribution - Employer	5,773,111	5,279,477	\$ 3,212,095	\$ 3,752,346
Contribution - Employee	1,417,068	1,383,847	1,434,076	1,538,338
Net Investment Income	10,827,138	509,520	2,674,451	13,619,878
Benefit Payments, Including Refunds of Employee Contributions	(6,321,116)	(5,816,534)	(7,060,615)	(4,529,774)
Plan to Plan Resource Movement	53,634	(3,877)	-	-
Administrative Expenses	(141,537)	(60,831)	(133,531)	-
Net Change in Plan Fiduciary Net Position	11,608,298	1,291,602	126,476	14,380,788
Plan Fiduciary Net Position - Beginning	93,435,114	92,143,512	92,017,036	77,636,247
Plan Fiduciary Net Position - Ending (b)	<u>\$ 105,043,412</u>	<u>\$ 93,435,114</u>	<u>\$ 92,143,512</u>	<u>\$ 92,017,035</u>
Net Pension Liability - Ending [(a) - (b)]	<u>\$ 63,476,446</u>	<u>\$ 53,851,428</u>	<u>\$ 44,957,300</u>	<u>\$ 42,857,232</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.33%	63.44%	67.21%	68.22%
Covered Payroll	\$ 14,344,287	\$ 14,432,887	\$ 13,136,050	\$ 12,367,504
Net Pension Liability as a Percentage of Covered Payroll	442.52%	373.12%	342.24%	346.53%

* Fiscal year 2017-18 was the 4th year of GASB Statement No. 68 implementation; therefore, only four years are shown.

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administration expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

COUNTY OF SANTA CRUZ
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
AS OF June 30, 2018
LAST 10 YEARS*

	Total of All Plans			
	2016-17	2015-16	2014-15	2013-14
Total Pension Liability				
Service Cost	\$ 31,194,606	\$ 28,044,664	\$ 25,886,884	\$ 26,749,327
Interest on the Total Pension Liability	101,831,429	102,626,600	93,511,651	88,558,430
Changes in Assumptions	83,154,614	-	(22,399,053)	-
Differences between Expected and Actual Experience	5,910,263	4,382,363	(13,624,485)	-
Benefit Payments, Including Refunds of Employee Contributions	(66,024,258)	(64,108,657)	(56,374,192)	(51,053,577)
Net Change in Total Pension Liability	156,066,654	70,944,970	27,000,805	64,254,180
Total Pension Liability - Beginning	1,355,131,140	1,284,186,170	1,257,185,365	1,192,931,185
Total Pension Liability - Ending (a)	<u>\$ 1,511,197,794</u>	<u>\$ 1,355,131,140</u>	<u>\$ 1,284,186,170</u>	<u>\$ 1,257,185,365</u>
Plan Fiduciary Net Position				
Contribution - Employer	\$ 38,576,134	\$ 33,847,460	\$ 28,504,239	\$ 25,052,420
Contribution - Employee	13,683,198	12,896,566	11,898,319	11,488,578
Net Investment Income	105,817,167	5,325,830	21,749,029	143,435,286
Benefit Payments, Including Refunds of Employee Contributions	(66,024,258)	(64,108,657)	(56,374,192)	(51,053,577)
Plan to Plan Resource Movement	(4,113)	(107,503)	(29,360)	-
Administrative Expenses	(1,403,726)	(618,831)	(1,096,896)	-
Net Change in Plan Fiduciary Net Position	90,644,402	(12,765,135)	4,651,139	128,922,707
Plan Fiduciary Net Position - Beginning	949,606,603	962,371,738	957,720,599	828,797,891
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,040,251,005</u>	<u>\$ 949,606,603</u>	<u>\$ 962,371,738</u>	<u>\$ 957,720,598</u>
Net Pension Liability - Ending [(a) - (b)]	<u>\$ 470,946,789</u>	<u>\$ 405,524,537</u>	<u>\$ 321,814,432</u>	<u>\$ 299,464,767</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.84%	70.07%	74.94%	76.18%
Covered Payroll	\$ 175,580,418	\$ 173,784,988	\$ 157,946,272	\$ 156,860,637
Net Pension Liability as a Percentage of Covered Payroll	268.22%	233.35%	203.75%	190.91%

* Fiscal year 2017-18 was the 4th year of GASB Statement No. 68 implementation; therefore, only four years are shown.

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administration expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

COUNTY OF SANTA CRUZ
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF June 30, 2018
LAST 10 YEARS*

	Miscellaneous				
	2017-18	2016-17	2015-16	2014-15	2013-14
Actuarially Determined Contribution	\$ 29,778,415	\$ 28,166,164	\$ 24,836,370	\$ 20,788,368	\$ 18,466,079
Contributions in Relation to the Actuarially Determined Contribution	<u>29,778,415</u>	<u>28,166,164</u>	<u>24,836,370</u>	<u>20,788,368</u>	<u>18,466,079</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	159,910,105	143,976,672	142,900,632	129,365,289	128,891,450
Contributions as a Percentage of Covered Payroll	18.62%	19.56%	17.38%	16.07%	14.33%

* Fiscal year 2017-18 was the 4th year of GASB Statement No. 68 implementation.

Notes to Schedule:

Valuation date: June 30, 2015, June 30, 2014, June 30, 2013, June 30, 2012 and June 30, 2011, respectively.

Methods and assumptions used to set the actuarially determined contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization method	Level Percent of payroll
Asset valuation method	Market Value beginning 06/30/13 valuation date, 15-year smoothed market for valuations prior 06/30/13
Inflation	2.75%.
Salary increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation.
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

COUNTY OF SANTA CRUZ
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF June 30, 2018
LAST 10 YEARS*

	Safety				
	2017-18	2016-17	2015-16	2014-15	2013-14
Actuarially Determined Contribution	\$ 4,855,310	\$ 4,636,859	\$ 3,731,613	\$ 4,503,776	\$ 2,833,995
Contributions in Relation to the Actuarially Determined Contribution	<u>4,855,310</u>	<u>4,636,859</u>	<u>3,731,613</u>	<u>4,503,776</u>	<u>2,833,995</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 18,834,086	\$ 17,259,459	\$ 16,451,469	\$ 15,444,933	\$ 15,601,682
Contributions as a Percentage of Covered Payroll	25.78%	26.87%	22.68%	29.16%	18.16%

* Fiscal year 2017-18 was the 4th year of GASB Statement No. 68 implementation.

Notes to Schedule:

Valuation date: June 30, 2015, June 30, 2014, June 30, 2013, June 30, 2012 and June 30, 2011, respectively.

Methods and assumptions used to set the actuarially determined contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization method	Level Percent of payroll
Asset valuation method	Market Value beginning 06/30/13 valuation date, 15-year smoothed market for valuations prior 06/30/13
Inflation	2.75%.
Salary increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation.
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

COUNTY OF SANTA CRUZ
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF June 30, 2018
LAST 10 YEARS*

	Safety Sheriff				
	2017-18	2016-17	2015-16	2014-15	2013-14
Actuarially Determined Contribution	\$ 6,109,786	\$ 5,773,111	\$ 5,279,477	\$ 3,212,095	\$ 3,752,346
Contributions in Relation to the Actuarially Determined Contribution	<u>6,109,786</u>	<u>5,773,111</u>	<u>5,279,477</u>	<u>3,212,095</u>	<u>3,752,346</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 16,114,479	\$ 14,344,287	\$ 14,432,887	\$ 13,136,045	\$ 12,367,504
Contributions as a Percentage of Covered Payroll	37.91%	40.25%	36.58%	24.45%	30.34%

* Fiscal year 2017-18 was the 4th year of GASB Statement No. 68 implementation.

Notes to Schedule:

Valuation date: June 30, 2015, June 30, 2014, June 30, 2013, June 30, 2012 and June 30, 2011, respectively.

Methods and assumptions used to set the actuarially determined contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization method	Level Percent of payroll
Asset valuation method	Market Value beginning 06/30/13 valuation date, 15-year smoothed market for valuations prior 06/30/13
Inflation	2.75%.
Salary increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation.
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

**COUNTY OF SANTA CRUZ
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF June 30, 2018
LAST 10 YEARS***

	Total of all Plans				
	2017-18	2016-17	2015-16	2014-15	2013-14
Actuarially Determined Contribution	\$ 40,743,511	\$ 38,576,134	\$ 33,847,460	\$ 28,504,239	\$ 25,052,420
Contributions in Relation to the Actuarially Determined Contribution	<u>40,743,511</u>	<u>38,576,134</u>	<u>33,847,460</u>	<u>28,504,239</u>	<u>25,052,420</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 194,858,670	\$ 175,580,418	\$ 173,784,988	\$ 157,946,267	\$ 156,860,636
Contributions as a Percentage of Covered Payroll	20.91%	21.97%	19.48%	18.05%	15.97%

* Fiscal year 2017-18 was the 4th year of GASB Statement No. 68 implementation.

Notes to Schedule:

Valuation date: June 30, 2015, June 30, 2014, June 30, 2013, June 30, 2012 and June 30, 2011, respectively

Methods and assumptions used to set the actuarially determined contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization method	Level Percent of payroll
Asset valuation method	Market Value beginning 06/30/13 valuation date, 15-year smoothed market for valuations prior 06/30/13
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

**COUNTY OF SANTA CRUZ
A SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
AS OF June 30, 2018
LAST 10 YEARS***

	2016-17
Total OPEB Liability	
Service Cost	\$ 8,738,882
Interest	5,117,000
Changes of Benefit Terms	-
Changes in Assumptions	(14,014,000)
Differences between Actual and Expected Experience	-
Benefit Payments	(6,773,092)
Net Change in Total Pension Liability	(6,931,210)
Total OPEB Liability - Beginning	169,904,000
Total OPEB Liability - Ending	\$ 162,972,790
Covered Payroll	\$ 195,374,299
Total OPEB Liability as a Percentage of Covered Payroll	83.42%

* Fiscal year 2017-18 was the 1st year of GASB Statement No.75 implementation; therefore, only one year is shown.

Notes to Schedule:

Change in assumptions. In 2017, the accounting discount rate reduced from 4.00 percent to 3.56 percent.

COUNTY OF SANTA CRUZ
A SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF June 30, 2018
LAST 10 YEARS*

	2017-18	2016-17
Actuarially Determined Contributions	\$ 6,873,540	\$ 6,773,092
Contributions in Relation to the Actuarially Determined Contributions	6,873,540	6,773,092
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Payroll	\$ 203,044,467	\$ 195,374,299
Contributions as a Percentage of Covered Payroll	3.39%	3.47%

* Fiscal year 2017-18 was the 1st year of GASB Statement No. 75 implementation.

Notes to Schedule:

Valuation date: June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization method	Level Percent of payroll
Discount Rate	3.56% - No prefunding Based on the Fidelity Municipal General Obligation AA 20 year bond index
Inflation	2.75% per annum
Payroll Increases	Aggregate Increases - 3.00%; Merit Increases - CALPERS 1997-2015 Experience Study
Retirement	The probabilities of retirement are based on the CALPERS 1997-2015 Experience Study
Mortality	The probabilities of mortality are based on the CALPERS 1997-2015 Experience Study. Post-retirement mortality projected fully generational with Society of Actuaries mortality improvement Scale MP-2017.



SUPPLEMENTARY INFORMATION



COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES



SUMMARY OF NONMAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of special revenue sources which are legally restricted to expenditures for specific purposes.



COUNTY OF SANTA CRUZ
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2018

		Nonmajor Governmental Funds
ASSETS		
Cash and investments	\$	20,472,194
Restricted cash and investments		10,639,625
Receivables		2,689,459
Total assets	\$	33,801,278
LIABILITIES		
Payables	\$	1,030,119
Due to other funds		741,580
Total liabilities		1,771,699
FUND BALANCES		
Restricted		32,029,579
Total fund balances		32,029,579
Total liabilities and fund balances	\$	33,801,278

**COUNTY OF SANTA CRUZ
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Nonmajor Governmental Funds</u>
REVENUES:	
Taxes	\$ 18,866,428
Licenses and permits	39,189
Fines, forfeits and penalties	22,757
Use of money and property	408,625
Aid from other governments	3,139,930
Charges for services	10,312,307
Other	140,935
Total revenues	<u>32,930,171</u>
EXPENDITURES:	
Current:	
General government	668,506
Public protection	12,289,057
Public ways and facilities	6,787,290
Health and sanitation	37,130
Education	5,519,854
Recreation and culture services	1,666,169
Debt service:	
Principal	4,576,542
Interest and fiscal charges	2,539,429
Total expenditures	<u>34,083,977</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,153,806)</u>
OTHER FINANCING SOURCES (USES):	
Bond proceeds	7,940,000
Bond premium/discount	(63,415)
Transfers in	7,265,627
Transfers out	(13,155,190)
Miscellaneous	145,890
Total other financing sources (uses)	<u>2,132,912</u>
Net change in fund balances	<u>979,106</u>
FUND BALANCES:	
Beginning of year	<u>31,050,473</u>
Beginning of year, as restated	31,050,473
End of year	<u>\$ 32,029,579</u>



NONMAJOR

SPECIAL REVENUE FUNDS

Special Revenue Funds:

Library Fund – The Library Fund finances library services in the unincorporated area of the County through contracts with the cities of Santa Cruz and Watsonville. Revenue is collected from property taxes in the unincorporated area of the County and from the cities of Scotts Valley and Capitola and is dedicated to the Santa Cruz County Library Joint Powers Authority for library operations.

Fire Fund – The Fire Fund provides support for coordinating fire protection and prevention activities with local fire protection agencies, County departments, and advisory bodies. Revenues consist of taxes and charges for services.

Financing Authorities – The Financing Authorities are legal entities separate from the County, although they are not reported as component units of the County. The Financing Authorities facilitate financing for the County and the County of Santa Cruz Redevelopment Successor Agency.

Fish and Game Fund – The Fish and Game Fund provides for expenditures, which are used for the protection and propagation of fish and game. Revenues are from the County's share of fines collected for violations of fish and game laws.

Park Dedication and State Park Bonds Fund – The Park Dedication and State Park Bonds Fund finances park land acquisition and park development. Revenues come from development impact fees charged on new residential development and major residential remodeling.

Health Services Fund – The Health Services Fund provides for future purchases of health facilities.

Santa Cruz Flood Control and Water Conservation Zone 7 – The Santa Cruz Flood Control and Water Conservation Zone 7 Fund supports a special purpose district fund administered by the Department of Public Works. It is governed by an independent Board of Directors. Revenues consist largely of service charges.

Districts Governed by the Board of Supervisors: Public Protection, Health and Sanitation, Recreation and Culture Services, and Public Ways and Facilities Funds – The Public Protection, Health and Sanitation, Recreation and Culture Services, and Public Ways and Facilities Funds support a number of special purpose district funds administered by the Department of Public Works. Revenues consist of tax levies and service charges.

Districts Governed by the Board of Supervisors: Geologic Hazard Abatement Districts Fund – The Geologic Hazard Abatement Districts Fund provides for financing and maintaining improvements necessary or incidental to the prevention, mitigation, abatement, or control of geologic hazards.

**COUNTY OF SANTA CRUZ
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2018**

	Library	Fire	Financing Authorities	Fish and Game	Park Dedication and State Park Bonds	Health Services
ASSETS						
Cash and investments	\$ 819,691	\$ 4,915,958	\$ -	\$ 15,330	\$ 2,211,986	\$ 13,629
Restricted cash and investments	-	-	10,639,625	-	-	-
Receivables	-	266,690	-	-	214,682	-
Total assets	<u>\$ 819,691</u>	<u>\$ 5,182,648</u>	<u>\$ 10,639,625</u>	<u>\$ 15,330</u>	<u>\$ 2,426,668</u>	<u>\$ 13,629</u>
LIABILITIES						
Payables	\$ 296,843	\$ 175,567	\$ -	\$ -	\$ 50,783	\$ -
Due to other funds	-	-	529,858	-	211,722	-
Total liabilities	<u>296,843</u>	<u>175,567</u>	<u>529,858</u>	<u>-</u>	<u>262,505</u>	<u>-</u>
FUND BALANCES						
Restricted	522,848	5,007,081	10,109,767	15,330	2,164,163	13,629
Total fund balances	<u>522,848</u>	<u>5,007,081</u>	<u>10,109,767</u>	<u>15,330</u>	<u>2,164,163</u>	<u>13,629</u>
Total liabilities and fund balances	<u>\$ 819,691</u>	<u>\$ 5,182,648</u>	<u>\$ 10,639,625</u>	<u>\$ 15,330</u>	<u>\$ 2,426,668</u>	<u>\$ 13,629</u>

Board of Supervisors Governed

Santa Cruz Flood Control and Water Conservation Zone 7	Public Protection	Health and Sanitation	Recreation and Culture Services	Public Ways and Facilities	Geologic Hazard Abatement Districts	Total Nonmajor Special Revenue Funds
\$ 702,029	\$ 4,957,848	\$ 1,330,292	\$ 1,488,664	\$ 3,824,198	\$ 192,569	\$ 20,472,194
-	-	-	-	-	-	10,639,625
774,409	78,757	444	-	1,354,477	-	2,689,459
<u>\$ 1,476,438</u>	<u>\$ 5,036,605</u>	<u>\$ 1,330,736</u>	<u>\$ 1,488,664</u>	<u>\$ 5,178,675</u>	<u>\$ 192,569</u>	<u>\$ 33,801,278</u>
\$ 83,660	\$ 224,229	\$ -	\$ -	\$ 199,037	\$ -	\$ 1,030,119
-	-	-	-	-	-	741,580
<u>83,660</u>	<u>224,229</u>	<u>-</u>	<u>-</u>	<u>199,037</u>	<u>-</u>	<u>1,771,699</u>
<u>1,392,778</u>	<u>4,812,376</u>	<u>1,330,736</u>	<u>1,488,664</u>	<u>4,979,638</u>	<u>192,569</u>	<u>32,029,579</u>
<u>1,392,778</u>	<u>4,812,376</u>	<u>1,330,736</u>	<u>1,488,664</u>	<u>4,979,638</u>	<u>192,569</u>	<u>32,029,579</u>
<u>\$ 1,476,438</u>	<u>\$ 5,036,605</u>	<u>\$ 1,330,736</u>	<u>\$ 1,488,664</u>	<u>\$ 5,178,675</u>	<u>\$ 192,569</u>	<u>\$ 33,801,278</u>

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Library	Fire	Financing Authorities	Fish and Game	Park Dedication and State Park Bonds
REVENUES:					
Taxes	\$ 6,332,741	\$ 2,236,383	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Fines, forfeits and penalties	-	-	-	13,889	-
Use of money and property	-	58,117	155,163	177	27,005
Aid from other governments	95,914	112,080	243,963	-	168,300
Charges for services	-	1,549,536	-	-	150,476
Other	-	-	-	-	133,500
Total revenues	6,428,655	3,956,116	399,126	14,066	479,281
EXPENDITURES:					
Current:					
General government	-	-	191,351	-	477,155
Public protection	-	2,476,168	-	12,065	-
Public ways and facilities	-	-	-	-	-
Health and sanitation	-	-	-	-	-
Education	5,519,854	-	-	-	-
Recreation and culture services	-	-	-	-	41,309
Debt service:					
Principal	-	-	4,576,542	-	-
Interest and fiscal charges	-	-	2,539,429	-	-
Total expenditures	5,519,854	2,476,168	7,307,322	12,065	518,464
REVENUES OVER (UNDER) EXPENDITURES	908,801	1,479,948	(6,908,196)	2,001	(39,183)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	6,927,356	-	-
Transfers out	(977,605)	-	(9,255,751)	-	(10,592)
Bonds proceeds	-	-	7,940,000	-	-
Bond premium/discount	-	-	(63,415)	-	-
Miscellaneous	-	-	(110)	-	-
Total other financing sources (uses)	(977,605)	-	5,548,080	-	(10,592)
Net change in fund balances	(68,804)	1,479,948	(1,360,116)	2,001	(49,775)
Fund balances (deficit) - beginning	591,652	3,527,133	11,469,883	13,329	2,213,938
Fund balances - ending	\$ 522,848	\$ 5,007,081	\$ 10,109,767	\$ 15,330	\$ 2,164,163

Board of Supervisors Governed

Santa Cruz		Board of Supervisors Governed					Total
Health Services	Flood Control and Water Conservation Zone 7	Public Protection	Health and Sanitation	Recreation and Culture Services	Public Ways and Facilities	Geologic Hazard Abatement Districts	Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 7,654,575	\$ -	\$ 1,711,196	\$ 931,533	\$ -	\$ 18,866,428
-	-	8,550	-	-	30,639	-	39,189
-	-	-	-	-	8,868	-	22,757
163	4,811	66,488	22,600	19,450	52,348	2,303	408,625
-	429,512	757,160	-	6,316	1,326,685	-	3,139,930
-	1,862,430	1,140,539	1,427,403	-	4,181,923	-	10,312,307
-	-	5,591	-	-	1,844	-	140,935
163	2,296,753	9,632,903	1,450,003	1,736,962	6,533,840	2,303	32,930,171
-	-	-	-	-	-	-	668,506
-	2,183,729	7,617,095	-	-	-	-	12,289,057
-	-	-	-	-	6,787,290	-	6,787,290
-	-	-	37,130	-	-	-	37,130
-	-	-	-	-	-	-	5,519,854
-	-	-	-	1,624,860	-	-	1,666,169
-	-	-	-	-	-	-	4,576,542
-	-	-	-	-	-	-	2,539,429
-	2,183,729	7,617,095	37,130	1,624,860	6,787,290	-	34,083,977
163	113,024	2,015,808	1,412,873	112,102	(253,450)	2,303	(1,153,806)
-	-	338,271	-	-	-	-	7,265,627
-	-	(800,000)	(2,046,715)	(64,527)	-	-	(13,155,190)
-	-	-	-	-	-	-	7,940,000
-	-	-	-	-	-	-	(63,415)
-	-	-	-	-	146,000	-	145,890
-	-	(461,729)	(2,046,715)	(64,527)	146,000	-	2,132,912
163	113,024	1,554,079	(633,842)	47,575	(107,450)	2,303	979,106
13,466	1,279,754	3,258,297	1,964,578	1,441,089	5,087,088	190,266	31,050,473
\$ 13,629	\$ 1,392,778	\$ 4,812,376	\$ 1,330,736	\$ 1,488,664	\$ 4,979,638	\$ 192,569	\$ 32,029,579

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 591,652	\$ 591,652	\$ 591,652	\$ -
RESOURCES (INFLOWS)				
Taxes	6,034,004	6,034,004	6,332,741	298,737
Aid from other governments	70,846	72,394	95,914	23,520
Amounts available for appropriation	<u>6,104,850</u>	<u>6,106,398</u>	<u>6,428,655</u>	<u>322,257</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	6,390,275	5,123,046	5,123,047	(1)
Other charges	99,965	396,807	396,807	-
Transfers out	5,899	977,834	977,605	229
Total charges to appropriations	<u>6,496,139</u>	<u>6,497,687</u>	<u>6,497,459</u>	<u>228</u>
Net change in fund balance	<u>(391,289)</u>	<u>(391,289)</u>	<u>(68,804)</u>	<u>322,485</u>
FUND BALANCE, ENDING	<u>\$ 200,363</u>	<u>\$ 200,363</u>	<u>\$ 522,848</u>	<u>\$ 322,485</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule

\$ 6,497,459

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes

(977,605)

Total expenditures as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds

\$ 5,519,854

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
FIRE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 3,527,133	\$ 3,527,133	\$ 3,527,133	\$ -
RESOURCES (INFLOWS)				
Taxes	2,100,889	2,100,889	2,236,383	135,494
Use of money and property	35,300	35,300	58,117	22,817
Aid from other governments	101,680	121,680	112,080	(9,600)
Charges for services	1,335,269	1,335,269	1,549,536	214,267
Amounts available for appropriation	<u>3,573,138</u>	<u>3,593,138</u>	<u>3,956,116</u>	<u>362,978</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Salaries and employee benefits	124,915	124,915	79,334	45,581
Services and supplies	4,031,827	4,101,827	2,144,407	1,957,420
Other charges	201,048	201,048	197,716	3,332
Capital assets	531,000	531,000	54,711	476,289
Appropriations for contingencies	200,000	150,000	-	150,000
Total charges to appropriations	<u>5,088,790</u>	<u>5,108,790</u>	<u>2,476,168</u>	<u>2,632,622</u>
Net change in fund balance	<u>(1,515,652)</u>	<u>(1,515,652)</u>	<u>1,479,948</u>	<u>(2,269,644)</u>
FUND BALANCE, ENDING	<u>\$ 2,011,481</u>	<u>\$ 2,011,481</u>	<u>\$ 5,007,081</u>	<u>\$ 2,995,600</u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
FISH AND GAME SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 13,329	\$ 13,329	\$ 13,329	\$ -
RESOURCES (INFLOWS)				
Fines, forfeits and penalties	10,000	10,073	13,889	3,816
Use of money and property	100	100	177	77
Amounts available for appropriation	<u>10,100</u>	<u>10,173</u>	<u>14,066</u>	<u>3,893</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Other charges	15,000	15,073	12,065	3,008
Total charges to appropriations	<u>15,000</u>	<u>15,073</u>	<u>12,065</u>	<u>3,008</u>
Net change in fund balance	<u>(4,900)</u>	<u>(4,900)</u>	<u>2,001</u>	<u>6,901</u>
FUND BALANCE, ENDING	<u>\$ 8,429</u>	<u>\$ 8,429</u>	<u>\$ 15,330</u>	<u>\$ 6,901</u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
PARK DEDICATION AND STATE PARK BONDS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 2,213,938	\$ 2,213,938	\$ 2,213,938	\$ -
RESOURCES (INFLOWS)				
Use of money and property	6,712	6,712	27,005	20,293
Aid from other governments	-	895,403	168,300	(727,103)
Charges for services	98,594	98,594	150,476	51,882
Other	13,500	133,500	133,500	-
Amounts available for appropriation	<u>118,806</u>	<u>1,134,209</u>	<u>479,281</u>	<u>(654,928)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	38,911	38,911	16,567	22,344
Other charges	116,425	116,425	88,732	27,693
Capital assets	2,100,778	3,116,181	413,165	2,703,016
Transfers out	10,592	10,592	10,592	-
Total charges to appropriations	<u>2,266,706</u>	<u>3,282,109</u>	<u>529,056</u>	<u>2,753,053</u>
Net change in fund balance	<u>(2,147,900)</u>	<u>(2,147,900)</u>	<u>(49,775)</u>	<u>2,098,125</u>
FUND BALANCE, ENDING	<u>\$ 66,038</u>	<u>\$ 66,038</u>	<u>\$ 2,164,163</u>	<u>\$ 2,098,125</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	\$ 529,056
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(10,592)</u>
Total expenditures as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	<u>\$ 518,464</u>

**COUNTY OF SANTA CRUZ
 BUDGETARY COMPARISON SCHEDULE
 HEALTH SERVICES SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 13,466	\$ 13,466	\$ 13,466	\$ -
RESOURCES (INFLOWS)				
Use of money and property	-	-	163	163
Amounts available for appropriation	-	-	163	163
CHARGES TO APPROPRIATIONS (OUTFLOWS)	-	-	-	-
Net change in fund balance	-	-	163	163
FUND BALANCE, ENDING	<u>\$ 13,466</u>	<u>\$ 13,466</u>	<u>\$ 13,629</u>	<u>\$ 163</u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE**

SANTA CRUZ FLOOD CONTROL AND WATER CONSERVATION ZONE 7 SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE (DEFICIT) , BEGINNING	\$ 1,279,754	\$ 1,279,754	\$ 1,279,754	\$ -
RESOURCES (INFLOWS)				
Use of money and property	-	-	4,811	4,811
Aid from other governments	2,394,780	2,394,780	429,512	(1,965,268)
Charges for services	1,882,799	1,882,799	1,862,430	(20,369)
Amounts available for appropriation	<u>4,277,579</u>	<u>4,277,579</u>	<u>2,296,753</u>	<u>(1,980,826)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	1,360,048	1,360,048	829,744	530,304
Capital assets	3,800,195	3,800,195	1,353,985	2,446,210
Appropriations for contingencies	397,090	397,090	-	397,090
Total charges to appropriations	<u>5,557,333</u>	<u>5,557,333</u>	<u>2,183,729</u>	<u>3,373,604</u>
Net change in fund balance	<u>(1,279,754)</u>	<u>(1,279,754)</u>	<u>113,024</u>	<u>1,392,778</u>
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,392,778</u>	<u>\$ 1,392,778</u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
DISTRICTS GOVERNED BY THE BOARD OF SUPERVISORS - PUBLIC PROTECTION SPECIAL REVENUE
FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 3,258,297	\$ 3,258,297	\$ 3,258,297	\$ -
RESOURCES (INFLOWS)				
Taxes	7,203,881	7,293,060	7,654,575	361,515
Licenses and permits	7,365	7,365	8,550	1,185
Use of money and property	21,735	24,235	66,488	42,253
Aid from other governments	782,688	808,290	757,160	(51,130)
Charges for services	968,490	1,074,340	1,140,539	66,199
Other	-	-	5,591	5,591
Transfers in	-	338,272	338,271	(1)
Amounts available for appropriation	8,984,159	9,545,562	9,971,174	425,612
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Salaries and employee benefits	52,240	70,917	70,917	-
Services and supplies	8,098,839	8,206,321	6,044,587	2,161,734
Other charges	1,165,307	1,170,196	1,167,428	2,768
Capital assets	1,167,438	1,522,392	334,163	1,188,229
Transfers out	800,000	800,000	800,000	-
Appropriations for contingencies	222,234	241,808	-	241,808
Total charges to appropriations	11,506,058	12,011,634	8,417,095	3,594,539
Net change in fund balance	(2,521,899)	(2,466,072)	1,554,079	4,020,151
FUND BALANCE, ENDING	\$ 736,398	\$ 792,225	\$ 4,812,376	\$ 4,020,151

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule \$ 9,971,174

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes (338,271)

Total revenues as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds \$ 9,632,903

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule \$ 8,417,095

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (800,000)

Total expenditures as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds \$ 7,617,095

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
DISTRICTS GOVERNED BY THE BOARD OF SUPERVISORS - HEALTH AND SANITATION SPECIAL
REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 1,964,578	\$ 1,964,578	\$ 1,964,578	\$ -
RESOURCES (INFLOWS)				
Use of money and property	16,951	16,951	22,600	5,649
Charges for services	1,438,033	1,438,033	1,427,403	(10,630)
Amounts available for appropriation	<u>1,454,984</u>	<u>1,454,984</u>	<u>1,450,003</u>	<u>(4,981)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	923	923	679	244
Other charges	36,453	36,451	36,451	-
Transfers out	1,636,005	2,328,784	2,046,715	282,069
Total charges to appropriations	<u>1,673,381</u>	<u>2,366,158</u>	<u>2,083,845</u>	<u>282,313</u>
Net change in fund balance	<u>(218,397)</u>	<u>(911,174)</u>	<u>(633,842)</u>	<u>277,332</u>
FUND BALANCE, ENDING	<u>\$ 1,746,181</u>	<u>\$ 1,053,404</u>	<u>\$ 1,330,736</u>	<u>\$ 277,332</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule	\$ 2,083,845
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(2,046,715)</u>
Total expenditures as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	<u>\$ 37,130</u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
DISTRICTS GOVERNED BY THE BOARD OF SUPERVISORS - RECREATION AND CULTURE SERVICES
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 1,441,089	\$ 1,441,089	\$ 1,441,089	\$ -
RESOURCES (INFLOWS)				
Taxes	1,565,247	1,565,247	1,711,195	145,948
Use of money and property	9,290	9,290	19,450	10,160
Aid from other governments	4,710	4,710	6,316	1,606
Transfers in	-	181,117	-	(181,117)
Amounts available for appropriation	<u>1,579,247</u>	<u>1,760,364</u>	<u>1,736,961</u>	<u>(23,403)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	1,510,620	1,552,740	1,552,690	50
Other charges	9,671	9,671	9,671	-
Capital assets	231,086	230,892	62,499	168,393
Transfers out	64,334	245,645	64,527	181,118
Total charges to appropriations	<u>1,815,711</u>	<u>2,038,948</u>	<u>1,689,387</u>	<u>349,561</u>
Net change in fund balance	<u>(236,464)</u>	<u>(278,584)</u>	<u>47,574</u>	<u>326,158</u>
FUND BALANCE, ENDING	<u>\$ 1,204,625</u>	<u>\$ 1,162,505</u>	<u>\$ 1,488,663</u>	<u>\$ 326,158</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule	\$ 1,689,387
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(64,527)</u>
Total expenditures as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	<u>\$ 1,624,860</u>

**COUNTY OF SANTA CRUZ
 BUDGETARY COMPARISON SCHEDULE
 DISTRICTS GOVERNED BY THE BOARD OF SUPERVISORS-PUBLIC WAYS AND FACILITIES SPECIAL
 REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 5,087,088	\$ 5,087,088	\$ 5,087,088	\$ -
RESOURCES (INFLOWS)				
Taxes	749,863	749,863	931,533	181,670
Fines, forfeits and penalties	-	26,000	8,868	(17,132)
Licenses and permits	3,000	113,000	30,639	(82,361)
Use of money and property	29,200	29,200	52,348	23,148
Aid from other governments	6,205	1,338,193	1,326,685	(11,508)
Charges for services	4,181,438	4,233,630	4,181,923	(51,707)
Other	136,000	203,888	147,844	(56,044)
Amounts available for appropriation	<u>5,105,706</u>	<u>6,693,774</u>	<u>6,679,840</u>	<u>(13,934)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	8,321,563	9,916,508	6,656,778	3,259,730
Other charges	11,872	12,449	12,411	38
Capital assets	439,245	432,108	118,101	314,007
Transfers out	22,000	22,000	-	22,000
Appropriations for contingencies	946,284	946,284	-	946,284
Total charges to appropriations	<u>9,740,964</u>	<u>11,329,349</u>	<u>6,787,290</u>	<u>4,542,059</u>
Net change in fund balance	<u>(4,635,258)</u>	<u>(4,635,575)</u>	<u>(107,450)</u>	<u>4,528,125</u>
FUND BALANCE, ENDING	<u>\$ 451,830</u>	<u>\$ 451,513</u>	<u>\$ 4,979,638</u>	<u>\$ 4,528,125</u>



NONMAJOR ENTERPRISE FUNDS

Boulder Creek CSA 7, Rolling Woods CSA 10, Place de Mer CSA 2, Sand Dollar Beach CSA 5, Trestle Beach CSA 20, Summit West CSA 54, and Graham Hill CSA 57 – These County Service Areas provide sewage collection, treatment, and disposal services to residents within each district's area. User fees are the principal source of revenue.

Septic Tank Maintenance CSA 12 – This County Service Area provides maintenance for septic tanks in unincorporated areas of the County. User fees are the principal source of revenue.

Freedom County Sanitation District – This district provides sewage collection, treatment, and disposal services for the residents of the Freedom area. User fees are the principal source of revenue.

Davenport Sanitation District – This district provides sewage collection, treatment, and disposal services as well as the supplying and treatment of water to Davenport, Newtown, and San Vicente. User fees and contributions from the principal commercial customer are the principal sources of revenue.

COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2018

	Boulder Creek CSA 7	Rolling Woods CSA 10	Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20
ASSETS					
Current assets:					
Cash and investments	\$ 1,089,520	\$ 687,474	\$ 493,604	\$ 311,073	\$ 34,078
Restricted cash	-	-	-	-	-
Receivables	-	-	-	-	-
Total current assets	1,089,520	687,474	493,604	311,073	34,078
Noncurrent assets:					
Loans receivable	-	-	-	-	-
Capital assets:					
Construction in progress	207,141	-	39,025	-	-
Buildings and structures	1,947,300	360,778	188,208	908,969	-
Equipment	46,448	-	-	-	-
Accumulated depreciation	(1,524,325)	(250,756)	(125,368)	(429,969)	-
Capital assets, net	676,564	110,022	101,865	479,000	-
Total noncurrent assets	676,564	110,022	101,865	479,000	-
Total assets	1,766,084	797,496	595,469	790,073	34,078
LIABILITIES					
Current liabilities:					
Payables	2,520	-	16,398	1,671	651
Current portion of long-term liabilities	-	-	-	-	-
Total current liabilities	2,520	-	16,398	1,671	651
Noncurrent liabilities:					
Long-term liabilities	-	-	-	-	-
Total noncurrent liabilities	-	-	-	-	-
Total liabilities	2,520	-	16,398	1,671	651
NET POSITION					
Net investment in capital assets	676,563	110,022	101,865	479,000	-
Restricted for:					
Debt service	-	-	-	-	-
Unrestricted	1,087,001	687,474	477,206	309,402	33,427
Total net position	\$ 1,763,564	\$ 797,496	\$ 579,071	\$ 788,402	\$ 33,427

COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF NET POSITION (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
June 30, 2018

Summit West CSA 54	Graham Hill CSA 57	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District	Total
\$ 1,975	\$ -	\$ 1,419,925	\$ 1,908,260	\$ (909,815)	\$ 5,036,094
-	-	-	-	16,752	16,752
-	-	485	-	1,873,846	1,874,331
<u>1,975</u>	<u>-</u>	<u>1,420,410</u>	<u>1,908,260</u>	<u>980,783</u>	<u>6,927,177</u>
-	-	44,231	-	-	44,231
-	-	-	60,667	2,605,578	2,912,411
-	-	-	9,033,563	6,738,157	19,176,975
-	-	24,235	-	-	70,683
-	-	(24,235)	(4,721,177)	(2,646,606)	(9,722,436)
-	-	-	4,373,053	6,697,129	12,437,633
-	-	44,231	4,373,053	6,697,129	12,481,864
<u>1,975</u>	<u>-</u>	<u>1,464,641</u>	<u>6,281,313</u>	<u>7,677,912</u>	<u>19,409,041</u>
-	-	133,188	14,834	693,459	862,721
-	-	16,826	-	32,352	49,178
-	-	150,014	14,834	725,811	911,899
-	-	27,064	-	115,901	142,965
-	-	27,064	-	115,901	142,965
-	-	177,078	14,834	841,712	1,054,864
-	-	-	4,373,053	6,422,963	12,163,466
-	-	-	-	43,427	43,427
<u>1,975</u>	<u>-</u>	<u>1,287,563</u>	<u>1,893,426</u>	<u>369,810</u>	<u>6,147,284</u>
<u>\$ 1,975</u>	<u>\$ -</u>	<u>\$ 1,287,563</u>	<u>\$ 6,266,479</u>	<u>\$ 6,836,200</u>	<u>\$ 18,354,177</u>

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Boulder Creek CSA 7	Rolling Woods CSA 10	Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20
OPERATING REVENUES:					
Charges for services	\$ 491,016	\$ 83,423	\$ 91,681	\$ 277,507	\$ 48,708
Total operating revenues	491,016	83,423	91,681	277,507	48,708
OPERATING EXPENSES:					
Services and supplies	312,079	21,357	144,091	277,931	53,463
Depreciation and amortization	73,664	9,019	5,542	31,503	-
Total operating expenses	385,743	30,376	149,633	309,434	53,463
Operating income (loss)	105,273	53,047	(57,952)	(31,927)	(4,755)
NONOPERATING REVENUES (EXPENSES):					
Intergovernmental	11,258	-	2,875	-	-
Interest and investment income	12,238	8,915	6,379	3,976	382
Interest expense	-	-	-	-	-
Property taxes	-	-	-	-	-
Gain/(loss) on disposal of capital assets	2,259	(1,891)	(11,826)	(3,712)	-
Total nonoperating revenues (expenses)	25,755	7,024	(2,572)	264	382
Capital contributions	-	-	-	-	-
Transfers out	-	-	-	-	-
Change in net position	131,028	60,071	(60,524)	(31,663)	(4,373)
Net position - beginning	1,632,536	737,425	639,595	820,065	37,800
Net position - ending	\$ 1,763,564	\$ 797,496	\$ 579,071	\$ 788,402	\$ 33,427

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

Summit West CSA 54	Graham Hill CSA 57	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District	Total
\$ -	\$ -	\$ 1,268,638	\$ 935,805	\$ 493,281	\$ 3,690,059
-	-	1,268,638	935,805	493,281	3,690,059
319	-	920,486	869,217	392,789	2,991,732
-	-	2,934	210,881	168,327	501,870
319	-	923,420	1,080,098	561,116	3,493,602
(319)	-	345,218	(144,293)	(67,835)	196,457
-	-	-	-	2,402,811	2,416,944
26	-	17,279	22,397	(4,076)	67,516
-	-	(1,568)	-	(4,964)	(6,532)
-	-	-	-	34,923	34,923
-	-	-	(14,742)	(21,465)	(51,377)
26	-	15,711	7,655	2,407,229	2,461,474
-	-	-	-	-	-
-	(338,271)	-	-	-	(338,271)
(293)	(338,271)	360,929	(136,638)	2,339,394	2,319,660
2,268	338,271	926,634	6,403,117	4,496,806	16,034,517
\$ 1,975	\$ -	\$ 1,287,563	\$ 6,266,479	\$ 6,836,200	\$ 18,354,177

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Boulder Creek CSA 7	Rolling Woods CSA 10	Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 491,016	\$ 83,423	\$ 91,681	\$277,507	\$ 48,708
Payments to suppliers for goods and services	(109,629)	(3,903)	(36,770)	(53,425)	(11,572)
Payments to other funds for services provided	(204,177)	(17,454)	(91,097)	(226,896)	(42,063)
Net cash provided (used) by operating activities	<u>177,210</u>	<u>62,066</u>	<u>(36,186)</u>	<u>(2,814)</u>	<u>(4,927)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
Operating grants	11,258	-	2,875	-	-
Property taxes	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>11,258</u>	<u>-</u>	<u>2,875</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital contributions	-	-	-	-	-
Acquisition and construction of capital assets	(108,451)	-	(39,025)	-	-
Principal paid on capital debt	-	-	-	-	-
Interest paid on capital debt	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(108,451)</u>	<u>-</u>	<u>(39,025)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on investments	12,238	8,915	6,379	3,976	382
Net cash provided (used) by investing activities	<u>12,238</u>	<u>8,915</u>	<u>6,379</u>	<u>3,976</u>	<u>382</u>
Net increase (decrease) in cash cash and cash equivalents	92,255	70,981	(65,957)	1,162	(4,545)
Cash and cash equivalents at beginning of year	997,265	616,493	559,561	309,911	38,623
Cash and cash equivalents at end of year	<u>\$1,089,520</u>	<u>\$687,474</u>	<u>\$493,604</u>	<u>\$311,073</u>	<u>\$ 34,078</u>

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

Summit West CSA 54	Graham Hill CSA 57	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District	Total
\$ -	\$ -	\$ 1,273,244	\$ 935,805	\$ 493,281	\$ 3,694,665
(125)	-	(930,222)	(485,697)	389,929	(1,241,414)
(194)	-	-	(371,783)	(231,608)	(1,185,272)
(319)	-	343,022	78,325	651,602	1,267,979
-	-	-	100,000	11,246	111,246
-	(338,271)	-	(100,000)	(11,246)	(449,517)
-	-	-	-	699,233	713,366
-	-	-	-	34,923	34,923
-	(338,271)	-	-	734,156	410,018
-	-	-	(60,667)	(2,266,033)	(2,474,176)
-	-	(16,400)	-	(31,478)	(47,878)
-	-	(1,568)	-	(4,964)	(6,532)
-	-	(17,968)	(60,667)	(2,302,475)	(2,528,586)
26	-	17,279	22,397	(4,076)	67,516
26	-	17,279	22,397	(4,076)	67,516
(293)	(338,271)	342,333	40,055	(920,793)	(783,073)
2,268	338,271	1,077,592	1,868,205	27,730	5,835,919
<u>\$ 1,975</u>	<u>\$ -</u>	<u>\$ 1,419,925</u>	<u>\$ 1,908,260</u>	<u>\$ (893,063)</u>	<u>\$ 5,052,846</u>

(Continued)

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Boulder Creek CSA 7	Rolling Woods CSA 10	Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20
RECONCILIATION OF OPERATING					
INCOME (LOSS) TO NET CASH PROVIDED					
(USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	<u>\$ 105,273</u>	<u>\$ 53,047</u>	<u>\$ (57,952)</u>	<u>\$ (31,927)</u>	<u>\$ (4,755)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	73,664	9,019	5,542	31,503	-
Changes in assets and liabilities:					
(Increase) decrease in:					
Receivables	-	-	-	-	-
Loans Receivables	-	-	-	-	-
Increase (decrease) in:					
Payables	<u>(1,727)</u>	<u>-</u>	<u>16,224</u>	<u>(2,390)</u>	<u>(172)</u>
Total adjustments	<u>71,937</u>	<u>9,019</u>	<u>21,766</u>	<u>29,113</u>	<u>(172)</u>
Net cash provided (used) by operating activities	<u><u>\$ 177,210</u></u>	<u><u>\$ 62,066</u></u>	<u><u>\$ (36,186)</u></u>	<u><u>\$ (2,814)</u></u>	<u><u>\$ (4,927)</u></u>

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

Summit West CSA 54	Graham Hill CSA 57	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District	Total
\$ (319)	\$ -	\$ 345,218	\$ (144,293)	\$ (67,835)	\$ 196,457
-	-	2,934	210,881	168,327	501,870
-	-	4,606	-	-	4,606
-	-	(9,736)	11,737	551,110	565,046
-	-	(2,196)	222,618	719,437	1,071,522
<u>\$ (319)</u>	<u>\$ -</u>	<u>\$ 343,022</u>	<u>\$ 78,325</u>	<u>\$ 651,602</u>	<u>\$1,267,979</u>



INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Central Duplicating Fund – The Central Duplicating Fund accounts for the County print shop, copy center, and mail room.

Information Services Fund – The Information Services Fund accounts for data processing and telecommunications services provided to County departments.

Public Works Fund – The Public Works Fund accounts for such County functions as construction and maintenance of the County road system and management of certain special districts and other related activities.

Service Center Fund – The Service Center Fund accounts for the maintenance of the County fleet of vehicles and for related services to other County departments.

Self-Insurance Funds – The Self-Insurance Funds account for the County's self-insured risk management, dental and health insurance, liability and property insurance, workers' compensation insurance, employee benefit staffing, and State unemployment insurance program.

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2018**

	Central Duplicating	Information Services	Public Works	Service Center
ASSETS				
Current assets:				
Cash and investments	\$ 506,149	\$ 3,206,693	\$ -	\$ 1,006,658
Receivables	-	-	138,954	-
Due from other funds	-	-	4,072,027	-
Deposits with others	-	-	-	-
Inventory	-	-	387,163	14,809
Prepaid items	67,100	28,987	-	-
Total current assets	573,249	3,235,680	4,598,144	1,021,467
Capital assets:				
Land	-	-	62,914	34,1/3
Construction in progress	-	-	153,4/9	-
Buildings and structures	-	225,763	3,099,527	438,121
Equipment	195,952	11,135,050	7,884,681	11,286,816
Accumulated depreciation	(184,908)	(6,307,191)	(9,472,074)	(7,851,297)
Capital assets, net	11,044	5,053,622	1,728,527	3,907,813
Total assets	584,293	8,289,302	6,326,671	4,929,280
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension	93,791	3,996,523	12,495,127	308,573
Deferred OPEB	6,226	149,424	584,413	15,566
Total deferred outflows of resources	100,017	4,145,947	13,079,540	324,139
LIABILITIES				
Current liabilities:				
Payables	16,117	377,217	1,439,021	94,046
Due to other funds	-	-	-	-
Claims liabilities	-	-	-	-
Capital leases	-	474,713	5,666	-
Compensated absences, due within one year	16,363	688,008	2,447,212	11,238
Total current liabilities	32,480	1,539,938	3,891,899	105,284
Noncurrent liabilities:				
Claims liability	-	-	-	-
Capital leases	-	647,446	10,680	-
Compensated absences, due in more than one year	13,340	494,366	782,458	2,425
Net pension liability	276,721	11,405,545	36,376,348	907,581
Net OPEB liability	147,620	3,542,885	13,856,531	369,051
Total noncurrent liabilities	437,681	16,090,242	51,026,017	1,279,057
Total liabilities	470,161	17,630,180	54,917,916	1,384,341
DEFERRED INFLOWS OF RESOURCES				
Deferred pension	32,046	1,264,229	4,138,685	103,213
Deferred OPEB	10,827	259,850	1,016,297	27,068
Total deferred inflows of resources	42,873	1,524,079	5,154,982	130,281
NET POSITION				
Net investment in capital assets	11,044	3,931,463	1,712,182	3,907,813
Restricted for:				
Debt service	-	-	1,338,808	-
Unrestricted	160,232	(10,650,473)	(43,717,677)	(169,016)
Total net position	\$ 171,276	\$ (6,719,010)	\$ (40,666,687)	\$ 3,738,797

COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF NET POSITION (CONTINUED)
INTERNAL SERVICE FUNDS
June 30, 2018

		Self-Insurance					
Risk Management	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance	Employee Benefit Staffing	State Unemployment Insurance Program	Total	
\$ 955,315	\$ 1,400,857	\$ 12,234,332	\$ 8,069,483	\$ 304,835	\$ 238,344	27,922,666	
-	-	-	-	-	-	138,954	
-	-	-	8,475,753	-	-	12,547,780	
-	-	-	150,000	-	-	150,000	
-	-	-	-	-	-	401,972	
-	-	-	-	-	-	96,087	
955,315	1,400,857	12,234,332	16,695,236	304,835	238,344	41,257,459	
-	-	-	-	-	-	97,087	
-	-	-	-	-	-	153,479	
-	-	-	-	-	-	3,763,411	
-	-	-	-	-	-	30,502,499	
-	-	-	-	-	-	(23,815,470)	
-	-	-	-	-	-	10,701,006	
955,315	1,400,857	12,234,332	16,695,236	304,835	238,344	51,958,465	
414,886	-	-	-	301,449	-	17,610,349	
21,791	-	-	-	12,452	-	789,872	
436,677	-	-	-	313,901	-	18,400,221	
45,174	50,066	345,908	408,148	24,185	-	2,799,882	
-	-	-	-	-	-	-	
-	406,120	2,717,000	7,239,000	-	62,008	10,424,128	
3,793	-	-	-	-	-	484,172	
27,537	-	-	-	94,641	-	3,284,999	
76,504	456,186	3,062,908	7,647,148	118,826	62,008	16,993,181	
-	-	3,778,000	22,555,000	-	-	26,333,000	
10,230	-	-	-	-	-	668,356	
-	-	-	-	-	-	-	
77,290	-	-	-	26,682	-	1,396,561	
1,307,303	-	-	-	716,814	-	50,990,312	
516,671	-	-	-	295,241	-	18,727,999	
1,911,494	-	3,778,000	22,555,000	1,038,737	-	98,116,228	
1,987,998	456,186	6,840,908	30,202,148	1,157,563	62,008	115,109,409	
208,382	-	-	-	11,682	-	5,758,237	
37,895	-	-	-	21,654	-	1,373,591	
246,277	-	-	-	33,336	-	7,131,828	
-	-	-	-	-	-	9,562,502	
-	-	-	150,000	-	-	1,488,808	
(842,283)	944,671	5,393,424	(13,656,912)	(572,163)	176,336	(62,933,861)	
\$ (842,283)	\$ 944,671	\$ 5,393,424	\$ (13,506,912)	\$ (572,163)	\$ 176,336	\$ (51,882,551)	

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Central Duplicating	Information Services	Public Works	Service Center
OPERATING REVENUES:				
Charges for services	\$ 636,419	\$ 14,245,027	\$ 37,927,535	\$ 2,622,704
Other revenues	-	56,069	5,441	75,047
Total operating revenues	636,419	14,301,096	37,932,976	2,697,751
OPERATING EXPENSES:				
Salaries and employee benefits	217,998	8,693,714	32,585,276	566,372
Services and supplies	321,101	4,163,271	7,713,515	1,760,296
Insurance and compensation claims	6,852	64,382	-	23,212
Depreciation and amortization	23,606	1,250,889	253,458	1,018,346
Total operating expenses	569,557	14,172,256	40,552,249	3,368,226
Operating income (loss)	66,862	128,840	(2,619,273)	(670,475)
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental	-	-	(5,417)	-
Interest and investment income	-	-	-	-
Gain/(loss) on disposal of capital assets	-	(1,160)	-	58,541
Interest expense	-	(102,598)	(1,462)	-
Total nonoperating revenues (expenses)	-	(103,758)	(6,879)	58,541
Income (loss) before transfers	66,862	25,082	(2,626,152)	(611,934)
Transfers in	-	-	-	452,075
Transfers out	-	(29,146)	-	-
Change in net position	66,862	(4,064)	(2,626,152)	(159,859)
Net position - beginning	252,178	(3,168,622)	(24,170,560)	4,268,064
Prior period adjustment	(147,764)	(3,546,324)	(13,869,975)	(369,408)
Beginning net position, as restated	104,414	(6,714,946)	(38,040,535)	3,898,656
Net position - ending	\$ 171,276	\$ (6,719,010)	\$ (40,666,687)	\$ 3,738,797

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION (CONTINUED)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

Risk Management	Self-Insurance					Total
	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance	Employee Benefit Staffing	State Unemployment Insurance Program	
\$ 2,000,000	\$ 2,224,138	\$ 4,999,811	\$ 8,016,320	\$ 1,080,836	\$ 401,299	\$ 74,154,089
-	-	144,619	1,551,786	-	-	1,832,962
2,000,000	2,224,138	5,144,430	9,568,106	1,080,836	401,299	75,987,051
1,038,726	-	-	-	480,324	-	43,582,410
847,640	30,201	1,427,412	1,146,910	794,905	3,226	18,208,477
18,668	2,258,882	4,247,046	6,756,905	-	598,764	13,974,711
-	-	-	-	-	-	2,546,299
1,905,034	2,289,083	5,674,458	7,903,815	1,275,229	601,990	78,311,897
94,966	(64,945)	(530,028)	1,664,291	(194,393)	(200,691)	(2,324,846)
-	-	-	-	-	-	(5,417)
13,431	17,506	135,632	185,640	5,891	3,906	362,006
-	-	-	-	-	-	57,381
(1,322)	-	-	-	-	-	(105,382)
12,109	17,506	135,632	185,640	5,891	3,906	308,588
107,075	(47,439)	(394,396)	1,849,931	(188,502)	(196,785)	(2,016,258)
-	-	-	-	-	-	452,075
-	-	-	-	-	-	(29,146)
107,075	(47,439)	(394,396)	1,849,931	(188,502)	(196,785)	(1,593,329)
(432,186)	992,110	5,787,820	(15,356,843)	(88,134)	373,121	(31,543,052)
(517,172)	-	-	-	(295,527)	-	(18,746,170)
(949,358)	992,110	5,787,820	(15,356,843)	(383,661)	373,121	(50,289,222)
\$ (842,283)	\$ 944,671	\$ 5,393,424	\$ (13,506,912)	\$ (572,163)	\$ 176,336	\$ (51,882,551)

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Central Duplicating	Information Services	Public Works	Service Center
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 636,419	\$ 14,245,028	\$ 37,885,002	\$ 2,622,814
Receipts from interfund charges for services	-	-	(2,163,442)	-
Payments to suppliers for goods and services	(337,600)	(4,170,421)	(7,556,473)	(1,857,963)
Payments to employees for salaries and benefits	(188,949)	(7,733,884)	(29,967,695)	(566,610)
Payments for judgments and claims	(6,853)	(64,383)	-	(23,212)
Other receipts	-	56,069	5,441	75,047
Net cash provided (used) by operating activities	103,017	2,332,409	(1,797,167)	250,076
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	-	-	-	452,075
Transfers to other funds	-	(29,146)	-	-
Operating grants	-	-	(5,417)	-
Net cash provided (used) by noncapital financing activities	-	(29,146)	(5,417)	452,075
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	-	(961,210)	(580,127)	(1,559,178)
Principal paid on capital debt	-	(453,075)	(5,994)	-
Interest paid on capital debt	-	(102,598)	(1,462)	-
Proceeds from sale of capital assets	-	-	-	62,074
Net cash provided (used) by capital and related financing activities	-	(1,516,883)	(587,583)	(1,497,104)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	-	-	-	-
Net cash provided (used) by investing activities	-	-	-	-
Net increase (decrease) in cash cash and cash equivalents	103,017	786,380	(2,390,167)	(794,953)
Cash and cash equivalents at beginning of year	403,132	2,420,313	2,390,167	1,801,611
Cash and cash equivalents at end of year	\$ 506,149	\$ 3,206,693	\$ -	\$ 1,006,658

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

Self-Insurance							
Risk Management	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance	Employee Benefit Staffing	State Unemployment Insurance Program	Total	
\$ 2,000,000	\$ 2,320,452	\$ 8,499,811	\$ 8,016,320	\$ 1,080,837	\$ 401,299	\$ 77,707,982	
-	-	-	-	-	-	(2,163,442)	
(861,612)	(18,361)	(4,860,889)	(1,090,949)	(808,478)	(3,226)	(21,565,972)	
(973,846)	-	-	-	(372,430)	-	(39,803,414)	
(18,668)	(2,258,883)	(4,247,046)	(6,756,905)	-	(598,764)	(13,974,714)	
-	-	144,619	1,551,786	-	-	1,832,962	
145,874	43,208	(463,505)	1,720,252	(100,071)	(200,691)	2,033,402	
-	-	-	-	-	-	452,075	
-	-	-	(8,475,753)	-	-	(8,504,899)	
-	-	-	-	-	-	(5,417)	
-	-	-	(8,475,753)	-	-	(8,058,241)	
-	-	-	-	-	-	(3,100,515)	
(2,580)	-	-	-	-	-	(461,649)	
(1,322)	-	-	-	-	-	(105,382)	
-	-	-	-	-	-	62,074	
(3,902)	-	-	-	-	-	(3,605,472)	
13,431	17,506	135,632	185,640	5,891	3,906	362,006	
13,431	17,506	135,632	185,640	5,891	3,906	362,006	
155,403	60,714	(327,873)	(6,569,861)	(94,180)	(196,785)	(9,268,305)	
799,912	1,340,143	12,562,205	14,639,344	399,015	435,129	37,190,971	
<u>\$ 955,315</u>	<u>\$ 1,400,857</u>	<u>\$ 12,234,332</u>	<u>\$ 8,069,483</u>	<u>\$ 304,835</u>	<u>\$ 238,344</u>	<u>\$ 27,922,666</u>	

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Central Duplicating	Information Services	Public Works	Service Center
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 66,862	\$ 128,840	\$ (2,619,273)	\$ (670,475)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	23,606	1,250,889	253,458	1,018,346
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	-	-	(42,533)	110
Inventory	-	-	45,856	(1,324)
Prepaid items	(14,655)	-	-	-
Due from other funds	-	-	(2,163,442)	-
Increase (decrease) in:				
Payables	(1,844)	(7,150)	111,186	(96,343)
Due to other funds	-	-	-	-
Accrued salaries and benefits	29,048	959,830	2,617,581	(238)
Claims and judgments	-	-	-	-
Capital leases	-	-	-	-
Total adjustments	36,155	2,203,569	822,106	920,551
Net cash provided (used) by operating activities	\$ 103,017	\$ 2,332,409	\$ (1,797,167)	\$ 250,076

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

Self-Insurance							
Risk Management	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance	Employee Benefit Staffing	State Unemployment Insurance Program	Total	
\$ 94,966	\$ (64,945)	\$ (530,028)	\$ 1,664,291	\$ (194,393)	\$ (200,691)	\$ (2,324,846)	
-	-	-	-	-	-	2,546,299	
-	96,313	3,500,000	-	-	-	3,553,890	
-	-	-	-	-	-	44,532	
-	-	-	-	-	-	(14,655)	
-	-	-	-	-	-	(2,163,442)	
(13,970)	11,840	(3,433,477)	55,961	(13,573)	-	(3,387,370)	
-	-	-	-	-	-	-	
64,878	-	-	-	107,895	-	3,778,994	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
50,908	108,153	66,523	55,961	94,322	-	4,358,248	
<u>\$ 145,874</u>	<u>\$ 43,208</u>	<u>\$ (463,505)</u>	<u>\$ 1,720,252</u>	<u>\$ (100,071)</u>	<u>\$ (200,691)</u>	<u>\$ 2,033,402</u>	



FIDUCIARY FUNDS

Agency Funds – Agency Funds are used to account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the County, acting in the capacity of an agent for distribution to other governmental entities or other organizations.

Intergovernmental Agency Funds – Intergovernmental Agency Funds are used to account for deposits which are under the control of various single county officers. Disbursements are made from these funds by the Auditor-Controller based on a properly written authorization from the responsible officer.

Payroll Funds – The Payroll Funds are used to account for various employee payroll deductions, tax withholdings, and employer contributions for fringe benefits.

Property Tax Collections Funds – The Property Tax Collections Funds are used to account for the collection and distribution of property taxes and interest on bank deposits of other local governmental agencies.

Private Purpose Trust Fund – The Private Purpose Trust Fund reports resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. This fund is used to report the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and activities of the County of Santa Cruz Redevelopment Successor Agency.



**COUNTY OF SANTA CRUZ
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 June 30, 2018**

	Inter- governmental Agency	Payroll	Property Tax Collections	Total
ASSETS				
Cash and investments	\$ 31,961,920	\$ 6,625,623	\$ 6,164,119	\$ 44,751,662
Receivables	22,467	-	11,059,157	11,081,624
Total assets	\$ 31,984,387	\$ 6,625,623	\$ 17,223,276	\$ 55,833,286
LIABILITIES				
Accounts payable	-	\$ 6,625,623	-	\$ 6,625,623
Due to other governmental units	-	-	17,223,276	17,223,276
Agency funds held for others	31,984,387	-	-	31,984,387
Total liabilities	\$ 31,984,387	\$ 6,625,623	\$ 17,223,276	\$ 55,833,286

COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
<u>Intergovernmental Agency</u>				
Assets:				
Cash and investments	\$ 31,020,981	\$3,618,929,332	\$3,617,988,393	\$ 31,961,920
Receivables	-	22,467	-	22,467
Total assets	\$ 31,020,981	\$3,618,951,799	\$3,617,988,393	\$ 31,984,387
Liabilities:				
Accounts payable	\$ -	\$2,378,033,176	\$2,378,033,176	\$ -
Agency funds held for others	31,020,981	231,184,136	230,220,730	31,984,387
Total liabilities	\$ 31,020,981	\$2,609,217,312	\$2,608,253,906	\$ 31,984,387
<u>Payroll</u>				
Assets:				
Cash and investments	\$ 7,221,446	\$ 353,453,166	\$ 354,048,989	\$ 6,625,623
Total assets	\$ 7,221,446	\$ 353,453,166	\$ 354,048,989	\$ 6,625,623
Liabilities:				
Accounts payable	\$ 7,221,446	\$1,039,237,687	\$1,039,833,510	\$ 6,625,623
Total liabilities	\$ 7,221,446	\$1,039,237,687	\$1,039,833,510	\$ 6,625,623
<u>Property Tax Collections</u>				
Assets:				
Cash and investments	\$ 15,304,862	\$1,146,604,208	\$1,155,744,951	\$ 6,164,119
Receivables	11,717,529	544,124,632	544,783,004	11,059,157
Total assets	\$ 27,022,391	\$1,690,728,840	\$1,700,527,955	\$ 17,223,276
Liabilities:				
Accounts payable	\$ -	\$ 15,278,500	\$ 15,278,500	\$ -
Due to other governmental units	27,022,391	1,691,470,834	1,701,269,949	17,223,276
Total liabilities	\$ 27,022,391	\$1,706,749,334	\$1,716,548,449	\$ 17,223,276
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$ 53,547,289	\$5,118,986,706	\$5,127,782,333	\$ 44,751,662
Receivables	11,717,529	544,147,099	544,783,004	11,081,624
Total assets	\$ 65,264,818	\$5,663,133,805	\$5,672,565,337	\$ 55,833,286
Liabilities:				
Accounts payable	\$ 7,221,446	\$3,432,549,363	\$3,433,145,186	\$ 6,625,623
Due to other governmental units	27,022,391	1,691,470,834	1,701,269,949	17,223,276
Agency funds held for others	31,020,981	231,184,136	230,220,730	31,984,387
Total liabilities	\$ 65,264,818	\$5,355,204,333	\$5,364,635,865	\$ 55,833,286

**COUNTY OF SANTA CRUZ
SANTA CRUZ COUNTY REDEVELOPMENT SUCCESSOR AGENCY
STATEMENT OF NET POSITION
PRIVATE PURPOSE TRUST FUND
June 30, 2018**

	<u>Santa Cruz County Redevelopment Successor Agency</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 14,272,777
Total current assets:	<u>14,272,777</u>
Noncurrent Assets:	
Restricted cash with fiscal agents	3,257
Prepaid insurance	1,658,707
Capital assets, net	9,115,733
Total noncurrent assets:	<u>10,777,697</u>
Total assets	<u><u>\$ 25,050,474</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Loss on refunding of debt	\$ 289,645
Total deferred outflows of resources	<u><u>\$ 289,645</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable - claims	\$ 2,712
Interest payable	2,947,127
Long-term debt - due within one year	8,580,429
Total current liabilities:	<u>11,530,268</u>
Long-term Liabilities:	
Long-term debt - due in more than one year	209,050,412
Total long-term liabilities:	<u>209,050,412</u>
Total liabilities	<u><u>\$ 220,580,680</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred tax increment revenue	\$ 1,623,520
Gain on refunding of debt	1,195,967
Total deferred inflows of resources	<u><u>\$ 2,819,487</u></u>
NET POSITION	
Net position held in trust	<u><u>\$ (198,060,048)</u></u>

COUNTY OF SANTA CRUZ
SANTA CRUZ COUNTY REDEVELOPMENT SUCCESSOR AGENCY
STATEMENT OF CHANGES IN NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Santa Cruz County Redevelopment <u>Successor Agency</u>
ADDITIONS:	
Investment income	\$ 91,965
Tax increment received	19,210,688
Other revenue	82,321
Total additions	<u>19,384,974</u>
DEDUCTIONS:	
Payments in accordance with trust agreements	17,163,056
Total deductions	<u>17,163,056</u>
Change in net position held in trust	2,221,918
Net position held in trust - beginning	<u>(200,281,966)</u>
Net position held in trust - ending	<u><u>\$ (198,060,048)</u></u>

STATISTICAL SECTION

(UNAUDITED)

This part of the County of Santa Cruz's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

Contents	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	192-196
Revenue Capacity These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.	197-200
Debt Capacity These schedules present information to help the reader assess the affordability of the County's current level of outstanding debt and the County's ability to issue additional debt in the future.	201-204
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	205-209
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	210-214

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

COUNTY OF SANTA CRUZ
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Reported in Thousands)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Net investment in capital assets	\$ 509,726	\$ 476,456	\$ 468,999	\$ 484,646	\$ 439,466	\$ 448,657	\$ 455,726	\$ 215,172	\$ 212,557	\$ 242,858
Restricted	55,333	57,360	63,880	55,856	75,773	67,014	96,980	117,713	40,865	31,660
Unrestricted	(423,493)	(369,329)	(374,141)	(399,332)	(72,239)	(65,133)	(66,913)	(61,396)	36,955	32,147
Total governmental activities net position	\$ 141,566	\$ 164,487	\$ 158,738	\$ 141,170	\$ 443,000	\$ 450,538	\$ 485,793	\$ 271,489	\$ 290,377	\$ 306,665
Business-type activities										
Net investment in capital assets	\$ 21,690	\$ 20,724	\$ 28,466	\$ 28,585	\$ 24,033	\$ 25,023	\$ 25,442	\$ 24,677	\$ 26,662	\$ 26,327
Restricted	634	381	390	260	476	44	256	253	317	83
Unrestricted	3,255	2,062	(1,962)	3,620	8,130	7,634	6,520	5,803	6,553	7,433
Total business-type activities net position	\$ 25,579	\$ 23,167	\$ 26,894	\$ 32,465	\$ 32,639	\$ 32,701	\$ 32,218	\$ 30,733	\$ 33,532	\$ 33,843
Total primary government										
Net investment in capital assets	\$ 531,416	\$ 497,180	\$ 497,465	\$ 513,231	\$ 463,499	\$ 473,680	\$ 481,168	\$ 239,849	\$ 239,219	\$ 269,185
Restricted	55,967	57,740	64,270	56,116	76,249	67,058	97,236	117,966	41,182	31,743
Unrestricted	(420,238)	(394,267)	(376,103)	(395,712)	(64,109)	(57,499)	(60,393)	(55,593)	43,508	39,580
Total primary government net position	\$ 167,145	\$ 160,653	\$ 185,632	\$ 173,635	\$ 475,639	\$ 483,239	\$ 518,011	\$ 302,222	\$ 323,909	\$ 340,508

¹ The 2017 reported unrestricted balances have been restated due to the implementation of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."

COUNTY OF SANTA CRUZ
GOVERNMENT-WIDE CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Reported in Thousands)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities:										
General government	\$ 39,828	\$ 43,566	\$ 35,068	\$ 33,544	\$ 25,451	\$ 17,725	\$ 27,417	\$ 39,206	\$ 30,407	\$ 37,098
Public protection	177,636	157,415	141,370	131,718	133,932	127,640	124,721	125,065	122,743	146,283
Public ways and facilities	29,193	24,716	28,271	32,900	18,961	47,167	32,192	36,694	45,826	32,859
Health and sanitation	141,327	123,519	114,209	108,999	108,571	111,441	113,242	107,497	105,239	111,310
Public assistance	132,801	129,000	126,834	116,902	112,840	104,889	105,835	101,990	108,121	110,208
Education	5,884	5,746	6,005	5,537	4,915	5,005	5,033	5,194	5,140	5,153
Recreation and culture	11,549	10,784	8,900	7,202	6,870	5,867	6,670	6,386	6,617	8,499
Interest on long-term debt	1,731	2,210	2,764	3,307	8,126	3,321	10,262	17,144	15,782	13,098
Total government activities expenses	<u>539,949</u>	<u>496,956</u>	<u>463,421</u>	<u>440,109</u>	<u>419,666</u>	<u>423,055</u>	<u>425,372</u>	<u>439,176</u>	<u>439,875</u>	<u>464,508</u>
Business-type activities:										
County Disposal Site CSA 9C	\$ 14,859	\$ 13,283	\$ 12,018	\$ 11,785	\$ 11,464	\$ 10,904	\$ 10,506	\$ 14,792	\$ 12,283	\$ 14,317
Boulder Creek CSA 7	401	308	362	332	310	344	295	299	298	417
Rolling Woods CSA 10	31	32	15	12	14	14	14	12	44	93
Septic Tank Maintenance CSA 12	923	1,016	1,090	1,058	1,114	1,017	943	1,050	951	1,148
Freedom County Sanitation CSA	1,123	1,090	808	965	607	441	857	825	551	891
Davenport County Sanitation District CSA	581	556	518	656	557	458	532	477	701	550
Place de Mer CSA 2	157	30	38	50	23	21	37	70	32	52
Sand Dollar Beach CSA 5	323	247	237	275	243	260	265	315	252	254
Trestle Beach CSA 20	56	62	45	51	59	36	41	43	71	61
Summit West CSA 54	-	-	-	-	1	1	1	1	1	1
Graham Hill CSA 57	0	8	11	35	53	35	33	27	27	27
Total business-type activities expenses	<u>18,454</u>	<u>16,632</u>	<u>15,142</u>	<u>15,219</u>	<u>14,445</u>	<u>13,531</u>	<u>13,524</u>	<u>17,911</u>	<u>15,211</u>	<u>17,811</u>
Total primary government expenses	<u>\$ 558,403</u>	<u>\$ 513,588</u>	<u>\$ 478,563</u>	<u>\$ 455,328</u>	<u>\$ 434,111</u>	<u>\$ 436,586</u>	<u>\$ 438,896</u>	<u>\$ 457,087</u>	<u>\$ 455,086</u>	<u>\$ 482,319</u>
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 19,799	\$ 21,379	\$ 19,053	\$ 18,605	\$ 19,150	\$ 18,071	\$ 17,695	\$ 18,305	\$ 17,083	\$ 18,494
Health, sanitation & public assistance	42,643	38,828	34,628	28,088	25,830	23,238	33,029	27,635	24,754	27,137
Public protection	23,357	22,877	22,514	22,913	21,426	20,742	20,623	20,954	20,961	22,364
Public ways & facilities, and recreation	9,545	9,408	8,051	8,217	8,286	8,869	9,412	8,453	8,555	8,633
Operating grants and contributions	259,972	261,567	244,016	243,896	227,863	219,341	207,264	199,689	209,932	187,859
Capital grants and contributions	19,532	8,193	8,798	7,006	10,541	10,678	8,016	11,298	8,673	7,885
Total governmental activities program revenues	<u>374,848</u>	<u>362,252</u>	<u>337,060</u>	<u>328,725</u>	<u>313,096</u>	<u>300,939</u>	<u>296,039</u>	<u>286,334</u>	<u>289,958</u>	<u>272,372</u>
Business-type activities:										
Charges for services	18,022	15,638	14,763	13,933	13,350	13,137	13,313	13,058	13,166	13,350
Operating grants and contributions	2,856	342	490	226	382	208	573	289	964	338
Capital grants and contributions	-	327	129	118	-	60	345	1,097	15	50
Total business-type activities program revenues	<u>20,878</u>	<u>16,307</u>	<u>15,382</u>	<u>14,277</u>	<u>13,732</u>	<u>13,405</u>	<u>14,231</u>	<u>14,444</u>	<u>14,145</u>	<u>13,738</u>
Total primary government program revenues	<u>\$ 395,726</u>	<u>\$ 378,559</u>	<u>\$ 352,442</u>	<u>\$ 343,002</u>	<u>\$ 326,828</u>	<u>\$ 314,344</u>	<u>\$ 310,270</u>	<u>\$ 300,778</u>	<u>\$ 304,103</u>	<u>\$ 286,110</u>
Net (expense)/revenue										
Governmental activities	\$ (165,101)	\$ (134,704)	\$ (126,361)	\$ (111,384)	\$ (106,570)	\$ (122,116)	\$ (129,333)	\$ (152,843)	\$ (149,917)	\$ (192,136)
Business-type activities	2,424	(325)	240	(942)	(713)	(126)	707	(3,467)	(1,066)	(4,073)
Total primary government net expense	<u>\$ (162,677)</u>	<u>\$ (135,029)</u>	<u>\$ (126,121)</u>	<u>\$ (112,326)</u>	<u>\$ (107,283)</u>	<u>\$ (122,242)</u>	<u>\$ (128,626)</u>	<u>\$ (156,310)</u>	<u>\$ (150,983)</u>	<u>\$ (196,209)</u>

(Continued)

COUNTY OF SANTA CRUZ
GOVERNMENT-WIDE CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Reported in Thousands)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Revenue and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 117,337	\$ 107,283	\$ 100,143	\$ 93,563	\$ 88,178	\$ 84,795	\$ 97,716	\$ 109,837	\$ 111,224	\$ 115,179
Other taxes	31,143	27,410	24,256	21,831	19,046	17,201	16,044	15,265	12,978	13,951
Grants and contributions not restricted for specific purposes	-	-	-	-	-	117	-	-	-	-
Use of money and property	4,454	3,741	4,096	3,473	3,652	1,254	2,741	2,827	3,373	5,805
Miscellaneous	16,253	7,960	9,460	4,306	751	(156)	52,099	6,033	4,606	2,546
Gain (Loss) on sale of assets	(7)	6	98	-	(4)	26	1,005	(6)	101	37
Total governmental activities	169,180	146,400	138,053	123,173	111,623	103,237	169,605	133,956	132,282	137,518
Business-type activities:										
Property taxes	35	32	29	27	25	25	25	25	24	25
Use of money and property	(25)	(232)	(170)	49	95	(24)	45	12	13	174
Miscellaneous	70	333	332	6,539	531	609	705	631	760	1,068
Gain (Loss) on sale of assets	(91)	-	-	-	-	-	2	-	3	-
Total business-type activities	(11)	133	191	6,615	651	610	777	668	800	1,267
Total primary government	\$ 169,169	\$ 146,533	\$ 138,244	\$ 129,788	\$ 112,274	\$ 103,847	\$ 170,382	\$ 134,624	\$ 133,082	\$ 138,785
Extraordinary Item:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (16,377)	\$ 174,033	\$ -	\$ -	\$ -
Change in Net Position										
Governmental activities	\$ 4,079	\$ 11,696	\$ 11,692	\$ 11,789	\$ 5,053	\$ (35,256)	\$ 214,305	\$ (18,887)	\$ (17,635)	\$ (54,618)
Business-type activities	2,413	(192)	431	5,673	(62)	484	1,484	(2,799)	(266)	(2,806)
Total primary government	\$ 6,492	\$ 11,504	\$ 12,123	\$ 17,462	\$ 4,991	\$ (34,772)	\$ 215,789	\$ (21,686)	\$ (17,901)	\$ (57,424)

(Continued)

COUNTY OF SANTA CRUZ
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Reported in Thousands)

	Fiscal Year								
	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Fund ¹									
Nonspendable	\$ 1,758	\$ 703	\$ 751	\$ 1,135	\$ 872	\$ 3,544	\$ 3,739	\$ 4,118	\$ 1,525
Restricted	-	-	-	1	2	2	1	-	-
Committed	21,557	18,000	17,251	20,081	21,627	16,166	13,706	12,847	11,748
Assigned	37,093	37,159	33,767	29,059	18,214	20,857	24,722	22,231	15,430
Unassigned	-	(71)	(33)	(71)	-	-	-	171	-
Total General Fund	<u>\$ 60,408</u>	<u>\$ 55,791</u>	<u>\$ 51,736</u>	<u>\$ 50,205</u>	<u>\$ 40,715</u>	<u>\$ 40,569</u>	<u>\$ 42,168</u>	<u>\$ 39,367</u>	<u>\$ 28,703</u>
All other governmental funds									
Nonspendable	\$ -	\$ 61,558	\$ -	\$ 61,184	\$ 60,226	\$ 56,077	\$ 49,883	\$ -	\$ -
Restricted	116,612	54,594	124,769	55,820	69,455	67,030	97,824	166,676	183,044
Unassigned	(4,988)	-	-	-	-	(17)	(22)	(37)	-
Total all other governmental funds	<u>\$ 111,624</u>	<u>\$ 116,152</u>	<u>\$ 124,769</u>	<u>\$ 117,004</u>	<u>\$ 129,681</u>	<u>\$ 123,090</u>	<u>\$ 147,685</u>	<u>\$ 166,639</u>	<u>\$ 183,044</u>

	Fiscal Year
	2009
General Fund	
Reserved	\$ 2,919
Unreserved	14,674
Total General Fund	<u>\$ 17,593</u>
All other governmental funds	
Reserved	\$ 38,930
Unreserved, reported in:	
Special revenue funds	121,946
Capital project funds	10,273
Total all other governmental funds	<u>\$ 171,149</u>

¹ In fiscal year 2010-2011 the County implemented GASB Statement No. 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned.

COUNTY OF SANTA CRUZ
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Reported in Thousands)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Taxes	\$ 148,480	\$ 134,693	\$ 124,399	\$ 115,394	\$ 107,224	\$ 101,997	\$ 113,760	\$ 125,101	\$ 123,718	\$ 129,130
Licenses and permits	12,665	13,268	11,881	11,053	9,847	9,819	10,356	9,046	9,247	9,177
Fines, forfeits and penalties	3,870	4,101	3,630	4,720	4,758	4,474	4,737	5,200	5,231	5,088
Use of money and property	4,197	3,623	4,083	3,417	3,480	1,264	2,635	2,718	3,197	5,451
Aid from other governments	279,504	269,760	252,814	250,902	238,404	230,019	215,280	210,987	219,090	195,758
Charges for services	78,809	75,124	68,734	62,050	60,087	56,626	65,666	61,115	56,845	62,364
Other	16,720	8,313	9,685	10,168	12,927	5,320	2,274	5,341	4,617	4,815
Total revenues	544,245	508,882	475,226	457,704	436,727	409,519	414,708	419,508	421,945	411,783
Expenditures										
Current										
General government	36,240	33,189	31,414	32,532	29,206	28,311	26,747	29,084	26,198	29,994
Public protection	161,157	156,582	146,434	137,893	134,296	129,562	118,671	117,531	118,848	126,014
Public ways and facilities	37,324	34,217	20,249	24,440	18,730	41,232	32,074	37,534	53,095	45,023
Health and sanitation	133,424	122,842	117,041	111,509	108,967	108,688	107,810	104,191	102,048	103,920
Public assistance	125,796	129,505	130,035	119,199	112,967	101,437	101,204	99,120	100,294	101,562
Education	5,655	5,535	5,793	5,325	4,915	4,781	4,810	4,974	4,921	5,420
Recreation and culture	10,471	10,014	8,667	7,156	6,951	6,900	7,004	6,928	7,345	7,876
Capital outlay	35,287	14,862	7,607	9,306	18,875	-	-	35,417	769	3,380
Debt service										
Principal	4,577	4,857 ²	4,744	3,992	3,797	3,815	7,790	7,603	6,958	6,836
Bond redemption	-	-	-	-	-	-	-	-	-	771
Bond issue costs	-	-	-	-	-	-	-	1,127	-	181
Interest and fiscal charges	2,276	2,904	2,770	3,239	3,151	3,318	10,482	15,677	15,742	12,360
Total expenditures	552,207	514,507	474,754	454,591	441,855	428,044	416,592	459,186	436,218	443,337
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,962)	(5,625)	472	3,113	(5,128)	(18,525)	(1,884)	(39,678)	(14,273)	(31,554)
Other Financing Sources (Uses)										
Sale of capital assets	24	6	98	-	-	-	1,139	-	57	(33)
Gain/(Loss) on land held for resale	-	-	-	-	-	-	(137)	(9)	-	-
Debt issue cost	-	-	-	-	-	-	(248)	-	-	-
Escrow transfers in	-	-	-	-	-	-	-	29,876	-	49,411
Escrow transfers out	-	-	-	-	-	-	-	(29,876)	-	-
Proceeds from long-term debt	-	-	9,945	-	11,810	-	7,490	-	-	-
Contributed capital	-	-	-	-	-	233	45,701	35,410	-	-
Bond premium/discount	(63)	951	60	-	812	-	(23)	(914)	-	-
Gain on conversion of receivables	-	-	-	-	-	-	5,024	-	-	-
Proceeds from refunding bonds	7,940	10,500	13,770	-	-	-	-	-	-	60,492
Payment to bond refunding escrow agent	-	(10,620)	(13,097)	-	(6,362)	-	(1,399)	-	-	-
Transfers in	28,411	21,582	17,489	12,312	36,185	17,620	24,252	145,035	29,843	29,760
Transfers out	(28,496)	(21,750)	(17,701)	(18,706)	(37,268)	(18,379)	(24,282)	(145,709)	(30,551)	(79,777)
Inception of capital lease	92	129	70	93	403	36	80	123	-	110
Miscellaneous	144	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	8,052	798	10,634	(6,301)	5,580	(490)	57,597	33,936	(651)	59,963
Extraordinary Item	-	-	-	-	-	(7,179)	(71,866)	-	-	-
Net change in fund balance	\$ 90	\$ (4,827)	\$ 11,106	\$ (3,188)	\$ 452	\$ (26,194)	\$ (16,153)	\$ (5,742)	\$ (14,924)	\$ 28,409
Debt service as a percentage of noncapital expenditures	1.40%	1.63%	1.64% ¹	1.69%	1.64%	1.79%	4.59%	5.76%	5.57%	4.66%

¹ Ratio corrected from prior reported years.

² Bond principal corrected to match figure reported in 2016-2017 CAFR on page 35.

COUNTY OF SANTA CRUZ
GENERAL FUND TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Reported in Thousands)

Fiscal Year	Current Property Taxes	Prior Property Taxes ¹	Delinquent Penalties and Costs	Sales and Use Tax	Occupancy Tax	Business Tax ²	Property Transfer Tax	Other Taxes	Total Tax Revenues
2009	\$ 72,032	\$ 224	\$ 5,291	\$ 8,038	\$ 3,887	-	\$ 1,532	\$ 74	\$ 91,078
2010	69,970	89	4,671	7,212	3,511	-	1,630	74	87,157
2011	69,606	118	5,156	7,892	4,101	-	1,709	72	88,654
2012	69,497	77	4,249	8,378	4,605	-	1,528	72	88,406
2013	69,152	65	3,522	9,129	4,515	-	1,936	72	88,391
2014	71,929	41	3,656	9,840	5,514	-	1,906	72	92,958
2015	77,497	146	2,017	10,248	6,482	978	2,243	76	99,687
2016	82,863	260	2,436	10,071	7,084	2,504	2,267	82	107,567
2017	88,414	174	3,210	11,863	8,002	2,805	2,321	85	116,874
2018	99,572	135	1,208	11,514	8,385	3,138	2,609	83	126,644

¹ The County uses the Alternative Tax Apportionment Method, which treats prior taxes as payments against an outstanding taxes receivable balance. Amounts shown are either past adjustments or present delinquent payments applicable to the supplemental tax roll.

² The County began collecting Cannabis Business Tax during 2014-2015.

**COUNTY OF SANTA CRUZ
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Reported in Thousands)**

Fiscal Year Ended June 30	Total Secured Tax Levy for Fiscal Year ¹	Collections within the Fiscal Year of the Levy ²		Collections in Subsequent Years ³	Total Collections to Date	
		Amount	Percentage of Levy		Total Tax Collections	Percentage of Levy
2009	\$ 402,589	\$ 387,153	96.2%	\$ 12,598 ⁴	\$ 399,751	99.3%
2010	395,628	383,707	97.0%	13,142 ⁴	396,849	100.3%
2011	394,498	385,099	97.6%	12,706 ⁴	397,805	100.8%
2012	395,546	388,135	98.1%	7,241 ⁴	395,376	100.0%
2013	399,146	393,223	98.5%	6,212 ⁴	399,435	100.1%
2014	418,414	413,276	98.8%	6,767 ⁴	420,043	100.4%
2015	443,002	437,476	98.8%	4,534 ⁴	442,010	99.8%
2016	470,552	465,411	98.9%	5,831 ⁴	471,242	100.1%
2017	503,093	496,571	98.7%	4,739 ⁴	501,310	99.6%
2018	536,687	530,953	98.9%	5,226	536,179	99.9%

¹ Secured tax levy for the County itself, school districts, cities and special districts under the supervision of their own governing boards.

² Included are amounts collected by the County on behalf of itself, school districts, cities and special districts under the supervision of their own governing boards.

³ Under the Alternative Method of Tax Apportionment (the Teeter Plan) the County allocates to all taxing jurisdictions under the County, 100% of the secured property taxes billed, even if not yet collected. In return, the County retains the subsequent delinquent payments and associated penalties and interest. Refer to schedule of General Fund Tax Revenues by Source for property tax collections applicable to the County.

⁴ Amounts restated to reflect collected taxes in the current fiscal year from all prior years delinquencies.

COUNTY OF SANTA CRUZ
ASSESSED VALUE OF TAXABLE PROPERTY AND ACTUAL VALUE OF PROPERTY¹
LAST TEN FISCAL YEARS
(Reported in Thousands)

Fiscal Year Beginning July 1,	Secured ²	Unsecured	Total Taxable Assessed Value ³	Total Direct Tax Rate ⁴
2009	\$ 32,531,717	\$ 865,265	\$ 33,396,982	1.00%
2010	32,390,765	801,371	33,192,136	1.00%
2011	32,332,271	767,714	33,099,985	1.00%
2012	32,033,769	767,064	32,800,833	1.00%
2013	33,625,169	764,939	34,390,108	1.00%
2014	35,996,363	823,369	36,819,732	1.00%
2015	38,321,843	873,141	39,194,984	1.00%
2016	40,296,052	876,810	41,172,862	1.00%
2017	42,608,504	936,890	43,545,394	1.00%
2018	45,265,422	982,250	46,247,672	1.00%

¹ Assessed value of taxable property represents all taxable property within the County except as excluded or exempted by the State Constitution and the Legislature.

² Includes unitary properties (e.g., railroads, utilities), which are assessed by the State Board of Equalization.

³ The County does not track the estimated actual value of all County properties due in part to the manner in which assessed value is calculated following the passage of California Proposition 13. Thus, the total taxable assessed value reported represents all property within the County.

⁴ The maximum tax rate is 1% of the full cash value or \$1/\$100 of the assessed value, excluding the tax rate for debt service.

**COUNTY OF SANTA CRUZ
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(Reported in Thousands)**

Fiscal Year	Property Tax Rates Per \$100 of Assessed Valuation		County	Cities	School Districts	Special Districts	Total
	Low	High					
2009	1.064	1.161	26.5	5.0	56.0	12.5	100.0
2010	1.059	1.174	26.5	5.0	56.0	12.5	100.0
2011	1.065	1.190	26.5	5.0	56.0	12.5	100.0
2012	1.067	1.195	26.5	5.0	56.0	12.5	100.0
2013	1.064	1.197	26.5	5.0	56.0	12.5	100.0
2014	1.058	1.189	26.0	5.0	56.5	12.5	100.0
2015	1.058	1.189	25.5	5.0	57.0	12.5	100.0
2016	1.056	1.178	25.5	5.0	57.0	12.5	100.0
2017	1.051	1.163	25.5	5.0	57.0	12.5	100.0
2018	1.064	1.118	25.5	5.0	57.0	12.5	100.0

COUNTY OF SANTA CRUZ
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Reported in Thousands, Except Per Capita Information)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Capital leases	\$ 5,579	\$ 5,968	\$ 6,739	\$ 4,731	\$ 5,077	\$ 5,075	\$ 5,337	\$ 5,544	\$ 5,673	\$ 5,942
Refunding Certificates of Participation - 1996	11,825	12,830	19,770	21,440	23,025	24,534	25,959	27,334	28,634	29,889
Lease Revenue Bonds	21,948	14,504	14,927	12,325	12,325	6,450	6,670	6,885	7,090	7,290
Refunding Certificates of Participation - 2015	9,505	10,915	12,305	-	-	-	-	-	-	-
Lease Revenue Refunding Bonds - 2012	1,496	1,561	1,627	1,690	1,751	1,812	1,866	1,404	1,535	1,667
Revenue Bonds	-	-	-	-	-	-	405	785	1,145	1,480
Local Agency Revenue Bonds - 1999	70	105	135	165	195	225	250	275	295	320
Certificates of Participation	6,429	6,991	13,390	27,266	29,307	31,278	33,024	29,110	30,746	32,312
Refunding Certificates of Participation - 2014	5,467	5,748	6,020	6,286	6,583	-	-	-	-	-
Refunding Certificates of Participation - 2016	10,536	11,403	-	-	-	-	-	-	-	-
City of Scotts Valley Writ of Mandate	-	-	-	-	725	1,450	2,175	-	-	-
McGaffigan Mill Road HOA	-	-	-	-	-	1	33	63	91	-
CA Energy Resources Conservation and Development Commission	-	16	58	-	-	-	-	-	-	510
CA Transportation Finance Bank	-	-	-	-	-	-	-	-	-	600
RDA Tax Allocation Bonds	-	-	-	-	-	-	-	247,995	217,472	220,938
Internal Service Funds	-	-	-	26	19	16	29	22	-	-
Business-type activities										
Lease Revenue Bonds	6,295	6,550	6,799	-	-	-	-	-	-	-
Loans Payable	192	240	287	449	490	531	570	608	646	404
Capital leases	2	3	4	-	2	3	-	-	-	178
Total Primary government ¹	<u>\$79,344</u>	<u>\$76,834</u>	<u>\$82,061</u>	<u>\$74,378</u>	<u>\$79,499</u>	<u>\$71,375</u>	<u>\$76,318</u>	<u>\$320,025</u>	<u>\$293,327</u>	<u>\$301,530</u>
Percentage of personal income ^{2,4}	0.45%	0.46%	0.50%	0.47%	0.54%	0.50%	0.55%	2.44%	2.33%	2.53%
Per capita ^{3,4}	\$288	\$279 ⁵	\$299 ⁵	\$271	\$293	\$265	\$286	\$1,208	\$1,114	\$1,160

¹ Excludes Component Unit. Total primary government, percentage of personal income and per capita data for prior periods were restated here to exclude amounts related to the Component Unit.

² Percentage of personal income is calculated from personal income data for the preceding calendar year (e.g. percentage of personal income for Fiscal Year 2018 is based on 2017 calendar year personal income data). Personal income data is provided by the Bureau of Economic Analysis (BEA).

³ Per capita data is calculated from per capita income data for the preceding calendar year (e.g. per capita for Fiscal Year 2018 is based on 2017 calendar year per capita income data). Per capita income data is provided by the Bureau of Economic Analysis.

⁴ Some prior period personal and per capita income data was revised by the Bureau of Economic Analysis and thus some prior period calculations have been restated here.

⁵ Personal income percentages & per capita calculations corrected to incorporate published estimates by the Bureau of Economic Analysis.

**COUNTY OF SANTA CRUZ
COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Assessed Value ¹</u>	<u>Legal Debt Limit ²</u>	<u>Total Net Applicable Debt</u>	<u>Legal Debt Margin</u>	<u>Debt Margin/ Debt Limit</u>
2009	\$ 32,531,716,741	\$ 406,646,459	\$ -	\$ 406,646,459	100%
2010	32,390,764,838	404,884,560	-	404,884,560	100%
2011	32,332,270,918	404,153,386	-	404,153,386	100%
2012	32,033,769,082	400,422,114	-	400,422,114	100%
2013	33,625,169,225	420,314,615	-	420,314,615	100%
2014	35,996,363,446	449,954,543	-	449,954,543	100%
2015	38,321,843,499	479,023,044	-	479,023,044	100%
2016	40,296,052,356	503,700,654	-	503,700,654	100%
2017	42,608,503,591	532,606,295	-	532,606,295	100%
2018	45,265,421,591	565,817,770	-	565,817,770	100%

¹ Total Assessed Value includes exempt property.

² Section 29909 of the California Government Code limits the General Obligation Bond indebtedness to 1.25 percent of the total full cash valuation of all real and personal property within the County. The Legal Debt Margin is the Legal Debt Limit reduced by the General Bonded Debt. The County does not have any General Bonded Debt.

COUNTY OF SANTA CRUZ
STATEMENT OF DIRECT AND OVERLAPPING DEBT
June 30, 2018
(Reported in Thousands)

2017-2018 Total Net Assessed Valuation

\$ 45,987,853

	Percentage Applicable ¹	Net Debt Outstanding
<u>Overlapping Tax and Assessment and General Obligation Debt</u>		
SCHOOL DISTRICTS		
Live Oak Elementary	100%	\$ 11,118
Santa Cruz City Elementary	100%	16,641
Soquel Union Elementary	100%	50,165
Santa Cruz City High	100%	85,599
Scotts Valley Unified	100%	44,935
San Lorenzo Valley Unified	100%	25,392
Pacific	100%	820
Pajaro Valley Unified	100%	178,939
Cabrillo College	100%	111,505
SPECIAL DISTRICTS		
Zayante Fire	100%	--
Lompico Water	100%	--
Rolling Woods Water	100%	940
Rolling Woods Sewer Improvements	100%	610
North Polo Drive Sewer Extension	100%	795
Felton Community Facilities - District No. 1	100%	8,100
Total Overlapping Tax and Assessment and General Obligation Debt		535,709
<u>Direct Debt</u>		
Santa Cruz County ²	100%	
Total Direct Debt		72,853
Total Combined Overlapping and Direct Debt		\$ 608,562
<u>Ratio to 2017-2018 Assessed Valuation</u>		
Total Overlapping Tax and Assessment and General Obligation Debt	1.16%	
Total Direct Debt	0.16%	
Total Combined Direct Debt and Overlapping Debt	1.32%	

¹ Percentage of overlapping agency's assessed valuation located within the boundaries of the County.

² Governmental activities debt excluding tax and revenue anticipation notes, compensated absences and estimated claims, business-type activities and debt related to the Santa Cruz County Sanitation District.

COUNTY OF SANTA CRUZ
OUTSTANDING DEBT OF THE FINANCING AUTHORITIES¹
June 30, 2018
(Reported in Thousands)

<u>YEAR OF ISSUANCE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
Debt ²			
1996	\$ 11,825	\$ 3,224	\$ 15,049
1999	70	4	74
2008	1,565	181	1,746
2011	4,830	2,482	7,312
2012A	1,509	665	2,174
2014	5,235	1,735	6,970
2014	4,540	1,761	6,301
2014	0	0	0
2015	9,505	1,221	10,726
2015	9,290	5,308	14,598
2016	9,680	3,040	12,720
2017	7,940	2,397	10,337
	<u>65,989</u>	<u>22,018</u>	<u>88,007</u>
Total debt outstanding for the Public Financing Authority	<u>\$ 65,989</u>	<u>\$ 22,018</u>	<u>\$ 88,007</u>

¹ The Public Financing Authority is a separate legal entity for whose debt the County is not liable.

² Certificates of Participation, Refunding Certificates of Participation, Lease Revenue Bonds, Lease Revenue Refunding Bonds, Revenue Bonds, and Local Agency Revenue Bonds.

**COUNTY OF SANTA CRUZ
GENERAL INFORMATION
LAST TEN FISCAL YEARS**

Santa Cruz County is the second smallest county in the State of California, with an area of 440 square miles. It is also one of the original 27 counties formed in 1850, and prior to California's independence it was one of three Spanish Pueblos in California.

Santa Cruz County is located in the northern crescent of Monterey Bay, 74 miles south of San Francisco, 375 miles north of Los Angeles, 159 miles southwest of Sacramento, and 164 miles northwest of Fresno.

Fiscal Year	Population ¹ (in thousands)	Budget Requirements ² (in thousands)	Budget Per Capita	Current Property Taxes (in thousands)	Taxes Per Capita
2009	269	\$ 441,726	\$ 1,642	\$ 72,032	\$ 268
2010	272	411,120	1,511	69,970	257
2011	264	422,464	1,600	69,606	264
2012	266	432,514	1,626	69,497	261
2013	267	447,006	1,674	69,152	259
2014	272	458,496	1,686	71,929	264
2015	272	505,725	1,859	77,497	285
2016	276	539,798	1,956	82,863	300
2017	277	552,333	1,994	88,414	319
2018	277	590,759	2,133	99,572	359

Fiscal Year	Assessed Valuation (in thousands)	Per Capita Income ³	Personal Income ³ (in thousands)	School Enrollment ⁴	Unemployment Rate ⁵
2009	\$ 32,531,717	\$ 46,549	\$ 11,940,819	69,640	7.4%
2010	32,390,765	42,616	11,080,626	69,958	11.1%
2011	32,332,271	42,808	11,267,634	68,543	13.3%
2012	32,033,769	45,770	12,125,514	69,336	13.1%
2013	33,625,169	49,195	13,116,916	69,194	11.8%
2014	35,996,363	49,942	13,456,565	69,342	10.3%
2015	38,321,843	52,280	14,209,814	70,516	8.7%
2016	40,296,052	59,598	16,347,740	70,411	7.5%
2017	42,608,504	60,924	16,766,106	70,282	6.9%
2018	45,265,422	64,028	17,665,129	70,702	6.7%

SOURCES

¹ Based on information compiled by the California Department of Finance.

² Santa Cruz County Final/Adopted Budgets.

³ U.S. Bureau of Economic Analysis (BEA). Figures are for the preceding calendar year (e.g., Fiscal Year 2017 is 2016 calendar year data). All prior period numbers have been revised by the BEA and have been restated here.

⁴ Total includes data obtained from the California Department of Education, the University of California at Santa Cruz, and Cabrillo College.

⁵ Data reflects the annual average rate for the calendar year (e.g., Fiscal Year 2017 is annual average for 2016 calendar year) as calculated by the California Employment Development Department. Calendar year 2013 was revised by the EDD and has been restated here.

**COUNTY OF SANTA CRUZ
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN CALENDAR YEARS**

Calendar Year	New Dwelling Units ¹			Valuation of New Units ¹ (in thousands)			Deposits ²
	Single Family	Multiple Family	Total Units	Residential	Non-Residential	Total Valuation	Amount (in thousands)
2008	194	63	257	100,176	66,206	166,382	4,108,322
2009	107	2	109	54,300	50,809	105,109	4,224,669
2010	92	23	115	61,446	40,841	102,287	4,172,547
2011	79	111	190	58,010	40,165	98,175	4,235,090
2012	80	173	253	68,932	51,671	120,603	4,308,423
2013	94	32	126	69,559	44,708	114,267	4,441,443
2014	113	5	118	70,444	79,182	149,626	4,729,351
2015	101	62	163	72,860	42,430	115,290	5,439,646
2016	116	202	318	102,393	93,011	195,404	6,076,534
2017	222	156	378	120,210	36,810	157,020	6,133,076

¹ Compiled by the California Department of Finance - Economic Research Unit. Calendar year 2018 new construction and property valuation data is not available.

² Compiled by the Federal Deposit Insurance Corporation (FDIC) as reported in the Deposit Market Share Report reflecting deposits as of June 30, 2017.

**COUNTY OF SANTA CRUZ
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS**

Year Ended June 30,	Debt Service Funds		Enterprise Funds	
	Special Assessment Billed	Special Assessment Collected	Special Assessment Billed	Special Assessment Collected
2009	\$ 129,337	\$ 128,488	\$ 92,315	\$ 92,307
2010	206,325	203,641	90,075	90,139
2011	201,300	201,300	92,629	92,653
2012	199,146	223,739	89,947	89,946
2013	195,230	199,209	92,052	92,171
2014	197,814	221,247	93,061	93,062
2015	195,882	185,882	90,298	90,298
2016	193,708	204,728	91,601	91,598
2017	264,054	275,353	91,707	91,703
2018	211,083	246,813	92,271	91,349

Note: The billings and collections shown are for those special assessment bonds for which the County has established redemption funds for the purpose of facilitating bond payment in the case of delinquent accounts.

**COUNTY OF SANTA CRUZ
PRINCIPAL TAXPAYERS
CURRENT AND TEN YEARS AGO**

Taxpayer	Type of Business	Assessed Value 2017-2018	Percentage of Total Assessed Valuation 2017-2018 ¹
Pacific Gas & Electric Company	Gas & Electric Utility	\$ 331,755,814	0.72 %
Santa Cruz Seaside Company	Amusement Park	121,724,736	0.26
Capitola Mall, LLC	Property management	95,486,711	0.21
Watsonville Hospital	Hospital	61,946,750	0.13
AT&T	Telephone Utility	58,459,577	0.13
Rancho Del Mar Center	Property management	53,740,236	0.12
SC Beach Hotel Partners	Hotel operator	49,726,871	0.11
Cypress Point Real Estate Investors	Real Estate	47,911,978	0.10
Safeway	Grocery Store	42,904,013	0.09
Hilton Santa Cruz / Scotts Valley	Hospitality	41,811,274	0.09
Totals		\$ 905,467,960	1.97 %

Taxpayer	Type of Business	Assessed Value 2007-2008	Percentage of Total Assessed Valuation 2007-2008 ²
Pacific Gas and Electric	Gas & Electric Utility	\$ 171,612,496	0.57 %
Cemex Inc	Cement Manufacturer	69,932,500	0.26
NNN Enterprise Way LLF et al	Software producer	65,034,853	0.23
Macerich Partnership L P	Commercial Real Estate	64,349,755	0.22
Santa Cruz Seaside Company	Amusement Park	61,826,674	0.20
AT&T California	Telephone Utility	59,641,642	0.18
Watsonville Hospital Corp	Hospital	58,026,797	0.17
George Ow, Jr. et al	Real Estate	44,605,580	0.14
Cypress Point RE Investors LLC	Apartment Complex	40,598,860	0.14
Seagate Technology	Electronic Manufacturer	40,316,103	0.13
Totals		\$ 675,945,260	2.02 %

Note: Principal taxpayer data for fiscal year 2017-2018 is derived from the 2017 tax roll, which was billed and collected during 2018.

Data for fiscal year 2007-2008 is derived from the 2007 tax roll, which was billed and collected during 2008.

¹ Percentage of total assessed valuation for 2017-2018 is calculated from the total net assessed valuation of \$45,987,852,838.

² Percentage of total assessed valuation for 2007-2008 is calculated from the total net assessed valuation of \$33,586,675,032.

**COUNTY OF SANTA CRUZ
PRINCIPAL EMPLOYERS
CURRENT AND TEN YEARS AGO**

Employer	Product/Service	Number of Employees 2017-2018 ¹	Percentage of Total Employment 2017-2018 ²
University of California at Santa Cruz	Education	1,000-4,999	1.76 %
Pajaro Valley Unified School District	Education	1,000-4,999	1.76
County of Santa Cruz	County Services	1,000-4,999	1.76
Dominican Hospital	Hospital	1,000-4,999	1.76
Santa Cruz Beach Boardwalk	Amusement/Recreation	1,000-4,999	1.76
Larse Farms	Grocery/Wholesale	500-999	0.18
Granite Rock	Excavating Contractors	500-999	0.18
Cabrillo College	Education	500-999	0.18
City of Santa Cruz	City Services	500-999	0.18
Watsonville Community Hospital	Hospital	500-999	0.18
West Marine Products, Inc	Retail	500-999	0.18
Plantronics	Telephone Apparatus Mfg.	500-999	0.18

Employer³	Product/Service³	Number of Employees 2007-2008 ³	Percentage of Total Employment 2007-2008 ³
University of California, Santa Cruz	Education	5,000-9,999	5.11 %
Pajaro Valley Unified School District	Education	1,000-4,999	2.05
County of Santa Cruz	County Services	1,000-4,999	2.04
Dominican Hospital	Hospital	1,000-4,999	2.04
Santa Cruz Beach Boardwalk	Amusement/Recreation	1,000-4,999	2.04
Cabrillo College	Education	500-999	0.51
Santa Cruz City School District	Education	500-999	0.51
City of Santa Cruz	City Services	500-999	0.51
Seagate Technology	Disc Drives	500-999	0.51
Watsonville Hospital	Hospital	500-999	0.51
West Marine	Retail	500-999	0.51
City of Watsonville	City Services	500-999	0.51

¹ Number of employees reflects a range provided by California Employment Development Department (EDD) data.

² Average of the reported range divided by total civilian employment of 145,500 as reported by the EDD for June 2018.

³ Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2008

**COUNTY OF SANTA CRUZ
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Assistance										
Human Services Department										
Adult Protective Services										
Referrals received	1,406 ²	1,011 ¹	936	754	630	603	626	547	542	585
Investigations completed	1,098 ²	906 ¹	816	601	444	420	386	352	320	416
Family and Children's Services										
Annual referrals (families)	2,788 ²	2,770 ¹	2,635	2,727	2,591	2,457	3,200	2,870	2,624	3,096
Finalized adoptions	37 ²	52 ¹	50	45	72	58	51	41	32	42
Licensed foster homes (monthly average)	60 ²	139 ¹	130	125	113	106	112	105	100	109
Benefit Services										
Average number of Medi-Cal recipients	73,041 ²	76,713 ¹	73,060	64,344	44,600	37,971	31,624	30,786	28,998	27,487
Public Ways and Facilities										
Public Works										
Roads										
Miles of road maintained	596	596	600	600	600	600	600	600	600	600
Potholes repaired	4,295	4,013	3,750	3,994	4,130	3,700	4,500	3,552	2,500	2,500
Minor culverts maintained	2,262	2,262	2,262	2,262	2,262	2,262	2,262 ³	1,010	2,000	2,000
Bridges and major culverts maintained	160	160	160	160	160	160	160	160	160	160
Traffic signs replaced/repared	2,657	1,047	1,377	1,238	1,452	1,463	1,516	1,850	1,029	1,400
Miles of street swept	112	285	518	381	1,607	1,800	1,555	1,465	4,000	4,500
Sanitation										
Miles of pipe maintained	245	245	245	244	236	236	230	230	230	222
Maintenance call responses	401	150	209	319	100	138	168	182	238	216
Landfill										
Waste generated (tons)	168,225	197,810	155,789	172,555	166,594	139,529	138,448	139,365	153,873	164,717
Waste disposed (tons)	103,067	125,610	91,399	83,642	79,292	60,974	61,503	71,470	71,701	76,203
Recreation and Cultural Services										
Parks, Open Space and Cultural Services										
Facility bookings	7,602	6,927	6,716	7,621	7,532	6,877	6,114	5,545	5,942	5,772
Recreation registrations	7,025	7,591	7,295	6,720	6,831	6,218	6,165	6,273	5,518	5,888
Swim admissions	188,127	184,064	178,882	178,289	158,573	130,059	77,022	76,334	90,771	86,834

Sources: Various County Departments

¹ Prior period reported an estimate which has been restated here to reflect actual data.

² Data is estimated as presented in the 2016-2017 Proposed Budget.

³ Prior period restated here consistent with Capital Assets Statistics by Function.

**COUNTY OF SANTA CRUZ
OPERATING INDICATORS BY FUNCTION, CONTINUED
LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Protection										
Agricultural Commissioner										
High risk quarantine inspections	1,228 ²	1,394 ¹	1,468 ¹	1,347	1,293	1,569	1,450	1,669	1,900	2,800
District Attorney										
Criminal Prosecution										
Felony filings	1,859 ²	2,379 ¹	1,757 ¹	2,113	2,703	2,322	2,164	2,169	2,457	2,155
Juvenile filings	385 ²	591 ¹	817 ¹	413	652	709	799	503	594	731
Consumer Affairs										
Number of calls received	412 ²	2,198 ¹	1,821 ¹	2,143	2,040	2,410	2,345	2,410	2,622	2,880
Number of written complaints received	243 ²	148 ¹	127 ¹	129	121	195	272	302	462	288
Planning										
Building permits issued	4,452 ²	4,463 ¹	4,072 ¹	4,097	3,487	3,446	2,899	2,787	2,463	2,611
Building permit inspection sites visited	11,979 ²	10,998 ¹	9,503 ¹	10,084	9,081	8,700	8,601	7,620	7,093	9,353
Code compliance cases resolved	251 ²	114 ¹	102 ¹	105	77	112	249	228	400	574
Probation										
Juvenile division referrals	n/a ³	913	980 ³	1,220	1,074	1,160	1,453	1,613	1,649	2,323
Juvenile division petitions filed	n/a ³	362	430 ³	569	430	445	637	851	880	1,166
Juvenile court investigations	n/a ³	54	53 ³	60	62	54	96	110	116	178
Public Defender										
Total cases	10,955 ²	10,900 ¹	10,800 ²	10,445	10,910	11,268	10,731	10,311	10,805	12,385
Sheriff/Coroner (Investigation Division)										
Total cases reviewed	n/a ³	11,072	10,481	10,471	10,425	10,686	10,989	11,660	12,535	12,929
Total arrests	n/a ³	85	86	168	216	188	98	269	307	238
Detention										
Main jail bookings	9,208	10,641	11,305	10,964	10,487	9,658	10,699	12,274	12,716	13,576
Weights and Measures										
Establishments visited	1,348 ²	1,200 ¹	1,200 ²	1,039	1,237	1,043	1,027	1,139	1,500	1,742
Special District										
Mosquito Abatement/Vector Control CSA #53										
Mosquito inspections	8,500 ²	8,423 ¹	8,859 ¹	6,440 ¹	2,995	3,342	3,885	4,500	5,515	5,515

Sources: Various County Departments

¹ Prior period reported an estimate which has been restated here to reflect actual data.

² Data is estimated as presented in the 2017-2018 Proposed Budget.

³ Data is presented on a calendar year basis, which is not yet available.

**COUNTY OF SANTA CRUZ
BUDGETED POSITIONS
LAST TEN FISCAL YEARS**

<u>DEPARTMENT/FUNCTION</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
COUNTY ADMINISTRATIVE OFFICE	22.00	22.00	22.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
CLERK OF THE BOARD (5 added to CAO)	5.00	5.00	-	-	-	-	-	-	-	-
AGRICULTURAL COMMISSIONER ¹	16.40	16.40	16.40	20.40	19.40	19.40	19.60	19.70	19.75	22.00
MOSQUITO ABATEMENT/VECTOR CONTROL	10.00	10.00	10.00	9.00	9.00	8.00	8.00	8.00	9.00	9.00
WEIGHTS & MEASURES ¹ (2 to AG 04,05)	-	-	-	-	-	-	-	-	-	-
AGRICULTURAL EXTENSION	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.75	2.00
ASSESSOR	26.00	26.00	29.00	33.25	33.25	33.25	33.25	33.50	35.50	37.50
AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR ²	44.75	42.75	42.75	30.00	29.00	29.00	29.00	29.00	29.00	29.50
BOARD OF SUPERVISORS	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
RECORDER	9.00	9.00	9.00	9.00	11.00	11.00	11.00	11.00	11.00	11.00
COUNTY CLERK/ELECTIONS	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00
COUNTY COUNSEL	18.50	18.50	18.50	18.50	18.50	18.50	18.50	18.50	18.50	19.00
DISTRICT ATTORNEY	99.00	97.00	94.00	90.50	89.50	89.50	89.50	90.50	92.50	92.50
CHILD SUPPORT SERVICES	51.00	59.00	59.00	61.00	64.00	63.00	62.00	65.50	66.50	66.50
EMERGENCY SERVICES	2.00	1.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.75
COMMUNICATIONS	-	-	-	-	-	-	-	-	-	-
FIRE MARSHALL	-	-	-	-	-	-	-	-	-	-
GENERAL SERVICES	9.00	9.00	8.00	8.80	8.80	8.80	8.80	9.00	9.00	9.00
FACILITIES MAINTENANCE	42.00	42.00	42.00	44.00	44.00	44.00	44.00	44.00	47.00	47.00
CENTRAL STORES/DUPLICATING	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
PURCHASING	2.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00	4.00	4.00
SERVICE CENTER	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	6.00	6.00
HEALTH SERVICES	550.45	531.85	534.30	526.95	512.40	508.05	522.00	498.25	486.50	526.55
HUMAN SERVICES	530.50	570.00	574.50	515.00	489.50	441.00	435.50	434.50	445.50	463.00
SOCIAL SVCS MSSP	-	-	-	-	-	-	-	-	-	-
PUBLIC GUARDIAN	-	-	-	-	-	-	-	-	-	-
CETA/JTPA	-	-	-	-	-	-	-	-	-	-
WORKFORCE INVESTMENT ADMIN	-	-	-	-	-	-	-	-	-	-
VETERANS SERVICES	4.00	4.00	4.00	4.00	4.00	3.00	4.00	4.00	4.00	4.00
IHSS PUBLIC AUTHORITY	-	-	-	-	-	-	-	-	-	-
INFORMATION SERVICES/TELEPHONE	56.00	56.00	57.00	64.50	64.50	64.50	64.00	65.00	65.00	76.25
INFORMATION SERVICES/COMM. TECH.	7.00	7.00	7.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
PARKS OPEN SPACE & CULTURAL SERVICES	47.50	45.75	44.75	40.80	33.80	34.80	29.80	42.10	47.50	56.00
PERSONNEL	27.00	27.00	25.00	26.50	24.50	24.25	24.25	24.50	25.50	27.50
RISK MANAGEMENT	12.00	12.00	12.00	11.00	11.00	11.00	11.00	11.00	12.00	10.75
PLANNING	66.50	65.25	64.00	65.25	66.00	66.00	63.25	75.60	87.25	100.00
PROBATION	97.25	96.25	91.25	93.25	98.25	93.75	77.50	77.00	81.00	94.00
JUVENILE HALL	30.00	31.00	30.50	30.50	30.50	30.50	30.50	30.50	30.50	31.00
PUBLIC WORKS	262.80	256.80	256.00	267.50	267.50	267.50	272.50	272.50	274.00	290.00
RDA	0.00	0.00	0.00	0.00	1.00	1.00	1.00	22.00	22.00	14.00
SHERIFF-CORONER	175.00	175.00	173.00	173.00	170.00	171.00	171.00	170.75	173.75	176.25
CORRECTIONS	151.00	150.00	151.00	149.00	145.00	164.50	156.50	155.00	165.25	168.00
COURT SECURITY	24.00	24.00	24.00	24.00	24.00	24.00	24.00	25.00	26.00	26.00
TREASURER-TAX COLLECTOR ²	0.00	0.00	0.00	13.75	13.50	13.50	13.50	13.50	14.75	16.75
TOTAL	2,437.65	2,452.05	2,443.95	2,398.45	2,350.90	2,311.80	2,292.95	2,318.90	2,370.00	2,496.80

Source: Annual Adopted County Budget

¹ Weights and Measures was incorporated into the Agricultural Commissioner.

² On July 1, 2005, the Public Guardian was transferred to Health Services Agency. Its positions are incorporated into Health Services Agency.

³ On January 5, 2015, the County began consolidating of the offices of Auditor-Controller and Treasurer-Tax Collector.

**COUNTY OF SANTA CRUZ
SCHEDULE OF INSURANCE IN EFFECT
JUNE 30, 2018**

COVERAGE	DETAILS OF COVERAGE	LIMITS
Property	CSAC-Excess Insurance Authority Blanket buildings and equipment including EDP, Vehicles, Contractors' Equipment, Boiler & Machinery. All Risk, flood, replacement cost-agreed amount including earthquake at scheduled locations All Risk & Flood Limits Earthquake Limits Deductible	\$ 600,000,000 415,000,000 5,000
Crime Bond	CSAC-Excess Insurance Authority Faithful Performance Bond (covers failure to faithfully perform duties and employee dishonesty). Includes all employees and Treasurer Deductible	15,000,000 2,500
Non-owned aircraft	Wells Fargo National Union Fire Includes passengers' bodily injury, terrorism and property damage combined each occurrence	5,000,000
Excess Workers' Compensation Employer's Liability	CSAC-Excess Insurance Authority Workers' Compensation Employer's Liability \$500,000 Self-Insured Retention Deductible (per occurrence) Workers' Compensation and Employer's Liability	Statutory Limits
Medical Malpractice and General Liability	CSAC-Excess Insurance Authority Comprehensive hospital professional and general liability for HSA staff and operations and Jail Medical Unit Deductible	21,500,000 10,000
Fine Arts	Wells Fargo/Travelers Deductible	125,000 500
Excess Liability (GLII)	CSAC-Excess Insurance Authority Excess Liability Insurance \$1,000,000 Self-Insured Retention to \$25,000,000	25,000,000
Optional Excess	CSAC - Excess Insurance Authority \$10,000,000 excess of \$25,000,000	35,000,000
Catastrophic Liability	CSAC - Excess Insurance Authority Upper layer of coverage in Optional Excess and GLII	50,000,000
County Fire Auto & Liability Insurance	Wells Fargo/American Alternative Insurance Corp. Includes property insurance for County owned fire stations including contents, business interruption, money & securities, boiler & machinery Deductible Equipment Deductible Auto Liability	3,000,000 1,000 100 1,000,000
Pollution Program	CSAC-Excess Insurance Authority Pollution Program Self-Insured Retention Deductible	10,000,000 250,000
Cyber Liability	CSAC-Excess Insurance Authority Claims Made Policy protecting against information security & privacy insurance with electronic media liability Self-Insurance Retention Deductible	2,000,000 50,000
Warercraft Coverage	CSAC-Excess Insurance Authority Protection and Indemnity Collision Deductible	5,000,000 5,000,000 1,000

**COUNTY OF SANTA CRUZ
CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public protection										
Jail facilities	3	3	3	3	3	3	3	3	3	3
Rehabilitation center	1	1	1	1	1	1	1	1	1	1
Juvenile center	2	2	1	1	1	1	1	1	1	1
Courthouses	3	3	2	3	3	3	3	3	3	3
Morgue	1	1	1	1	1	1	1	1	1	1
Center for Public Safety	2	1	1	1	1	-	-	-	-	-
Public assistance										
Child day care center	1	1	1	1	1	1	1	1	1	1
Elder day care center	1	1	1	1	1	1	1	1	1	1
Residential care facility	1	1	1	1	1	1	1	1	1	1
Volunteer center	1	1	1	1	1	1	1	1	1	1
Veterans centers	2	2	2	2	2	2	2	2	2	2
Behavioral Health Unit	1	1	1	1	1	-	-	-	-	-
Recreation and culture										
Parks acreage	236	228	228	228	228	226	225	223	223	223
Sites	65	63	60	60	60	59	59	57	57	57
Athletic fields	17	17	17	17	17	17	17	17	17	17
Swimming pools	4	4	4	4	4	4	4	4	4	4
Public ways and facilities										
Roads										
Pavement (miles)	596	596	600	600	600	600	600	600	600	600
Junction structures	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000
Minor culverts	2262	2262	2262	2262	2262	2262	2262	1010	2000	2000
Bridges and major culverts	160	160	160	160	160	160	160	160	160	160
Sanitation										
Pipe (miles)	245	245	245	244	236	236	230	230	230	222
Pump stations/treatment plants	61	61	63	64	63	63	62	62	62	62
General government										
Administrative/other facilities ¹	13	13	12	12	12	11	11	10	10	10

Sources: Various County Departments

¹ Includes buildings and centers utilized by various departments within different functions.

GLOSSARY
(UNAUDITED)

ACCOUNTS PAYABLE. A short-term liability account reflecting amounts owed to private persons or organizations for goods and services received by a government.

ACCOUNTS RECEIVABLE. An asset account reflecting amounts due from private persons or organizations for goods and services furnished by a government (but not including amounts due from other funds or other governments).

ACCRUAL BASIS. The recording of the financial effects on a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events, and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

ACCUMULATED DEPRECIATION. A contra-asset account used to report the accumulation of periodic credits to reflect the expiration of the estimated service life of capital assets.

ADVANCE FROM OTHER FUNDS. A liability account used to record noncurrent portions of a long-term debt owed by one fund to another fund within the same reporting entity. See DUE TO OTHER FUNDS and INTERFUND RECEIVABLE/PAYABLE.

ADVANCE TO OTHER FUNDS. An asset account used to record noncurrent portions of a long-term loan from one fund to another fund within the same reporting entity. See DUE FROM OTHER FUNDS.

AGENCY FUND. A fund normally used to account for assets held by a government as an agent for individuals, private organizations, or other governments and/or other funds.

AMORTIZATION. (1) The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

APPROPRIATION. A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and time it may be expended.

ASSESSED VALUATION. A valuation set upon real estate or other property by a government as a basis for levying taxes.

ASSIGNED FUND BALANCE. Amounts that are constrained by the County's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority or by a body or an official designated for that purpose. This is also the classification for residual funds in the County's special revenue funds.

AUDITOR'S REPORT. In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor's opinion on the fairness of presentation of the financial information in conformity with GAAP or some other comprehensive basis of accounting.

BALANCE SHEET. The financial statement disclosing the assets, liabilities, and equity of an entity at a specified date in conformity with GAAP.

BASIC FINANCIAL STATEMENTS (BFS). The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP. Basic financial statements have three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

BASIS OF ACCOUNTING. A term used to refer to *when* revenues, expenditures, expenses, and transfers and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the *timing* of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual basis.

BUDGET. A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term “budget” is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating governing body for adoption, and sometimes, the plan finally approved by that body.

BUDGETARY CONTROL. The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

CAPITAL ASSETS. Long-lived tangible assets obtained or controlled as a result of past transactions, events or circumstances. Capital assets include buildings, equipment, improvements other than buildings, land and infrastructure. In the private sector, these assets are referred to most often as property, plant, and equipment.

CAPITAL EXPENDITURES. Expenditures resulting in the acquisition of or addition to the government’s general capital assets.

CAPITALIZATION POLICY. The criteria used by a government to determine which outlays should be reported as capital assets.

CAPITAL LEASE. An agreement that conveys the right to use property, plant, or equipment, usually for a stated period of time. See LEASE-PURCHASE AGREEMENTS.

CAPITAL PROJECTS FUND. A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

CASH BASIS. A basis of accounting under which transactions are recognized only when cash is received or disbursed.

CASH WITH FISCAL AGENT. An asset account reflecting deposits with fiscal agents, such as commercial banks, for the payment of bond principal and interest

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING PROGRAM. A voluntary program administered by the GFOA to encourage governments to publish efficiently organized and easily readable CAFRs and to provide technical assistance and peer recognition to the finance officers preparing them.

CHANGE IN THE FAIR VALUE OF INVESTMENTS. The difference between the fair value of investments at the beginning of the year and at the end of the year, taking into consideration investment purchases, sales, and redemptions.

COMMITTED FUND BALANCE. Amounts that can only be used for specific purposes determined by formal action of the County’s highest level of decision-making authority (the Board of Supervisors), and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

COMPENSATED ABSENCES. Absences, such as vacation and illness, for which it is expected employees will be paid. The term does not encompass severance or termination pay, postretirement benefits, deferred compensation, or other long-term fringe benefits, such as group insurance and long-term disability pay.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR). A financial report that encompasses all fund and component units of the government. The CAFR should contain (a) the basic financial statements and required supplementary information, (b) combining statements to support columns in the basic financial statements that aggregate information from more than one fund or component unit, and (c) individual fund statements as needed. The CAFR is the governmental unit’s official annual report and also should contain introductory information, schedules necessary to demonstrate compliance with finance related legal and contractual provisions, and statistical data.

CONTINGENT LIABILITY. Items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending lawsuits, judgments under appeal, unsettled disputed claims, unfilled purchase orders and uncompleted contracts. Contingent liabilities should be disclosed within the financial statements (including the notes) when there is a reasonable possibility a loss may have been incurred. Guarantees, however, should be disclosed even though the possibility of loss may be remote.

COST-SHARING MULTIPLE-EMPLOYER PLAN. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members and the same contribution rate(s) applies for each employer.

CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS. Measurement focus according to which the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for State and local governments and is used solely for reporting the financial position and results of operations of governmental funds.

DEBT. An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, time warrants, and notes.

DEBT SERVICE FUND. A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

DEFERRED CHARGES. Expenditures that are not chargeable to the fiscal period in which they were made but that are carried as an asset on the balance sheet, pending amortization or other disposition (e.g., bond issuance costs). Deferred charges differ from prepaid items in that they usually extend over a long period of time (more than five years) and are not regularly recurring costs of operation.

DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES. The consumption or acquisition of net assets in one period that are applicable to future periods.

DEFICIT. (1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period or, in the case of proprietary funds, the excess of expenses over revenues during an accounting period.

DEFINED BENEFIT PENSION PLAN. A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation.

DEPRECIATION. (1) Expiration in the service life of capital assets, other than wasting assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence. (2) The portion of the cost of a capital asset, other than a wasting asset, charged as an expense during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is prorated over the estimated service life of such an asset and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

DUE FROM OTHER FUNDS. An asset account used to indicate amounts owed to a particular fund by another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans.

DUE TO OTHER FUNDS. A liability account reflecting amounts owed by a particular fund to another fund for goods sold or services rendered. These amounts include only short-term obligations on open account, not interfund loans.

ECONOMIC RESOURCES MEASUREMENT FOCUS. Measurement focus under which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity's net position. The economic resources measurement focus is used for proprietary and fiduciary funds, as well as for government-wide financial reporting. It is also used by business enterprises in the private sector.

ENCUMBRANCES. Commitments related to unperformed (executory) contracts for goods or services. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

ENTERPRISE FUND. Proprietary fund type used to report an activity for which a fee is charged to external users for goods and services.

EXPENDITURE-DRIVEN GRANTS. Government-mandated or voluntary nonexchange transactions in which expenditure is the prime factor for determining eligibility. Also referred to as reimbursement grants.

EXCHANGE-LIKE TRANSACTION. Transaction in which there is an identifiable exchange between the reporting government and another party, but the values exchanged may not be quite equal or the direct benefits of the exchange may not be exclusively for the parties to the exchange.

EXPENDITURES. Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net position, debt service and capital outlays, and intergovernmental grants, entitlement, and shared revenues.

EXPENSES. Outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services, or carrying out other activities that constitute the entity's ongoing major or central operations.

EXTERNAL AUDITORS. Independent auditors typically engaged to conduct an audit of a government's financial statements.

EXTERNAL INVESTMENT POOL. An arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsors reporting entity. An external investment pool can be sponsored by an individual government, jointly by more than one government, or by a nongovernmental entity. An investment pool that is sponsored by an individual State or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government-sponsored pool includes only the primary government and its component units, it is an internal investment pool and not an external investment pool.

FAIR VALUE. The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FIDUCIARY FUNDS. The trust and agency funds used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other government units, and/or other funds.

FINANCIAL RESOURCES. Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g., receivables, investments). Financial resources may also include inventories and prepaids (because they obviate the need to expend current available resources).

FISCAL AGENT. A fiduciary agency, usually a bank or county treasurer, who performs the function of paying debt principal and interest when due.

FUND. A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein, are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions or limitations.

FUND BALANCE. The difference between fund assets and fund liabilities of governmental and similar trust funds.

FUND FINANCIAL STATEMENTS. Basic financial statements presented on the basis of funds. Term used in contrast with *government-wide financial statements*.

FUND TYPE. Anyone of seven categories into which all funds are classified in governmental accounting. The seven fund types are: general, special revenue, debt service, capital projects, enterprise, internal service, and trust and agency.

GENERAL REVENUES. All revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax – for example, property tax, sales tax, transient occupancy tax. All other nontax revenues (including interest, grants and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.

GENERAL FUND. The General Fund is one of five governmental fund types and typically serves as the chief operating fund of the government. The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP). The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for State and local governments are set forth by Statements of Auditing Standards (SAS) No. 69, *The Meaning of “Present Fairly in Conformity with Generally Accepted Accounting Principles” in the Independent Auditor’s Report*.

GOVERNMENTAL ACCOUNTING. The composite activity of analyzing, recording, summarizing, reporting, and interpreting the financial transactions of governments.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB). The ultimate authoritative accounting and financial reporting standard-setting body for State and local governments. The GASB was established in June 1984 to replace the National Council on Governmental Accounting (NCGA).

GOVERNMENTAL FUNDS. Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

GOVERNMENT-WIDE FINANCIAL STATEMENTS. Financial statements that incorporate all of a government’s governmental and business-type activities, as well as its nonfiduciary component units. There are two basic government-wide financial statements: the statement of net position and the statement of activities. Both basic governmental financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

INFRASTRUCTURE. Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

INTERFUND RECEIVABLE/PAYABLE. Short-term loans made by one fund to another, or the current portion of an advance to or from another fund.

INTERFUND TRANSFERS. Flow of assets (such as cash or goods) between funds and blended component units of the primary government without equivalent flows of assets in return and without a requirement for payment.

INTERNAL SERVICE FUND. A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

JOINT VENTURE. A legal entity or other contractual arrangement in which a government participates as a separate and specific activity for the benefit of the public or service recipients and in which the government retains an ongoing financial interest.

LAPSE. As applied to appropriations, the automatic termination of an appropriation. Except for indeterminate appropriations and continuing appropriations, an appropriation is made for a certain period of time. At the end of the period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.

LEASE-PURCHASE AGREEMENTS. Contractual agreements that are termed leases, but that in substance are purchase contracts.

LEGAL LEVEL OF BUDGETARY CONTROL. The level at which spending in excess of budgeted amounts would be a violation of law.

LEVEL OF BUDGETARY CONTROL. The level at which a government's management may not reallocate resources without special approval from the legislative body.

LIABILITIES. Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

LOANS RECEIVABLE. An asset account reflecting amounts loaned to individuals or organizations external to a government, including notes taken as security for such loans. Loans to other funds and governments should be recorded and reported separately.

MAJOR FUND. A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The General Fund is always a major fund. Otherwise, major funds are funds whose revenues/expenditures, assets, or liabilities are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other governmental or enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

MANAGEMENT'S DISCUSSION AND ANALYSIS. A component of required supplementary information used to introduce the basic financial statements and to provide an analytical overview of the entity's financial activities.

MEASUREMENT FOCUS. A way of presenting an entity's financial performance and position by considering which *resources* are measured (financial or economic) and *when* the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

MODIFIED ACCRUAL BASIS. The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g., bond issue proceeds) are recognized when they become susceptible to accrual, that is when they become both "measurable" and "available to finance expenditures of the current period." "Available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, expenditures are recognized when the fund liability is incurred. All governmental funds, expendable trust funds, and agency funds are accounted for using the modified accrual basis of accounting.

NET INVESTMENT IN CAPITAL ASSETS. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

NET POSITION. The residual of all other elements of the statement of financial position. In other words, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources.

NONSPENDABLE FUND BALANCE. Amounts that cannot be spent because they are either (1) not spendable in form or (2) legally or contractually required to be maintained intact.

OTHER FINANCING SOURCES. An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the other financing sources category is limited to items so classified by GAAP.

OTHER FINANCING USES. A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of other financing uses category is limited to items so classified by GAAP.

OVERLAPPING DEBT. The proportionate share that property within each government must bear of the debts of all local governments located wholly or in part within the geographic boundaries of the reporting government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessment receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

PROGRAM REVENUES. Term used in connection with the government-wide statement of activities. Revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

PROPRIETARY FUNDS. Funds that focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

PRIVATE PURPOSE TRUST FUND. Trust fund used to report resources of other trust arrangements in which principal and income benefit individuals, private organizations, or other governments.

REBATABLE ARBITRAGE. A term used in connection with the reinvestment of the proceeds of tax-exempt debt. A requirement to remit to the Federal government interest revenue in excess of interest costs when the proceeds from the sale of tax-exempt securities are reinvested in a taxable money market instrument with a materially higher yield.

REPORTING ENTITY. The oversight unit and all of its component units, if any, that are combined in the CAFR/BFS.

REQUIRED SUPPLEMENTARY INFORMATION. Consists of statements, schedules, statistical data, or other information which, according to the GASB, is necessary to supplement, although not required to be a part of the basic financial statements.

RESERVED FUND BALANCE. The portion of a governmental fund's net position that is not available for appropriation.

RESTRICTED ASSETS. Assets whose use is subject to constraints that are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

RESTRICTED FUND BALANCE. Amounts with constraints placed on their use that are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

RESTRICTED NET POSITION. A component of net position calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

REVENUE BONDS. Bonds whose principal and interest are payable exclusively from earnings of an enterprise fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the enterprise fund's property.

RISK MANAGEMENT. All the ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

SELF-INSURANCE. A term often used to describe the retention by an entity of a risk of loss arising out of the ownership of property or from some other cause, instead of transferring that risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets to fund any related losses. Because no insurance is involved, the term self-insurance is a misnomer.

SINGLE AUDIT. An audit performed in accordance with the Single Audit Act of 1997 and Office of Management and Budget's (OMB) Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. The Single Audit Act allows or requires governments (depending on the amount of Federal assistance received) to have one audit performed to meet the needs of all Federal agencies.

SPECIAL DISTRICT. An independent unit of local government organized to perform a single government function or a restricted number of related functions. Special districts usually have the power to incur debt and levy taxes; however, certain types of special districts are entirely dependent upon enterprise earnings and cannot impose taxes. Examples of special districts are water districts, drainage districts, flood control districts, hospital districts, fire protection districts, transit authorities, port authorities, and electric power authorities.

SPECIAL REVENUE FUND. A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

TAX AND REVENUE ANTICIPATION NOTES (TRANS). Notes issued in anticipation of the collection of taxes and revenues, usually retireable only from tax collections, and frequently only from the proceeds of the tax and revenues levy whose collection they anticipate.

TRUST FUNDS. Funds used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments, and/or other funds.

UNASSIGNED FUND BALANCE. The residual classification for the County's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

UNMODIFIED OPINION. An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

UNRESERVED FUND BALANCE. That portion of a fund balance available for spending or appropriation in the future.

UNRESTRICTED NET POSITION. That portion of net position that is neither restricted nor invested in capital assets (net of related debt).