

COUNTY OF SANTA CRUZ, CALIFORNIA

Comprehensive Annual Financial Report

FISCAL YEAR ENDED JUNE 30, 2016



Prepared Under the Direction of
Edith Driscoll

AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR

Supermoon Over Walton Lighthouse

The Walton Lighthouse at the east end of Seabright State Beach marks the entrance to Santa Cruz Harbor. In November 2016, the largest supermoon since 1948 appeared in the evening sky above the lighthouse.

Photo by Neil Simmons, Santa Cruz, California

Neil Simmons is a photographer with a flair for life that shows up in his work. Raised in Santa Cruz County, Simmons lives close to many of his favorite photogenic spots, but he also makes a point of traveling to study other parts of California and the West, enjoying the challenge of getting the shots he wants while on the road.

<http://www.neilsimmonsphotography.com/>



**COUNTY OF SANTA CRUZ
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 JUNE 30, 2016**

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INTRODUCTORY SECTION





COUNTY OF SANTA CRUZ

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December 16, 2016

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, 2016 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 as amended and U.S. Office of Management and Budget (OMB) Circular A-133 designated to meet the special needs of federal grantor agencies. 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 275,902. 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 Santa Cruz local economy has continued to recover after the global recession in the real estate and construction industry and the financial market meltdown. Beginning in 2007, the subprime mortgage lending crisis significantly reduced home sales across the nation and in Santa Cruz County.

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 5.15% in 2015-2016 and has had a positive increase for the last four years with an annual average growth over the last five years of 5.16%. These revenues comprise approximately 80% 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 8% of the County's total tax revenues. Sales tax receipts decreased by 1.73% in fiscal year 2015-2016, however the total increase over the last five years reflects a 4.29% 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 \$2.5 million in taxes in 2015-2016.

Tourism is important to the local economy. Transient Occupancy Tax (TOT) collections, which comprise approximately 5.7% of the County's total tax revenues, have increased an average of 10.77% over the past five years, with an increase in fiscal year 2015-16 of 9.28%. 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 274,146 as of July 1, 2015, increasing by 11,784 residents or 4.5 % since the April 2010 Census. The County's unemployment rate at June 30, 2016 was 7.5%, 1.25% lower than it was one year ago at 8.7%, and much lower than the high of 13.3% in 2011-12.

The County's General Fund revenues increased by \$17.7 million from \$404.3 million in fiscal year 2014-2015 to \$422.0 million in fiscal year 2015-2016, an increase of approximately 4.4%. There were revenue increases in taxes, licenses and permits sold, as well as charges for services which increased primarily due to outpatient clinic fees and other patient revenues. Intergovernmental revenue increased by \$1.9 million primarily due to Assembly Bill 109, the Public Safety Realignment Act.

The County General Fund increased its expenditures by \$22.1 million from \$390.2 million in fiscal year 2014-2015 to \$412.3 million in fiscal year 2015-2016, approximately 6.0%. The increases were primarily in Public Protection and Public Assistance. General government activities have been held to basic levels for many years, and 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 \$51.7 million at June 30, 2016, an increase of \$1.5 million from \$50.2 million from June 30, 2015.
- General Fund committed and assigned designations totaled \$42.9 million at June 30, 2016, an increase of \$6.4 million from \$36.5 million at June 30, 2015, not including \$8.2 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, 2016, of \$41.4 million (excluding liabilities and the amount assigned to fund the fiscal year 2016-2017 budget) were at 8.0% of fiscal year 2016-2017 budgeted revenues.

The County's fiscal year 2016-2017 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. In addition to reducing the ongoing structural budget deficit, the fiscal year 2016-2017 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 beginning to address the many deferred maintenance projects. While the County receives only 13% of the property tax dollar, approximately 79% 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 2015-2016.

The independent California Legislative Analyst's Office (LAO) projected a \$1.1 billion operating surplus (revenues less expenditures) in fiscal year 2015-2016, resulting in a \$7.9 billion reserve at June 30, 2016. For the following fiscal year 2016-2017, the LAO is projecting \$2.1 billion surplus, resulting in an \$11.5 billion reserve at June 30, 2017. The LAO estimates that revenues and transfers increase \$6.9 billion, of 5.9%, in 2016-2017 when the State's projected operating surpluses reach \$11.5 billion.

The state's temporary personal income tax and sales tax rate increases under Proposition 30 expire at the end of 2018, resulting in a more gradual ramping down of these revenues after that year. This helps prevent a "cliff effect" in the LAO's forecast, as projected operating surpluses continue to grow in 2017-2018 through 2019-2020.

Employees' Retirement Plan

The California Public Employees Retirement System (CalPERS) pension fund, in which Santa Cruz County employees participate, has made significant and important 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 2.4% on its investments for the year ended June 30, 2015, following gains of 18.40%, 12.5%, 1.0%, 20.7% and 11.1% in the five prior years.

CalPERS stated long-term 20-year investment return remains at 7.75%. In 2013 CalPERS approved a revised rate smoothing policy to reduce the rate volatility caused in prior years. It is designed to amortize investment gains and losses from earlier fiscal years over a fixed 30-year period with the increases and decreases in the rate spread over a five year period.

County employees also participate in the CalPERS health insurance program, whose average premiums increased by 7.9% in 2015, and will increase by 6.6% for 2016.

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 offices of the Auditor-Controller and the Treasurer-Tax Collector were consolidated in January 2015. The Office led a multi-year effort to implement a comprehensive new financial and procurement system. The core modules went live in May 2015 with the remaining modules following. The modules emphasize the use of modern technology and paperless workflows. The office held a successful sale of tax delinquent properties in June 2016.
- The County Administrative Office efforts included: the establishment of a new JPA for library services with funding for facilities from Measure S and the hiring of a new library director, the implementation of numerous energy efficiency projects, the increase of general fund reserves to 9%, and the restoration of a stand-alone Parks Department. Major construction projects included the Juvenile Hall Gym and kitchen project, and the \$25M Sheriff's Re-Entry Facility project. The County Administrative Office also implemented a 4th Party Public Defender System, Cannabis licensing program activities, Economic Development Strategies, and coordinated the CEMEX reuse plan and Homeless programs. The office assumed a lead role in the negotiations for the Monterey Bay Community Power Project and successfully negotiated a 4 year contract with SEIU.
- The County Clerk/Elections Office conducted the June 7, 2016 Presidential Primary Election, two special school district elections on November 17, 2015, and on May 3, 2016 and assisted in the May 4, 2016, Assessment Ballot Procedure for the Lompico County Water Assessment District.
- The Assessor's Office, along with the Auditor-Controller-Treasurer-Tax Collector, continued to incorporate and refine the new property tax system to create efficiencies in these departments.
- The County Recorder's Office expanded the use of e-Recording with the approval of over 310 document submitters which allows for quicker receipt of recordable documents.
- Child Support Services provided new services including MoneyGram located in CVS stores and PayNearMe located in 7-Eleven stores. In fiscal year 2015-2016 the combined Santa Cruz-San Benito department collected over \$18 million in child support payments. The Santa Cruz-San Benito region continued to excel on the key federal performance measures.
- The Office of County Counsel contributed significantly to the Board's medical marijuana regulation and enforcement efforts. This Office also won several motions for summary judgment in tort cases that saved the County from further litigating these high value cases.
- The District Attorney's Office (DAO) faced a significant number of homicides and other violent felonies which occurred and went to trial. The DAO is also a leading member of the Santa Cruz County Anti-Crime Team (SCCACT) and an integral member of the Community Corrections Partnership which was established to develop and implement plans for Assembly Bill 109, the Public Safety Realignment Act, which allows specified lower-level inmates and parolees to serve their sentence in county jails instead of state prisons. The District Attorney's Office also continues to lead and staff the Bob Lee Community Partnership for Accountability, Connection and Treatment (PACT).

- General Services continues its efforts in furthering the goals of the Climate Action Strategy by participating in the Community Choice Aggregation (CCA) Monterey Bay regional feasibility effort. The Facilities Division's work included implementing additional energy efficiency projects using Pacific Gas & Electric's Sustainable Solutions Turnkey Program to install energy efficient boilers at four locations. In collaboration with the Parks Department, the General Services Department completed the Seacliff Village Park Project, the Willowbrook Playground Installation Project, the Quail Hollow Brook Restoration Project, as well as building improvements at County facilities.
- The Department of Parks, Open Space, and Cultural Services continued to work in collaboration with other agencies, departments and non-profit organizations to provide high quality Recreation and Arts throughout the community. The Department managed major capital improvement projects including the Seacliff Village Park Phase 1 and Quail Hollow Restoration projects which were completed in fiscal year 2015-2016.
- The Information Services Department was recognized by the Center for Digital Government (CDG) and the National Association of Counties (NACo) as a 2016 Digital Counties Survey winner. Information Services designed and rolled out software applications that allowed citizens to electronically do business with the county. Cannabis Licensing, Transient Occupancy and Cannabis tax collection went online. Electronic plan submission, Planning and Environmental Health online payment systems went live.
- There were many new initiatives by the Planning Department in the past year, as well as completion of prior initiatives. Completed activities included a Housing Element Update adopted by the Board of Supervisors, an update of the Local Hazard Mitigation Plan, completion of a Community Choice Energy Feasibility Study, and successful submittal and award of \$2 Million in grants for both First Time Homebuyer and Tenant Based Rental Assistance affordable housing activities. Several key new development projects were approved, including a 20-unit housing project and a mixed-use project, both located in Live Oak. New initiatives included launching an electronic building plan check system, and recruitment of new staff to fill vacant and newly funded positions that are necessary to respond to increasing levels of development activity.
- The Santa Cruz County Probation Department is responsible for services required by the Adult and Juvenile Courts. These services include pretrial assessments, alternatives to incarceration, probation community supervision, post-trial alternative custody and juvenile detention. The Department continues to focus on research-based probation strategies to ensure public safety through the reduction of recidivism and victimization, and maximizing completion of supervision terms. This is accomplished through risk-based supervision; addressing issues that drive criminal behavior; consideration for custody alternatives; and providing services and interventions which are proven to reduce reoffending by matching the programs with individual needs. The Juvenile Probation Division continues to be a model site for the Annie E. Casey Foundation's Juvenile Detention Alternatives Initiative (JDA).

The Board of Supervisors is required to provide and maintain a suitable place for the detention of juveniles. The Juvenile Hall provides temporary, secure custody of juveniles who are referred by law enforcement agencies.

- The Public Works Department is responsible for the administration, engineering, maintenance and construction of the County's roads, bridges, bikeways, sanitation, drainage, and flood control facilities, oversight and engineering for solid waste disposal services, recycling programs and construction management services. The Department administers the real property, surveyor, and

development review programs, as well as manages various Board-governed special districts and County road and sanitation service areas and the Live Oak Parking Program.

- During the past year, the Sheriff's Office improved their staffing levels and implemented 21st Century Policing. Using the President's Task Force on 21st Century Policing implementation guide, the Sheriff's Office is well on its way to implementing all 79 recommendations organized around the six Task Force pillars.

The County's new grant-funded Recovery Center has been very successful as it saves staff time working with adult public inebriates who would otherwise be housed in the county jail. This enables patrol officers to get back on the streets faster to deal with more serious issues. During the first 12 months of operation, 551 inebriants were brought into the Center.

The Rountree Rehabilitation and Re-Entry Facility Project has entered the design phase of this renovation project. The present facility will be renovated and expanded with more than \$25 million from the Board of State and Community Corrections under SB1022.

- Santa Cruz County remained under quarantine for Light Brown Apple Moth and Sudden Oak Death. The office of the Agricultural Commissioner worked to prevent the spread of those pests, the introduction of new pests, and to protect the ability of the industry to export commodities.
- The Health Services Agency (HSA) service areas include: Public Health and Environmental Health, Federally Qualified Health Centers (FQHC), Mental Health, Substance Abuse treatment and indigent health care.

HSA opened a clinic in Watsonville that provides integrated care including dental services. Over 248,283 health visits were provided to approximately 93,000 Santa Cruz residents. Environmental Health provided 10,300 inspections as well as provided oversight of site monitoring and clean-up activities at 94 contaminated properties. HSA integrated a Food Facility Inspection Results webpage into the County's Citizen Connect application to allow viewing mobile devices and implemented a County wide Electronic Health Record (EHR) for both mental health and substance use disorder services.

- The Human Services Department is heavily leveraged by federal and state funding and provides a wide range of safety net services to protect the county's most vulnerable populations and provide assistance to those struggling financially. Approximately 91,000 people within the county struggle with poverty and the lack of health insurance and receive benefits from one or more public assistance programs, including food assistance (CalFresh), medical insurance (Medi-Cal) and cash aid (CalWorks and General Assistance). A number of new strategies to increase CalFRESH participation have been implemented.

A significant change to child welfare services is scheduled to begin implementation in January 2017. A change in congregate care will be required with a strong emphasis on placing children and youth in family-based care with individualized mental health plans as appropriate. The department has been meeting with stakeholder groups to begin planning and has received new funding allocations to both prepare and create new resources.

- The Personnel department has focused their efforts towards: 1) meeting the requirements of the Affordable Care Act through specialized recruitments for both the Health and Human Services Agencies, 2) achieving long term collective bargaining agreements with County labor unions, and

3) re-inventing and modernizing the internal employee training programs and recruitment efforts to focus upon career development, transitional leadership and succession planning.

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, and related OMB Circular A-133. 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.

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, 2015. 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.

AUDITOR-CONTROLLER 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.

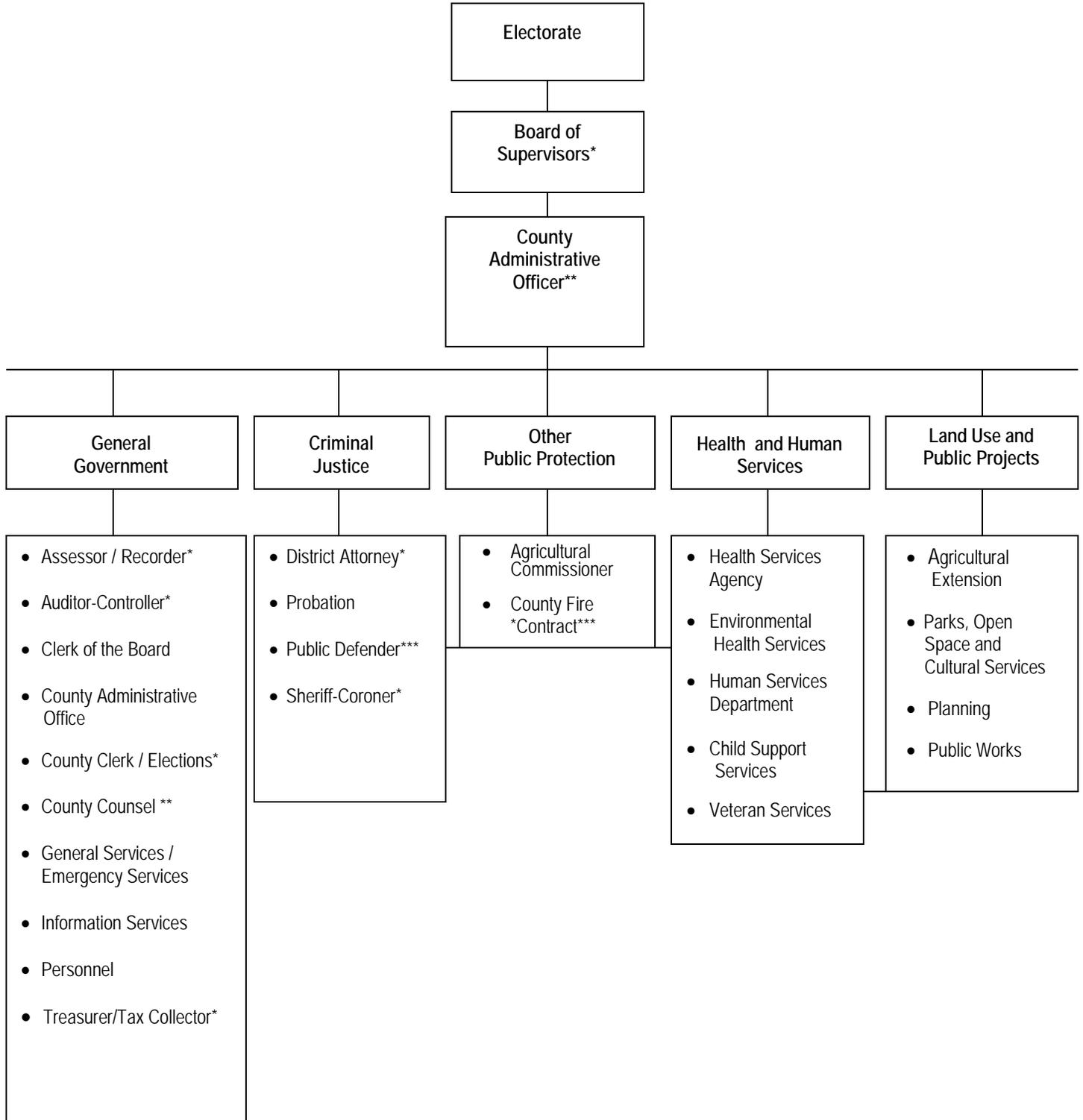
Respectfully submitted,



Edith Driscoll
Auditor-Controller-Treasurer-Tax Collector



COUNTY OF SANTA CRUZ



*Elected Official

**Appointed by the Board of Supervisors

***Contract

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 2018
State Assemblyman, 30 th District	Luis A. Alejo	December 2018
U.S. Congressman, 20 th District	Sam Farr	January 2017
U.S. Senator	Dianne Feinstein	January 2019
U.S. Senator	Barbara Boxer	January 2017
U.S. Congresswoman, 18 th District	Anna G. Eshoo	January 2017
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	Susan A. Mauriello
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	Nancy Gordon
Director of Information Services	Kevin Bowling
Director of Human Services Department	Cecilia Espinola
Director of Planning	Kathy Previsich
Director of Public Works/Road Commissioner	John J. Presleigh
Director of Parks, Recreation and Cultural Services	Jeff Gaffney
Health Officer	Dr. Arnold Leff
Health Services Administrator	Giang Nguyen
Personnel Director	Michael McDougall
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**

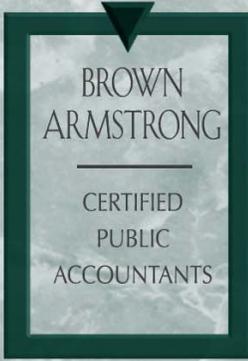
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

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 year ended June 30, 2016, 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 auditors' 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, 2016, and the respective changes in financial position, and where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As disclosed in the Note 1 to the financial statements, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, GASB Statement No. 76, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, during the fiscal year ended June 30, 2016. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis pages 7-19, the respective Budgetary Comparison for the General Fund and the Housing Fund on pages 112-122, and the County's Retirement Plans' Schedule of Changes in the Net Pension Liability and Related Ratios and the Schedule of Contributions on pages 123-124 and Other Postemployment Benefit (OPEB) schedules of funding progress on page 125 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.

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 16, 2016, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Bakersfield, California
December 16, 2016

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS



**COUNTY OF SANTA CRUZ
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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, 2016. 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 2015-2016 fiscal year by \$185,631,556 (*net position*). Of this amount, a negative amount of \$376,102,990 is unrestricted, \$64,269,660 is restricted for specific purpose (*restricted net position*), and \$497,464,886 is the net investment in capital assets.
- The County's total net position increased by \$11,996,745. This increase was primarily due to the County's General Revenues of \$137.2 million exceeding the net operating expense of \$126.1 million, plus a net prior period adjustment of negative \$125,210.
- As of June 30, 2016, the County's governmental funds reported combined ending fund balances of \$176,505,441, an increase of \$9,296,077 in comparison with the prior year. Revenues increased by approximately \$18 million, \$9 million from taxes, \$2 million from Federal and State Aid and \$6.7 million from charges for services. Expenditures increased by 4.44% or \$20,163,913, half of which resulted from additional costs in support of the Affordable Care Act for Public Assistance and the other half resulted from additional staffing in the Sheriff's Division as well as increases in professional and computer charges for public protection. Proceeds from the issuance of bonds provided \$9.9 million of revenue under other financing sources.
- At the end of the fiscal year, the general fund reported an ending fund balance of \$51,736,019, of which \$751,039 was nonspendable, \$17,251,089 was committed, \$33,767,098 was assigned, and \$(33,207) was unassigned, as shown on page 33.

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 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.

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 25-26 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, 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 33-36 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 39-43 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 47-49 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 55-108 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 and Housing Fund to demonstrate compliance with these budgets. These can be found on pages 112-152 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							
	Governmental Activities		Business-Type Activities		Total		Dollar Change
	2016	2015	2016	2015	2016	2015	
Assets:							
Current and other assets	\$ 311,584,401	\$ 309,211,659	\$ 18,056,250	\$ 18,640,660	\$ 329,640,651	\$ 327,852,319	\$ 1,788,332
Capital assets	523,811,841	527,193,040	28,681,397	28,826,053	552,493,238	556,019,093	(3,525,855)
Total assets	<u>835,396,242</u>	<u>836,404,699</u>	<u>46,737,647</u>	<u>47,466,713</u>	<u>882,133,889</u>	<u>883,871,412</u>	<u>(1,737,523)</u>
Deferred outflow of resources	76,241,498	28,003,093	1,349,869	501,145	77,591,367	28,504,238	49,087,129
Liabilities:							
Current and other liabilities	138,499,186	146,433,123	1,319,588	2,834,623	139,818,774	149,267,746	(9,448,972)
Long-term liabilities	540,332,568	512,342,688	18,548,908	11,514,368	558,881,476	523,857,056	35,024,420
Total liabilities	<u>678,831,754</u>	<u>658,775,811</u>	<u>19,868,496</u>	<u>14,348,991</u>	<u>698,700,250</u>	<u>673,124,802</u>	<u>25,575,448</u>
Deferred inflow of resources	74,068,177	64,462,413	1,325,273	1,153,624	75,393,450	65,616,037	9,777,413
Net position:							
Net investment in capital assets	468,998,543	484,645,845	28,466,343	28,585,040	497,464,886	513,230,885	(15,765,999)
Restricted	63,879,879	55,855,901	389,781	260,379	64,269,660	56,116,280	8,153,380
Unrestricted	(374,140,613)	(399,332,178)	(1,962,377)	3,619,824	(376,102,990)	(395,712,354)	19,609,364
Total net position	<u>\$ 158,737,809</u>	<u>\$ 141,169,568</u>	<u>\$ 26,893,747</u>	<u>\$ 32,465,243</u>	<u>\$ 185,631,556</u>	<u>\$ 173,634,811</u>	<u>\$ 11,996,745</u>

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 \$185,631,556 at the close of the 2015-2016 fiscal year.

The portion of the County's net investment in capital assets, \$497,464,886 (268%), reflects its investment in capital assets (e.g., land, building and structures, and equipment) less accumulated depreciation in the amount of \$552,493,238, less the related debt of \$55,028,352 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, \$64,269,660 (35%), represents resources that are subject to external restrictions on how they may be used. Of the total, 28% is restricted for capital asset acquisition, 50% is dedicated to public roads and facilities, 13% 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 \$(376,102,990) increased by \$19,609,364.00 from the prior year. 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 71, 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	%
	2016	2015	2016	2015	2016	2015		
Revenues								
Program Revenues:								
Charges for services	\$ 84,244,859	\$ 77,822,965	\$ 14,763,103	\$ 13,933,450	\$ 99,007,962	\$ 91,756,415	\$ 7,251,547	7.9%
Operating grants and contributions	244,015,870	243,896,303	489,547	225,933	244,505,417	244,122,236	383,181	0.2%
Capital grants and contributions	8,797,922	7,006,159	128,950	117,549	8,926,872	7,123,708	1,803,164	25.3%
General Revenues:								
Property taxes	100,143,100	93,563,299	29,005	27,156	100,172,105	93,590,455	6,581,650	7.0%
Other taxes	24,256,363	21,830,572	-	-	24,256,363	21,830,572	2,425,791	11.1%
Investment earnings	4,096,111	3,473,414	(170,079)	49,055	3,926,032	3,522,469	403,563	11.5%
Miscellaneous	9,459,671	10,278,920	332,031	566,966	9,791,702	10,845,886	(1,054,184)	-9.7%
Gain (Loss) on sale of assets	97,990	-	-	-	97,990	-	97,990	#DIV/0!
Total revenues	<u>475,111,886</u>	<u>457,871,632</u>	<u>15,572,558</u>	<u>14,920,109</u>	<u>490,684,444</u>	<u>472,791,741</u>	<u>\$ 17,892,703</u>	<u>3.8%</u>
Expenses:								
General government	35,068,404	33,543,710	-	-	\$ 35,068,404	\$ 33,543,710	\$ 1,524,694	4.5%
Public protection	141,369,586	131,718,318	-	-	141,369,586	131,718,318	9,651,268	7.3%
Public ways and facilities	28,271,471	32,899,567	-	-	28,271,471	32,899,567	(4,628,096)	-14.1%
Health and sanitation	114,208,716	108,998,615	-	-	114,208,716	108,998,615	5,210,101	4.8%
Public assistance	126,834,429	116,901,808	-	-	126,834,429	116,901,808	9,932,621	8.5%
Education	6,004,573	5,536,920	-	-	6,004,573	5,536,920	467,653	8.4%
Recreation and cultural services	8,899,980	7,202,397	-	-	8,899,980	7,202,397	1,697,583	23.6%
Interest on long-term debt	2,763,791	3,306,746	-	-	2,763,791	3,306,746	(542,955)	-16.4%
County Disposal Sites CSA	-	-	12,017,848	11,785,387	12,017,848	11,785,387	232,461	2.0%
Boulder Creek CSA	-	-	362,488	332,137	362,488	332,137	30,351	9.1%
Rolling Woods CSA	-	-	14,939	12,436	14,939	12,436	2,503	20.1%
Septic Tank Maintenance CSA	-	-	1,089,609	1,058,403	1,089,609	1,058,403	31,206	2.9%
Freedom County Sanitation District	-	-	807,796	964,940	807,796	964,940	(157,144)	-16.3%
Davenport Sanitation District	-	-	518,219	656,114	518,219	656,114	(137,895)	-21.0%
Place De Mer CSA	-	-	38,231	49,800	38,231	49,800	(11,569)	-23.2%
Sand Dollar Beach CSA	-	-	236,652	274,512	236,652	274,512	(37,860)	-13.8%
Trestle Beach CSA	-	-	45,085	51,369	45,085	51,369	(6,284)	-12.2%
Summit West CSA	-	-	121	135	121	135	(14)	-10.4%
Graham Hill CSA	-	-	10,552	34,931	10,552	34,931	(24,379)	-69.8%
Total expenses	<u>463,420,949</u>	<u>440,108,081</u>	<u>15,141,540</u>	<u>15,220,164</u>	<u>478,562,489</u>	<u>455,328,245</u>	<u>23,234,244</u>	<u>5.1%</u>
Revenues over/(under) expenditures	11,690,937	17,763,551	431,018	(300,055)	12,121,955	17,463,496	(5,341,541)	-30.6%
Transfers	-	(5,972,514)	-	5,972,514	-	-	-	0.0%
Change in net position	<u>11,690,937</u>	<u>11,791,037</u>	<u>431,018</u>	<u>5,672,459</u>	<u>12,121,955</u>	<u>17,463,496</u>	<u>(5,341,541)</u>	<u>-30.6%</u>
Net position, beginning of year	141,169,568	462,497,879	32,465,243	32,754,310	173,634,811	495,252,189	(321,617,378)	-64.9%
Prior period adjustment	5,877,304	(333,119,348)	(6,002,514)	(5,961,526)	(125,210)	(339,080,874)	338,955,664	-100.0%
Net position, end of year	<u>\$ 158,737,809</u>	<u>\$ 141,169,568</u>	<u>\$ 26,893,747</u>	<u>\$ 32,465,243</u>	<u>\$ 185,631,556</u>	<u>\$ 173,634,811</u>	<u>\$ 11,996,745</u>	<u>6.9%</u>

Analysis of Change in Net Position

During the current fiscal year, the County's net position increased by \$11,996,745 . These increased are explained in the governmental and business-type activity discussion below.

- Governmental activities** increased the County's net position by \$17,568,241 , accounting for 146% of the total increase in net position of the County. The County recorded a prior period adjustment in the amount of \$5,877,304, of which \$647,635 was an adjustment to the capital asset beginning balances, negative \$772,845 was an adjustment to reclassify a revenue payment that was for payment of loan principle, and \$6,002,514 was for the realignment of long term liabilities related to the County Disposal Site CSA 9C.

The change in net position before the prior period adjustment for governmental activities was \$11,690,937. Revenues increased by \$17.2 million from the prior year. There was an increase to Charges for Services in the amount of \$6.4 million primarily due to increases in medical and clinic charges and development fees. There was also an increase of \$9 million in Property Taxes and other taxes compared to the prior year.

- Expenses overall increased by 23,312,868 . Public Protection increased by \$9.6 million, with \$4 million coming from the Sheriff's department for staffing, \$1 million from the District Attorney's department for payroll increases, \$1 million from Emergency Services for Capital Assets, and various other increases coming from the Probation department and the Agricultural Commissioner.

Health Services increased by \$5 million due to increased staffing and physician fees, and increases in cost plan allocations. Public Assistance increased by \$9.9 million over the prior year. There were staffing increases primarily associated with the Affordable Care Act in the amount of \$5.3 million. The remaining increases were in data processing and software purchases, as well as interdepartmental charges and support services.

- **Business-type activities** decreased by \$(5,571,496) over the prior year. Expenses decreased by (78,624), while revenues increased 652,449. The difference in net position was primarily due to a Transfer In to the County Disposal Site CSA 9C fund from the Financing Authorities in the amount of \$5,972,514 in the prior year. This was reversed in the current year through a prior period adjustment.

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, 2016, the County's governmental funds reported combined ending fund balances of \$176,505,441, 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, \$751,039, 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 \$475,042, and (2) advances and loans of \$275,997
- Restricted fund balance, \$124,769,422, 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 \$39,834,677, (2) Loans of \$61,506,840, (3) assets held for sale \$1,643,891, (4) debt service of \$4,088,084, and (5) amounts restricted for capital asset acquisition of \$17,695,930.
- Committed fund balance, \$17,251,089, are amounts for specific purposes determined by the Board of Supervisors, which includes Natural Disasters of \$1,251,089, Working Capital of \$6,000,000 and Economic Uncertainty of \$10,000,000.
- Assigned fund balance of \$33,767,098 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) federally qualified health programs of \$14,229,750, (2) structural deficit of \$6,632,662, (3) projected budgetary deficit of \$8,149,727, (4) liabilities of \$1,500,000, (5) human services of \$460,000 and (6) salary savings of \$2,794,959.
- Unassigned fund balance is currently \$(33,207)

Revenues for governmental functions totaled 475,226,097 in fiscal year 2015-2016, which represents an increase of \$17,521,130, or 3.8% from fiscal year 2014-2015. Expenditures for governmental functions totaling \$474,754,043 increased by \$20,163,913, or 4.44%, from fiscal year 2014-2015. In the fiscal year

2015-2016, revenues for governmental functions exceeded expenditures by \$472,054. Other financing sources, including interfund, exceeded other financing uses by \$10,633,492.

The general fund is the primary operating fund of the County. At June 30, 2016, the general fund's total fund balance was \$51,736,019, of which \$751,039 was nonspendable, and \$50,984,980 was spendable. The spendable fund balance consists of \$17,251,089 in committed fund balance, \$33,767,098 in assigned fund balance, and \$(33,207) 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 12.5% of total General Fund expenditures while spendable fund balance is 12.4% of total General Fund expenditures.

The Housing Fund is a major fund of the County. At June 30, 2016, the Housing Fund's total fund balance was \$79,600,179. The spendable (restricted) fund balance amount was 79,600,179, an increase of \$60,925,061.00 from the prior year, due to reclassification of items erroneously classified as nonspendable in the prior year.

The Capital Projects fund balance of 6,790,774 was spendable (restricted) at June 30, 2016, a decrease of \$2,104,232 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						
	2016	% of Total	2015	% of Total	Change	
Taxes	\$ 124,399,463	26.18%	\$ 115,393,871	25.21%	\$ 9,005,592	
Licenses and permits	11,880,505	2.50%	11,052,751	2.41%	827,754	
Fines, forfeits and penalties	3,630,182	0.76%	4,720,450	1.03%	(1,090,268)	
Use of money and property	4,082,536	0.86%	3,417,281	0.75%	665,255	
Aid from other governments	252,813,792	53.20%	250,902,462	54.82%	1,911,330	
Charges for services	68,734,172	14.46%	62,049,764	13.56%	6,684,408	
Other	9,685,447	2.04%	10,168,388	2.22%	(482,941)	
Total	\$ 475,226,097	100.00%	\$ 457,704,967	100.00%	\$ 17,521,130	

Revenues increased by \$17.52 million over the prior year. There was a \$9 million increase in taxes, consisting of \$6 million in property taxes, \$0.6 million in transient occupancy taxes, \$1.5 million in cannabis business taxes, and the rest in various other taxes.

Charges for services increased by another \$6.6 million. The majority of the increase was primarily outpatient clinic fees and other patient revenues.

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

Expenditures Classified by Source
Governmental Funds

	2016	% of Total	2015	% of Total	Change
General government	\$ 31,414,275	6.62%	\$ 32,531,910	7.16%	\$ (1,117,635)
Public protection	146,434,409	30.84%	137,892,679	30.33%	8,541,730
Public ways and facilities	20,248,707	4.27%	24,439,623	5.38%	(4,190,916)
Health and sanitation	117,040,655	24.65%	111,509,092	24.53%	5,531,563
Public assistance	130,035,199	27.39%	119,199,304	26.22%	10,835,895
Education	5,792,972	1.22%	5,324,908	1.17%	468,064
Recreation and culture	8,666,549	1.83%	7,155,804	1.57%	1,510,745
Capital outlay	7,607,154	1.60%	9,305,670	2.05%	(1,698,516)
Debt Service - bond redemption	4,744,166	1.00%	3,991,789	0.88%	752,377
Debt Service -Interest and fiscal charges	2,769,957	0.58%	3,239,351	0.71%	(469,394)
Total	\$ 474,754,043	100.00%	\$ 454,590,130	100.00%	\$ 20,163,913

Overall expenditures increased by \$20.16 million. Half of the increase was generated by the public assistance function. Salaries increased by \$5 million to support the requirements of the Affordable Care Act (ACA), and other community program appropriations increased by \$3.6 million. The rest of the public assistance increases were from computer and software costs and interdepartmental allocations.

Public protection accounted for an \$8.5 million increase over the prior year. There was an increase of \$6 million due to payroll and staffing increases. There was another \$1.5 million increase in professional services and public defender costs over the prior year. The rest was due to data processing fees, software costs and other services.

Health and sanitation had an increase of \$5.5 million over the prior year. Staffing and salary increases accounted for \$3 million of this increase, and the rest was from medical professional services and physician services.

Public ways and facilities decreased by \$4 million because road projects were reduced due to sizeable decreases in gas taxes.

Other financing sources and uses are presented below, including changes from the prior year. In 2015-16, lease revenue bonds were issued in the amount of \$9,945,000. There was also a refunding of the 2004 certificates of participation. The amount of \$13,097,459 was paid to the escrow agent for the 2004 bonds and bonds were issued in the amount of \$13,770,000. Refer to Note No. 10 for more information on long term debt.

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

**Expenditures Classified by Source
Governmental Funds**

	2016	% of Total	2015	% of Total	Change
Proceeds of long-term debt	\$ 9,945,000	93.53%	\$ -	0.00%	\$ 9,945,000
Bond premium/discount	60,130	0.57%	-	0.00%	60,130
Inception of capital lease	69,685	0.66%	92,808	-1.47%	(23,123)
Sale of general capital assets	97,990	0.92%	-	0.00%	97,990
Original issue costs	13,770,000	129.50%	-	0.00%	13,770,000
Payment to refunding escrow agent	(13,097,459)	-123.17%	-	0.00%	(13,097,459)
Transfers in	17,488,965	164.47%	12,312,257	-195.39%	5,176,708
Transfers out	(17,700,819)	-166.46%	(18,706,361)	296.87%	1,005,542
Total	\$ 10,633,492	100.00%	\$ (6,301,296)	100.00%	\$ 16,934,788

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			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Housing Fund	Capital Projects Fund		
Revenues	\$ 422,045,884	\$ 5,466,310	\$ 570,866	\$ 47,143,037	\$ 475,226,097
Expenditures	(412,306,884)	(5,050,494)	(7,607,154)	(49,789,511)	(474,754,043)
Net other financing sources/(uses)	(8,207,862)	97,990	4,932,056	13,811,308	10,633,492
Net change in fund balances	1,531,138	513,806	(2,104,232)	11,164,834	11,105,546
Fund balances, beginning (restated)	50,204,881	79,086,373	8,895,006	27,213,635	165,399,895
Fund balances, ending	51,736,019	79,600,179	6,790,774	38,378,469	176,505,441

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 26,121,191 at June 30, 2016, of which (2,734,933) was unrestricted.

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

	<u>Major Funds</u>			
	<u>County Disposal Sites CSA 9c</u>	<u>Nonmajor Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
Operating Revenues	\$ 11,717,475	\$ 3,385,352	\$ 15,102,827	\$ 68,158,554
Operating Expenditures	(12,367,711)	(3,181,211)	(15,548,922)	(63,586,240)
Net operating income (loss)	(650,236)	204,141	(446,095)	4,572,314
Net nonoperating revenues/(expenditures)	318,838	150,893	469,731	4,389
Change in net position	(331,398)	355,034	23,636	4,576,703
Net position - Beginning of year, as restated	10,765,050	15,332,505	26,097,555	(42,350,673)
Net position - end of Year	<u>\$ 10,433,652</u>	<u>\$ 15,687,539</u>	<u>\$ 26,121,191</u>	<u>\$ (37,773,970)</u>

Total enterprise fund net position decreased by \$5,978,878 . Operating revenues of \$15,102,827 increased by \$603,958 over the prior fiscal year. Operating expenses of \$15,548,922 increased by \$280,139 over the prior year, mostly from overhead costs.

There was a restatement of the beginning net position in the amount of \$(6,002,514) as a result of the prior period adjustment for debt realignment as mentioned above.

The Internal Service fund net position increased by \$4,576,703 over the prior fiscal year. This was due to increases in revenue for internal billings from Information Services, Public Works and Self-Insurance funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

After the adoption of the 2015-2016 fiscal year budget, the original General Fund budget was increased by \$6,540,869 during the year, not including transfers out. Approximately \$1 million was from the Sheriff's division for additional financial resources made available from year-end budget adjustments. An additional \$2 million came from the State of California Housing and Development for use by the Planning department's grant programs. Another half million was reappropriated from fund balance for additional fixed assets for the County Fire department. Public Assistance accounted for another \$2.5 million increase in appropriations primarily from the California Department of Social Services to fund CaWorks and other assistance programs.

The 2015-2016 total expenditures were \$22,123,108 , or 5.7%, greater than the prior fiscal year, not including transfers. Nine million was due to increased spending in Public Protection for additional staffing for the Sheriff's division and overall expenditures in the Sheriff's Detention division, District Attorney salary increases, and increased salary expenditures in the Probation department. Six million came from the Health Services Agency, which had a \$3 million increase in Salaries expenditures and another \$3 million in Other Charges. Public Assistance expenditures were \$7.8 million over the prior fiscal year, 6 million from salaries and benefits and the rest from categorical aids expenditures.

General Fund actual revenues were \$26,597,522 lower than the original budget. The majority of this was due to a difference of \$24 million from the original budget originating from Transfers In, plus \$7 million less than budget for charges for services, offset by a \$6 million increase in tax revenue over budget.

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, 2016 totaled \$552,493,234 (net of accumulated depreciation of \$435,446,002). These capital assets include land, construction in progress, infrastructure, buildings and structures, and equipment. There was a 0.6% decrease in the County's capital assets for the 2015-2016 fiscal year in the amount of \$3,525,859.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the 2015-2016 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	
	2016	2015	2016	2015	2016	2015
Land	\$ 63,588,616	\$ 63,504,578	\$ 1,858,849	\$ 1,858,849	\$ 65,447,465	\$ 65,363,427
Construction in progress	9,232,835	9,996,582	496,335	6,268,785	9,729,170	16,265,367
Infrastructure	618,898,271	610,143,809	-	-	618,898,271	610,143,809
Buildings and structures	184,039,984	180,067,944	51,235,394	44,577,288	235,275,378	224,645,232
Equipment	48,944,905	49,128,430	9,644,051	10,437,772	58,588,956	59,566,202
Accumulated depreciation	(400,892,770)	(385,648,303)	(34,553,232)	(34,316,641)	(435,446,002)	(419,964,944)
Total	<u>\$ 523,811,841</u>	<u>\$ 527,193,040</u>	<u>\$ 28,681,397</u>	<u>\$ 28,826,053</u>	<u>\$ 552,493,238</u>	<u>\$ 556,019,093</u>

Capital Assets decreased in Governmental Activities by \$3.4 million. Infrastructure increased by \$8.7 million over the prior year, mostly for roads and drainage. Buildings and structures had an increase of approximately \$4 million for the completion of various construction projects. The increase to accumulated depreciation by \$15 million accounted for the net decrease.

Business-type capital assets decreased by \$144,656. A \$6 million construction project for the County Disposal CSA 9C fund was completed and moved from construction in progress to buildings and structures.

Additional information on the County's capital assets can be found in Note No. 7 on pages 79-81 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	
	2016	2015	2016	2015	2016	2015
Refunding certificates of participation	\$ 38,094,531	\$ 27,725,939	\$ -	\$ -	\$ 38,094,531	\$ 27,725,939
Lease revenue bonds	14,927,484	12,324,514	6,799,431	-	21,726,915	12,324,514
Lease revenue refunding bonds	1,627,052	1,690,379	-	-	1,627,052	1,690,379
Certificates of participation	13,389,529	27,266,386	-	-	13,389,529	27,266,386
Revenue bonds	135,000	165,000	-	-	135,000	165,000
Loans payable	57,668	98,456	286,714	448,965	344,382	547,421
Capital leases	6,739,249	7,530,755	4,614	654	6,743,863	7,531,409
Total	<u>\$ 74,970,513</u>	<u>\$ 76,801,429</u>	<u>\$ 7,090,759</u>	<u>\$ 449,619</u>	<u>\$ 82,061,272</u>	<u>\$ 77,251,048</u>

For the governmental activities, the County had total long-term debt outstanding of \$74,970,513 as compared to \$76,801,429 the prior year (excluding compensated absences and estimated claims), a decrease of \$1,830,916. Refunding certificates of participation in the amount of \$13,770,000 were issued to retire the balance of the 2004 certificates of participation in the amount of \$12,945,000 plus issuance costs. New lease revenue bonds were issued in the amount of \$9,945,000 to finance a variety of capital improvements. As stated in Note 10, the 2014 lease revenue bond was realigned to the County Disposal Site CSA 9C, a business-type activity, in the amount of \$7,039,138, less retirements, to finance the addition of a module at the County's Buena Vista sanitary landfill site. Debt retirement, not including bonds retired through refinancing, amounted to \$5.8 million.

For the business-type activities, the County had total long-term debt outstanding of \$7,090,759 as compared to \$449,619 in the prior year (excluding post-closure liability), an increase of \$6,641,140, due primarily from the above-mentioned realignment of the 2014 lease revenue bond. Bond retirement amounted to \$403,136 for the year.

The County's total debt for all primary government activities increased by \$4,810,224 or 6% 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 October 2016. 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 June 2016. 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 \$17,373,151 as compared to \$20,344,123 in the prior year. This amount was comprised of \$2,196,665 of Waste Water Revenue Refunding Bonds (including unamortized bond premium), \$255,000 of Limited Obligation Refunding Improvement Bonds, and \$14,921,486 of Loans Payable. During the year, retirement of debt amounted to \$2,970,972.

Additional information on the County's long-term debt can be found in Note No. 10 on pages 85-93 of this report.

FISCAL YEAR 2016-2017 BUDGET AND ECONOMIC CONDITIONS

The following factors were considered in preparing the County's operating budget for fiscal year 2015-2016:

- The budget is projecting a steady improvement in County revenues. For budget year 2016-17, local Property Taxes, Transient Occupancy Taxes, and Retail Sales Taxes are estimated to grow in the 3% range. The adopted budget estimates are on the conservative side of the range.
- Total Governmental Fund revenues showed an increase of 10%, or \$45 million, comparing 2016-17 budget to 2015-16 actual revenues. The 2016-17 budget shows an increase in General Fund total revenues of 9%, or \$37 million, compared to 2015-16 actual revenues.
- The budget appropriations for total Governmental Fund expenditures for FY 16-17 includes a 17% increase, or \$80.4 million, when compared to 2015-16 actual and a decrease of less than 1%, or \$1.3 million, when compared to the prior year adjusted budget.
- As of June 30, 2016, the available spendable General Fund balance was \$51.1 million. Of this amount, \$17.3 million was Committed and \$33.8 million is Assigned, but remains available for appropriation.
- There was an increase of 8.1 positions, 5 of which were in the newly created Office of Cannabis Licensing.

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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and investments	\$ 190,296,596	\$ 9,131,611	\$ 199,428,207	\$ 14,081,483
Restricted cash	15,028,168	7,223,325	22,251,493	969,937
Loans receivable	59,877,749	53,232	59,930,981	-
Receivables, net	44,176,136	669,721	44,845,857	155,904
Receivable from Component Unit	128,644	-	128,644	-
Deposits with others	240,000	-	240,000	-
Inventory	502,690	125,672	628,362	13,384
Prepaid items	504,966	-	504,966	-
Land held for resale	1,643,891	-	1,643,891	-
Notes receivable	-	-	-	55,077
Advances to other entities	38,250	-	38,250	-
Internal balances	(852,689)	852,689	-	-
Capital Assets:				
Nondepreciable assets	72,821,451	2,355,184	75,176,635	24,556,291
Depreciable assets, net	450,990,390	26,326,213	477,316,603	111,312,526
Total assets	835,396,242	46,737,647	882,133,889	151,144,602
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on bond refunding	742,500	-	742,500	-
Deferred pensions	75,498,998	1,349,869	76,848,867	-
Total deferred outflows of resources	76,241,498	1,349,869	77,591,367	-
LIABILITIES				
Payables	26,195,359	1,022,046	27,217,405	6,378,577
Payable to primary government	-	-	-	128,644
Accrued interest payable	960,050	-	960,050	135,076
Tax and revenue anticipation notes payable	41,500,000	-	41,500,000	-
Advances from grantors and third parties	34,510,460	-	34,510,460	-
Compensated absences:				
Due within one year	21,647,797	-	21,647,797	-
Due in more than one year	5,537,892	-	5,537,892	-
Estimated claims:				
Due within one year	7,874,488	-	7,874,488	-
Due in more than one year	31,129,640	-	31,129,640	-
Other long-term liabilities:				
Due within one year	5,811,032	297,542	6,108,574	3,062,801
Due in more than one year	69,159,481	12,891,526	82,051,007	14,310,350
OPEB liability	118,348,505	-	118,348,505	-
Net pension liability	316,157,050	5,657,382	321,814,432	-
Total liabilities	678,831,754	19,868,496	698,700,250	24,015,448
DEFERRED INFLOWS OF RESOURCES				
Deferred pensions	74,068,177	1,325,273	75,393,450	-
Total deferred inflows of resources	74,068,177	1,325,273	75,393,450	-
NET POSITION				
Net investment in capital assets	468,998,543	28,466,343	497,464,886	118,495,668
Restricted for:				
Debt service	4,088,084	-	4,088,084	969,937
Capital asset acquisition	17,695,930	-	17,695,930	-
Public safety	8,135,289	-	8,135,289	-
Health and public assistance	2,016,889	-	2,016,889	-
Public ways and facilities	31,943,687	-	31,943,687	-
Other	-	389,781	389,781	-
Unrestricted	(374,140,613)	(1,962,377)	(376,102,990)	7,663,549
Total net position	\$ 158,737,809	\$ 26,893,747	\$ 185,631,556	\$ 127,129,154

See accompanying Notes to Basic Financial Statements.

**COUNTY OF SANTA CRUZ
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

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	\$ 35,068,404	\$ 19,052,777	\$ 2,988,224	\$ 1,523,631	\$ 23,564,632
Public protection	141,369,586	22,513,710	48,237,566	2,004,753	72,756,029
Public ways and facilities	28,271,471	4,928,994	6,537,270	5,269,538	16,735,802
Health and sanitation	114,208,716	33,927,487	72,782,720	-	106,710,207
Public assistance	126,834,429	700,153	113,371,189	-	114,071,342
Education	6,004,573	-	92,712	-	92,712
Recreation and cultural services	8,899,980	3,121,738	6,189	-	3,127,927
Debt service	2,763,791	-	-	-	-
Total governmental activities	463,420,949	84,244,859	244,015,870	8,797,922	337,058,651
Business-type activities:					
County Disposal Sites CSA 9C	12,017,848	11,377,751	489,344	27,000	11,894,096
Boulder Creek CSA 7	362,488	461,736	-	-	461,736
Rolling Woods CSA 10	14,939	107,867	-	-	107,867
Septic Tank Maintenance CSA 12	1,089,609	1,074,140	-	-	1,074,140
Freedom County Sanitation District	807,796	845,074	-	-	845,074
Davenport Sanitation District	518,219	466,953	203	101,950	569,106
Place de Mer CSA 2	38,231	87,150	-	-	87,150
Sand Dollar Beach CSA 5	236,652	262,640	-	-	262,640
Trestle Beach CSA 20	45,085	45,869	-	-	45,869
Summit West CSA 54	121	-	-	-	-
Graham Hill CSA 57	10,552	33,923	-	-	33,923
Total business-type activities	15,141,540	14,763,103	489,547	128,950	15,381,601
Total primary government	\$ 478,562,489	\$ 99,007,962	\$ 244,505,417	\$ 8,926,872	\$ 352,440,252
Component unit:					
Santa Cruz County Sanitation District	\$ 21,851,595	\$ 23,491,067	\$ -	\$ 1,586,016	\$ 25,077,083

General Revenues

Taxes:

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

Interest and investment earnings
Gain/(loss) on disposal of capital assets
Miscellaneous

Total general revenues

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, 2016**

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (11,503,772)	\$ -	\$ (11,503,772)	
(68,613,557)	-	(68,613,557)	
(11,535,669)	-	(11,535,669)	
(7,498,509)	-	(7,498,509)	
(12,763,087)	-	(12,763,087)	
(5,911,861)	-	(5,911,861)	
(5,772,053)	-	(5,772,053)	
(2,763,791)	-	(2,763,791)	
<u>(126,362,298)</u>	<u>-</u>	<u>(126,362,298)</u>	
-	(123,752)	(123,752)	
-	99,248	99,248	
-	92,928	92,928	
-	(15,469)	(15,469)	
-	37,278	37,278	
-	50,887	50,887	
-	48,919	48,919	
-	25,988	25,988	
-	784	784	
-	(121)	(121)	
-	23,371	23,371	
<u>-</u>	<u>240,061</u>	<u>240,061</u>	
\$ (126,362,298)	\$ 240,061	\$ (126,122,237)	
			<u>\$ 3,225,488</u>
100,143,100	29,005	100,172,105	91,598
2,266,471	-	2,266,471	-
10,070,872	-	10,070,872	-
7,083,724	-	7,083,724	-
4,835,296	-	4,835,296	-
<u>124,399,463</u>	<u>29,005</u>	<u>124,428,468</u>	<u>91,598</u>
4,096,111	(170,079)	3,926,032	144,855
97,990	-	97,990	-
9,459,671	332,031	9,791,702	600
<u>138,053,235</u>	<u>190,957</u>	<u>138,244,192</u>	<u>237,053</u>
11,690,937	431,018	12,121,955	3,462,541
141,169,568	32,465,243	173,634,811	124,637,087
5,877,304	(6,002,514)	(125,210)	(970,474)
<u>147,046,872</u>	<u>26,462,729</u>	<u>173,509,601</u>	<u>123,666,613</u>
<u>\$ 158,737,809</u>	<u>\$ 26,893,747</u>	<u>\$ 185,631,556</u>	<u>\$ 127,129,154</u>



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, and which are not required to be accounted for in another fund.

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, 2016**

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Housing Fund	Capital Projects Fund		
ASSETS					
Cash and investments	\$ 113,047,344	\$ 16,477,289	\$ 6,540,566	\$ 20,585,632	\$ 156,650,831
Restricted cash and investments	-	-	-	15,028,168	15,028,168
Receivables, net	32,290,501	1,757,091	1,268,882	7,999,726	43,316,200
Due from other funds	1,415,354	-	17,822	-	1,433,176
Due from other governments	38,250	-	-	-	38,250
Loans receivable	128,000	59,749,749	-	-	59,877,749
Deposits with others	90,000	-	-	-	90,000
Prepays	443,863	-	-	-	443,863
Land held for resale	-	1,643,891	-	-	1,643,891
Advances to other funds	-	-	-	244,680	244,680
Total assets	\$ 147,453,312	\$ 79,628,020	\$ 7,827,270	\$ 43,858,206	\$ 278,766,808
LIABILITIES					
Payables	\$ 20,095,627	\$ 27,841	\$ 1,036,496	\$ 2,272,954	\$ 23,432,918
Tax and revenue anticipation notes payable	41,500,000	-	-	-	41,500,000
Due to other funds	-	-	-	2,817,989	2,817,989
Advances from grantors and third parties	34,121,666	-	-	388,794	34,510,460
Total liabilities	95,717,293	27,841	1,036,496	5,479,737	102,261,367
FUND BALANCES					
Nonspendable	751,039	-	-	-	751,039
Restricted	-	79,600,179	6,790,774	38,378,469	124,769,422
Committed	17,251,089	-	-	-	17,251,089
Assigned	33,767,098	-	-	-	33,767,098
Unassigned	(33,207)	-	-	-	(33,207)
Total fund balances	51,736,019	79,600,179	6,790,774	38,378,469	176,505,441
Total liabilities and fund balances	\$ 147,453,312	\$ 79,628,020	\$ 7,827,270	\$ 43,858,206	\$ 278,766,808

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, 2016**

Total Fund Balances - Total Governmental Funds \$ 176,505,441

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 \$10,641,224 of internal service fund capital assets.) 513,170,618

Deferred outflows of resources reported in the Statement of Net Position are not reported in the governmental funds. 67,988,856

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	(37,773,970)
Transfer of internal service funds to business-type activities	(772,556)

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	(38,094,531)	
Lease revenue bonds	(14,927,484)	
Lease revenue refunding bonds, including premium	(1,627,052)	
Certificates of participation, including premium	(13,389,529)	
Revenue bonds	(135,000)	
California Energy Resources Conservation and Development Commission	(57,668)	
Pension liability	(280,280,362)	
Other post-employment benefits (OPEB) liability	(118,348,505)	
Compensated absences	(22,518,292)	
Capital leases	(4,345,756)	(493,724,179)

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. (960,050)

Deferred inflows of resources reported in the Statement of Net Position are not reported in the governmental funds. (65,696,351)

Net Position of Governmental Activities \$ 158,737,809

See accompanying Notes to Basic Financial Statements

COUNTY OF SANTA CRUZ
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Housing Fund	Capital Projects Fund		
REVENUES:					
Taxes	\$ 107,566,543	\$ -	\$ -	\$ 16,832,920	\$ 124,399,463
Licenses and permits	11,875,855	-	-	4,650	11,880,505
Fines, forfeits and penalties	3,617,246	-	-	12,936	3,630,182
Use of money and property	3,620,166	277,893	39,088	145,389	4,082,536
Aid from other governments	234,772,832	1,209,523	450,301	16,381,136	252,813,792
Charges for services	57,591,811	349,367	79,906	10,713,088	68,734,172
Other	3,001,431	3,629,527	1,571	3,052,918	9,685,447
Total revenues	422,045,884	5,466,310	570,866	47,143,037	475,226,097
EXPENDITURES:					
Current:					
General government	29,664,592	-	-	1,749,683	31,414,275
Public protection	133,115,694	-	-	13,318,715	146,434,409
Public ways and facilities	239,884	-	-	20,008,823	20,248,707
Health and sanitation	117,006,779	-	-	33,876	117,040,655
Public assistance	124,984,705	5,050,494	-	-	130,035,199
Education	123,569	-	-	5,669,403	5,792,972
Recreation and cultural services	7,188,886	-	-	1,477,663	8,666,549
Debt service:					
Principal	-	-	-	4,744,166	4,744,166
Interest and fiscal charges	(17,225)	-	-	2,787,182	2,769,957
Capital outlay	-	-	7,607,154	-	7,607,154
Total expenditures	412,306,884	5,050,494	7,607,154	49,789,511	474,754,043
REVENUES OVER (UNDER) EXPENDITURES	9,739,000	415,816	(7,036,288)	(2,646,474)	472,054
OTHER FINANCING SOURCES (USES):					
Transfers in	4,025,238	-	4,994,321	8,469,406	17,488,965
Transfers out	(12,302,785)	-	(62,265)	(5,335,769)	(17,700,819)
Proceeds of bonds issued	-	-	-	9,945,000	9,945,000
Bond premium/discount	-	-	-	60,130	60,130
Payment to Bond Refunding escrow agent	-	-	-	(13,097,459)	(13,097,459)
Issuance of Debt-Refunding Bond	-	-	-	13,770,000	13,770,000
Inception of capital lease	69,685	-	-	-	69,685
Sale of general capital assets	-	97,990	-	-	97,990
Total other financing sources (uses)	(8,207,862)	97,990	4,932,056	13,811,308	10,633,492
Net change in fund balances	1,531,138	513,806	(2,104,232)	11,164,834	11,105,546
Fund balances - beginning	50,204,881	79,859,218	8,895,006	28,250,259	167,209,364
Prior period adjustment	-	(772,845)	-	(1,036,624)	(1,809,469)
Fund balances - beginning, as restated	50,204,881	79,086,373	8,895,006	27,213,635	165,399,895
Fund balances - ending	\$ 51,736,019	\$ 79,600,179	\$ 6,790,774	\$ 38,378,469	\$ 176,505,441

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, 2016**

Net Change in Fund Balances - Total Governmental Funds \$ 11,105,546

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	\$ 16,660,168	
Retirement of capital assets	(129,646)	
Less current year depreciation	<u>(21,124,248)</u>	(4,593,726)

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	(69,281)	
Premium on long-term debt	(60,130)	
Lease revenue bonds issued	(9,945,000)	
Refunding certificates of participation issued	<u>(13,770,000)</u>	(23,844,411)

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	3,385,000	
Certificates of participation	13,860,000	
Lease revenue bonds	350,000	
Lease revenue refunding bonds	64,166	
Revenue bonds	30,000	
California Energy Resources Conservation and Development Commission	40,788	
Capital leases	<u>454,679</u>	18,184,633

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	45,448	
Change in accrued interest payable	43,217	
Change in compensated absences	(438,894)	
Change in deferred loss on bond refunding	742,500	
Change in net pension liability	<u>14,235,279</u>	14,627,550

OPEB obligation costs do not require current resources, so they are not reported in the governmental funds. (7,957,976)

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. 4,576,703

Reverse of prior year transfer of internal service funds to business-type activities. 365,174

Transfer of internal service funds to business-type activities. (772,556)

Change in Net Position of Governmental Activities before Prior Period Adjustment 11,690,937

Prior Period Adjustment (See Note 21) 5,877,304

Change in Net Position of Governmental Activities \$ 17,568,241

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, 2016**

	Business-Type Activities - Enterprise Funds			Governmental
	County	Nonmajor	Total	Activities
	Disposal Sites CSA 9C	Enterprise Funds		Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 3,570,888	\$ 5,560,723	\$ 9,131,611	\$ 33,645,765
Restricted cash	7,206,740	16,585	7,223,325	-
Receivables	512,625	157,096	669,721	988,580
Due from other funds	324,813	-	324,813	1,794,898
Deposits with others	-	-	-	150,000
Inventory	125,672	-	125,672	502,690
Prepaid items	-	-	-	61,103
Total current assets	<u>11,740,738</u>	<u>5,734,404</u>	<u>17,475,142</u>	<u>37,143,036</u>
Noncurrent assets:				
Loans receivable	-	53,232	53,232	-
Non-depreciable:				
Land	1,858,849	-	1,858,849	97,087
Construction in progress	-	496,335	496,335	571,060
Depreciable:				
Buildings and structures	32,370,644	18,864,751	51,235,395	3,431,999
Equipment	9,519,391	124,660	9,644,051	28,670,750
Accumulated depreciation	<u>(25,517,487)</u>	<u>(9,035,746)</u>	<u>(34,553,233)</u>	<u>(22,129,672)</u>
Capital assets, net	<u>18,231,397</u>	<u>10,450,000</u>	<u>28,681,397</u>	<u>10,641,224</u>
Total noncurrent assets	<u>18,231,397</u>	<u>10,503,232</u>	<u>28,734,629</u>	<u>10,641,224</u>
Total assets	<u>29,972,135</u>	<u>16,237,636</u>	<u>46,209,771</u>	<u>47,784,260</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension	1,349,869	-	1,349,869	8,252,642
Total deferred outflows of resources	<u>1,349,869</u>	<u>-</u>	<u>1,349,869</u>	<u>8,252,642</u>
LIABILITIES				
Current liabilities:				
Payables	758,663	263,383	1,022,046	2,762,441
Due to other funds	-	-	-	734,898
Advances from other funds	244,680	-	244,680	-
Current portion of long-term liabilities	249,707	46,693	296,400	-
Capital leases	1,142	-	1,142	436,613
Claims liability	-	-	-	7,874,488
Compensated absences, due within one year	-	-	-	3,362,989
Total current liabilities	<u>1,254,192</u>	<u>310,076</u>	<u>1,564,268</u>	<u>15,171,429</u>
Noncurrent liabilities:				
Long-term liabilities	6,549,724	240,021	6,789,745	-
Capital leases	3,472	-	3,472	1,956,880
Claims liability	-	-	-	31,129,640
Closure and postclosure care costs liability	6,098,309	-	6,098,309	-
Compensated absences, due in more than one year	-	-	-	1,304,409
Net pension liability	<u>5,657,382</u>	<u>-</u>	<u>5,657,382</u>	<u>35,876,688</u>
Total noncurrent liabilities	<u>18,308,887</u>	<u>240,021</u>	<u>18,548,908</u>	<u>70,267,617</u>
Total liabilities	<u>19,563,079</u>	<u>550,097</u>	<u>20,113,176</u>	<u>85,439,046</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension	1,325,273	-	1,325,273	8,371,826
Total deferred inflows of resources	<u>1,325,273</u>	<u>-</u>	<u>1,325,273</u>	<u>8,371,826</u>
NET POSITION				
Net investment in capital assets	18,226,783	10,239,560	28,466,343	10,641,224
Restricted for:				
Debt service	346,354	43,427	389,781	-
Unrestricted	<u>(8,139,485)</u>	<u>5,404,552</u>	<u>(2,734,933)</u>	<u>(48,415,194)</u>
Total net position	<u>\$ 10,433,652</u>	<u>\$ 15,687,539</u>	<u>26,121,191</u>	<u>\$ (37,773,970)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			772,556	
Net Position of Business-type Activities per Government-Wide Financial Statements			<u><u>\$ 26,893,747</u></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, 2016

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES:				
Charges for services	\$ 11,377,751	\$ 3,385,352	\$ 14,763,103	\$ 68,007,518
Other revenues	339,724	-	339,724	151,036
Total operating revenues	11,717,475	3,385,352	15,102,827	68,158,554
OPERATING EXPENSES:				
Salaries and employee benefits	-	-	-	34,797,460
Services and supplies	11,159,613	2,692,883	13,852,496	14,868,023
Insurance and compensation claims	-	-	-	12,032,593
Depreciation and amortization	1,208,098	488,328	1,696,426	1,888,164
Total operating expenses	12,367,711	3,181,211	15,548,922	63,586,240
Operating income (loss)	(650,236)	204,141	(446,095)	4,572,314
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental	516,344	203	516,547	-
Interest and investment income	60,268	38,479	98,747	161,348
Property taxes	-	29,005	29,005	-
Gain/(loss) on disposal of capital assets	-	(7,693)	(7,693)	(221,040)
Interest expense	(257,774)	(11,051)	(268,825)	(147,773)
Total nonoperating revenues (expenses)	318,838	48,943	367,781	(207,465)
Income (loss) before transfers	(331,398)	253,084	(78,314)	4,364,849
Capital Contributions	-	101,950	101,950	-
Transfers in	-	391,559	391,559	211,854
Transfers out	-	(391,559)	(391,559)	-
Change in net position	(331,398)	355,034	23,636	4,576,703
Net position - beginning	16,767,564	15,332,505	32,100,069	(42,350,673)
Prior period adjustment	(6,002,514)	-	(6,002,514)	-
Net position - beginning, as restated	10,765,050	15,332,505	26,097,555	(42,350,673)
Net position - ending	\$ 10,433,652	\$ 15,687,539	\$ 26,121,191	\$ (37,773,970)
Change in Net Position of Business-type Activities			\$ 23,636	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			407,382	
Change in Net Position of Business-type Activities per Government-Wide Financial Statements			\$ 431,018	

See accompanying Notes to Basic Financial Statements



**COUNTY OF SANTA CRUZ
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities - Enterprise Funds			Governmental
	County	Nonmajor	Total	Activities
	Disposal Sites CSA 9C	Enterprise Funds		Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 12,341,840	\$ 3,429,334	\$ 15,771,174	\$ 34,991,065
Receipts from interfund charges for services	-	-	-	34,593,604
Payments to suppliers for goods and services	(6,022,442)	(1,943,400)	(7,965,842)	(24,449,315)
Payments to employees for salaries and benefits	-	-	-	(34,445,900)
Payments to other funds for services provided	(6,851,770)	(1,013,209)	(7,864,979)	-
Payments for judgments and claims	-	-	-	(4,767,971)
Other payments	-	-	-	(25,201)
Net cash provided (used) by operating activities	<u>(532,372)</u>	<u>472,725</u>	<u>(59,647)</u>	<u>5,896,282</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	88,001	394,559	482,560	211,854
Transfers to other funds	-	(391,559)	(391,559)	-
Operating grants	27,000	-	27,000	-
Property taxes	-	29,008	29,008	-
Net cash provided by noncapital financing activities	<u>115,001</u>	<u>32,008</u>	<u>147,009</u>	<u>211,854</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from capital related debt	7,039,139	-	7,039,139	-
Capital contributions	-	101,950	101,950	-
Acquisition and construction of capital assets	(1,614,258)	(382,113)	(1,996,371)	(2,669,878)
Principal paid on capital debt	(461,179)	(162,338)	(623,517)	(414,832)
Interest paid on capital debt	(286,395)	(11,217)	(297,612)	(148,590)
Proceeds from sale of capital assets	-	-	-	5,112
Net cash provided (used) by capital and related financing activities	<u>4,677,307</u>	<u>(453,718)</u>	<u>4,223,589</u>	<u>(3,228,188)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	60,268	38,479	98,747	161,348
Net cash provided by investing activities	<u>60,268</u>	<u>38,479</u>	<u>98,747</u>	<u>161,348</u>
Net increase in cash and cash equivalents	<u>4,320,204</u>	<u>89,494</u>	<u>4,409,698</u>	<u>3,041,296</u>
CASH AND CASH EQUIVALENTS:				
Beginning of year	6,457,424	5,487,814	11,945,238	30,604,469
End of year	<u>\$ 10,777,628</u>	<u>\$ 5,577,308</u>	<u>\$ 16,354,936</u>	<u>\$ 33,645,765</u>

(Continued)

See accompanying Notes to Basic Financial Statements

**COUNTY OF SANTA CRUZ
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities - Enterprise Funds			Governmental
	County	Nonmajor	Total	Activities
	Disposal Sites CSA 9C	Enterprise Funds		Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (650,236)	\$ 204,141	\$ (446,095)	\$ 4,572,314
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	1,208,098	488,328	1,696,426	1,888,164
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	4,979,731	(120,201)	4,859,530	33,767
Inventory	(123,457)	-	(123,457)	2,262
Prepaid items	-	-	-	13,953
Due from other funds	-	-	-	(891,220)
Deferred outflows of resources	(848,724)	-	(848,724)	(5,060,433)
Increase (decrease) in:				
Payables	(5,596,000)	(99,543)	(5,695,543)	(136,122)
Due to other funds	(321,258)	-	(321,258)	734,898
Accrued salaries and benefits	-	-	-	1,012,287
Compensated absences	-	-	-	349,717
Claims and judgments	-	-	-	17,218
Capital leases	-	-	-	(3,398)
Deferred inflows of resources	171,649	-	171,649	1,023,443
Closure and postclosure care liability	255,461	-	255,461	-
Net pension liability	392,364	-	392,364	2,339,432
Total adjustments	117,864	268,584	386,448	1,323,968
Net cash provided (used) by operating activities	<u>\$ (532,372)</u>	<u>\$ 472,725</u>	<u>\$ (59,647)</u>	<u>\$ 5,896,282</u>

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, 2016**

	Agency Funds	Investment Trust Fund	Private Purpose Trust Fund
ASSETS			
Cash and investments	\$ 56,285,557	\$ 425,895,722	\$ 13,725,531
Restricted cash with fiscal agents	-	-	9,080,134
Receivables	11,049,061	-	-
Prepaid insurance	-	-	1,042,640
Capital assets, net	-	-	9,118,080
Total assets	\$ 67,334,618	\$ 425,895,722	\$ 32,966,385
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding of debt	\$ -	\$ -	\$ 323,993
Total deferred outflows of resources	\$ -	\$ -	\$ 323,993
LIABILITIES			
Accounts payable	\$ 6,300,307	\$ -	\$ 5,532
Interest payable	-	-	2,848,041
Due to other governmental units	32,374,592	-	-
Agency funds held for others	28,659,719	-	-
Long-term debt	-	-	223,275,982
Total liabilities	\$ 67,334,618	\$ -	\$ 226,129,555
DEFERRED INFLOWS OF RESOURCES			
Deferred tax increment revenue	\$ -	\$ -	\$ 5,385,696
Gain on refunding of debt	-	-	109,829
Total deferred inflows of resources	\$ -	\$ -	\$ 5,495,525
NET POSITION			
Net position held in trust	\$ -	\$ 425,895,722	\$ (198,334,702)

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, 2016**

	<u>Investment Trust Fund</u>	<u>Private Purpose Trust Fund</u>
ADDITIONS		
Contributions:		
Contributions to investment pool	\$ 1,289,486,653	\$ -
Contributions from other agencies	-	21,087
Total contributions	<u>1,289,486,653</u>	<u>21,087</u>
Investment income	2,291,910	55,592
Tax increment received	-	20,163,666
Other revenue	-	70,248
Total Additions	<u>1,291,778,563</u>	<u>20,310,593</u>
DEDUCTIONS		
Distributions from investment pool	1,237,712,635	-
Payments in accordance with trust agreements	-	11,089,383
Total Deductions	<u>1,237,712,635</u>	<u>11,089,383</u>
Change in net position held in trust	<u>54,065,928</u>	<u>9,221,210</u>
Net position held in trust - beginning of year	<u>371,829,794</u>	<u>(207,555,912)</u>
Net position held in trust - end of year	<u>\$ 425,895,722</u>	<u>\$ (198,334,702)</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, 2016
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**COUNTY OF SANTA CRUZ
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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 Flood Control and Water Conservation District – Zone 7

Santa Cruz 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 the Board 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

Geologic Hazard Abatement Districts (GHAD)

- Corralitos GHAD
- Mid-County GHAD
- Heartwood GHAD

The following Board 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 accounting policies of the County conform to GAAP for local governmental units. 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. 72

The primary objective of GASB Statement No. 72, *Fair Value Measurement and Application*, is to address accounting and financial reporting issues related to fair value measurements. The requirements of this statement are effective for financial statements reporting periods beginning after June 15, 2015. The effect of this statement can be seen in Note 2 – Cash and Investments Section F, which demonstrates the fair value measurements of the County's investments.

GASB Statement No. 73

GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provision of GASB Statements No. 67 and No. 68*, is intended to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments. The requirements of this statement are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. This statement has no significant impact on the County's financial statements.

GASB Statement No. 76

The objective of GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The provisions of this statement are effective for reporting periods beginning after June 15, 2015. This statement has no significant impact on the County's financial statements.

GASB Statement No. 79

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. The statement also establishes additional note disclosures for qualifying external investment pools. There was no material impact on the County's financial statement as a result of the implementation of GASB Statement No. 79.

Upcoming Accounting Pronouncements

The following GASB Statements will become effective for fiscal years subsequent to June 30, 2016. The County is currently analyzing its accounting practices to determine the potential impact on the financial statements for these GASB Statements.

GASB Statement No. 74

The objective of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to improve the usefulness of information about 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, 2016.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Upcoming Accounting Pronouncements, (Continued)

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.

GASB Statement No. 77

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The requirements of this statement are effective for the County's fiscal year beginning after December 15, 2015.

GASB Statement No. 78

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, 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, 2015.

GASB Statement No. 80

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, 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, 2016.

GASB Statement No. 81

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, 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, 2016.

GASB Statement No. 82

GASB Statement No. 82, *Pension Issues*, 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, 2016.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 as prescribed by GASB Statement No. 34 in regards to interfund activities. 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

The County prepares a County-wide cost allocation plan in accordance with Federal Office of Management and Budget (OMB). 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 sheets. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The County participates in an investment pool managed by the State 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 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."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 assets are valued at their estimated fair value on the date donated.

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	3-15 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future reporting period, respectively.”

Deferred Charges- Deferred loss on Bond Refunding

The deferred loss on bond refunding represents the excess of the amount placed in escrow (reacquisition price) over the carrying amount of the refunding bonds and is amortized as a component of interest expense over the remaining life of the refunding bonds (i.e. the shorter of the remaining life of the refunded or refunding bonds).

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.

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 fund’s 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Pensions

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note 14 and the required supplementary information (RSI) on page 123 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.

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. Net Position and Fund Balances

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Position and Fund Balances (Continued)

Fund Financial Statements (Continued)

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) 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.

The establishment of a committed fund balance requires the passage of a resolution by a simple majority vote. Board action is required to change or remove the commitment. The Board resolution shall identify the title of the commitment, describe the specific purpose for the commitment, and the actual amount of the commitment or the process or formula necessary to calculate the actual amount. Funding for Committed fund balance shall be appropriated annually by the Board as part of the budget approval process.

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 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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Position and Fund Balances (Continued)

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.

Reserve for Economic Uncertainty

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

The County's Reserve 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 appropriating the funds.

As of June 30, 2016, the County's Reserve for Economic Uncertainty fund balance was \$10,000,000 and is included in the General Fund.

Reserve for Natural Disasters

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

The purpose of the County's Reserve for Natural Disasters is to fund the 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, and the State or the Federal government. Any use of funds requires a four-fifths vote of the Board appropriating the funds.

As of June 30, 2016, the County's Reserve for Natural Disasters fund balance was \$1,251,089 and is included in the General Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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.

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 receivable are shown on the statement of net position of the property tax collections funds reported in the Agency Funds. Under state 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. 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, 2016, was distributed on the seventh business day during July 2016, and is shown as part of receivables on the financial statements.

The following is a summary of cash and investments at June 30, 2016:

	Government-Wide Statement of Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Santa Cruz County Sanitation District
Cash and Investments	\$ 190,296,596	\$ 9,131,611	\$ 199,428,207	\$ 14,081,483
Restricted Cash and Investments	15,028,168	7,223,325	22,251,493	969,937
Total Cash and Investments	\$ 205,324,764	\$ 16,354,936	\$ 221,679,700	\$ 15,051,420
	Fiduciary Funds			
	Agency Funds	Investment Trust Fund	Private Purpose Trust Fund	County Total
Cash and Investments	\$ 56,285,557	\$ 425,895,722	\$ 13,725,531	\$ 709,416,500
Restricted Cash and Investments	-	-	9,080,134	32,301,564
Total Cash and Investments	\$ 56,285,557	\$ 425,895,722	\$ 22,805,665	\$ 741,718,064
	Cash and Investments	Restricted Cash and Investments	Total	
Primary Government and Fiduciary Funds:				
Cash on hand or imprest cash	\$ 686,643	\$ -	\$ 686,643	
Cash deposits in treasury pool	13,336,147	-	13,336,147	
Investments in treasury pool	681,312,227	-	681,312,227	
Restricted investments in other pools	-	24,870,379	24,870,379	
Restricted cash deposits in treasury pool:				
Davenport Sanitation District	-	16,585	16,585	
County Disposal Sites CSA 9C	-	6,444,663	6,444,663	
Total	695,335,017	31,331,627	726,666,644	
Component Unit:				
Investments in treasury pool	14,081,483	-	14,081,483	
Restricted investments in other banks	-	969,937	969,937	
Total	14,081,483	969,937	15,051,420	
Total cash and investments	\$ 709,416,500	\$ 32,301,564	\$ 741,718,064	

NOTE 2 - CASH AND INVESTMENTS (Continued)

At June 30, 2016, the County's cash on hand, deposits, and investments consisted of:

	Treasury Pool	Other Banks/ Investment Pools	Total
Primary Government and Fiduciary Funds:			
Cash on hand or imprest cash	\$ 167,221	\$ 519,422	\$ 686,643
Deposits	13,336,147	-	13,336,147
Investments	687,756,890	24,886,964	712,643,854
Total Primary Government and Fiduciary Funds	701,260,258	25,406,386	726,666,644
Component Unit:			
Investments	14,081,483	969,937	15,051,420
Total Component Unit	14,081,483	969,937	15,051,420
Total reporting entity	\$ 715,341,741	\$ 26,376,323	\$ 741,718,064

The carrying amounts of the County's cash deposits were \$13,336,147 at June 30, 2016, 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 market 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%
LAIF	N/A	\$50 million	None
Joint Powers Authority investment funds	N/A	25%	None
Supranationals	5 years	30%	None

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 market 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, 2016, 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
U.S. Treasury Securities	\$ 229,569,872	\$ 129,178,440	\$ 100,391,432	\$ -	\$ -	\$ -
Federal Agency Securities	279,771,397	124,216,160	84,214,880	71,340,357	-	-
Medium-Term Notes - Other	52,174,593	30,077,800	12,014,530	10,082,263	-	-
Money Market Mutual Funds	10,000,000	10,000,000	-	-	-	-
LAIF	38,060,159	38,060,159	-	-	-	-
Certificates of Deposit	70,995,595	-	70,979,009	16,586	-	-
Investment Agreements	12,000,000	12,000,000	-	-	-	-
Supernationals	30,233,400	-	-	30,233,400	-	-
Total investments	\$ 722,805,015	\$ 343,532,559	\$ 267,599,851	\$ 111,672,605	\$ -	\$ -

NOTE 2 - CASH AND INVESTMENTS (Continued)

C. Concentration of Credit Risk

At June 30, 2016, 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, 2016.

Investments Type	Standard & Poor's	Moody's	% of Portfolio
U.S. Treasury Securities	AA+	Aaa	31.31%
Federal Agency Securities	AA+	Aaa	38.19%
Supranational	AAA	Aaa	4.11%
Medium-Term Notes	AA/AAA	A+	7.13%
Money Market Mutual Funds	Unrated	Unrated	1.37%
Local Agency Investment Fund (LAIF)	Unrated	Unrated	5.21%
Certificates of Deposit	A1+	P1	9.58%
Checking Account	Unrated	Unrated	1.46%
Investment Agreements	Unrated	Unrated	1.64%
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. The County's investments with LAIF at June 30, 2016, 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, 2016, the County had \$38,060,159 invested in LAIF, which had invested 0.08% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 0.13% in the previous year. LAIF provided a fair value factor of 1.000621222 to calculate the fair value of the investments in LAIF. However, an adjustment was not made to reflect the fair market value of LAIF, as the fair market 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, 2016:

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:				
U.S. Treasury Securities	\$ 229,569,872	\$ 229,569,872	\$ -	\$ -
Federal Agency Securities	279,771,397	279,771,397	-	-
Medium-Term Notes - Other	52,174,593	52,174,593	-	-
Certificates of Deposit	70,009,072	70,009,072	-	-
Investment Agreements	12,000,000	12,000,000	-	-
Supnationals	30,233,400	30,233,400	-	-
Total Investments Measured at Fair Value	673,758,334	<u>\$ 673,758,334</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at Amortized Cost:				
Money Market Mutual Funds	10,000,000			
LAIF	38,060,159			
Total Pooled and Directed Investments	<u>\$ 721,818,493</u>			

NOTE 3 - RESTRICTED CASH AND INVESTMENTS

Cash and investments at June 30, 2016, 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>\$15,028,168</u>
<u>Business-Type Activities</u>	
County Disposal Site CSA 9C:	
Used for landfill deposits	7,206,740
Davenport Sanitation District:	
Used for debt service and bond reserves	<u>16,585</u>
	<u>7,223,325</u>
<u>Component Unit</u>	
Santa Cruz County Sanitation District:	
Used for debt service	<u>969,937</u>
<u>Fiduciary Funds</u>	
County of Santa Cruz Redevelopment Successor Agency:	
Used for debt service	<u>9,080,134</u>
	<u><u>\$32,301,564</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	Housing Fund	Capital Projects Fund	Nonmajor Funds	Internal Service Funds	Total Governmental Activities
Governmental Activities:						
Accounts	\$ 31,078,343	\$ 1,757,091	\$ 1,268,882	\$ 7,999,726	\$ 988,580	\$ 43,092,622
Taxes	2,704,034	-	-	-	-	2,704,034
Gross receivables	33,782,377	1,757,091	1,268,882	7,999,726	988,580	45,796,656
Less: allowance for uncollectibles	(1,491,876)	-	-	-	-	(1,491,876)
Net receivables	<u>\$ 32,290,501</u>	<u>\$ 1,757,091</u>	<u>\$ 1,268,882</u>	<u>\$ 7,999,726</u>	<u>\$ 988,580</u>	<u>\$ 44,304,780</u>
	County Disposal Sites CSA 9C	Nonmajor Funds	Total Business-Type Activities			
Business-Type Activities:						
Accounts receivable	<u>\$ 512,625</u>	<u>\$ 157,096</u>	<u>\$ 669,721</u>			

NOTE 5 - INTERFUND TRANSACTIONS

A. Government-Wide Financial Statements

Long-Term Internal Balances

At June 30, 2016, the County had the following long-term internal balances:

	Internal Balances Receivables
	Governmental Activities
Internal Balances Payable	
Business-Type Activities	\$ 852,689

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, 2016:

Due to Other Funds	Due from Other Funds				
	General Fund	Capital Projects Fund	County Disposal Sites CSA 9C Fund	Internal Service Funds	Total
Nonmajor Governmental Funds	\$ 1,415,354	\$ 17,822	\$ 324,813	\$ 1,060,000	\$ 2,817,989
Internal Service Funds	-	-	-	734,898	734,898
Total	\$ 1,415,354	\$ 17,822	\$ 324,813	\$ 1,794,898	\$ 3,552,887

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)

Long-Term Advances

The County had the following long-term advances as of June 30, 2016:

Advances from Other Funds		Advances to Other Funds
	County Disposal Sites CSA 9C Fund	Nonmajor Governmental Funds <u>\$ 244,680</u>

This balance consists of a long-term advance between the Financing Authorities Fund and the County Disposal Sites CSA 9C Fund of \$244,680.

Transfers in/out

The County had the following transfers for the year ending June 30, 2016:

Transfers Out	Transfers In					
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	Nonmajor Enterprise Funds	Total
	General Fund	\$ -	\$ 3,683,687	\$ 8,407,244	\$ 211,854	\$ -
Capital Projects Fund	103	-	62,162	-	-	62,265
Nonmajor Governmental Funds	4,025,135	1,310,634	-	-	-	5,335,769
Nonmajor Enterprise Funds	-	-	-	-	391,559	391,559
Total	<u>\$ 4,025,238</u>	<u>\$ 4,994,321</u>	<u>\$ 8,469,406</u>	<u>\$ 211,854</u>	<u>\$ 391,559</u>	<u>\$ 18,092,378</u>

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

Transfers to/from other funds at June 30, 2016 are as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Capital Projects Fund	\$ 3,683,687	To finance various facilities capital projects
	Nonmajor Governmental Funds	7,852,836	To Financing Authorities Fund for debt service
	Nonmajor Governmental Funds	554,408	To finance Park Dedication capital projects
	Internal Service Fund	211,854	To internal service fund to purchase fleet vehicles
		<u>12,302,785</u>	
Nonmajor Governmental Funds	General Fund	2,264,128	Mosquito Abatement Fund to General Fund for salaries
	General Fund	997,853	Debt Service Fund
	General Fund	763,154	Financing Authorities Fund drawdown for General Fund projects
	Capital Projects Fund	1,310,634	Financing Authorities Fund Certificates of Participation drawdown for capital projects
		<u>5,335,769</u>	
Capital Projects Fund	Nonmajor Governmental Funds	62,162	To the Road Fund & Public Protection Fund for improvements
	General Fund	103	Realignment of Capital Projects funds
		<u>62,265</u>	
Nonmajor Enterprise Funds	Nonmajor Enterprise Funds	391,559	For Rolling Woods CSA 10 taking over responsibility of septic services previously reported in Graham Hill CSA 57
		<u>\$ 18,092,378</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:

Loans Receivable	
<u>Homeowner Loans</u>	
First Time Homebuyer Program	\$ 5,725,351
Hand loans	4,266,854
Mobile Home Change Out Program	5,171,980
Mobile Home Rehab Program	295,592
Mobile Home Rehab Program (Bonds)	23,069
Sorrento Oaks	10,000
	<hr/>
Total Homeowner Loans	15,492,846
<u>Housing Project Loans</u>	
Aptos Cottages (Miller)	7,137,111
CFSC, Inc - Brommer St	2,407,200
Golden Torch	1,291,677
Housing for Independent People	40,940
Marmo's	1,642,323
McGregor	891,748
McIntosh Coach Purchase #12	98,000
McIntosh Coach Purchases	80,936
Mercy - McIntosh (Coach Loan)	348,665
Mercy - Rehab	95,236
MidPen Housing - St. Stephens	4,970,330
Mid-Peninsula the Farm, Inc	2,004,265
Minto	9,611,465
Pacific Family Coach Acquisitions	63,702
Pacific Family-SCH	2,670,411
Pleasant Acres Coach Acquisitions	58,725
Pleasant Acres Permanent Financing	3,512,452
Property Tax Postponement Loans	137,768
San Andreas	700,000
South County Housing Corp	4,907,117
St. Stephens Predevelopment	421,832
Vista Verde Family Housing	1,165,000
	<hr/>
Total Housing Project Loans	44,256,903
<u>City of Watsonville Loan</u>	128,000
	<hr/>
Total Loans Receivable	<u><u>\$ 59,877,749</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, 2016:

<u>Nonmajor business-type fund:</u>	
Septic tank maintenance CSA 12	\$ 53,232
Total business-type loans receivable	\$ 53,232

NOTE 7 - CAPITAL ASSETS

A. Government-Wide Financial Statements

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

	<u>Balance July 1, 2015</u>	<u>Prior Period Adjustment</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclass- ifications</u>	<u>Balance June 30, 2016</u>
Governmental activities:							
Capital assets, not being depreciated:							
Land	\$ 63,504,578	\$ 84,038	\$ 63,588,616	\$ -	\$ -	\$ -	\$ 63,588,616
Construction-in-progress	9,996,583	-	9,996,583	7,073,771	-	(7,837,519)	9,232,835
Total capital assets, not being depreciated	<u>73,501,161</u>	<u>84,038</u>	<u>73,585,199</u>	<u>7,073,771</u>	<u>-</u>	<u>(7,837,519)</u>	<u>72,821,451</u>
Capital assets, being depreciated:							
Infrastructure	610,143,812		610,143,812	8,754,459	-	-	618,898,271
Buildings	180,067,944	(460,916)	179,607,028	91,650	(57,740)	4,399,046	184,039,984
Machinery and equipment	49,128,427	(540,292)	48,588,135	3,254,299	(6,336,002)	3,438,473	48,944,905
Total capital assets, being depreciated	<u>839,340,183</u>	<u>(1,001,208)</u>	<u>838,338,975</u>	<u>12,100,408</u>	<u>(6,393,742)</u>	<u>7,837,519</u>	<u>851,883,160</u>
Less accumulated depreciation for:							
Infrastructure	(263,287,274)		(263,287,274)	(13,609,742)	-	-	(276,897,016)
Buildings	(82,498,777)	(1,156,662)	(83,655,439)	(5,869,607)	57,740	-	(89,467,306)
Machinery and equipment	(39,862,253)	2,680,113	(37,182,140)	(3,533,064)	6,186,756	-	(34,528,448)
Total accumulated depreciation	<u>(385,648,304)</u>	<u>1,523,451</u>	<u>(384,124,853)</u>	<u>(23,012,413)</u>	<u>6,244,496</u>	<u>-</u>	<u>(400,892,770)</u>
Total capital assets, being depreciated, net	<u>453,691,879</u>	<u>522,243</u>	<u>454,214,122</u>	<u>(10,912,005)</u>	<u>(149,246)</u>	<u>7,837,519</u>	<u>450,990,390</u>
Governmental activities capital assets, net	<u>\$ 527,193,040</u>	<u>\$ 606,281</u>	<u>\$527,799,321</u>	<u>\$ (3,838,234)</u>	<u>\$ (149,246)</u>	<u>\$ -</u>	<u>\$ 523,811,841</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	\$ 1,618,558
Public protection	3,132,624
Public ways and facilities	13,609,742
Health and sanitation	1,131,882
Public assistance	922,631
Education	218,031
Recreation and culture	<u>490,781</u>
Subtotal	21,124,248

Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>1,888,165</u>
Total	<u><u>\$ 23,012,413</u></u>

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

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclass- ifications</u>	<u>Balance June 30, 2016</u>
Business-Type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,858,849	\$ -	\$ -	\$ -	\$ 1,858,849
Construction-in-progress	6,268,785	692,120	-	(6,464,570)	\$ 496,335
Total capital assets, not being depreciated	<u>8,127,634</u>	<u>692,120</u>	<u>-</u>	<u>(6,464,570)</u>	<u>2,355,184</u>
Capital assets, being depreciated:					
Buildings	44,577,288	193,536	-	6,464,570	51,235,394
Machinery and equipment	10,437,772	673,807	(1,467,528)	-	9,644,051
Total capital assets, being depreciated	<u>55,015,060</u>	<u>867,343</u>	<u>(1,467,528)</u>	<u>6,464,570</u>	<u>60,879,445</u>
Less accumulated depreciation for:					
Buildings	(24,132,783)	(1,589,810)	-	-	(25,722,593)
Machinery and equipment	(10,183,858)	(106,616)	1,459,835	-	(8,830,639)
Total accumulated depreciation	<u>(34,316,641)</u>	<u>(1,696,426)</u>	<u>1,459,835</u>	<u>-</u>	<u>(34,553,232)</u>
Total capital assets, being depreciated, net	<u>20,698,419</u>	<u>(829,083)</u>	<u>(7,693)</u>	<u>6,464,570</u>	<u>26,326,213</u>
Business-Type activities capital assets, net	<u><u>\$ 28,826,053</u></u>	<u><u>\$ (136,963)</u></u>	<u><u>\$ (7,693)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 28,681,397</u></u>

NOTE 7 - CAPITAL ASSETS (Continued)

A. Government-Wide Financial Statements, (Continued)

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

	<u>Total</u>
<u>Business-Type Activities:</u>	
County Disposal Sites CSA 9C	\$ 1,208,098
Boulder Creek CSA 7	62,509
Rolling Woods CSA 10	9,225
Septic Tank Maintenance CSA 12	4,847
Freedom County Sanitation District	205,897
Davenport Sanitation District	165,390
Place de Mer CSA 2	5,542
Sand Dollar Beach CSA 5	34,918
Total	<u><u>\$ 1,696,426</u></u>

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

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassification</u>	<u>Balance June 30, 2016</u>
Nondepreciable assets:					
Construction-in-progress	\$ 13,250,779	\$ 11,599,939	\$ -	\$ (294,427)	\$ 24,556,291
Total nondepreciable assets	<u>13,250,779</u>	<u>11,599,939</u>	<u>-</u>	<u>(294,427)</u>	<u>24,556,291</u>
Depreciable assets:					
Pumping stations	42,808,761		-		42,808,761
Transmission systems	109,321,561	423,391	-		109,744,952
Sewage treatment capacity rights	35,148,509		-	-	35,148,509
Mobile equipment	3,379,469	93,784	(80,243)	-	3,393,010
Other equipment	2,452,693	77,041	(881,731)	-	1,648,003
Total depreciable assets	<u>193,110,993</u>	<u>594,216</u>	<u>(961,974)</u>	<u>-</u>	<u>192,743,235</u>
Accumulated depreciation:					
Pumping stations	(22,146,066)	(756,343)		-	(22,902,409)
Transmission systems	(37,429,636)	(2,355,762)	-	-	(39,785,398)
Sewage treatment capacity rights	(14,001,508)	(912,948)	-	-	(14,914,456)
Mobile equipment	(2,663,620)	(173,293)	80,243	-	(2,756,670)
Other equipment	(1,817,816)	(135,691)	881,731	-	(1,071,776)
Total accumulated depreciation	<u>(78,058,646)</u>	<u>(4,334,037)</u>	<u>961,974</u>	<u>-</u>	<u>(81,430,709)</u>
Depreciable assets, net	<u>115,052,347</u>	<u>(3,739,821)</u>	<u>-</u>	<u>-</u>	<u>111,312,526</u>
Total capital assets, net	<u><u>\$ 128,303,126</u></u>	<u><u>\$ 7,860,118</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (294,427)</u></u>	<u><u>\$ 135,868,817</u></u>

Depreciation expense for the District at June 30, 2016, is \$4,334,037.

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

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.

Tax and revenue anticipation notes payable debt activity for the year ended June 30, 2016, was as follows:

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Accrued Interest</u>	<u>Ending Balance</u>
2015	1.0%	\$ 50,997,222	\$ 50,000,000	\$ (50,997,222)	\$ 498,611	\$ 50,498,611
2016	2.0%	\$ 50,498,611	\$ 50,000,000	\$ (101,495,833)	\$ 997,222	\$ -
2017	3.0%	\$ -	\$ 41,500,000	\$ -	\$ -	\$ 41,500,000

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, 2016, were \$2,484,338.

As of June 30, 2016, 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>
2017	\$ 1,496,821
2018	1,439,905
2019	1,211,465
2020	1,053,438
2021	1,016,928
2022-2026	1,418,396
2027-2031	273,602
2032-2036	309,555
2037-2041	350,233
2042-2046	396,257
2047-2051	448,328
2052-2056	507,242
2057-2061	453,381
	<u>\$ 10,375,551</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, 2016
Government-Wide Activities		
<u>Governmental Activities:</u>		
Energy efficient infrastructure	3.62%	\$ 4,047,331
Elections Equipment	6.82%	103,801
Parks, Open Space & Cultural Services-Mower	4.34%	23,100
Copy machines	12.54%	171,525
Subtotal Governmental Activities:		<u>4,345,757</u>
<u>Internal Service Fund Activities:</u>		
Public Works copy machines	12.54%	14,915
Information Services copy machines	10.75%	10,831
Information Services Phone System	5.25%	2,367,747
Subtotal Internal Service Fund Activities:		<u>2,393,493</u>
Total government-wide capital lease obligations		<u><u>\$ 6,739,250</u></u>
Business-type Activities		
<u>Enterprise Fund Activities:</u>		
County Disposal Sites CSA 9C copy machines		4,614
Total business-type capital lease obligations		<u><u>\$ 4,614</u></u>

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

	Governmental Activities	Business-Type Activities
Equipment, computers, furniture, and vehicles	\$ 3,522,957	\$ 5,140
Structures and improvements	6,041,400	-
Total assets under capital leases	9,564,357	5,140
Less: accumulated depreciation	(2,528,551)	(428)
Net	<u><u>\$ 7,035,806</u></u>	<u><u>\$ 4,712</u></u>

NOTE 9 – LEASES (Continued)

B. Capital Leases, (Continued)

As of June 30, 2016, capital lease annual amortization is as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2017	\$ 1,171,783	\$ 1,611
2018	1,148,874	1,611
2019	1,033,386	1,611
2020	1,009,522	805
2021	999,925	-
2022-2026	2,246,251	-
2027	<u>449,250</u>	<u>-</u>
Total Requirements	8,058,991	5,638
Less: Interest	<u>(1,319,741)</u>	<u>(1,024)</u>
Present Value of Remaining Payments	<u>\$ 6,739,250</u>	<u>\$ 4,614</u>

NOTE 10 - LONG-TERM DEBT

The following is a summary of long-term liabilities transactions for the year ended June 30, 2016:

	Balance July 1, 2015	Debt Issued or Transferred In	Debt Retired or Transferred Out	Balance June 30, 2016	Due in One Year	Due in More Than One Year
Governmental Activities Debt:						
1996 Refunding Certificates of Participation	\$ 14,690,000	\$ -	\$ (905,000)	\$ 13,785,000	\$ 955,000	\$ 12,830,000
2002 Refunding Certificates of Participation	1,895,000	-	(65,000)	1,830,000	70,000	1,760,000
2002 Unamortized bond premium	73,631	-	(4,208)	69,423	4,208	65,215
Subtotal	1,968,631	-	(69,208)	1,899,423	74,208	1,825,215
2005 Refunding Certificates of Participation	4,805,000	-	(700,000)	4,105,000	735,000	3,370,000
2005 Unamortized bond discount	(23,860)	-	4,339	(19,521)	(4,339)	(15,182)
Subtotal	4,781,140	-	(695,661)	4,085,479	730,661	3,354,818
1999 Local Agency Revenue Bonds	165,000	-	(30,000)	135,000	30,000	105,000
2004 Certificates of Participation	12,945,000	-	(12,945,000)	-	-	-
2004 Unamortized bond premium	12,319	-	(12,319)	-	-	-
Subtotal	12,957,319	-	(12,957,319)	-	-	-
2006 Certificates of Participation	6,300,000	-	(400,000)	5,900,000	410,000	5,490,000
2006 Unamortized bond discount	(44,933)	-	2,090	(42,843)	(2,090)	(40,753)
Subtotal	6,255,067	-	(397,910)	5,857,157	407,910	5,449,247
2008 Certificates of Participation	2,690,000	-	(360,000)	2,330,000	375,000	1,955,000
2008 Unamortized bond premium	57,940	-	(6,816)	51,124	6,816	44,308
Subtotal	2,747,940	-	(366,816)	2,381,124	381,816	1,999,308
2011 Certificates of Participation	5,310,000	-	(155,000)	5,155,000	160,000	4,995,000
2011 Unamortized bond discount	(3,940)	-	188	(3,752)	(188)	(3,564)
Subtotal	5,306,060	-	(154,812)	5,151,248	159,812	4,991,436
2012 Lease Revenue Refunding Bond, Series A	1,706,327	-	(64,166)	1,642,161	66,542	1,575,619
2012 Unamortized bond discount	(15,948)	-	839	(15,109)	(839)	(14,270)
Subtotal	1,690,379	-	(63,327)	1,627,052	65,703	1,561,349
2014 Refunding Certificates of Participation	6,005,000	-	(250,000)	5,755,000	255,000	5,500,000
2014 Unamortized bond premium	281,168	-	(16,539)	264,629	16,539	248,090
Subtotal	6,286,168	-	(266,539)	6,019,629	271,539	5,748,090
2014 Lease Revenue Bonds	11,810,000	-	(11,810,000)	-	-	-
2014 Unamortized bond premium	514,514	-	(514,514)	-	-	-
Subtotal	12,324,514	-	(12,324,514)	-	-	-
2014 Lease Revenue Bonds	-	5,065,000	(170,000)	4,895,000	175,000	4,720,000
2014 Unamortized bond premium	-	220,377	(11,019)	209,358	11,019	198,339
Subtotal	-	5,285,377	(181,019)	5,104,358	186,019	4,918,339
2015 Refunding Certificates of Participation	-	13,770,000	(1,465,000)	12,305,000	1,390,000	10,915,000
2015 Lease Revenue Bonds	-	9,945,000	(180,000)	9,765,000	235,000	9,530,000
2015 Unamortized bond premium	-	60,130	(2,004)	58,126	2,004	56,122
Subtotal	-	10,005,130	(182,004)	9,823,126	237,004	9,586,122
California Energy Resources Conservation and Development Commission	98,456	-	(40,788)	57,668	42,027	15,641
Subtotal bonds and loans payable	69,270,674	29,060,507	(30,099,917)	68,231,264	4,931,699	63,299,565
OPEB Liability	110,390,529	7,957,976	-	118,348,505	-	118,348,505
Compensated absences	22,079,397	18,367,320	(17,928,426)	22,518,291	18,284,808	4,233,483
Capital leases	4,731,155	69,281	(454,679)	4,345,757	442,721	3,903,036
Total governmental activities	\$ 206,471,755	\$ 55,455,084	\$ (48,483,022)	\$ 213,443,817	\$ 23,659,228	\$ 189,784,589

NOTE 10 - LONG-TERM DEBT (Continued)

	Balance July 1, 2015	Debt Issued or Transferred In	Debt Retired or Transferred Out	Balance June 30, 2016	Due in One Year	Due in More Than One Year
Governmental Activities Debt, Continued:						
Internal Service Funds						
Compensated absences	\$ 4,317,682	\$ 3,474,094	\$ (3,124,378)	\$ 4,667,398	\$ 3,362,989	\$ 1,304,409
Estimated claims	38,986,910	12,049,811	(12,032,593)	39,004,128	7,874,488	31,129,640
Capital leases	2,799,600	9,516	(415,624)	2,393,492	436,612	1,956,880
Total Internal Service Funds	\$ 46,104,192	\$ 15,533,421	\$ (15,572,595)	\$ 46,065,018	\$ 11,674,089	\$ 34,390,929
Total Government-Wide Activities						
Compensated absences	\$ 26,397,079	\$ 21,841,414	\$ (21,052,804)	\$ 27,185,689	\$ 21,647,797	\$ 5,537,892
Estimated claims	38,986,910	12,049,811	(12,032,593)	39,004,128	7,874,488	31,129,640
Other long-term liabilities:						
Bonds and loans payable	69,270,674	29,060,507	(30,099,917)	68,231,264	4,931,699	63,299,565
Capital leases	7,530,755	78,797	(870,303)	6,739,249	879,333	5,859,916
Subtotal other long-term liabilities	76,801,429	29,139,304	(30,970,220)	74,970,513	5,811,032	69,159,481
OPEB liability	110,390,529	7,957,976	-	118,348,505	-	118,348,505
Total Government-Wide Activities	\$ 252,575,947	\$ 70,988,505	\$ (64,055,617)	\$ 259,508,835	\$ 35,333,317	\$ 224,175,518
Business-Type Activities						
<i>Enterprise Funds</i>						
2014 Lease Revenue Bonds	\$ -	\$ 6,745,000	\$ (225,000)	\$ 6,520,000	\$ 235,000	\$ 6,285,000
2014 Unamortized bond premium	-	294,138	(14,707)	279,431	14,707	264,724
Subtotal Bonds Payable	-	7,039,138	(239,707)	6,799,431	249,707	6,549,724
<i>Loans payable</i>						
Septic Tank Maintenance CSA 12	208,606	-	(132,332)	76,274	15,984	60,290
Davenport Sanitation District	240,358	-	(29,918)	210,440	30,709	179,731
Subtotal Loans Payable	448,964	-	(162,250)	286,714	46,693	240,021
Total Bonds and Loans Payable	\$ 448,964	\$ 7,039,138	\$ (401,957)	\$ 7,086,145	\$ 296,400	\$ 6,789,745
<i>Postclosure Liability</i>						
Enterprise Fund - County Disposal Sites CSA 9	5,842,849	255,460	-	6,098,309	-	6,098,309
<i>Capital Leases</i>	653	5,140	(1,179)	4,614	1,142	3,472
Total Business-Type Activities	\$ 6,292,466	\$ 7,299,738	\$ (403,136)	\$ 13,189,068	\$ 297,542	\$ 12,891,526
Component Unit - Santa Cruz County						
Sanitation District						
2005 Wastewater Revenue Refunding Bonds	\$ 3,070,000	\$ -	\$ (890,000)	\$ 2,180,000	\$ 940,000	\$ 1,240,000
2005 Unamortized bond premium	18,900	-	(2,235)	16,665	2,235	14,430
2004 Limited Obligation Refunding						
Improvement Bonds	330,000	-	(75,000)	255,000	80,000	175,000
2009 State Water Resources Control Board Loan	10,836,924	-	(519,390)	10,317,534	532,374	9,785,160
Loans payable	6,088,299	-	(1,484,347)	4,603,952	1,508,192	3,095,760
Total Component Unit	\$ 20,344,123	\$ -	\$ (2,970,972)	\$ 17,373,151	\$ 3,062,801	\$ 14,310,350

NOTE 10 - LONG-TERM DEBT (Continued)

Descriptions of the long-term liabilities at June 30, 2016, are as follows:

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2016
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	\$ 9,885,000
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	<u>13,785,000</u>
2002 Issue (refinanced road improvements, a detention facility, a library, equipment, purchase of parkland and construction of a transfer station and financed an animal services authority facility)					
Collateral: Polo Grounds Park/Ben Lomond Transfer Station					
Serial certificates	8/1/03-8/1/22	4.00-5.25%	\$50,000-\$730,000	\$ 4,380,000	570,000
Term bonds	8/1/23-8/1/32	5.25%	\$100,000-\$155,000	1,260,000	1,260,000
Unamortized bond premium				126,230	69,423
				Total 2002 Issue	<u>1,899,423</u>
2005 Issue (defeased 1995A Lease Revenue Refunding Bonds and financed construction of and improvements to the Santa Cruz County Water Street and Roundtree Lane detention facility)					
Collateral: Water Street Detention Facility/Rountree Lane Detention Facility					
Serial certificates	8/1/05-8/1/20	2.75-4.25%	\$500,000-\$910,000	\$ 10,580,000	4,105,000
Unamortized bond discount				(67,249)	(19,521)
				Total 2005 Issue	<u>4,085,479</u>
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	8/1/05-8/1/20	3.00-4.25%	\$280,000-\$485,000	\$ 6,285,000	5,755,000
Unamortized bond premium				297,707	264,629
				Total 2014 Issue	<u>6,019,629</u>
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	7,425,000
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	<u>12,305,000</u>
Total Refunding Certificates of Participation					<u>37,780,000</u>
Net Premiums/(Discounts)					<u>314,531</u>
Total including Premiums/(Discounts)					<u>\$ 38,094,531</u>
<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	\$ 4,895,000
Unamortized bond premium				220,377	209,358
				Total 2014 Issue	<u>\$ 5,104,358</u>
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	\$ 5,935,000
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	58,126
				Total 2015 Issue	<u>\$ 9,823,126</u>
Total Lease Revenue Bonds					<u>14,660,000</u>
Net Premiums/(Discounts)					<u>267,484</u>
Total including Premiums/(Discounts)					<u>\$ 14,927,484</u>

NOTE 10 - LONG-TERM DEBT (Continued)

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at 30-Jun-15
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: Behavior Health Center and Buena Vista Gatehouse					
Serial bonds	6/15/13-6/15/30	2.00-5.00%	\$115,000-\$225,000	\$ 1,402,135	\$ 1,159,731
Term bonds	6/15/31-6/15/34	5.00%		482,430	482,430
Unamortized Bond Premium				18,465	(15,109)
					<u>\$ 1,627,052</u>
<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>\$ 135,000</u>
<i>Certificates of Participation</i>					
2006 Series Issue (financed improvements to Watsonville Courthouse and Buena Vista Landfill)					
Collateral: Water Street Detention Facility/Rountree Lane Detention Facility					
Serial certificates	8/1/07-8/1/28	3.50-4.625%	\$180,000-\$410,000	\$ 6,225,000	\$ 3,125,000
Term certificates	8/1/29-8/1/32	4.50%		1,265,000	1,265,000
Term certificates	8/1/33-8/1/36	4.625%		1,510,000	1,510,000
Unamortized bond discount				(62,698)	(42,843)
				Total 2006 Issue	<u>\$ 5,857,157</u>
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	\$ 2,330,000
Unamortized bond premium				102,244	51,124
				Total 2008 Issue	<u>\$ 2,381,124</u>
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	\$ 1,045,000
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)	(3,752)
				Total 2011 Issue	<u>5,151,248</u>
				Total Certificates of Participation	<u>13,385,000</u>
				Net Premiums/(Discounts)	<u>4,529</u>
				Total including Premiums/(Discounts)	<u>\$ 13,389,529</u>
California Energy Resources Conservation and Development Commission					
	2013-2018	3.00%	\$16,642-\$21,172	172,837	<u>\$ 57,668</u>

NOTE 10 - LONG-TERM DEBT (Continued)

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2016
Governmental Activities, Continued:					
<i>Capital leases</i>					
Energy efficient infrastructure	2008 - 2027	3.62%	\$135,989 - \$220,635	\$ 5,989,594	\$ 4,047,331
Elections equipment	2014 - 2017	6.82%	\$47,874 - \$56,225	263,175	103,801
Parks, Open Space & Cultural Services					
Mower	2013 - 2018	4.34%	\$11,796 - \$12,307	56,626	23,100
Copy Machines	2012 - 2020	6.70% - 12.54%	\$9,979 - \$97,904	501,403	197,271
Phone System	2014 - 2020	5.25%	\$405,100 - \$529,301	3,302,148	2,367,746
Total Governmental Activities					\$ 74,970,513
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	\$ 6,520,000
Unamortized bond premium				294,138	279,431
Total 2014 Issue					\$ 6,799,431
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	\$ 59,510
California Technology, Trade & Commerce Agency (fund sanitation system improvements)					
	2/28/95-7/1/24	2.75%	\$3,550-\$4,817	310,691	114,632
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	36,298
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	76,274
Subtotal Loans					286,714
Total Lease Revenue Bonds and Loans					6,806,714
Net Premiums/(Discounts)					279,431
Total including Premiums/(Discounts)					\$ 7,086,145
Copy Machine	3/7/16-12/7/19	11.17%	\$259.2-\$391.75	5,140	\$ 4,614
Landfill postclosure					6,098,309
Total Business-Type Activities					\$ 13,189,068
Component Unit - Santa Cruz County Sanitation District (SCCSD)					
2005 Wastewater Revenue Refunding Bonds (financed the SCCSD's share of the improvements to the City of Santa Cruz sewer treatment facility)					
Serial bonds	9/1/05-9/1/19	2.80-5.0%	\$140,000-\$940,000	\$ 9,335,000	\$ 2,180,000
Unamortized bond premium				41,252	16,665
					2,196,665
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	255,000
Loans payable - City of Santa Cruz (construct treatment plant expansion)	2000-2019	1.60%	\$717,884-\$1,563,340	\$ 7,532,957	4,603,952
2009 State Water Resources Control Board Loan	2013-2032	2.50%	\$630,445-\$959,296	\$ 11,981,910	10,317,534
Total Component Unit					\$ 17,373,151

NOTE 10 - LONG-TERM DEBT (Continued)

A. Governmental Activities

At June 30, 2016, 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
	2017	\$ 3,405,000	\$ 1,601,221	\$ 410,000	\$ 557,944	\$ 66,542
2018	3,535,000	1,481,467	420,000	543,794	66,542	68,535
2019	3,665,000	1,349,811	440,000	529,194	68,919	66,539
2020	3,830,000	1,202,177	455,000	513,994	71,295	64,385
2021	3,995,000	1,041,845	475,000	498,194	73,672	62,068
2022-2026	14,155,000	2,932,058	2,620,000	2,207,144	413,511	266,132
2027-2031	4,405,000	541,094	3,145,000	1,645,687	510,948	168,045
2032-2036	790,000	26,450	3,265,000	1,023,925	370,732	37,786
2037-2041	-	-	2,075,000	512,800	-	-
2042-2046	-	-	1,355,000	138,200	-	-
Total	\$ 37,780,000	\$ 10,176,123	\$ 14,660,000	\$ 8,170,876	\$ 1,642,161	\$ 803,855

Year Ending June 30,	Local Agency Revenue Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2017	\$ 30,000	\$ 6,600	\$ 945,000	\$ 569,373
2018	35,000	4,813	735,000	536,778
2019	35,000	2,888	760,000	506,878
2020	35,000	963	585,000	479,856
2021	-	-	615,000	455,478
2022-2026	-	-	2,890,000	1,886,581
2027-2031	-	-	2,700,000	1,306,298
2032-2036	-	-	3,380,000	605,638
2037-2041	-	-	775,000	18,616
Total	\$ 135,000	\$ 15,264	\$ 13,385,000	\$ 6,365,496

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 30, 2015, The County of Santa Cruz Financing Authorities issued \$13,770,000 2015 Series A Taxable Lease Revenue Refunding, with interest rates ranging from 1.142% to 3.973%. The proceeds of the bonds were used to (i) refund \$12,945,000 of the outstanding 2004 Certificates of Participation bond, (ii) refinance existing lease, (iii) fund a reserve for the certificates and (iv) pay the costs incurred in connection with the execution and delivery of the certificates.

As a result of the advanced refunding, the County Financing Authorities decreased its total debt service payments by \$807,092, resulting in an economic gain of \$667,487.

The 2015 Series A taxable bonds of \$13,770,000 were issued to refund the County's outstanding 2004 Certificate of Participation which had a total principal outstanding of \$12,945,000. The reacquisition price exceeded the net carrying amount of the old debt by \$825,000 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 matures on December 22, 2017. For the current year, principal and interest paid on the loan was \$43,445. The outstanding balance of the loan is \$57,668.

B. *Business-Type Activities*

At June 30, 2016, 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>
2017	\$ 235,000	\$ 264,100	\$ 46,693	\$ 6,718
2018	240,000	254,600	47,919	5,652
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
2022-2026	1,540,000	931,350	58,259	2,727
2027-2031	1,905,000	561,863	-	-
2032-2036	1,820,000	149,000	-	-
Total	\$ 6,520,000	\$ 2,864,313	\$ 286,714	\$ 25,373

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

NOTE 10 - LONG-TERM DEBT (Continued)

C. Component Unit

At June 30, 2016, 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
	2017	\$ 80,000	\$ 11,123	\$ 940,000	\$ 84,100	\$ 2,040,566
2018	85,000	6,914	535,000	47,225	2,078,103	288,056
2019	90,000	2,363	565,000	19,725	2,122,666	243,494
2020	-	-	140,000	2,800	573,309	217,004
2021	-	-	-	-	587,642	202,671
2022-2026	-	-	-	-	3,166,059	785,505
2027-2031	-	-	-	-	3,582,105	369,459
2032-2036	-	-	-	-	771,036	19,276
Total	\$ 255,000	\$ 20,400	\$ 2,180,000	\$ 153,850	\$ 14,921,486	\$ 2,451,058

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.

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 a 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, 2016, is \$4,603,952.

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, 2016, 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, 2016, is \$503,700,654. 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.

F. Prior Period Adjustment

\$7,039,138 of the 2014 Lease Revenue Bond was used for County Disposal Sites CSA 9C and is expected to be repaid from fund resources. This amount was erroneously reported in the Financing Authorities Fund in prior years. The Long-Term Debt Note was changed to include the 2014 Lease Revenue Bond in both Governmental and Business-Type Activities. Prior period adjustments were recorded to properly report the debt on the Statement of Net Position for County Disposal Sites CSA 9C. See note 21 for more details.

NOTE 11 - PLEDGE OF FUTURE REVENUES

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 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 and interest paid for the current year were \$871,463.

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. 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 \$5,146,263. Pursuant to the Joint Powers Authority Agreement, the County is responsible for 47.53% of the total liability, or \$2,446,019. Total principal and interest paid for the current year and total customer revenues were \$286,419 and \$6,481,656 respectively. The County paid \$136,135 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, 2016, a liability for closure and postclosure maintenance in the amount of \$6,098,309 is reflected in the County Disposal Sites CSA 9C Enterprise Fund based upon landfill capacity used to date. As of June 30, 2016, Ben Lomond Landfill was filled to 100% capacity, and the County estimates that the Buena Vista Landfill is filled to 62.65% of capacity with an estimated remaining useful life of 25 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 \$3,635,159 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2016. 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, 2016, cash of \$6,231,289 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, 2016, were as follows:

Internal Service Funds:	
Information Services	\$2,781,036
Public Works	\$25,412,533
Risk Management	\$495,371
Workers' Compensation Insurance	\$20,215,512

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

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, 2014 to June 30, 2015.

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, 2016, 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	17.3%	17.3%	17.3%

NOTE 14 - PENSION PLANS (Continued)

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

	Safety		
	Prior to June 9, 2012	June 9, 2012 to December 31, 2012 or reciprocal *	On or after January 1, 2013
Hire Date			
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%	10.0%
Required Employer Contribution Rates	21.5%	21.5%	21.5%

	Safety Sheriff		
	Prior to June 9, 2012	June 9, 2012 to December 31, 2012 or reciprocal *	On or after January 1, 2013
Hire Date			
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	35.6%	35.6%	35.6%

*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, 2014.

Employees Covered – At June 30, 2015, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety	Safety Sheriff
Inactive Employees or Beneficiaries Currently Receiving Benefits	2,334	240	70
Inactive Employees Entitled to but not yet Receiving Benefits	1,470	217	75
Active Employees	1,888	206	128
Total	<u>5,692</u>	<u>663</u>	<u>273</u>

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. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer-Paid Member Contributions or situations where members are paying a portion of the employer contribution.

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, 2015, using an annual actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, 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, 2014 valuation was rolled forward to determine the June 30, 2015 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, 2014	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Actuarial Assumptions:			
Discount Rate	7.65%	7.65%	7.65%
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	7.65% ⁽²⁾	7.65% ⁽²⁾	7.65% ⁽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 age, service, and type of employment.

⁽²⁾ Net of Pension Plan Investment 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, 2014 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 can be obtained at CalPERS’ website under Forms and Publications.

NOTE 14 - PENSION PLANS (Continued)

B. Net Pension Liability (Continued)

Change of Assumptions – GASB Statement No. 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of the Plans administrative expense.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% 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. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). 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 Statement No. 68 section.)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net 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 (Public Employees’ Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, 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 fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July, 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
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. 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, 2014	\$ 970,794,558	\$ 748,692,527	\$ 222,102,031
Changes in the year:			
Service Cost	18,761,847	-	18,761,847
Interest on the Total Pension Liability	71,962,162	-	71,962,162
Changes of Benefit Terms	-	-	-
Changes in Assumptions	(16,868,274)	-	(16,868,274)
Differences between Actual and Expected Experience	(13,201,310)	-	(13,201,310)
Plan to Plan Resource Movement	-	(29,360)	29,360
Contribution - Employer	-	20,788,368	(20,788,368)
Contribution - Employee	-	9,264,211	(9,264,211)
Net Investment Income	-	16,986,820	(16,986,820)
Benefit Payments, Including Refunds of Employee Contributions	(44,263,142)	(44,263,142)	-
Administrative Expenses	-	(855,524)	855,524
Net Changes	16,391,283	1,891,373	14,499,910
Balance at June 30, 2015	\$ 987,185,841	\$ 750,583,900	\$ 236,601,941

Safety Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$ 151,516,539	\$ 117,011,036	\$ 34,505,503
Changes in the year:			
Service Cost	3,634,483	-	3,634,483
Interest on the Total Pension Liability	10,356,153	-	10,356,153
Changes of Benefit Terms	-	-	-
Changes in Assumptions	(2,711,954)	-	(2,711,954)
Differences between Actual and Expected Experience	2,154,731	-	2,154,731
Plan to Plan Resource Movement	-	-	-
Contribution - Employer	-	4,503,776	(4,503,776)
Contribution - Employee	-	1,200,032	(1,200,032)
Net Investment Income	-	2,087,758	(2,087,758)
Benefit Payments, Including Refunds of Employee Contributions	(5,050,435)	(5,050,435)	-
Administrative Expenses	-	(107,841)	107,841
Net Changes	8,382,978	2,633,290	5,749,688
Balance at June 30, 2015	\$ 159,899,517	\$ 119,644,326	\$ 40,255,191

NOTE 14 - PENSION PLANS (Continued)

B. 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, 2014	\$ 134,874,267	\$ 92,017,036	\$ 42,857,231
Changes in the year:			
Service Cost	3,490,555	-	3,490,555
Interest on the Total Pension Liability	11,193,336	-	11,193,336
Changes of Benefit Terms	-	-	-
Changes in Assumptions	(2,818,825)	-	(2,818,825)
Differences between Actual and Expected Experience	(2,577,906)	-	(2,577,906)
Plan to Plan Resource Movement	-	-	-
Contribution - Employer	-	3,212,095	(3,212,095)
Contribution - Employee	-	1,434,076	(1,434,076)
Net Investment Income	-	2,674,451	(2,674,451)
Benefit Payments, Including Refunds of Employee Contributions	(7,060,615)	(7,060,615)	-
Administrative Expenses	-	(133,531)	133,531
Net Changes	2,226,545	126,476	2,100,069
Balance at June 30, 2015	\$ 137,100,812	\$ 92,143,512	\$ 44,957,300

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 (6.65 percent) or one percentage point higher (8.65 percent) than the current rate:

	Miscellaneous	Safety	Safety Sheriff
1% Decrease			
Net Pension Liability	\$ 367,498,398	\$ 58,643,368	\$ 70,304,805
Current Discount Rate			
Net Pension Liability	\$ 236,601,941	\$ 40,255,191	\$ 44,957,300
1% Increase			
Net Pension Liability	\$ 133,177,624	\$ 19,393,582	\$ 32,022,910

Pension Plan Fiduciary Net Position – The plan 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. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense 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, 2016, the County recognized a pension expense of \$17,629,915. At June 30, 2016, the County's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 33,847,462	
Changes in Assumptions		15,481,040
Differences between Actual and Expected Experience	1,714,989	10,700,383
Net Differences between Projected and Actual Earnings on Plan Investments	<u>41,286,416</u>	<u>49,212,027</u>
Total	<u>\$ 76,848,867</u>	<u>\$ 75,393,450</u>

\$33,847,462 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, 2017. 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	Deferred Inflows(Outflows) of Resources
2017	\$ (17,639,512)
2018	(17,639,512)
2019	(7,332,277)
2020	<u>10,219,256</u>
Total	<u>\$ (32,392,045)</u>

D. Payable to the Pension Plans

At June 30, 2016, there is no outstanding amount of contributions payable to the Plans required for the year ending June 30, 2016.

NOTE 15 - POST-RETIREMENT HEALTH CARE BENEFITS

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 defined benefit plan 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.

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.

The numbers of participants in the Plan are as follows:

<u>Participants as of January 1, 2016*</u>	<u>Total</u>
Active employees	2,107
Retirees	1,439
Total	<u>3,546</u>

* Most recent information available.

Funding Policy. 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 2016, the County contributed \$6,477,103 to the Plan, \$1,331,000 of which is the implicit subsidy.

Annual OPEB Cost and Net OPEB Obligation. The County's Annual Other Post-Employment Benefits (OPEB) cost (expense) is calculated based on the *Annual Required Contribution of the Employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the Plan:

	<u>Total</u>
Annual required contribution	\$ 16,323,000
Interest on net OPEB obligation	4,286,079
Amortization of net OPEB obligation	<u>(6,174,000)</u>
Annual OPEB cost (expense)	14,435,079
Contributions made	<u>(6,477,103)</u>
Increase in net OPEB obligation	7,957,976
Net OPEB obligation - beginning of year	<u>110,390,529</u>
Net OPEB obligation - end of year	<u>\$ 118,348,505</u>

NOTE 15 - POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

The County's annual OPEB costs, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2016 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Contribution</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 12,008,042	\$ 4,681,209	39.0%	\$ 102,743,480
6/30/2015	12,564,392	4,917,343	39.1%	110,390,529
6/30/2016	14,435,079	6,477,103	44.9%	118,348,505

Funded Status and Funding Progress. As of January 1, 2016, the most recent actuarial valuation date, the Plan was zero percent funded. The Actuarial Accrued Liability for benefits was \$167,095,000 and the actuarial value of assets was \$0, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$167,095,000. The covered payroll (annual payroll of active employees covered by the Plan) was \$167,418,000 and the ratio of UAAL to the covered payroll was 99.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend rate. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the Actuarial Accrued Liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial assumptions involve estimates and assumptions that extend far into the future. These assumptions are subject to future revisions as new facts become known.

In the January 1, 2016, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 4% investment rate of return which is based on the expected return on funds invested in County investments, and an annual healthcare cost trend of actual premiums initially and reduced to an ultimate rate of 5% thereafter. The actuarial assumption for inflation was 3%, and the aggregate payroll increases were 3.25%. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization as of June 30, 2016, was 24 years.

NOTE 15 - POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

OTHER POST-EMPLOYMENT OBLIGATIONS

SCHEDULE OF FUNDING PROGRESS

The table below shows the analysis of the actuarial value of assets as a percentage of the actuarial accrual liability and the UAAL as a percentage of the annual covered payroll as of June 30, 2016. The schedule of funding progress presented as required supplementary information following the notes to the financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Covered Payroll	Unfunded (Overfunded) Liability as a Percentage of Covered Payroll
01/01/07	\$ -	\$ 216,766,000	\$ 216,766,000	\$ 153,807,000	140.9%
01/01/14	-	145,013,000	145,013,000	153,879,000	94.2%
01/01/16	-	167,095,000	167,095,000	167,418,000	99.8%

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, 2016, the deferred compensation plan's assets of \$149,160,642 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, 2016, 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 \$3,526,284 and \$25,620,481, 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.

NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)

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 auto 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, 2016, 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 years ended June 30, 2016, and two prior years for all Self-Insurance Internal Service Funds combined is as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Unpaid claims and claim adjustment expenses, beginning of the fiscal year	\$ 38,986,910	\$ 46,984,023	\$ 46,752,428
Incurred claims and claim adjustment expenses	12,049,811	10,618,009	10,611,609
Increase(decrease) in provision of insured events for prior years	-	(8,028,909)	-
Claim payments	<u>(12,032,593)</u>	<u>(10,586,213)</u>	<u>(10,380,014)</u>
Unpaid claims and claim adjustment expenses, end of the fiscal year	<u>\$ 39,004,128</u>	<u>\$ 38,986,910</u>	<u>\$ 46,984,023</u>

At June 30, 2016, the Self-Insurance Funds held a total of \$28,498,722 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, 2016, the estimated future liabilities were \$32,973,000. 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, 2016, 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, 2016, the County had estimated future liabilities totaling \$5,563,000 which included estimates for known claims and losses incurred but not reported (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, 2016, 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, 2016, is as follows:

	General Fund	Housing Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventory, prepaids and imprest cash	\$ 475,042	\$ -	\$ -	\$ -	\$ 475,042
Advances and loans	275,997	-	-	-	275,997
Total nonspendable fund balance	<u>751,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>751,039</u>
Restricted for:					
Purpose of fund	-	16,449,448	-	23,385,229	39,834,677
loans	-	61,506,840	-	-	61,506,840
Assets held for resale	-	1,643,891	-	-	1,643,891
Debt service	-	-	-	4,088,084	4,088,084
Capital asset acquisition	-	-	6,790,774	10,905,156	17,695,930
Total restricted fund balance	<u>-</u>	<u>79,600,179</u>	<u>6,790,774</u>	<u>38,378,469</u>	<u>124,769,422</u>
Committed to:					
Natural disasters	1,251,089	-	-	-	1,251,089
Working capital	6,000,000	-	-	-	6,000,000
Economic uncertainty	10,000,000	-	-	-	10,000,000
Total committed fund balance	<u>17,251,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,251,089</u>
Assigned to:					
Federally qualified health program	14,229,750	-	-	-	14,229,750
Structural deficit	6,632,662	-	-	-	6,632,662
Eliminate projected budgetary deficit in subsequent year's budget	8,149,727	-	-	-	8,149,727
Liabilities	1,500,000	-	-	-	1,500,000
Human services	460,000	-	-	-	460,000
Salary savings	2,794,959	-	-	-	2,794,959
Total assigned fund balance	<u>33,767,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,767,098</u>
Unassigned Fund Balance	<u>(33,207)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,207)</u>
Total fund balances	<u>\$ 51,736,019</u>	<u>\$ 79,600,179</u>	<u>\$ 6,790,774</u>	<u>\$ 38,378,469</u>	<u>\$ 176,505,441</u>

NOTE 20 - SUBSEQUENT EVENTS

On July 6, 2016, the Santa Cruz County Redevelopment Successor Agency issued Tax Allocation Refunding Bonds, 2016 Series A in the amount of \$49,200,000. The 2016 Series A Refunding Bonds bear interest at rates ranging from 2.00% to 5.00%, maturing on September 1, 2036. The 2016 Series A Refunding Bonds were issued to refund on an advance basis the former County of Santa Cruz Redevelopment Agency's Tax Allocation Bonds, 2009 Series A, to satisfy the Reserve Requirement for the 2016 Series A Refunding Bonds and to pay the costs of issuing the 2016 Series A Refunding Bonds.

On July 19, 2016, the County issued 2016 Refunding Certificates of Participation (COP) in the amount of \$10,500,000. The 2016 Refunding COP bears interest at rates ranging from 2.00% to 4.00%, maturing on August 1, 2036. The 2016 Refunding COP was issued to refinance certain outstanding lease obligations of the County and to prepay on a current basis the County's outstanding 2002 Refunding COP, 2005 Refunding COP and 2006 COP, to finance a variety of capital improvements, to satisfy the Reserve Requirement for the 2016 Refunding COP and to pay the delivery costs of the 2016 Refunding COP.

NOTE 21 - PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of \$5,877,304 was made to increase the governmental activities' beginning net position. \$6,002,514 of the adjustment was made to reflect the realignment of long term liabilities related to County Disposal Sites CSA 9C. \$647,635 of the adjustment was related to writing off capital assets no long consistent with the county's capital assets threshold. (\$772,845) of the adjustment was for a principal payment to Loans Receivable in the Housing Fund that was erroneously charged to revenues in the prior year.

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

Governmental activities	
Net position at July, 2015, as previously stated	\$ 141,169,568
Lease revenue bond adjustment	6,002,514
Capital asset adjustment	647,635
Loans receivable adjustment	(772,845)
Net Position at July, 2015, as restated	<u>\$ 147,046,872</u>

A prior period adjustment of \$6,002,514 was made to decrease the business-type activities' beginning net position. The adjustment was made to reflect the portion of realigned long term liabilities related to County Disposal Sites CSA 9C that was previously reported as income.

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

Business-type activities	
Net position at July, 2015, as previously stated	\$ 32,465,243
Lease revenue bond adjustment	(6,002,514)
Net Position at July, 2015, as restated	<u>\$ 26,462,729</u>

A prior period adjustment of \$970,474 was made to decrease the component unit activities' beginning net position. The adjustment was made relating to a fiscal year 2015 4th quarter invoice that was not properly accrued in the 2015 financial statements.

The restatement of beginning net position of the component unit is summarized as follows:

Component unit activities	
Net position at July, 2015, as previously stated	\$ 124,637,087
Invoice adjustment	(970,474)
Net Position at July, 2015, as restated	<u>\$ 123,666,613</u>

**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.

BUDGETARY PRINCIPLES (Continued)

General Budget Policies (Continued)

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.

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, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 50,204,881	50,204,881	\$ 50,204,881	\$ -
RESOURCES (INFLOWS)				
Taxes	101,764,287	101,764,287	107,566,543	5,802,256
Licenses and permits	11,364,615	11,648,434	11,875,855	227,421
Fines, forfeits and penalties	4,471,092	4,569,252	3,617,246	(952,006)
Use of money and property	2,100,945	2,893,036	3,620,166	727,130
Aid from other governments	234,948,890	243,680,212	234,772,832	(8,907,380)
Charges for services	64,730,019	65,010,891	57,591,811	(7,419,080)
Other	4,872,556	6,088,127	3,001,431	(3,086,696)
Inception of capital lease	18,378	74,994	69,685	(5,309)
Transfers in	28,467,547	28,467,547	4,025,238	(24,442,309)
Amount Available for Appropriation	<u>452,738,329</u>	<u>464,196,780</u>	<u>426,140,807</u>	<u>(38,055,973)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General Government:				
Board of Supervisors				
Salaries and employee benefits	2,563,888	2,556,788	2,445,213	111,575
Services and supplies	102,281	123,829	114,229	9,600
Other charges	3,229	3,229	3,229	-
Total	<u>2,669,398</u>	<u>2,683,846</u>	<u>2,562,671</u>	<u>121,175</u>
Administrative Office				
Salaries and employee benefits	3,659,750	3,644,578	2,935,577	709,001
Services and supplies	3,325,186	2,944,901	986,635	1,958,266
Other charges	10,286	11,572	11,569	3
Intrafund transfers	(841,138)	(841,138)	(840,810)	(328)
Appropriations for contingencies	-	516,795	-	516,795
Total	<u>6,154,084</u>	<u>6,276,708</u>	<u>3,092,971</u>	<u>3,183,737</u>
Auditor-Controller				
Salaries and employee benefits	3,063,456	3,154,832	3,154,831	1
Services and supplies	1,661,760	1,261,781	1,177,915	83,866
Capital assets	1,062,613	1,062,613	461,343	601,270
Intrafund transfers	(1,891,518)	(1,891,518)	(1,921,722)	30,204
Total	<u>3,896,311</u>	<u>3,587,708</u>	<u>2,872,367</u>	<u>715,341</u>

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
General Government, Continued:				
Treasurer - Tax Collector				
Salaries and employee benefits	\$ 1,237,516	1,237,516	\$ 1,188,776	\$ 48,740
Services and supplies	882,269	811,723	695,777	115,946
Other charges	1,292	1,292	646	646
Capital assets	4,078	4,078	4,077	1
Intrafund transfers	140,594	140,594	210,429	(69,835)
Total	<u>2,265,749</u>	<u>2,195,203</u>	<u>2,099,705</u>	<u>95,498</u>
Assessor				
Salaries and employee benefits	2,694,401	2,694,401	2,502,587	191,814
Services and supplies	559,828	537,719	519,509	18,210
Other charges	225,193	225,263	225,262	1
Intrafund transfers	(193,103)	(193,103)	(32,029)	(161,074)
Total	<u>3,286,319</u>	<u>3,264,280</u>	<u>3,215,329</u>	<u>48,951</u>
Purchasing				
Salaries and employee benefits	343,997	343,997	295,224	48,773
Services and supplies	177,040	118,037	118,036	1
Intrafund transfers	(111,004)	(111,004)	(111,005)	1
Total	<u>410,033</u>	<u>351,030</u>	<u>302,255</u>	<u>48,775</u>
County Counsel				
Salaries and employee benefits	3,053,611	3,104,814	3,104,814	-
Services and supplies	163,840	166,717	161,325	5,392
Intrafund transfers	(1,249,414)	(1,249,414)	(1,358,328)	108,914
Total	<u>1,968,037</u>	<u>2,022,117</u>	<u>1,907,811</u>	<u>114,306</u>
Personnel				
Salaries and employee benefits	3,179,334	3,198,297	3,198,297	-
Services and supplies	2,295,794	2,146,202	2,109,965	36,237
Intrafund transfers	(1,156,484)	(1,156,484)	(1,156,484)	-
Total	<u>4,318,644</u>	<u>4,188,015</u>	<u>4,151,778</u>	<u>36,237</u>
County Clerk/Elections				
Salaries and employee benefits	1,782,106	1,876,894	1,876,894	-
Services and supplies	1,368,978	1,440,947	1,368,946	72,001
Other charges	67,702	67,702	59,164	8,538
Total	<u>3,218,786</u>	<u>3,385,543</u>	<u>3,305,004</u>	<u>80,539</u>

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
General Government, Continued:				
Communications				
Salaries and employee benefits	\$ 820,906	780,906	\$ 731,764	\$ 49,142
Services and supplies	1,782,101	1,860,547	1,808,979	51,568
Other charges	211,483	211,483	211,483	-
Capital assets	37,646	586,731	-	586,731
Intrafund transfers	(725,588)	(725,588)	(765,856)	40,268
Total	<u>2,126,548</u>	<u>2,714,079</u>	<u>1,986,370</u>	<u>727,709</u>
General Services				
Salaries and employee benefits	4,403,922	4,508,981	4,508,981	-
Services and supplies	3,919,277	3,907,391	3,846,744	60,647
Other charges	497,028	498,093	498,072	21
Capital assets	-	3,296	3,295	1
Intrafund transfers	(4,941,893)	(5,032,344)	(5,062,235)	29,891
Total	<u>3,878,334</u>	<u>3,885,417</u>	<u>3,794,857</u>	<u>90,560</u>
Real Property Management				
Services and supplies	148,771	169,869	160,517	9,352
Capital assets	-	51,750	51,619	131
Total	<u>148,771</u>	<u>221,619</u>	<u>212,136</u>	<u>9,483</u>
Finance: Revenue-General Fund				
Salaries and employee benefits	533,880	26,130	-	26,130
Services and supplies	100,000	101,079	82,239	18,840
Other charges	1,162,899	1,162,899	437,826	725,073
Intrafund transfers	(667,803)	(667,803)	(696,123)	28,320
Total	<u>1,128,976</u>	<u>622,305</u>	<u>(176,058)</u>	<u>798,363</u>
Surveyor				
Services and supplies	196,560	261,560	227,916	33,644
Total	<u>196,560</u>	<u>261,560</u>	<u>227,916</u>	<u>33,644</u>
DPW Engineering				
Services and supplies	139,000	139,000	87,368	51,632
Total	<u>139,000</u>	<u>139,000</u>	<u>87,368</u>	<u>51,632</u>
Central Stores				
Salaries and employee benefits	182,610	187,707	187,706	1
Services and supplies	60,233	64,441	64,440	1
Intrafund transfers	(249,363)	(249,363)	(230,034)	(19,329)
Total	<u>(6,520)</u>	<u>2,785</u>	<u>22,112</u>	<u>(19,327)</u>
Total General Government	<u>35,799,030</u>	<u>35,801,215</u>	<u>29,664,592</u>	<u>6,136,623</u>

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Protection:				
Courts				
Services and supplies	\$ 236,719	236,719	\$ 201,113	\$ 35,606
Other charges	1,976,315	1,976,315	1,737,863	238,452
Total	<u>2,213,034</u>	<u>2,213,034</u>	<u>1,938,976</u>	<u>274,058</u>
Grand Jury				
Services and supplies	50,109	52,979	42,368	10,611
Total	<u>50,109</u>	<u>52,979</u>	<u>42,368</u>	<u>10,611</u>
Child Support				
Salaries and employee benefits	6,016,650	5,949,650	5,791,937	157,713
Services and supplies	701,150	761,150	747,144	14,006
Other charges	169,238	169,238	169,238	-
Capital assets	-	7,000	6,794	206
Total	<u>6,887,038</u>	<u>6,887,038</u>	<u>6,715,113</u>	<u>171,925</u>
District Attorney				
Salaries and employee benefits	13,700,073	13,670,377	13,346,762	323,615
Services and supplies	1,579,208	1,628,742	1,606,556	22,186
Other charges	157,037	350,338	349,230	1,108
Intrafund transfers	(122,018)	(122,018)	(61,581)	(60,437)
Total	<u>15,314,300</u>	<u>15,527,439</u>	<u>15,240,967</u>	<u>286,472</u>
Public Defender				
Services and supplies	10,029,419	10,150,787	9,942,381	208,406
Total	<u>10,029,419</u>	<u>10,150,787</u>	<u>9,942,381</u>	<u>208,406</u>
Sheriff-Coroner				
Salaries and employee benefits	27,132,401	27,824,227	27,824,227	-
Services and supplies	6,596,250	6,711,686	6,176,962	534,724
Other charges	137,497	143,930	143,928	2
Capital assets	35,028	86,699	72,655	14,044
Total	<u>33,901,176</u>	<u>34,766,542</u>	<u>34,217,772</u>	<u>548,770</u>
Jail and Rehabilitation Center				
Salaries and employee benefits	22,260,456	22,260,456	21,459,649	800,807
Services and supplies	8,451,684	8,467,821	8,235,825	231,996
Other charges	96,308	96,308	59,547	36,761
Capital assets	92,000	80,000	72,408	7,592
Intrafund transfers	-	(59,044)	(57,276)	(1,768)
Total	<u>30,900,448</u>	<u>30,845,541</u>	<u>29,770,153</u>	<u>1,075,388</u>

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Protection, Continued:				
Probation Department				
Salaries and employee benefits	\$ 14,023,799	14,289,649	\$ 13,864,219	\$ 425,430
Services and supplies	6,092,739	6,315,256	6,070,418	244,838
Other charges	69,791	79,219	57,937	21,282
Intrafund transfers	(108,500)	(108,500)	(100,045)	(8,455)
Total	<u>20,077,829</u>	<u>20,575,624</u>	<u>19,892,529</u>	<u>683,095</u>
State Correctional Schools				
Services and supplies	40,020	20,070	9,812	10,258
Other charges	48,000	36,000	23,671	12,329
Total	<u>88,020</u>	<u>56,070</u>	<u>33,483</u>	<u>22,587</u>
Agricultural Commissioner/				
Weights and Measures				
Salaries and employee benefits	1,752,704	1,769,749	1,728,846	40,903
Services and supplies	339,961	338,439	312,821	25,618
Other charges	715	2,043	2,042	1
Capital assets	-	8,723	8,722	1
Intrafund transfers	(142,262)	(142,262)	(142,262)	-
Total	<u>1,951,118</u>	<u>1,976,692</u>	<u>1,910,169</u>	<u>66,523</u>
Public Works - Other Construction Inspection				
Services and supplies	35,000	30,000	29,916	84
Total	<u>35,000</u>	<u>30,000</u>	<u>29,916</u>	<u>84</u>
Recorder				
Salaries and employee benefits	859,804	859,611	824,620	34,991
Services and supplies	536,511	536,986	337,665	199,321
Other charges	129,809	130,002	130,001	1
Capital assets	20,500	20,500	18,821	1,679
Total	<u>1,546,624</u>	<u>1,547,099</u>	<u>1,311,107</u>	<u>235,992</u>

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Protection, Continued:				
County Emergency Office				
Salaries and employee benefits	\$ 169,933	147,450	\$ 137,809	\$ 9,641
Services and supplies	301,226	351,784	341,572	10,212
Total	<u>471,159</u>	<u>499,234</u>	<u>479,381</u>	<u>19,853</u>
Local Agency Formation Commission				
Other charges	111,167	111,167	111,166	1
Total	<u>111,167</u>	<u>111,167</u>	<u>111,166</u>	<u>1</u>
Planning Department				
Salaries and employee benefits	7,591,079	7,591,079	7,532,612	58,467
Services and supplies	5,740,849	6,411,361	5,628,463	782,898
Other charges	576,838	2,438,595	576,541	1,862,054
Capital assets	45,000	45,000	8,997	36,003
Intrafund transfers	(3,510,215)	(3,772,373)	(3,546,659)	(225,714)
Appropriations for contingencies	-	385	-	385
Total	<u>10,443,551</u>	<u>12,714,047</u>	<u>10,199,954</u>	<u>2,514,093</u>
Animal Services				
Other charges	1,246,957	1,246,957	1,246,957	-
Total	<u>1,246,957</u>	<u>1,246,957</u>	<u>1,246,957</u>	<u>-</u>
Association of Monterey Bay Area Govts.				
Other charges	33,302	33,302	33,302	-
Total	<u>33,302</u>	<u>33,302</u>	<u>33,302</u>	<u>-</u>
Total Public Protection	<u>135,300,251</u>	<u>139,233,552</u>	<u>133,115,694</u>	<u>6,117,858</u>
Public Ways and Facilities:				
Public Ways - DPW				
Services and supplies	229,772	239,885	239,884	1
Total	<u>229,772</u>	<u>239,885</u>	<u>239,884</u>	<u>1</u>
Total Public Ways and Facilities	<u>229,772</u>	<u>239,885</u>	<u>239,884</u>	<u>1</u>

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Health and Sanitation:				
Health Services Agency				
Salaries and employee benefits	\$ 66,086,148	66,196,604	\$ 57,577,226	\$ 8,619,378
Services and supplies	54,486,047	52,860,252	51,758,693	1,101,559
Other charges	22,092,168	22,838,927	19,831,337	3,007,590
Capital assets	100,000	114,601	76,632	37,969
Intrafund transfers	(14,287,073)	(14,437,671)	(13,631,937)	(805,734)
Appropriations for contingencies	-	1,168,348	-	1,168,348
Total	128,477,290	128,741,061	115,611,951	13,129,110
Mosquito Abatement				
Salaries and employee benefits	1,048,894	1,048,894	1,040,649	8,245
Services and supplies	376,103	376,103	307,704	68,399
Other charges	5,000	5,000	5,000	-
Total	1,429,997	1,429,997	1,353,353	76,644
Air Pollution				
Other charges	41,475	41,475	41,475	-
Total	41,475	41,475	41,475	-
Total Health and Sanitation	129,948,762	130,212,533	117,006,779	13,205,754
Public Assistance:				
Human Services Department				
Salaries and employee benefits	59,773,703	59,785,139	55,159,288	4,625,851
Services and supplies	21,587,239	22,518,549	19,533,474	2,985,075
Other charges	12,886,893	14,023,675	12,249,527	1,774,148
Capital assets	69,000	101,926	78,920	23,006
Intrafund transfers	(189,217)	(189,217)	(202,079)	12,862
Total	94,127,618	96,240,072	86,819,130	9,420,942
Community Programs				
Other charges	3,873,568	3,873,568	3,873,568	-
Total	3,873,568	3,873,568	3,873,568	-

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Assistance, Continued:				
Categorical Aids				
Services and supplies	\$ 180,000	\$ 180,000	\$ 148,318	\$ 31,682
Other charges	33,340,164	33,440,565	32,888,796	551,769
Total	<u>33,520,164</u>	<u>33,620,565</u>	<u>33,037,114</u>	<u>583,451</u>
General Assistance				
Services and supplies	1,351	1,351	-	1,351
Other charges	448,505	552,455	552,453	2
Total	<u>449,856</u>	<u>553,806</u>	<u>552,453</u>	<u>1,353</u>
Burial of Indigents				
Services and supplies	42,112	42,112	20,367	21,745
Total	<u>42,112</u>	<u>42,112</u>	<u>20,367</u>	<u>21,745</u>
Family Relations				
Services and supplies	43,026	43,026	43,026	-
Other charges	92,864	97,864	77,310	20,554
Total	<u>135,890</u>	<u>140,890</u>	<u>120,336</u>	<u>20,554</u>
Wards of Court				
Services and supplies	20,000	18,000	17,791	209
Other charges	130,000	213,540	148,094	65,446
Total	<u>150,000</u>	<u>231,540</u>	<u>165,885</u>	<u>65,655</u>
Veterans Service Officer				
Salaries and employee benefits	404,032	404,032	299,269	104,763
Services and supplies	79,613	99,613	95,161	4,452
Other charges	1,423	1,423	1,422	1
Total	<u>485,068</u>	<u>505,068</u>	<u>395,852</u>	<u>109,216</u>
Total Public Assistance	<u>132,784,276</u>	<u>135,207,621</u>	<u>124,984,705</u>	<u>10,222,916</u>

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Education:				
Agricultural Extension Services				
Salaries and employee benefits	\$ 96,730	\$ 97,330	\$ 97,329	\$ 1
Services and supplies	21,735	26,529	26,240	289
Total	118,465	123,859	123,569	290
Total Education	118,465	123,859	123,569	290
Recreation and Culture:				
Recreation and Cultural Services				
Salaries and employee benefits	5,205,255	4,923,891	4,923,890	1
Services and supplies	1,993,172	2,154,629	2,021,550	133,079
Other charges	342,389	342,389	333,470	8,919
Capital assets	13,500	14,954	5,476	9,478
Intrafund transfers	(95,500)	(95,500)	(95,500)	-
Appropriations for contingencies	-	21,213	-	21,213
Total	7,458,816	7,361,576	7,188,886	172,690
Total Recreation and Culture	7,458,816	7,361,576	7,188,886	172,690
Debt Service:				
Debt Service				
Services and supplies	151,750	151,750	103,468	48,282
Other charges	135,000	135,000	131,341	3,659
Intrafund transfers	(251,874)	(251,874)	(252,034)	160
Total	34,876	34,876	(17,225)	52,101
Total Debt Service	34,876	34,876	(17,225)	52,101
Total Charges to Appropriations (Outflows)	441,674,248	448,215,117	412,306,884	35,908,233
				(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Transfers Out:				
Finance: Revenue-General Fund	\$ 554,408	554,408	\$ 554,408	\$ -
Plant	1,800,000	1,800,000	1,800,000	-
Planning Department	-	28,818	28,818	-
District Attorney	34,250	89,250	71,457	17,793
Sheriff-Coroner	90,000	105,000	95,445	9,555
Jail and Rehabilitation Center	-	154,776	154,776	-
Probation Department	20,000	20,000	16,134	3,866
Mosquito Abatement	910,776	910,776	910,776	-
Health Services Agency	11,071,594	14,532,156	674,397	13,857,759
Human Services Department	400,000	143,738	143,738	-
Debt Service to Financing Authorities	7,693,014	8,637,176	7,852,836	784,340
Total transfers out	<u>22,574,042</u>	<u>26,976,098</u>	<u>12,302,785</u>	<u>14,673,313</u>
Total Charges to Appropriations (Outflows)	<u>464,248,290</u>	<u>475,191,215</u>	<u>424,609,669</u>	<u>50,581,546</u>
Net change in fund balance	<u>(11,509,961)</u>	<u>(10,994,435)</u>	<u>1,531,138</u>	<u>12,525,573</u>
FUND BALANCE, ENDING	<u>\$ 38,694,920</u>	<u>\$ 39,210,446</u>	<u>\$ 51,736,019</u>	<u>\$ 12,525,573</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	\$ 426,140,807
Differences - budget to GAAP:	
Inception of capital leases are not revenues for financial reporting purposes	(69,685)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(4,025,238)</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 422,045,884</u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule	\$ 424,609,669
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(12,302,785)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 412,306,884</u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
HOUSING FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 79,859,218	\$ 79,859,218	\$ 79,859,218	\$ -
RESOURCES (INFLOWS)				
Use of money and property	202,650	202,629	277,893	75,264
Aid from other governments	2,728,027	3,728,027	1,209,523	(2,518,504)
Charges for services	172,929	234,880	349,367	114,487
Other	2,167,996	2,167,996	3,629,527	1,461,531
Transfers in	1,046,000	1,046,000	97,990	(948,010)
Amounts available for appropriation	<u>6,317,602</u>	<u>7,379,532</u>	<u>5,564,300</u>	<u>(1,815,232)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	4,437,526	5,240,559	1,303,516	3,937,043
Other charges	20,149,461	20,402,258	3,746,978	16,655,280
Appropriations for contingencies	-	6,100	-	6,100
Total charges to appropriations	<u>24,586,987</u>	<u>25,648,917</u>	<u>5,050,494</u>	<u>20,598,423</u>
Net change in fund balance	<u>(18,269,385)</u>	<u>(18,269,385)</u>	<u>513,806</u>	<u>18,783,191</u>
FUND BALANCE, ENDING	<u>\$ 61,589,833</u>	<u>\$ 61,589,833</u>	<u>\$ 80,373,024</u>	<u>\$ 18,783,191</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	\$ 5,564,300
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(97,990)</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 5,466,310</u>

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, 2016
LAST 10 YEARS*

	2014-15	2013-14
Total Pension Liability		
Service Cost	\$ 25,886,883	\$ 26,749,327
Interest on Total Pension Liability	93,511,651	88,558,430
Changes in Benefits	-	-
Changes in Assumptions	(22,399,053)	-
Differences between Expected and Actual Experience	(13,624,485)	-
Benefit Payments, Including Refunds of Employee Contributions	(56,374,192)	(51,053,577)
Net Change in Total Pension Liability	27,000,806	64,254,180
Total Pension Liability - Beginning	1,257,185,365	1,192,931,185
Total Pension Liability - Ending (a)	\$ 1,284,186,169	\$ 1,257,185,365
Plan Fiduciary Net Position		
Contributions - Employer	\$ 28,504,238	\$ 25,052,420
Contributions - Employee	11,898,319	11,488,578
Net Investment Income	21,749,030	143,435,286
Other Miscellaneous Income	-	-
Benefit Payments, Including Refunds of Employee Contributions	(56,374,192)	(51,053,577)
Plan to Plan Resource Movement	(29,360)	-
Administrative Expense	(1,096,896)	-
Net Change in Plan Fiduciary Net Position	4,651,139	128,922,707
Plan Fiduciary Net Position - Beginning	957,720,598	828,797,891
Plan Fiduciary Net Position - Ending (b)	\$ 962,371,737	\$ 957,720,598
Net Pension Liability - Ending [(a) - (b)]	\$ 321,814,432	\$ 299,464,765
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.94%	76.18%
Covered-Employee Payroll	\$ 157,946,272	\$ 156,860,637
Net Pension Liability as a Percentage of Covered-Employee Payroll	203.75%	190.91%

* Fiscal year 2015-16 was the 2nd year of implementation; therefore, only two 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, 2014 valuation date.

Changes in assumptions. The discount rate was changed in Measurement Period 2014-15 from 7.5 percent (net of administrative expense) to 7.65 percent.

**COUNTY OF SANTA CRUZ
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2016
LAST 10 YEARS***

	<u>2014-15</u>	<u>2013-14</u>
Actuarially Determined Contributions	\$ 28,133,624	\$ 25,052,420
Contributions in Relation to the Actuarially Determined Contributions	<u>28,133,624</u>	<u>25,052,420</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 157,946,272	\$ 156,860,637
Contributions as a Percentage of Covered-Employee Payroll	17.81%	15.97%

*Fiscal year 2015-16 was the 2nd year of implementation; therefore, only two years are shown.

Notes to Schedule:

Valuation date: June 30, 2012

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	Varies 27 to 32 years as of the Valuation Date depending on the Plan
Asset valuation method	15-year smoothed market
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 expense, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**COUNTY OF SANTA CRUZ
OTHER POST-EMPLOYMENT OBLIGATIONS
SCHEDULE OF FUNDING PROGRESS**

The table below shows a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrual liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of January 1 of each year indicated.

Actuarial Valuation Date*	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Covered Payroll	Unfunded (Overfunded) Liability as a Percentage of Covered Payroll
01/01/07	\$ -	\$ 216,766,000	\$ 216,766,000	\$ 153,807,000	140.9%
01/01/14	-	145,013,000	145,013,000	153,879,000	94.2%
01/01/16	-	167,095,000	167,095,000	167,418,000	99.8%

* Most recent information available.



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, 2016**

	Nonmajor Governmental Funds
ASSETS	
Cash and investments	\$ 20,585,632
Restricted cash and investments	15,028,168
Receivables	7,999,726
Advances to other funds	244,680
Total assets	\$ 43,858,206
LIABILITIES	
Payables	\$ 2,272,954
Due to other funds	2,817,989
Advances from grantors and third parties	388,794
Total liabilities	5,479,737
FUND BALANCES	
Restricted	38,378,469
Total fund balances	38,378,469
Total liabilities and fund balances	\$ 43,858,206

**COUNTY OF SANTA CRUZ
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Nonmajor Governmental Funds</u>
REVENUES:	
Taxes	\$ 16,832,920
Licenses and permits	4,650
Fines, forfeits and penalties	12,936
Use of money and property	145,389
Aid from other governments	16,381,136
Charges for services	10,713,088
Other	3,052,918
Total revenues	<u>47,143,037</u>
EXPENDITURES:	
Current:	
General government	1,749,683
Public protection	13,318,715
Public ways and facilities	20,008,823
Health and sanitation	33,876
Education	5,669,403
Recreation and culture services	1,477,663
Debt service:	
Principal	4,744,166
Interest and fiscal charges	2,787,182
Total expenditures	<u>49,789,511</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,646,474)</u>
OTHER FINANCING SOURCES (USES):	
Bond proceeds	9,945,000
Bond premium/discount	60,130
Payment to bond refunding escrow agent	(13,097,459)
Issuance of debt-refunding bond	13,770,000
Transfers in	8,469,406
Transfers out	(5,335,769)
Total other financing sources (uses)	<u>13,811,308</u>
Net change in fund balances	<u>11,164,834</u>
FUND BALANCES:	
Beginning of year	28,250,259
Prior period adjustment	(1,036,624)
Beginning of year, as restated	<u>27,213,635</u>
End of year	<u>\$ 38,378,469</u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 8,895,006	\$ 8,895,006	\$ 8,895,006	\$ -
RESOURCES (INFLOWS)				
Use of money and property	193	193	39,088	38,895
Aid from other governments	24,128,575	24,128,575	450,301	(23,678,274)
Charges for services	203,194	203,194	79,906	(123,288)
Other	251,900	251,900	1,571	(250,329)
Transfers in	19,228,344	19,959,685	4,994,321	(14,965,364)
Amounts available for appropriation	<u>43,812,206</u>	<u>44,543,547</u>	<u>5,565,187</u>	<u>(38,978,360)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	132,622	135,182	97,462	37,720
Capital assets	49,691,240	50,646,418	5,161,303	45,485,115
Other charges	4,675,691	2,348,389	2,348,389	-
Transfers out	129	123,246	62,265	60,981
Total charges to appropriations	<u>54,499,682</u>	<u>53,253,235</u>	<u>7,669,419</u>	<u>45,583,816</u>
Net change in fund balance	<u>(10,687,476)</u>	<u>(8,709,688)</u>	<u>(2,104,232)</u>	<u>6,605,456</u>
FUND BALANCE, ENDING	<u>\$ (1,792,470)</u>	<u>\$ 185,318</u>	<u>\$ 6,790,774</u>	<u>\$ 6,605,456</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 \$ 5,565,187

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes (4,994,321)

Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds \$ 570,866

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule \$ 7,669,419

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (62,265)

Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds \$ 7,607,154



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.

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.

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, 2016**

	Library	Fire	Off Highway, Road, and Transportation	Financing Authorities	Fish and Game	Park Dedication and State Park Bonds
ASSETS						
Cash and investments	\$ 109,745	\$ 4,576,065	\$ 268,090	\$ -	\$ 12,708	\$ 2,440,485
Restricted cash and investments	-	-	-	15,028,168	-	-
Receivables	-	25,589	6,608,711	-	-	1,068,635
Advances to other funds	-	-	-	244,680	-	-
Total assets	\$ 109,745	\$ 4,601,654	\$ 6,876,801	\$ 15,272,848	\$ 12,708	\$ 3,509,120
LIABILITIES						
Payables	\$ -	\$ 434,572	\$ 1,122,481	\$ -	\$ -	\$ 93,105
Due to other funds	-	-	1,384,813	279,608	-	1,153,568
Advances from grantors and third parties	-	-	388,794	-	-	-
Total liabilities	-	434,572	2,896,088	279,608	-	1,246,673
FUND BALANCES						
Restricted	109,745	4,167,082	3,980,713	14,993,240	12,708	2,262,447
Unassigned	-	-	-	-	-	-
Total fund balances	109,745	4,167,082	3,980,713	14,993,240	12,708	2,262,447
Total liabilities and fund balances	\$ 109,745	\$ 4,601,654	\$ 6,876,801	\$ 15,272,848	\$ 12,708	\$ 3,509,120

**COUNTY OF SANTA CRUZ
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2016**

Board of Supervisors Governed							
Health Services	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
\$ 13,352	\$ 777,134	\$ 2,813,060	\$ 2,003,537	\$ 2,212,979	\$ 5,169,828	\$ 188,649	\$ 20,585,632
-	-	-	-	-	-	-	15,028,168
-	284,956	11,835	-	-	-	-	7,999,726
-	-	-	-	-	-	-	244,680
<u>\$ 13,352</u>	<u>\$ 1,062,090</u>	<u>\$ 2,824,895</u>	<u>\$ 2,003,537</u>	<u>\$ 2,212,979</u>	<u>\$ 5,169,828</u>	<u>\$ 188,649</u>	<u>\$ 43,858,206</u>
\$ -	\$ 98,904	\$ 21,231	\$ -	\$ 1,994	\$ 500,667	\$ -	\$ 2,272,954
-	-	-	-	-	-	-	2,817,989
-	-	-	-	-	-	-	388,794
-	98,904	21,231	-	1,994	500,667	-	5,479,737
13,352	963,186	2,803,664	2,003,537	2,210,985	4,669,161	188,649	38,378,469
-	-	-	-	-	-	-	-
<u>13,352</u>	<u>963,186</u>	<u>2,803,664</u>	<u>2,003,537</u>	<u>2,210,985</u>	<u>4,669,161</u>	<u>188,649</u>	<u>38,378,469</u>
<u>\$ 13,352</u>	<u>\$ 1,062,090</u>	<u>\$ 2,824,895</u>	<u>\$ 2,003,537</u>	<u>\$ 2,212,979</u>	<u>\$ 5,169,828</u>	<u>\$ 188,649</u>	<u>\$ 43,858,206</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, 2016**

	Library	Fire	Off Highway, Road, and Transportation	Financing Authorities	Fish and Game	Park Dedication and State Park Bonds
REVENUES:						
Taxes	\$ 5,600,141	\$ 1,995,379	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Fines, forfeits and penalties	-	-	-	-	12,936	-
Use of money and property	-	30,610	770	6,140	96	11,315
Aid from other governments	92,712	309,074	11,832,560	-	-	1,135,178
Charges for services	-	1,448,948	535,858	-	-	238,056
Other	-	-	2,891,513	-	-	148,870
Total revenues	5,692,853	3,784,011	15,260,701	6,140	13,032	1,533,419
EXPENDITURES:						
Current:						
General government	-	-	-	463,857	-	1,285,826
Public protection	-	3,734,764	-	-	15,001	-
Public ways and facilities	-	-	14,869,831	-	-	-
Health and sanitation	-	-	-	-	-	-
Education	5,669,403	-	-	-	-	-
Recreation and culture services	-	-	-	-	-	29,383
Debt service:						
Principal	-	-	-	4,744,166	-	-
Interest and fiscal charges	-	-	-	2,787,182	-	-
Total expenditures	5,669,403	3,734,764	14,869,831	7,995,205	15,001	1,315,209
REVENUES OVER (UNDER) EXPENDITURES	23,450	49,247	390,870	(7,989,065)	(1,969)	218,210
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	32,162	7,852,836	-	554,408
Transfers out	(5,771)	-	-	(2,073,788)	-	-
Bonds proceeds	-	-	-	9,945,000	-	-
Bond premium/discount	-	-	-	60,130	-	-
Issuance of debt-refunding bond	-	-	-	13,770,000	-	-
Payment to bond refunding escrow agent	-	-	-	(13,097,459)	-	-
Total other financing sources (uses)	(5,771)	-	32,162	16,456,719	-	554,408
Net change in fund balances	17,679	49,247	423,032	8,467,654	(1,969)	772,618
Fund balances (deficit) - beginning	92,066	4,117,835	3,557,681	7,562,210	14,677	1,489,829
Prior period adjustment	-	-	-	(1,036,624)	-	-
Fund balances (deficit) - beginning, as restated	92,066	4,117,835	3,557,681	6,525,586	14,677	1,489,829
Fund balances - ending	\$ 109,745	\$ 4,167,082	\$ 3,980,713	\$ 14,993,240	\$ 12,708	\$ 2,262,447

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

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
\$	-	\$ 6,912,087	\$ -	\$ 1,529,806	\$ 795,507	\$ -	\$ 16,832,920
	-	3,500	-	-	1,150	-	4,650
	-	-	-	-	-	-	12,936
87	2,555	21,710	19,019	16,875	34,986	1,226	145,389
-	2,004,153	1,027,021	-	6,189	(25,751)	-	16,381,136
-	1,777,266	1,170,691	1,368,482	2	4,173,785	-	10,713,088
-	-	6,535	-	-	6,000	-	3,052,918
87	3,783,974	9,141,544	1,387,501	1,552,872	4,985,677	1,226	47,143,037
-	-	-	-	-	-	-	1,749,683
-	1,724,865	7,844,085	-	-	-	-	13,318,715
-	-	-	-	-	5,138,992	-	20,008,823
-	-	-	33,876	-	-	-	33,876
-	-	-	-	-	-	-	5,669,403
-	-	-	-	1,448,280	-	-	1,477,663
-	-	-	-	-	-	-	4,744,166
-	-	-	-	-	-	-	2,787,182
-	1,724,865	7,844,085	33,876	1,448,280	5,138,992	-	49,789,511
87	2,059,109	1,297,459	1,353,625	104,592	(153,315)	1,226	(2,646,474)
-	-	30,000	-	-	-	-	8,469,406
-	-	(800,000)	(2,264,128)	(192,082)	-	-	(5,335,769)
-	-	-	-	-	-	-	9,945,000
-	-	-	-	-	-	-	60,130
-	-	-	-	-	-	-	13,770,000
-	-	-	-	-	-	-	(13,097,459)
-	-	(770,000)	(2,264,128)	(192,082)	-	-	13,811,308
87	2,059,109	527,459	(910,503)	(87,490)	(153,315)	1,226	11,164,834
13,265	(1,095,923)	2,276,205	2,914,040	2,298,475	4,822,476	187,423	28,250,259
-	-	-	-	-	-	-	(1,036,624)
13,265	(1,095,923)	2,276,205	2,914,040	2,298,475	4,822,476	187,423	27,213,635
\$ 13,352	\$ 963,186	\$ 2,803,664	\$ 2,003,537	\$ 2,210,985	\$ 4,669,161	\$ 188,649	\$ 38,378,469

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 92,066	\$ 92,066	\$ 92,066	\$ -
RESOURCES (INFLOWS)				
Taxes	5,224,510	5,508,680	5,600,141	91,461
Aid from other governments	58,858	74,429	92,712	18,283
Amounts available for appropriation	<u>5,283,368</u>	<u>5,583,109</u>	<u>5,692,853</u>	<u>109,744</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	5,120,453	5,512,240	5,512,239	1
Other charges	157,164	157,164	157,164	-
Transfers out	5,751	5,771	5,771	-
Total charges to appropriations	<u>5,283,368</u>	<u>5,675,175</u>	<u>5,675,174</u>	<u>1</u>
Net change in fund balance	<u>-</u>	<u>(92,066)</u>	<u>17,679</u>	<u>109,745</u>
FUND BALANCE, ENDING	<u>\$ 92,066</u>	<u>\$ -</u>	<u>\$ 109,745</u>	<u>\$ 109,745</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	\$ 5,675,174
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(5,771)</u>
Total expenditures as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	<u>\$ 5,669,403</u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
FIRE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 4,117,835	\$ 4,117,835	\$ 4,117,835	\$ -
RESOURCES (INFLOWS)				
Taxes	1,889,344	1,889,344	1,995,379	106,035
Use of money and property	9,150	9,150	30,610	21,460
Aid from other governments	165,536	189,531	309,074	119,543
Charges for services	1,245,530	1,260,530	1,448,948	188,418
Transfers in	-	6,450	-	(6,450)
Amounts available for appropriation	<u>3,309,560</u>	<u>3,355,005</u>	<u>3,784,011</u>	<u>429,006</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Salaries and employee benefits	92,300	107,300	87,981	19,319
Services and supplies	3,727,306	3,726,686	2,439,609	1,287,077
Other charges	219,851	123,671	118,416	5,255
Capital assets	992,622	1,519,328	1,088,758	430,570
Appropriations for contingencies	200,000	327,041	-	327,041
Total charges to appropriations	<u>5,232,079</u>	<u>5,804,026</u>	<u>3,734,764</u>	<u>2,069,262</u>
Net change in fund balance	<u>(1,922,519)</u>	<u>(2,449,021)</u>	<u>49,247</u>	<u>2,498,268</u>
FUND BALANCE, ENDING	<u>\$ 2,195,316</u>	<u>\$ 1,668,814</u>	<u>\$ 4,167,082</u>	<u>\$ 2,498,268</u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
OFF HIGHWAY, ROAD, AND TRANSPORTATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 3,557,681	\$ 3,557,681	\$ 3,557,681	\$ -
RESOURCES (INFLOWS)				
Use of money and property	6,500	6,500	770	(5,730)
Aid from other governments	18,761,511	18,761,511	11,832,560	(6,928,951)
Charges for services	3,104,867	3,104,867	535,858	(2,569,009)
Other	3,160,166	3,408,404	2,891,513	(516,891)
Transfers in	-	32,162	32,162	-
Amounts available for appropriation	<u>25,033,044</u>	<u>25,313,444</u>	<u>15,292,863</u>	<u>(10,020,581)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	27,266,319	27,546,719	14,869,831	12,676,888
Total charges to appropriations	<u>27,266,319</u>	<u>27,546,719</u>	<u>14,869,831</u>	<u>12,676,888</u>
Net change in fund balance	<u>(2,233,275)</u>	<u>(2,233,275)</u>	<u>423,032</u>	<u>2,656,307</u>
FUND BALANCE, ENDING	<u>\$ 1,324,406</u>	<u>\$ 1,324,406</u>	<u>\$ 3,980,713</u>	<u>\$ 2,656,307</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	\$ 15,292,863
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(32,162)</u>
Total revenues as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	<u>\$ 15,260,701</u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
FISH AND GAME SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 14,677	\$ 14,677	\$ 14,677	\$ -
RESOURCES (INFLOWS)				
Fines, forfeits and penalties	8,000	8,073	12,936	4,863
Use of money and property	100	100	96	(4)
Amounts available for appropriation	<u>8,100</u>	<u>8,173</u>	<u>13,032</u>	<u>4,859</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Other charges	<u>15,000</u>	<u>15,073</u>	<u>15,001</u>	<u>72</u>
Total charges to appropriations	<u>15,000</u>	<u>15,073</u>	<u>15,001</u>	<u>72</u>
Net change in fund balance	<u>(6,900)</u>	<u>(6,900)</u>	<u>(1,969)</u>	<u>4,931</u>
FUND BALANCE, ENDING	<u><u>\$ 7,777</u></u>	<u><u>\$ 7,777</u></u>	<u><u>\$ 12,708</u></u>	<u><u>\$ 4,931</u></u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
PARK DEDICATION AND STATE PARK BONDS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 1,489,829	\$ 1,489,829	\$ 1,489,829	\$ -
RESOURCES (INFLOWS)				
Use of money and property	6,372	6,372	11,315	4,943
Aid from other governments	1,168,383	1,213,383	1,135,178	(78,205)
Charges for services	107,106	107,106	238,056	130,950
Other	162,170	162,170	148,870	(13,300)
Transfers in	1,710,439	1,710,439	554,408	(1,156,031)
Amounts available for appropriation	<u>3,154,470</u>	<u>3,199,470</u>	<u>2,087,827</u>	<u>(1,111,643)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	29,810	29,810	8,150	21,660
Other charges	95,020	95,020	4,150	90,870
Capital assets	3,334,532	3,379,532	1,302,909	2,076,623
Transfers out	1,173,631	1,173,631	-	1,173,631
Total charges to appropriations	<u>4,632,993</u>	<u>4,677,993</u>	<u>1,315,209</u>	<u>3,362,784</u>
Net change in fund balance	<u>(1,478,523)</u>	<u>(1,478,523)</u>	<u>772,618</u>	<u>2,251,141</u>
FUND BALANCE, ENDING	<u>\$ 11,306</u>	<u>\$ 11,306</u>	<u>\$ 2,262,447</u>	<u>\$ 2,251,141</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	\$ 2,087,827
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(554,408)</u>
Total revenues as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	<u>\$ 1,533,419</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	\$ 13,265	\$ 13,265	\$ 13,265	\$ -
RESOURCES (INFLOWS)				
Use of money and property	-	-	87	87
Amounts available for appropriation	-	-	87	87
CHARGES TO APPROPRIATIONS (OUTFLOWS)	-	-	-	-
Net change in fund balance	-	-	87	87
FUND BALANCE, ENDING	<u>\$ 13,265</u>	<u>\$ 13,265</u>	<u>\$ 13,352</u>	<u>\$ 87</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, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE (DEFICIT) , BEGINNING	\$ (1,095,923)	\$ (1,095,923)	\$ (1,095,923)	\$ -
RESOURCES (INFLOWS)				
Use of money and property	-	-	2,555	2,555
Aid from other governments	4,863,328	4,863,328	2,004,153	(2,859,175)
Charges for services	1,776,273	1,776,273	1,777,266	993
Amounts available for appropriation	<u>6,639,601</u>	<u>6,639,601</u>	<u>3,783,974</u>	<u>(2,855,627)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	1,074,894	1,074,894	838,851	236,043
Capital assets	4,254,889	4,254,889	886,014	3,368,875
Appropriations for contingencies	213,895	213,895	-	213,895
Total charges to appropriations	<u>5,543,678</u>	<u>5,543,678</u>	<u>1,724,865</u>	<u>3,818,813</u>
Net change in fund balance	<u>1,095,923</u>	<u>1,095,923</u>	<u>2,059,109</u>	<u>963,186</u>
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 963,186</u>	<u>\$ 963,186</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, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 2,276,205	\$ 2,276,205	\$ 2,276,205	\$ -
RESOURCES (INFLOWS)				
Taxes	6,501,167	6,588,977	6,912,087	323,110
Licenses and permits	2,500	2,500	3,500	1,000
Use of money and property	8,914	8,914	21,710	12,796
Aid from other governments	1,845,407	1,944,502	1,027,021	(917,481)
Charges for services	874,360	921,360	1,170,691	249,331
Other	-	-	6,535	6,535
Transfers in	-	5,792	30,000	24,208
Amounts available for appropriation	<u>9,232,348</u>	<u>9,472,045</u>	<u>9,171,544</u>	<u>(300,501)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Salaries and employee benefits	55,120	55,120	48,632	6,488
Services and supplies	7,075,922	7,299,479	6,145,686	1,153,793
Other charges	2,202,513	2,200,433	1,454,761	745,672
Capital assets	706,887	725,107	195,006	530,101
Transfers out	800,000	805,792	800,000	5,792
Appropriations for contingencies	100,000	100,000	-	100,000
Total charges to appropriations	<u>10,940,442</u>	<u>11,185,931</u>	<u>8,644,085</u>	<u>2,541,846</u>
Net change in fund balance	<u>(1,708,094)</u>	<u>(1,713,886)</u>	<u>527,459</u>	<u>2,241,345</u>
FUND BALANCE, ENDING	<u>\$ 568,111</u>	<u>\$ 562,319</u>	<u>\$ 2,803,664</u>	<u>\$ 2,241,345</u>

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 \$ 9,171,544

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes (30,000)

Total revenues as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds \$ 9,141,544

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule \$ 8,644,085

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 \$ 7,844,085

**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, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 2,914,040	\$ 2,914,040	\$ 2,914,040	\$ -
RESOURCES (INFLOWS)				
Use of money and property	14,052	14,052	19,019	4,967
Charges for services	1,370,429	1,370,429	1,368,482	(1,947)
Amounts available for appropriation	<u>1,384,481</u>	<u>1,384,481</u>	<u>1,387,501</u>	<u>3,020</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	2,920	2,920	2,498	422
Other charges	33,122	33,122	31,378	1,744
Transfers out	2,340,773	2,340,773	2,264,128	76,645
Total charges to appropriations	<u>2,376,815</u>	<u>2,376,815</u>	<u>2,298,004</u>	<u>78,811</u>
Net change in fund balance	<u>(992,334)</u>	<u>(992,334)</u>	<u>(910,503)</u>	<u>81,831</u>
FUND BALANCE, ENDING	<u>\$ 1,921,706</u>	<u>\$ 1,921,706</u>	<u>\$ 2,003,537</u>	<u>\$ 81,831</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	\$ 2,298,004
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(2,264,128)</u>
Total expenditures as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	<u>\$ 33,876</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, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 2,298,475	\$ 2,298,475	\$ 2,298,475	\$ -
RESOURCES (INFLOWS)				
Taxes	1,392,388	1,393,096	1,529,806	136,710
Use of money and property	8,525	8,525	16,875	8,350
Aid from other governments	3,180	3,180	6,189	3,009
Charges for services	-	-	2	2
Amounts available for appropriation	<u>1,404,093</u>	<u>1,404,801</u>	<u>1,552,872</u>	<u>148,071</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	1,401,240	1,405,547	1,405,546	1
Other charges	2,853	2,853	2,853	-
Capital assets	18,096	84,784	39,881	44,903
Transfers out	189,679	192,082	192,082	-
Total charges to appropriations	<u>1,611,868</u>	<u>1,685,266</u>	<u>1,640,362</u>	<u>44,904</u>
Net change in fund balance	<u>(207,775)</u>	<u>(280,465)</u>	<u>(87,490)</u>	<u>192,975</u>
FUND BALANCE, ENDING	<u>\$ 2,090,700</u>	<u>\$ 2,018,010</u>	<u>\$ 2,210,985</u>	<u>\$ 192,975</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	\$ 1,640,362
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(192,082)</u>
Total expenditures as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	<u>\$ 1,448,280</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, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 4,822,476	\$ 4,822,476	\$ 4,822,476	\$ -
RESOURCES (INFLOWS)				
Taxes	668,640	668,640	795,507	126,867
Licenses and permits	-	-	1,150	1,150
Use of money and property	16,180	16,180	34,986	18,806
Aid from other governments	762,074	861,420	(25,751)	(887,171)
Charges for services	4,169,400	4,169,400	4,173,785	4,385
Other	5,000	5,000	6,000	1,000
Amounts available for appropriation	<u>5,621,294</u>	<u>5,720,640</u>	<u>4,985,677</u>	<u>(734,963)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	9,384,289	8,624,830	4,504,576	4,120,254
Other charges	10,166	10,166	10,120	46
Capital assets	331,901	1,190,706	624,296	566,410
Total charges to appropriations	<u>9,726,356</u>	<u>9,825,702</u>	<u>5,138,992</u>	<u>4,686,710</u>
Net change in fund balance	<u>(4,105,062)</u>	<u>(4,105,062)</u>	<u>(153,315)</u>	<u>3,951,747</u>
FUND BALANCE, ENDING	<u>\$ 717,414</u>	<u>\$ 717,414</u>	<u>\$ 4,669,161</u>	<u>\$ 3,951,747</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, 2016**

	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	\$ 913,307	\$ 531,392	\$ 492,891	\$ 254,185	\$ 53,765
Restricted cash	-	-	-	-	-
Receivables	-	-	-	-	-
Total current assets	913,307	531,392	492,891	254,185	53,765
Noncurrent assets:					
Loans receivable	-	-	-	-	-
Capital assets:					
Construction in progress	127,407	-	11,826	-	-
Buildings and structures	1,903,676	375,398	188,209	917,969	-
Equipment	83,080	-	-	-	-
Accumulated depreciation	(1,561,108)	(245,258)	(114,284)	(370,432)	-
Capital assets, net	553,055	130,140	85,751	547,537	-
Total noncurrent assets	553,055	130,140	85,751	547,537	-
Total assets	1,466,362	661,532	578,642	801,722	53,765
LIABILITIES					
Current liabilities:					
Payables	3,486	-	1,377	2,554	183
Current portion of long-term liabilities	-	-	-	-	-
Total current liabilities	3,486	-	1,377	2,554	183
Noncurrent liabilities:					
Long-term liabilities	-	-	-	-	-
Total noncurrent liabilities	-	-	-	-	-
Total liabilities	3,486	-	1,377	2,554	183
NET POSITION					
Net investment in capital assets	553,055	130,140	85,751	547,537	-
Restricted for:					
Debt service	-	-	-	-	-
Unrestricted	909,821	531,392	491,514	251,631	53,582
Total net position	\$ 1,462,876	\$ 661,532	\$ 577,265	\$ 799,168	\$ 53,582

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF NET POSITION (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2016**

Summit West CSA 54	Graham Hill CSA 57	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District	Total
\$ 2,386	\$ 309,017	\$ 1,022,653	\$ 1,866,706	\$ 114,421	\$ 5,560,723
-	-	-	-	16,585	16,585
-	-	485	156,611	-	157,096
<u>2,386</u>	<u>309,017</u>	<u>1,023,138</u>	<u>2,023,317</u>	<u>131,006</u>	<u>5,734,404</u>
-	-	53,232	-	-	53,232
-	-	-	129,572	227,530	496,335
-	-	-	8,873,465	6,606,034	18,864,751
-	-	24,235	-	17,345	124,660
-	-	(16,454)	(4,343,026)	(2,385,184)	(9,035,746)
-	-	7,781	4,660,011	4,465,725	10,450,000
-	-	61,013	4,660,011	4,465,725	10,503,232
<u>2,386</u>	<u>309,017</u>	<u>1,084,151</u>	<u>6,683,328</u>	<u>4,596,731</u>	<u>16,237,636</u>
-	-	124,062	34,323	97,398	263,383
-	-	15,984	-	30,709	46,693
-	-	140,046	34,323	128,107	310,076
-	-	60,290	-	179,731	240,021
-	-	60,290	-	179,731	240,021
-	-	200,336	34,323	307,838	550,097
-	-	7,781	4,660,011	4,255,285	10,239,560
-	-	-	-	43,427	43,427
<u>2,386</u>	<u>309,017</u>	<u>876,034</u>	<u>1,988,994</u>	<u>(9,819)</u>	<u>5,404,552</u>
<u>\$ 2,386</u>	<u>\$ 309,017</u>	<u>\$ 883,815</u>	<u>\$ 6,649,005</u>	<u>\$ 4,288,893</u>	<u>\$ 15,687,539</u>

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	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	\$ 461,736	\$ 107,867	\$ 87,150	\$ 262,640	\$ 45,869
Total operating revenues	<u>461,736</u>	<u>107,867</u>	<u>87,150</u>	<u>262,640</u>	<u>45,869</u>
OPERATING EXPENSES:					
Services and supplies	309,942	5,904	33,736	208,435	46,583
Depreciation and amortization	62,509	9,225	5,542	34,918	-
Total operating expenses	<u>372,451</u>	<u>15,129</u>	<u>39,278</u>	<u>243,353</u>	<u>46,583</u>
Operating income (loss)	<u>89,285</u>	<u>92,738</u>	<u>47,872</u>	<u>19,287</u>	<u>(714)</u>
NONOPERATING REVENUES (EXPENSES):					
Intergovernmental	-	-	-	-	-
Interest and investment income	6,158	2,056	2,983	1,361	317
Interest expense	-	-	-	-	-
Property taxes	-	-	-	-	-
Gain/(loss) on disposal of capital assets	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>6,158</u>	<u>2,056</u>	<u>2,983</u>	<u>1,361</u>	<u>317</u>
Capital contributions	-	-	-	-	-
Transfers in	-	391,559	-	-	-
Transfers out	-	-	-	-	-
Change in net position	<u>95,443</u>	<u>486,353</u>	<u>50,855</u>	<u>20,648</u>	<u>(397)</u>
Net position - beginning	<u>1,367,433</u>	<u>175,179</u>	<u>526,410</u>	<u>778,520</u>	<u>53,979</u>
Net position - ending	<u><u>\$ 1,462,876</u></u>	<u><u>\$ 661,532</u></u>	<u><u>\$ 577,265</u></u>	<u><u>\$ 799,168</u></u>	<u><u>\$ 53,582</u></u>

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

Summit West CSA 54	Graham Hill CSA 57	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District	Total
\$ -	\$ 33,923	\$ 1,074,140	\$ 845,074	\$ 466,953	\$ 3,385,352
-	33,923	1,074,140	845,074	466,953	3,385,352
125	10,903	1,084,762	627,096	365,397	2,692,883
-	-	4,847	205,897	165,390	488,328
125	10,903	1,089,609	832,993	530,787	3,181,211
(125)	23,020	(15,469)	12,081	(63,834)	204,141
-	-	-	-	203	203
16	2,915	9,588	11,920	1,165	38,479
-	-	(5,424)	-	(5,627)	(11,051)
-	-	-	-	29,005	29,005
-	-	(7,693)	-	-	(7,693)
16	2,915	(3,529)	11,920	24,746	48,943
-	-	-	-	101,950	101,950
-	-	-	-	-	391,559
-	(391,559)	-	-	-	(391,559)
(109)	(365,624)	(18,998)	24,001	62,862	355,034
2,495	674,641	902,813	6,625,004	4,226,031	15,332,505
\$ 2,386	\$ 309,017	\$ 883,815	\$ 6,649,005	\$ 4,288,893	\$ 15,687,539

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	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	\$ 467,895	\$ 107,868	\$ 87,150	\$ 262,639	\$ 45,868
Payments to suppliers for goods and services	(92,938)	(6,598)	(11,240)	(56,545)	(11,424)
Payments to other funds for services provided	(219,757)	(2,307)	(21,119)	(149,335)	(35,009)
Net cash provided (used) by operating activities	155,200	98,963	54,791	56,759	(565)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers from other funds	-	394,559	-	-	-
Transfers to other funds	-	-	-	-	-
Property taxes	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	394,559	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital contributions	-	-	-	-	-
Acquisition and construction of capital assets	(127,407)	-	-	-	-
Principal paid on capital debt	-	-	-	-	-
Interest paid on capital debt	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	(127,407)	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on investments	6,158	2,056	2,983	1,361	317
Net cash provided (used) by investing activities	6,158	2,056	2,983	1,361	317
Net increase (decrease) in cash cash and cash equivalents	33,951	495,578	57,774	58,120	(248)
Cash and cash equivalents at beginning of year	879,356	35,814	435,117	196,065	54,013
Cash and cash equivalents at end of year	\$ 913,307	\$ 531,392	\$ 492,891	\$ 254,185	\$ 53,765

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

Summit West CSA 54	Graham Hill CSA 57	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District	Total
\$ -	\$ 33,924	\$ 1,110,550	\$ 846,110	\$ 467,330	\$ 3,429,334
(125)	(4,828)	(1,220,700)	(512,385)	(26,617)	(1,943,400)
-	(6,076)	-	(285,502)	(294,104)	(1,013,209)
<u>(125)</u>	<u>23,020</u>	<u>(110,150)</u>	<u>48,223</u>	<u>146,609</u>	<u>472,725</u>
-	-	-	-	-	394,559
-	(391,559)	-	-	-	(391,559)
-	-	-	-	29,008	29,008
<u>-</u>	<u>(391,559)</u>	<u>-</u>	<u>-</u>	<u>29,008</u>	<u>32,008</u>
-	-	-	-	101,950	101,950
-	-	-	(27,175)	(227,531)	(382,113)
-	-	(132,332)	-	(30,006)	(162,338)
-	-	(5,424)	-	(5,793)	(11,217)
<u>-</u>	<u>-</u>	<u>(137,756)</u>	<u>(27,175)</u>	<u>(161,380)</u>	<u>(453,718)</u>
<u>16</u>	<u>2,915</u>	<u>9,588</u>	<u>11,920</u>	<u>1,165</u>	<u>38,479</u>
<u>16</u>	<u>2,915</u>	<u>9,588</u>	<u>11,920</u>	<u>1,165</u>	<u>38,479</u>
(109)	(365,624)	(238,318)	32,968	15,402	89,494
<u>2,495</u>	<u>674,641</u>	<u>1,260,971</u>	<u>1,833,738</u>	<u>115,604</u>	<u>5,487,814</u>
<u>\$ 2,386</u>	<u>\$ 309,017</u>	<u>\$ 1,022,653</u>	<u>\$ 1,866,706</u>	<u>\$ 131,006</u>	<u>\$ 5,577,308</u>

(Continued)

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	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)	\$ 89,285	\$ 92,738	\$ 47,872	\$ 19,287	\$ (714)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	62,509	9,225	5,542	34,918	-
Changes in assets and liabilities:					
(Increase) decrease in:					
Receivables	-	-	-	-	-
Increase (decrease) in:					
Payables	3,406	(3,000)	1,377	2,554	149
Total adjustments	<u>65,915</u>	<u>6,225</u>	<u>6,919</u>	<u>37,472</u>	<u>149</u>
Net cash provided (used) by operating activities	<u>\$ 155,200</u>	<u>\$ 98,963</u>	<u>\$ 54,791</u>	<u>\$ 56,759</u>	<u>\$ (565)</u>

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

Summit West CSA 54	Graham Hill CSA 57	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District	Total
\$ (125)	\$ 23,020	\$ (15,469)	\$ 12,081	\$ (63,834)	\$ 204,141
-	-	4,847	205,897	165,390	488,328
-	-	36,410	(156,611)	-	(120,201)
-	-	(135,938)	(13,144)	45,053	(99,543)
-	-	(94,681)	36,142	210,443	268,584
<u>\$ (125)</u>	<u>\$ 23,020</u>	<u>\$ (110,150)</u>	<u>\$ 48,223</u>	<u>\$ 146,609</u>	<u>\$ 472,725</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, 2016**

	Central Duplicating	Information Services	Public Works	Service Center
ASSETS				
Current assets:				
Cash and investments	\$ 307,799	\$ 2,650,569	\$ 761,710	\$ 1,426,965
Receivables	-	-	902,448	99
Due from other funds	-	-	1,794,898	-
Deposits with others	-	-	-	-
Inventory	-	-	486,187	16,503
Prepaid items	61,103	-	-	-
Total current assets	368,902	2,650,569	3,945,243	1,443,567
Capital assets:				
Land	-	-	62,914	34,173
Construction in progress	-	409,152	161,908	-
Buildings and structures	-	-	3,016,295	415,704
Equipment	195,952	10,271,817	8,030,232	10,117,512
Accumulated depreciation	(131,589)	(4,380,533)	(9,863,141)	(7,699,172)
Capital assets, net	64,363	6,300,436	1,408,208	2,868,217
Total assets	433,265	8,951,005	5,353,451	4,311,784
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension	44,370	1,862,086	5,871,900	143,726
Total deferred outflows of resources	44,370	1,862,086	5,871,900	143,726
LIABILITIES				
Current liabilities:				
Payables	7,541	325,647	1,677,454	197,463
Due to other funds	-	-	-	-
Claims liabilities	-	-	-	-
Capital leases	-	430,359	6,254	-
Compensated absences, due within one year	14,700	617,182	2,544,541	52,956
Total current liabilities	22,241	1,373,188	4,228,249	250,419
Noncurrent liabilities:				
Claims liability	-	-	-	-
Capital leases	-	1,948,219	8,661	-
Compensated absences, due in more than one year	8,574	454,129	733,252	9,855
Net pension liability	196,900	7,958,218	25,679,183	641,335
Total noncurrent liabilities	205,474	10,360,566	26,421,096	651,190
Total liabilities	227,715	11,733,754	30,649,345	901,609
DEFERRED INFLOWS OF RESOURCES				
Deferred pension	45,850	1,860,373	5,988,539	149,254
Total deferred inflows of resources	45,850	1,860,373	5,988,539	149,254
NET POSITION				
Net investment in capital assets	64,363	6,300,436	1,408,208	2,868,217
Unrestricted	139,707	(9,081,472)	(26,820,741)	536,430
Total net position	\$ 204,070	\$ (2,781,036)	\$ (25,412,533)	\$ 3,404,647

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF NET POSITION (CONTINUED)
INTERNAL SERVICE FUNDS
JUNE 30, 2016**

Risk Management	Self-Insurance					Total
	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance	Employee Benefit Staffing	State Unemployment Insurance Program	
\$ 703,018	\$ 1,143,503	\$ 11,969,652	\$ 12,813,933	\$ 1,318,858	\$ 549,758	\$ 33,645,765
-	86,033	-	-	-	-	988,580
-	-	-	-	-	-	1,794,898
-	-	-	150,000	-	-	150,000
-	-	-	-	-	-	502,690
-	-	-	-	-	-	61,103
<u>703,018</u>	<u>1,229,536</u>	<u>11,969,652</u>	<u>12,963,933</u>	<u>1,318,858</u>	<u>549,758</u>	<u>37,143,036</u>
-	-	-	-	-	-	97,087
-	-	-	-	-	-	571,060
-	-	-	-	-	-	3,431,999
55,237	-	-	-	-	-	28,670,750
(55,237)	-	-	-	-	-	(22,129,672)
-	-	-	-	-	-	10,641,224
<u>703,018</u>	<u>1,229,536</u>	<u>11,969,652</u>	<u>12,963,933</u>	<u>1,318,858</u>	<u>549,758</u>	<u>47,784,260</u>
235,541	-	-	-	95,019	-	8,252,642
<u>235,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,019</u>	<u>-</u>	<u>8,252,642</u>
29,883	36,624	256,012	206,445	25,372	-	2,762,441
-	-	-	-	734,898	-	734,898
-	406,120	2,697,820	4,708,540	-	62,008	7,874,488
-	-	-	-	-	-	436,613
<u>88,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,335</u>	<u>-</u>	<u>3,362,989</u>
<u>118,158</u>	<u>442,744</u>	<u>2,953,832</u>	<u>4,914,985</u>	<u>805,605</u>	<u>62,008</u>	<u>15,171,429</u>
-	-	2,865,180	28,264,460	-	-	31,129,640
-	-	-	-	-	-	1,956,880
68,325	-	-	-	30,274	-	1,304,409
1,011,178	-	-	-	389,874	-	35,876,688
<u>1,079,503</u>	<u>-</u>	<u>2,865,180</u>	<u>28,264,460</u>	<u>420,148</u>	<u>-</u>	<u>70,267,617</u>
<u>1,197,661</u>	<u>442,744</u>	<u>5,819,012</u>	<u>33,179,445</u>	<u>1,225,753</u>	<u>62,008</u>	<u>85,439,046</u>
236,269	-	-	-	91,541	-	8,371,826
<u>236,269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,541</u>	<u>-</u>	<u>8,371,826</u>
-	-	-	-	-	-	10,641,224
(495,371)	786,792	6,150,640	(20,215,512)	96,583	487,750	(48,415,194)
<u>\$ (495,371)</u>	<u>\$ 786,792</u>	<u>\$ 6,150,640</u>	<u>\$ (20,215,512)</u>	<u>\$ 96,583</u>	<u>\$ 487,750</u>	<u>\$ (37,773,970)</u>

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Central Duplicating	Information Services	Public Works	Service Center
OPERATING REVENUES:				
Charges for services	\$ 623,705	\$ 11,815,782	\$ 35,776,127	\$ 2,294,251
Other revenues	4,212	15,119	91,142	9,963
Total operating revenues	627,917	11,830,901	35,867,269	2,304,214
OPERATING EXPENSES:				
Salaries and employee benefits	178,033	6,501,545	26,412,474	501,824
Services and supplies	304,208	4,025,552	5,370,357	946,710
Insurance and compensation claims	7,005	72,373	2,200,122	23,494
Depreciation and amortization	35,145	803,927	224,237	824,855
Total operating expenses	524,391	11,403,397	34,207,190	2,296,883
Operating income (loss)	103,526	427,504	1,660,079	7,331
NONOPERATING REVENUES (EXPENSES):				
Interest and investment income	-	-	-	-
Gain/(loss) on disposal of capital assets	(19,533)	(217,907)	-	16,400
Interest expense	-	(146,262)	(1,511)	-
Total nonoperating revenues (expenses)	(19,533)	(364,169)	(1,511)	16,400
Income (loss) before transfers	83,993	63,335	1,658,568	23,731
Transfers in	-	-	-	211,854
Change in net position	83,993	63,335	1,658,568	235,585
Net position - beginning	120,077	(2,844,371)	(27,071,101)	3,169,062
Net position - ending	\$ 204,070	\$ (2,781,036)	\$ (25,412,533)	\$ 3,404,647

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION (CONTINUED)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

Self-Insurance						
Risk Management	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance	Employee Benefit Staffing	State Unemployment Insurance Program	Total
\$ 1,800,000	\$ 2,310,832	\$ 5,000,000	\$ 7,018,278	\$ 993,141	\$ 375,402	\$ 68,007,518
-	-	29,878	722	-	-	151,036
<u>1,800,000</u>	<u>2,310,832</u>	<u>5,029,878</u>	<u>7,019,000</u>	<u>993,141</u>	<u>375,402</u>	<u>68,158,554</u>
844,595	-	-	-	358,989	-	34,797,460
832,828	28,667	1,599,528	1,038,648	720,024	1,501	14,868,023
18,812	2,205,501	2,652,907	4,321,615	-	530,764	12,032,593
-	-	-	-	-	-	1,888,164
<u>1,696,235</u>	<u>2,234,168</u>	<u>4,252,435</u>	<u>5,360,263</u>	<u>1,079,013</u>	<u>532,265</u>	<u>63,586,240</u>
<u>103,765</u>	<u>76,664</u>	<u>777,443</u>	<u>1,658,737</u>	<u>(85,872)</u>	<u>(156,863)</u>	<u>4,572,314</u>
5,215	7,247	66,867	73,746	4,435	3,838	161,348
-	-	-	-	-	-	(221,040)
-	-	-	-	-	-	(147,773)
<u>5,215</u>	<u>7,247</u>	<u>66,867</u>	<u>73,746</u>	<u>4,435</u>	<u>3,838</u>	<u>(207,465)</u>
108,980	83,911	844,310	1,732,483	(81,437)	(153,025)	4,364,849
-	-	-	-	-	-	211,854
108,980	83,911	844,310	1,732,483	(81,437)	(153,025)	4,576,703
(604,351)	702,881	5,306,330	(21,947,995)	178,020	640,775	(42,350,673)
<u>\$ (495,371)</u>	<u>\$ 786,792</u>	<u>\$ 6,150,640</u>	<u>\$ (20,215,512)</u>	<u>\$ 96,583</u>	<u>\$ 487,750</u>	<u>\$ (37,773,970)</u>

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Central Duplicating	Information Services	Public Works	Service Center
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 627,917	\$ 11,830,901	\$ 2,023,953	\$ 2,304,171
Receipts from interfund charges for services	-	-	34,593,604	-
Payments to suppliers for goods and services	(295,930)	(3,984,830)	(10,069,542)	(787,051)
Payments to employees for salaries and benefits	(182,055)	(6,717,757)	(25,795,779)	(524,573)
Payments for judgments and claims	(7,005)	(72,373)	-	(23,494)
Other payments	-	-	(55,801)	-
Net cash provided (used) by operating activities	142,927	1,055,941	696,435	969,053
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	-	-	-	211,854
Net cash provided (used) by noncapital financing activities	-	-	-	211,854
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(24,505)	(799,036)	(394,730)	(1,451,607)
Principal paid on capital debt	-	(408,690)	(6,142)	-
Interest paid on capital debt	-	(147,079)	(1,511)	-
Proceeds from sale of capital assets	-	-	-	5,112
Net cash provided (used) by capital and related financing activities	(24,505)	(1,354,805)	(402,383)	(1,446,495)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	-	-	-	-
Net cash provided (used) by investing activities	-	-	-	-
Net increase (decrease) in cash cash and cash equivalents	118,422	(298,864)	294,052	(265,588)
Cash and cash equivalents at beginning of year	189,377	2,949,433	467,658	1,692,553
Cash and cash equivalents at end of year	\$ 307,799	\$ 2,650,569	\$ 761,710	\$ 1,426,965

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

Self-Insurance						
Risk Management	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance	Employee Benefit Staffing	State Unemployment Insurance Program	Total
\$ 1,800,000	\$ 2,282,403	\$ 5,000,000	\$ 7,018,278	\$ 1,728,039	\$ 375,403	\$ 34,991,065
-	-	-	-	-	-	34,593,604
(834,492)	(152,675)	(3,922,956)	(3,365,820)	(710,517)	(325,502)	(24,449,315)
(877,574)	-	-	-	(348,162)	-	(34,445,900)
(18,812)	(1,998,193)	(289,512)	(2,122,360)	-	(236,222)	(4,767,971)
-	-	29,878	722	-	-	(25,201)
<u>69,122</u>	<u>131,535</u>	<u>817,410</u>	<u>1,530,820</u>	<u>669,360</u>	<u>(186,321)</u>	<u>5,896,282</u>
-	-	-	-	-	-	211,854
-	-	-	-	-	-	211,854
-	-	-	-	-	-	(2,669,878)
-	-	-	-	-	-	(414,832)
-	-	-	-	-	-	(148,590)
-	-	-	-	-	-	5,112
-	-	-	-	-	-	(3,228,188)
5,215	7,247	66,867	73,746	4,435	3,838	161,348
<u>5,215</u>	<u>7,247</u>	<u>66,867</u>	<u>73,746</u>	<u>4,435</u>	<u>3,838</u>	<u>161,348</u>
74,337	138,782	884,277	1,604,566	673,795	(182,483)	3,041,296
628,681	1,004,721	11,085,375	11,209,367	645,063	732,241	30,604,469
<u>\$ 703,018</u>	<u>\$ 1,143,503</u>	<u>\$ 11,969,652</u>	<u>\$ 12,813,933</u>	<u>\$ 1,318,858</u>	<u>\$ 549,758</u>	<u>\$ 33,645,765</u>

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Central Duplicating	Information Services	Public Works	Service Center
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 103,526	\$ 427,504	\$ 1,660,079	\$ 7,331
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	35,145	803,927	224,237	824,855
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	-	-	62,239	(43)
Inventory	-	-	2,503	(241)
Prepaid items	13,953	-	-	-
Due from other funds	-	-	(891,220)	-
Deferred outflows of resources	(26,808)	(1,155,434)	(3,585,425)	(86,486)
Increase (decrease) in:				
Payables	(5,675)	40,721	(287,585)	159,901
Due to other funds	-	-	-	-
Accrued salaries and benefits	1,755	61,936	930,154	5,468
Compensated absences	3,216	109,451	202,182	795
Claims and judgments	-	-	-	-
Capital leases	-	-	(3,398)	-
Deferred inflows of resources	5,422	233,680	725,131	17,491
Net pension liability	12,393	534,156	1,657,538	39,982
Total adjustments	39,401	628,437	(963,644)	961,722
Net cash provided (used) by operating activities	\$ 142,927	\$ 1,055,941	\$ 696,435	\$ 969,053

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

Self-Insurance						
Risk Management	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance	Employee Benefit Staffing	State Unemployment Insurance Program	Total
\$ 103,765	\$ 76,664	\$ 777,443	\$ 1,658,737	\$ (85,872)	\$ (156,863)	\$ 4,572,314
-	-	-	-	-	-	1,888,164
-	(28,429)	-	-	-	-	33,767
-	-	-	-	-	-	2,262
-	-	-	-	-	-	13,953
-	-	-	-	-	-	(891,220)
(145,705)	-	-	-	(60,575)	-	(5,060,433)
(1,664)	36,624	39,967	(127,917)	9,506	-	(136,122)
-	-	-	-	734,898	-	734,898
5,043	-	-	-	7,931	-	1,012,287
10,856	-	-	-	23,217	-	349,717
-	46,676	-	-	-	(29,458)	17,218
-	-	-	-	-	-	(3,398)
29,468	-	-	-	12,251	-	1,023,443
67,359	-	-	-	28,004	-	2,339,432
(34,643)	54,871	39,967	(127,917)	755,232	(29,458)	1,323,968
<u>\$ 69,122</u>	<u>\$ 131,535</u>	<u>\$ 817,410</u>	<u>\$ 1,530,820</u>	<u>\$ 669,360</u>	<u>\$ (186,321)</u>	<u>\$ 5,896,282</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, 2016**

	Inter- governmental Agency	Payroll	Property Tax Collections	Total
ASSETS				
Cash and investments	\$ 28,647,622	\$ 6,138,691	\$ 21,499,244	\$ 56,285,557
Receivables	12,097	-	11,036,964	11,049,061
Total assets	\$ 28,659,719	\$ 6,138,691	\$ 32,536,208	\$ 67,334,618
LIABILITIES				
Accounts payable	-	\$ 6,138,691	\$ 161,616	\$ 6,300,307
Due to other governmental units	-	-	32,374,592	32,374,592
Agency funds held for others	28,659,719	-	-	28,659,719
Total liabilities	\$ 28,659,719	\$ 6,138,691	\$ 32,536,208	\$ 67,334,618

COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
<u>Intergovernmental Agency</u>				
Assets:				
Cash and investments	\$ 26,098,855	\$3,318,115,615	\$3,315,566,848	\$ 28,647,622
Receivables	41	12,149	93	12,097
Total assets	\$ 26,098,896	\$3,318,127,764	\$3,315,566,941	\$ 28,659,719
Liabilities:				
Accounts payable	\$ -	\$2,192,193,852	\$2,192,193,852	\$ -
Agency funds held for others	26,098,896	200,764,098	198,203,275	28,659,719
Total liabilities	\$ 26,098,896	\$2,392,957,950	\$2,390,397,127	\$ 28,659,719
<u>Payroll</u>				
Assets:				
Cash and investments	\$ 5,186,468	\$ 322,425,349	\$ 321,473,126	\$ 6,138,691
Total assets	\$ 5,186,468	\$ 322,425,349	\$ 321,473,126	\$ 6,138,691
Liabilities:				
Accounts payable	\$ 5,186,468	\$ 933,235,481	\$ 932,283,258	\$ 6,138,691
Total liabilities	\$ 5,186,468	\$ 933,235,481	\$ 932,283,258	\$ 6,138,691
<u>Property Tax Collections</u>				
Assets:				
Cash and investments	\$ 9,305,460	\$1,026,341,068	\$1,014,147,284	\$ 21,499,244
Receivables	12,696,258	481,536,595	483,195,889	11,036,964
Total assets	\$ 22,001,718	\$1,507,877,663	\$1,497,343,173	\$ 32,536,208
Liabilities:				
Accounts payable	\$ 104	\$ 12,832,561	\$ 12,671,049	\$ 161,616
Due to other governmental units	22,001,614	1,508,248,428	1,497,875,450	32,374,592
Total liabilities	\$ 22,001,718	\$1,521,080,989	\$1,510,546,499	\$ 32,536,208
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$ 40,590,783	\$4,666,882,032	\$4,651,187,258	\$ 56,285,557
Receivables	12,696,299	481,548,744	483,195,982	11,049,061
Total assets	\$ 53,287,082	\$5,148,430,776	\$5,134,383,240	\$ 67,334,618
Liabilities:				
Accounts payable	\$ 5,186,572	\$3,138,261,894	\$3,137,148,159	\$ 6,300,307
Due to other governmental units	22,001,614	1,508,248,428	1,497,875,450	32,374,592
Agency funds held for others	26,098,896	200,764,098	198,203,275	28,659,719
Total liabilities	\$ 53,287,082	\$4,847,274,420	\$4,833,226,884	\$ 67,334,618

**COUNTY OF SANTA CRUZ
SANTA CRUZ COUNTY REDEVELOPMENT SUCCESSOR AGENCY
STATEMENT OF NET POSITION
PRIVATE PURPOSE TRUST FUND
JUNE 30, 2016**

	<u>Santa Cruz County Redevelopment Successor Agency</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 13,725,531
Total current assets:	<u>13,725,531</u>
Noncurrent Assets:	
Restricted cash with fiscal agents	9,080,134
Prepaid insurance	1,042,640
Capital assets, net	<u>9,118,080</u>
Total assets	<u><u>\$ 32,966,385</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Loss on refunding of debt	\$ 323,993
Total deferred outflows of resources	<u><u>\$ 323,993</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable - claims	\$ 5,532
Interest payable	2,848,041
Long-term debt - due within one year	<u>7,463,848</u>
Total current liabilities:	10,317,421
Long-term Liabilities:	
Long-term debt - due in more than one year	<u>215,812,134</u>
Total long-term liabilities:	<u>215,812,134</u>
Total liabilities	<u><u>\$ 226,129,555</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred tax increment revenue	\$ 5,385,696
Gain on refunding of debt	<u>109,829</u>
Total deferred inflows of resources	<u><u>\$ 5,495,525</u></u>
NET POSITION	
Net position held in trust	<u><u>\$ (198,334,702)</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, 2016

	Santa Cruz County Redevelopment Successor Agency
ADDITIONS:	<u>Successor Agency</u>
Investment income	\$ 55,592
Tax increment received	20,163,666
Other revenue	70,248
Contributions from other agencies	21,087
Total additions	<u>20,310,593</u>
 DEDUCTIONS:	
Payments in accordance with trust agreements	<u>11,089,383</u>
Total deductions	<u>11,089,383</u>
 Change in net position held in trust	 <u>9,221,210</u>
Net position held in trust - beginning	<u>(207,555,912)</u>
Net position held in trust - ending	<u><u>\$ (198,334,702)</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	Page
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.	180-184
Revenue Capacity These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.	185-188
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.	189-192
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.	193-197
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.	198-202

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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
Net investment in capital assets	\$ 468,999	\$ 484,646	\$ 439,466	\$ 448,657	\$ 455,726	\$ 215,172	\$ 212,557	\$ 242,858	\$ 327,708	\$ 332,526
Restricted	63,880	55,856	75,773	67,014	96,980	117,713	40,865	31,660	55,167	39,024
Unrestricted	(374,141)	(399,332)	(72,239)	(65,133)	(66,913)	(61,396)	36,955	32,147	(21,529)	6,532
Total governmental activities net position	\$ 158,738	\$ 141,170	\$ 443,000	\$ 450,538	\$ 485,793	\$ 271,489	\$ 290,377	\$ 306,665	\$ 361,346	\$ 378,082
Business-type activities										
Net investment in capital assets	\$ 28,466	\$ 28,585	\$ 24,033	\$ 25,023	\$ 25,442	\$ 24,677	\$ 26,662	\$ 26,327	\$ 27,280	\$ 23,266
Restricted	390	260	476	44	256	253	317	83	187	250
Unrestricted	(1,962)	3,620	8,130	7,634	6,520	5,803	6,553	7,433	6,797	12,628
Total business-type activities net position	\$ 26,894	\$ 32,465	\$ 32,639	\$ 32,701	\$ 32,218	\$ 30,733	\$ 33,532	\$ 33,843	\$ 34,264	\$ 36,144
Total primary government										
Net investment in capital assets	\$ 497,465	\$ 513,231	\$ 463,499	\$ 473,680	\$ 481,168	\$ 239,849	\$ 239,219	\$ 269,185	\$ 354,988	\$ 355,792
Restricted	64,270	56,116	76,249	67,058	97,236	117,966	41,182	31,743	55,354	39,274
Unrestricted	(376,103)	(395,712)	(64,109)	(57,499)	(60,393)	(55,593)	43,508	39,580	(14,732)	19,160
Total primary government net position	\$ 185,632	\$ 173,635	\$ 475,639	\$ 483,239	\$ 518,011	\$ 302,222	\$ 323,909	\$ 340,508	\$ 395,610	\$ 414,226

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental activities:										
General government	\$ 35,068	\$ 33,544	\$ 25,451	\$ 17,725	\$ 27,417	\$ 39,206	\$ 30,407	\$ 37,098	\$ 48,765	\$ 29,116
Public protection	141,370	131,718	133,932	127,640	124,721	125,065	122,743	146,283	117,001	113,608
Public ways and facilities	28,271	32,900	18,961	47,167	32,192	36,694	45,826	32,859	47,209	26,840
Health and sanitation	114,209	108,999	108,571	111,441	113,242	107,497	105,239	111,310	112,560	105,039
Public assistance	126,834	116,902	112,840	104,889	105,835	101,990	108,121	110,208	101,454	98,679
Education	6,005	5,537	4,915	5,005	5,033	5,194	5,140	5,153	5,209	4,714
Recreation and culture	8,900	7,202	6,870	5,867	6,670	6,386	6,617	8,499	8,558	7,399
Interest on long-term debt	2,764	3,307	8,126	3,321	10,262	17,144	15,782	13,098	13,211	16,026
Total government activities expenses	463,421	440,109	419,666	423,055	425,372	439,176	439,875	464,508	453,967	401,421
Business-type activities:										
County Disposal Site CSA 9C	\$ 12,018	\$ 11,785	\$ 11,464	\$ 10,904	\$ 10,506	\$ 14,792	\$ 12,283	\$ 14,317	\$ 16,088	\$ 13,540
Boulder Creek CSA 7	362	332	310	344	295	299	298	417	438	299
Rolling Woods CSA 10	15	12	14	14	14	12	44	93	78	62
Septic Tank Maintenance CSA 12	1,090	1,058	1,114	1,017	943	1,050	951	1,148	966	875
Freedom County Sanitation CSA	808	965	607	441	857	825	551	891	609	602
Davenport County Sanitation District CSA	518	656	557	458	532	477	701	550	420	410
Place de Mer CSA 2	38	50	23	21	37	70	32	52	39	64
Sand Dollar Beach CSA 5	237	275	243	260	265	315	252	254	314	216
Trestle Beach CSA 20	45	51	59	36	41	43	71	61	73	40
Summit West CSA 54	-	-	1	1	1	1	1	1	31	4
Graham Hill CSA 57	11	35	53	35	33	27	27	27	13	20
Total business-type activities expenses	15,142	15,219	14,445	13,531	13,524	17,911	15,211	17,811	19,069	16,131
Total primary government expenses	\$ 478,563	\$ 455,328	\$ 434,111	\$ 436,586	\$ 438,896	\$ 457,087	\$ 455,086	\$ 482,319	\$ 473,036	\$ 417,552
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 19,053	\$ 18,605	\$ 19,150	\$ 18,071	\$ 17,695	\$ 18,305	\$ 17,083	\$ 18,494	\$ 16,953	\$ 16,467
Health, sanitation & public assistance	34,628	28,088	25,830	23,238	33,029	27,635	24,754	27,137	23,675	25,324
Public protection	22,514	22,913	21,426	20,742	20,623	20,954	20,961	22,364	24,795	23,792
Public ways & facilities, and recreation	8,051	8,217	8,286	8,869	9,412	8,453	8,555	8,633	7,672	7,933
Operating grants and contributions	244,016	243,896	227,863	219,341	207,264	199,689	209,932	187,859	208,047	196,695
Capital grants and contributions	8,798	7,006	10,541	10,678	8,016	11,298	8,673	7,885	3,542	7,508
Total governmental activities program revenues	337,060	328,725	313,096	300,939	296,039	286,334	289,958	272,372	284,684	277,719
Business-type activities:										
Charges for services	14,763	13,933	13,350	13,137	13,313	13,058	13,166	13,350	13,237	13,299
Operating grants and contributions	490	226	382	208	573	289	964	338	123	127
Capital grants and contributions	129	118	-	60	345	1,097	15	50	25	8
Total business-type activities program revenues	15,382	14,277	13,732	13,405	14,231	14,444	14,145	13,738	13,385	13,434
Total primary government program revenues	\$ 352,442	\$ 343,002	\$ 326,828	\$ 314,344	\$ 310,270	\$ 300,778	\$ 304,103	\$ 286,110	\$ 298,069	\$ 291,153
Net (expense)/revenue										
Governmental activities	\$ (126,361)	\$ (111,384)	\$ (106,570)	\$ (122,116)	\$ (129,333)	\$ (152,843)	\$ (149,917)	\$ (192,136)	\$ (169,283)	\$ (123,702)
Business-type activities	240	(942)	(713)	(126)	707	(3,467)	(1,066)	(4,073)	(5,685)	(2,697)
Total primary government net expense	\$ (126,121)	\$ (112,326)	\$ (107,283)	\$ (122,242)	\$ (128,626)	\$ (156,310)	\$ (150,983)	\$ (196,209)	\$ (174,968)	\$ (126,399)

(Continued)

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Revenue and Other										
Changes in Net Position										
Governmental activities:										
Property taxes	\$ 100,143	\$ 93,563	\$ 88,178	\$ 84,795	\$ 97,716	\$ 109,837	\$ 111,224	\$ 115,179	\$ 111,745	\$ 104,814
Other taxes	24,256	21,831	19,046	17,201	16,044	15,265	12,978	13,951	15,622	15,133
Grants and contributions not restricted for specific purposes	-	-	-	117	-	-	-	-	-	-
Use of money and property	4,096	3,473	3,652	1,254	2,741	2,827	3,373	5,805	11,858	14,628
Miscellaneous	9,460	4,306	751	(156)	52,099	6,033	4,606	2,546	13,402	3,155
Gain (Loss) on sale of assets	98	-	(4)	26	1,005	(6)	101	37	(79)	-
Total governmental activities	138,053	123,173	111,623	103,237	169,605	133,956	132,282	137,518	152,548	137,730
Business-type activities:										
Property taxes	29	27	25	25	25	25	24	25	-	-
Use of money and property	(170)	49	95	(24)	45	12	13	174	756	1,064
Miscellaneous	332	6,539	531	609	705	631	760	1,068	3,048	1,513
Gain (Loss) on sale of assets	-	-	-	-	2	-	3	-	-	-
Total business-type activities	191	6,615	651	610	777	668	800	1,267	3,804	2,577
Total primary government	\$ 138,244	\$ 129,788	\$ 112,274	\$ 103,847	\$ 170,382	\$ 134,624	\$ 133,082	\$ 138,785	\$ 156,352	\$ 140,307
Extraordinary Item:	\$ -	\$ -	\$ -	\$ (16,377)	\$ 174,033	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Position										
Governmental activities	\$ 11,692	\$ 11,789	\$ 5,053	\$ (35,256)	\$ 214,305	\$ (18,887)	\$ (17,635)	\$ (54,618)	\$ (16,735)	\$ 14,028
Business-type activities	431	5,673	(62)	484	1,484	(2,799)	(266)	(2,806)	(1,881)	(120)
Total primary government	\$ 12,123	\$ 17,462	\$ 4,991	\$ (34,772)	\$ 215,789	\$ (21,686)	\$ (17,901)	\$ (57,424)	\$ (18,616)	\$ 13,908

(Continued)

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

	Fiscal Year						
	2016	2015	2014	2013	2012	2011	2010
General Fund ¹							
Nonspendable	\$ 751	\$ 1,135	\$ 872	\$ 3,544	\$ 3,739	\$ 4,118	\$ 1,525
Restricted	-	-	2	2	1	-	-
Committed	17,251	15,541	21,627	16,166	13,706	12,847	11,748
Assigned	33,767	33,600	18,214	20,857	24,722	22,231	15,430
Unassigned	(33)	(71)	-	-	-	171	-
Total General Fund	<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	\$ -	\$ 61,184	\$ 60,226	\$ 56,077	\$ 49,883	\$ -	\$ -
Restricted	124,769	55,820	69,455	67,030	97,824	166,676	183,044
Unassigned	-	-	-	(17)	(22)	(37)	-
Total all other governmental funds	<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	2008	2007
General Fund			
Reserved	\$ 2,919	\$ 2,151	\$ 3,893
Unreserved	14,674	25,008	37,115
Total General Fund	<u>\$ 17,593</u>	<u>\$ 27,159</u>	<u>\$ 41,008</u>
All other governmental funds			
Reserved	\$ 38,930	\$ 44,736	\$ 36,209
Unreserved, reported in:			
Special revenue funds	121,946	123,244	131,835
Capital project funds	10,273	1,369	5,277
Total all other governmental funds	<u>\$ 171,149</u>	<u>\$ 169,349</u>	<u>\$ 173,321</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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Taxes	\$ 124,399	\$ 115,394	\$ 107,224	\$ 101,997	\$ 113,760	\$ 125,101	\$ 123,718	\$ 129,130	\$ 127,367	\$ 119,947
Licenses and permits	11,881	11,053	9,847	9,819	10,356	9,046	9,247	9,177	10,085	10,183
Fines, forfeits and penalties	3,630	4,720	4,758	4,474	4,737	5,200	5,231	5,088	4,911	5,673
Use of money and property	4,083	3,417	3,480	1,264	2,635	2,718	3,197	5,451	11,082	13,929
Aid from other governments	252,814	250,902	238,404	230,019	215,280	210,987	219,090	195,758	211,572	204,203
Charges for services	68,734	62,050	60,087	56,626	65,666	61,115	56,845	62,364	58,100	58,091
Other	9,685	10,168	12,927	5,320	2,274	5,341	4,617	4,815	14,617	3,150
Total revenues	475,226	457,704	436,727	409,519	414,708	419,508	421,945	411,783	437,734	415,177
Expenditures										
Current										
General government	31,414	32,532	29,206	28,311	26,747	29,084	26,198	29,994	33,490	28,024
Public protection	146,434	137,893	134,296	129,562	118,671	117,531	118,848	126,014	123,435	112,395
Public ways and facilities	20,249	24,440	18,730	41,232	32,074	37,534	53,095	45,023	37,736	41,335
Health and sanitation	117,041	111,509	108,967	108,688	107,810	104,191	102,048	103,920	109,152	104,326
Public assistance	130,035	119,199	112,967	101,437	101,204	99,120	100,294	101,562	102,976	97,981
Education	5,793	5,325	4,915	4,781	4,810	4,974	4,921	5,420	5,040	4,711
Recreation and culture	8,667	7,156	6,951	6,900	7,004	6,928	7,345	7,876	9,189	7,789
Capital outlay	7,607	9,306	18,875	-	-	35,417	769	3,380	10,671	10,299
Debt service										
Principal	4,744	3,992	3,797	3,815	7,790	7,603	6,958	6,836	7,344	7,126
Bond redemption	-	-	-	-	-	-	-	771	-	-
Bond issue costs	-	-	-	-	-	1,127	-	181	263	738
Interest and fiscal charges	2,770	3,239	3,151	3,318	10,482	15,677	15,742	12,360	13,343	14,652
Total expenditures	474,754	454,591	441,855	428,044	416,592	459,186	436,218	443,337	452,639	429,376
Excess (Deficiency) of Revenues Over (Under) Expenditures	472	3,113	(5,128)	(18,525)	(1,884)	(39,678)	(14,273)	(31,554)	(14,905)	(14,199)
Other Financing Sources (Uses)										
Sale of capital assets	98	-	-	-	1,139	-	57	(33)	1,255	-
Gain/(Loss) on land held for resale	-	-	-	-	(137)	(9)	-	-	(34)	-
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	-	-	-	9,000
Bond premium/discount	60	-	812	-	(23)	(914)	-	-	225	(63)
Gain on conversion of receivables	-	-	-	-	5,024	-	-	-	-	-
Proceeds from refunding bonds	13,770	-	-	-	-	-	-	60,492	7,370	10,755
Payment to bond refunding escrow agent	(13,097)	-	(6,362)	-	(1,399)	-	-	-	(8,012)	(10,366)
Transfers in	17,489	12,312	36,185	17,620	24,252	145,035	29,843	29,760	31,921	27,593
Transfers out	(17,701)	(18,706)	(37,268)	(18,379)	(24,282)	(145,709)	(30,551)	(79,777)	(32,043)	(27,795)
Inception of capital lease	70	93	403	36	80	123	-	110	94	5,990
Total other financing sources (uses)	10,634	(6,301)	5,580	(490)	57,597	33,936	(651)	59,963	776	15,114
Extraordinary Item	-	-	-	(7,179)	(71,866)	-	-	-	-	-
Net change in fund balance	\$ 11,106	\$ (3,188)	\$ 452	\$ (26,194)	\$ (16,153)	\$ (5,742)	\$ (14,924)	\$ 28,409	\$ (14,129)	\$ 915
Debt service as a percentage of noncapital expenditures	1.61%	1.69%	1.64%	1.79%	4.59%	5.76%	5.57%	4.66%	4.85%	5.56%

**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
2007	\$ 66,783	\$ 117	\$ 2,741	\$ 7,961	\$ 3,931	-	\$ 1,481	\$ 72	\$ 83,086
2008	70,879	187	3,595	8,904	4,622	-	1,464	74	89,725
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

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
2007	\$ 361,430	\$ 352,091	97.4%	\$ 152	\$ 352,243	97.5%
2008	387,834	373,296	96.3%	258	373,554	96.3%
2009	402,589	387,153	96.2%	596	387,749	96.3%
2010	395,628	383,707	97.0%	792	384,499	97.2%
2011	394,498	385,099	97.6%	923	386,022	97.9%
2012	395,546	388,135	98.1%	1,040	389,175	98.4%
2013	399,146	393,223	98.5%	2,025	395,248	99.0%
2014	418,414	413,276	98.8%	2,210	415,486	99.3%
2015	443,002	437,476	98.8%	2,695	440,171	99.4%
2016	470,552	465,411	98.9%	-	465,411	98.9%

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.

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
2007	\$ 32,504,394	\$ 843,037	\$ 33,347,431	1.00%
2008	33,586,675	861,576	34,448,251	1.00%
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%

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					
2007	1.049	1.132	26.5	5.0	56.0	12.5	100.0
2008	1.056	1.147	26.5	5.0	56.0	12.5	100.0
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

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
Capital leases	\$ 6,739	\$ 4,731	\$ 5,077	\$ 5,075	\$ 5,337	\$ 5,544	\$ 5,673	\$ 5,942	\$ 6,051	\$ 6,000
Refunding Certificates of Participation	19,770	21,440	23,025	24,534	25,959	27,334	28,634	29,889	31,086	32,921
Lease Revenue Bonds	14,927	12,325	12,325	6,450	6,670	6,885	7,090	7,290	7,840	8,375
Refunding Certificates of Participation	12,305	-	-	-	-	-	-	-	-	-
Lease Revenue Refunding Bonds	1,627	1,690	1,751	1,812	1,866	1,404	1,535	1,667	1,797	1,918
Revenue Bonds	-	-	-	-	405	785	1,145	1,480	1,800	2,100
Local Agency Revenue Bonds	135	165	195	225	250	275	295	320	360	445
Certificates of Participation	13,390	27,266	29,307	31,278	33,024	29,110	30,746	32,312	28,822	27,916
Refunding Certificates of Participation	6,020	6,286	6,583	-	-	-	-	-	-	-
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	58	-	-	-	-	-	-	510	711	898
CA Transportation Finance Bank	-	-	-	-	-	-	-	600	600	-
RDA Tax Allocation Bonds	-	-	-	-	-	247,995	217,472	220,938	168,549	172,144
Internal Service Funds	-	26	19	16	29	22	-	-	329	653
Business-type activities										
Lease Revenue Bonds	6,799	-	-	-	-	-	-	-	-	-
Loans Payable	287	449	490	531	570	608	646	404	448	2,860
Capital leases	4	-	2	3	-	-	-	178	605	-
Total Primary government ¹	<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>	<u>\$ 248,998</u>	<u>\$ 256,230</u>
Percentage of personal income ^{2,4}	0.58%	0.50%	0.56%	0.54%	0.62%	2.64%	2.27%	2.35%	2.06%	2.31%
Per capita ^{3,4}	\$302	\$ 276	\$ 298	\$ 269	\$ 290	\$ 1,231	\$ 1,143	\$ 1,190	\$ 990	\$ 1,019

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 2016 is based on 2014 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 2016 is based on 2014 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.

**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>
2007	\$ 32,504,394,093	\$ 406,304,926		\$ 406,304,926	100%
2008	33,586,675,030	419,833,438		419,833,438	100%
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%

¹Total Assessed Value includes exempt property.

²Section 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, 2016
(Reported in Thousands)

2015-2016 Total Net Assessed Valuation	\$ 38,931,104		
		Percentage Applicable ¹	Net Debt Outstanding
<u>Overlapping Tax and Assessment and General Obligation Debt</u>			
SCHOOL DISTRICTS			
Live Oak Elementary	100%	\$	13,068
Santa Cruz City Elementary	100%		16,833
Soquel Union Elementary	100%		9,545
Santa Cruz City High	100%		33,799
Scotts Valley Unified	100%		28,320
San Lorenzo Valley Unified	100%		28,422
Pacific	100%		826
Pajaro Valley Unified	100%		158,614
Cabrillo College	100%		128,326
SPECIAL DISTRICTS			
Zayante Fire	100%		75
Lompico Water	100%		126
Rolling Woods Water	100%		1,000
Rolling Woods Sewer Improvements	100%		640
North Polo Drive Sewer Extension	100%		160
Felton Community Facilities - District No. 1	100%		8,735
Total Overlapping Tax and Assessment and General Obligation Debt			428,489
<u>Direct Debt</u>			
Santa Cruz County ²	100%		74,971
Total Direct Debt			74,971
Total Combined Overlapping and Direct Debt			\$ 503,460
<u>Ratio to 2015-2016 Assessed Valuation</u>			
Total Overlapping Tax and Assessment and General Obligation Debt	1.10%		
Total Direct Debt	0.19%		
Total Combined Direct Debt and Overlapping Debt	1.29%		

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, 2016
(Reported in Thousands)

YEAR OF ISSUANCE	PRINCIPAL	INTEREST	TOTAL
Debt ²			
1996	\$ 13,785	\$ 4,660	\$ 18,445
1999	135	15	150
2002	1,830	928	2,758
2005	4,105	446	4,551
2006	5,900	3,089	8,989
2008	2,330	340	2,670
2011	5,155	2,937	8,092
2012A	1,642	804	2,446
2014	6,520	2,864	9,384
2014	4,895	2,150	7,045
2015	9,765	5,627	15,392
2015	12,305	1,929	14,234
Total debt outstanding for the Public Financing Authority	<u>\$ 68,367</u>	<u>\$ 25,789</u>	<u>\$ 94,156</u>

¹The Public Financing Authority is a separate legal entity for whose debt the County is not liable.

²Certificates 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
2007	264	\$ 434,371	\$ 1,645	\$ 66,783	\$ 253
2008	267	441,194	1,652	70,879	265
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

Fiscal Year	Assessed Valuation (in thousands)	Per Capita Income ³	Personal Income ³ (in thousands)	School Enrollment ⁴	Unemployment Rate ⁵
2007	\$ 32,507,394	\$ 45,547	\$ 11,460,367	66,501	5.6%
2008	33,586,675	47,020	11,910,387	68,647	5.9%
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	n/a	n/a	70,411	7.5%

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 2016 is 2015 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 2016 is annual average for 2015 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)
2006	432	28	460	\$ 139,416	\$ 51,658	\$ 191,074	\$ 4,165,185
2007	236	342	578	165,997	62,612	228,609	4,238,971
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

¹ Compiled by the California Department of Finance - Economic Research Unit. Calendar year 2016 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, 2015.

**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
2007	\$ 131,731	\$ 131,731	\$ 157,990	\$ 157,028
2008	132,072	132,072	114,938	114,938
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

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 2015-2016	Percentage of Total Assessed Valuation 2015-2016 ¹
Pacific Gas & Electric Company	Gas & Electric Utility	\$260,292,585	0.71 %
Santa Cruz Seaside Company	Amusement Park	95,937,503	0.26
Watsonville Hospital	Hospital	60,672,139	0.17
Pacific Bell Telephone Co.	Telephone Utility	49,711,430	0.14
Bei-Scott Company, LLC	Property management	45,711,076	0.13
SC Beach Hotel Partners	Hotel operator	45,222,872	0.12
Cypress Point Real Estate Investors	Real Estate	45,097,348	0.12
Paradise Park Masonic Club Inc.	Housing Development	36,885,594	0.10
S Martinelli & Company	Beverage Producer	36,594,749	0.10
Lockheed Martin	Aerospace Company	35,566,458	0.10
Totals		<u>\$ 711,691,754</u>	<u>1.95 %</u>

Taxpayer	Type of Business	Assessed Value 2006-2007	Percentage of Total Assessed Valuation 2006-2007 ²
Pacific Gas & Electric Company	Gas & Electric Utility	\$161,199,707	0.57 %
Lone Star	Cement Manufacturer	75,060,423	0.26
NNN Enterprise Way LLC et al	Software producer	63,799,109	0.23
Macerich Partnership L P	Commercial Real Estate	63,263,622	0.22
Watsonville Hospital Corporation	Hospital	57,037,519	0.20
AT&T California	Telephone Utility	52,280,664	0.18
Santa Cruz Seaside Company	Amusement park	48,153,968	0.17
Cypress Point RE Investors LLC	Apartment complex	39,802,437	0.14
Seagate Technology	Electronic Manufacturer	39,231,837	0.14
George Ow, Jr. et al	Real Estate	36,599,349	0.13
Totals		<u>\$ 636,428,635</u>	<u>2.25 %</u>

Note: Principal taxpayer data for fiscal year 2015-2016 is derived from the 2015 tax roll, which was billed and collected during 2016.

Data for fiscal year 2006-2007 is derived from the 2006 tax roll, which was billed and collected during 2007.

¹Percentage of total assessed valuation for 2015-2016 is calculated from the total net assessed valuation of \$38,931,103,898.

²Percentage of total assessed valuation for 2006-2007 is calculated from the total net assessed valuation of \$31,015,641,586.

**COUNTY OF SANTA CRUZ
PRINCIPAL EMPLOYERS
CURRENT AND FIVE YEARS AGO**

Employer	Product/Service	Number of Employees 2015-2016 ¹	Percentage of Total Employment 2015-2016 ²
University of California at Santa Cruz	Education	1,000-4,999	2.14 %
Pajaro Valley Unified School District	Education	1,000-4,999	2.14
County of Santa Cruz	County Services	1,000-4,999	2.14
Dominican Hospital	Hospital	1,000-4,999	2.14
Santa Cruz Beach Boardwalk	Amusement/Recreation	1,000-4,999	2.14
CB North	Sports/Recreation Clubs	1,000-4,999	2.14
Dutra Farms	Grocery/Wholesale	1,000-4,999	2.14
Cabrillo College	Education	500-999	0.54
City of Santa Cruz	City Services	500-999	0.54
Watsonville Community Hospital	Hospital	500-999	0.54
West Marine	Retail	500-999	0.54
Plantronics	Telephone Apparatus Mfg.	500-999	0.54

Employer³	Product/Service³	Number of Employees 2011-2012 ³	Percentage of Total Employment 2011-2012 ³
University of California at 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 139,900 as reported by the EDD for June 2016.

³ Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2012.

**COUNTY OF SANTA CRUZ
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public Assistance										
Human Services Department										
Adult Protective Services										
Referrals received	936 ²	754 ¹	630	603	626	547	542	585	610	585
Investigations completed	816 ²	601 ¹	444	420	386	352	320	416	468	432
Family and Children's Services										
Annual referrals (families)	2,635 ²	2,727 ¹	2,591	2,457	3,200	2,870	2,624	3,096	3,093	2,979
Finalized adoptions	50 ²	45 ¹	72	58	51	41	32	42	41	43
Licensed foster homes (monthly average)	130 ²	125 ¹	113	106	112	105	100	109	124	123
Benefit Services										
Average number of Medi-Cal recipients	73,060 ²	64,344 ¹	44,600	37,971	31,624	30,786	28,998	27,487	26,655	25,427
Public Ways and Facilities										
Public Works										
Roads										
Miles of road maintained	600	600	600	600	600	600	600	600	600	600
Potholes repaired	3,750	3,994	4,130	3,700	4,500	3,552	2,500	2,500	3,500 ³	5,500
Minor culverts maintained	2,262	2,262	2,262	2,262	2,262 ⁴	1,010	2,000	2,000	2,000	2,200
Bridges and major culverts maintained	160	160	160	160	160	160	160	160	160	159
Traffic signs replaced/repared	1,377	1,238	1,452	1,463	1,516	1,850	1,029	1,400	1,475	2,200
Miles of street swept	518	381	1,607	1,800	1,555	1,465	4,000	4,500	5,000	5,000
Sanitation										
Miles of pipe maintained	245	244	236	236	230	230	230	222	222	222
Maintenance call responses	209	319	100	138	168	182	238	216	272	501
Landfill										
Waste generated (tons)	155,789	172,555	166,594	139,529	138,448	139,365	153,873	164,717	183,993	229,877
Waste disposed (tons)	91,399	83,642	79,292	60,974	61,503	71,470	71,701	76,203	77,745	99,423
Recreation and Cultural Services										
Parks, Open Space and Cultural Services										
Facility bookings	6,716	7,621	7,532	6,877	6,114	5,545	5,942	5,772	6,114	7,389
Recreation registrations	7,295	6,720	6,831	6,218	6,165	6,273	5,518	5,888	4,982	4,898
Swim admissions	178,882	178,289	158,573	130,059	77,022	76,334	90,771	86,834	82,800	78,126

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 2015-2016 Proposed Budget.

³ Prior periods reported a range which has been averaged here.

⁴ Prior period restated here consistent with Capital Assets Statistics by Function.

⁵ Current period includes admissions for Parks, Open Space, and Cultural Services-sponsored programs and private parties. Prior periods included only admissions for Parks, Open Space, and Cultural Services-sponsored programs.

**COUNTY OF SANTA CRUZ
OPERATING INDICATORS BY FUNCTION, CONTINUED
LAST TEN FISCAL YEARS**

Function	Fiscal Year										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	
Public Protection											
Agricultural Commissioner											
High risk quarantine inspections	1,400 ²	1,347 ¹	1,293	1,569	1,450	1,669	1,900	2,800	2,640	2,894	
District Attorney											
Criminal Prosecution											
Felony filings	1,757 ²	2,113 ¹	2,703	2,322	2,164	2,169	2,457	2,155	2,128	2,210	
Juvenile filings	817 ²	413 ¹	652	709	799	503	594	731	1,046	813	
Consumer Affairs											
Number of calls received	1,821 ²	2,143 ¹	2,040	2,410	2,345	2,410	2,622	2,880	2,960	3,008	
Number of written complaints received	127 ²	129 ¹	121	195	272	302	462	288	440	375	
Planning											
Building permits issued	4,532 ²	4,097 ¹	3,487	3,446	2,899	2,787	2,463	2,611	3,162	3,651	
Building permit inspection sites visited	10,800 ²	10,084 ¹	9,081	8,700	8,601	7,620	7,093	9,353	10,061	11,862	
Code compliance cases resolved	90 ²	105 ¹	77	112	249	228	400	574	1,192	871	
Probation											
Juvenile division referrals	n/a ³	1,220	1,074	1,160	1,453	1,613	1,649	2,323	2,378	2,411	
Juvenile division petitions filed	n/a ³	569	430	445	637	851	880	1,166	1,148	1,260	
Juvenile court investigations	n/a ³	60	62	54	96	110	116	178	183	218	
Public Defender											
Total cases	10,800 ²	10,445 ¹	10,910	11,268	10,731	10,311	10,805	12,385	12,455	12,642	
Sheriff/Coroner (Investigation Division)											
Total cases reviewed	n/a ³	10,471	10,425	10,686	10,989	11,660	12,535	12,929	12,617	12,529	
Total arrests	n/a ³	168	216	188	98	269	307	238	254	347	
Detention											
Main jail bookings	11,305	10,964	10,487	9,658	10,699	12,274	12,716	13,576	12,941	13,479	
Weights and Measures											
Establishments visited	1,200 ²	1,039 ¹	1,237	1,043	1,027	1,139	1,500	1,742	1,836	2,093	
Special District											
Mosquito Abatement/Vector Control CSA #53											
Mosquito inspections	4,000 ²	4,208 ¹	2,995	3,342	3,885	4,500	5,515	5,515	4,396	4,462	

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 2015-2016 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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
COUNTY ADMINISTRATIVE OFFICE	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	22.00
AGRICULTURAL COMMISSIONER ¹	21.00	22.00	22.00	19.75	19.70	19.60	19.40	19.40	20.40	16.40
MOSQUITO ABATEMENT/VECTOR CONTROL	8.00	8.00	9.00	9.00	8.00	8.00	8.00	9.00	9.00	10.00
AGRICULTURAL EXTENSION	2.00	2.00	2.00	1.75	1.00	1.00	1.00	1.00	1.00	1.00
ASSESSOR	38.00	38.00	37.50	35.50	33.50	33.25	33.25	33.25	33.25	29.00
AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR ²	29.50	29.50	29.50	29.00	29.00	29.00	29.00	29.00	30.00	42.75
BOARD OF SUPERVISORS	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
RECORDER	13.00	13.00	11.00	11.00	11.00	11.00	11.00	11.00	9.00	9.00
COUNTY CLERK/ELECTIONS	12.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00
COUNTY COUNSEL	19.50	19.50	19.00	18.50	18.50	18.50	18.50	18.50	18.50	18.50
DISTRICT ATTORNEY	85.50	91.50	92.50	92.50	90.50	89.50	89.50	89.50	90.50	94.00
CHILD SUPPORT SERVICES	68.50	69.50	66.50	66.50	65.50	62.00	63.00	64.00	61.00	59.00
EMERGENCY SERVICES	1.75	2.00	3.75	2.00	2.00	2.00	2.00	2.00	2.00	2.00
FIRE MARSHALL	1.55	2.30	-	-	-	-	-	-	-	-
GENERAL SERVICES	11.00	11.00	9.00	9.00	9.00	8.80	8.80	8.80	8.80	8.00
FACILITIES MAINTENANCE	38.00	47.75	47.00	47.00	44.00	44.00	44.00	44.00	44.00	42.00
CENTRAL STORES/DUPLICATING	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
PURCHASING	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00
SERVICE CENTER	6.00	6.00	6.00	6.00	5.00	5.00	5.00	5.00	5.00	5.00
HEALTH SERVICES	647.75	661.05	526.55	486.50	498.25	522.00	508.05	512.40	526.95	534.30
HUMAN SERVICES	511.10	527.60	463.00	445.50	434.50	435.50	441.00	489.50	515.00	574.50
VETERANS SERVICES	5.00	5.00	4.00	4.00	4.00	4.00	3.00	4.00	4.00	4.00
INFORMATION SERVICES/TELEPHONE	78.25	78.25	76.25	65.00	65.00	64.00	64.50	64.50	64.50	57.00
INFORMATION SERVICES/COMM. TECH.	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	7.00
PARKS OPEN SPACE & CULTURAL SERVICES	53.75	57.00	56.00	47.50	42.10	29.80	34.80	33.80	40.80	44.75
PERSONNEL	23.50	27.50	27.50	25.50	24.50	24.25	24.25	24.50	26.50	25.00
RISK MANAGEMENT	10.75	10.75	10.75	12.00	11.00	11.00	11.00	11.00	11.00	12.00
PLANNING	99.25	100.00	100.00	87.25	75.60	63.25	66.00	66.00	65.25	64.00
PROBATION	90.00	101.00	94.00	81.00	77.00	77.50	93.75	98.25	93.25	91.25
JUVENILE HALL	31.00	31.00	31.00	30.50	30.50	30.50	30.50	30.50	30.50	30.50
PUBLIC WORKS	303.50	300.50	290.00	274.00	272.50	272.50	267.50	267.50	267.50	256.00
RDA	13.00	14.00	14.00	22.00	22.00	1.00	1.00	1.00	0.00	0.00
SHERIFF-CORONER	172.75	177.25	176.25	173.75	170.75	171.00	171.00	170.00	173.00	173.00
CORRECTIONS	144.00	148.00	168.00	165.25	155.00	156.50	164.50	145.00	149.00	151.00
COURT SECURITY	24.00	26.00	26.00	26.00	25.00	24.00	24.00	24.00	24.00	24.00
TREASURER-TAX COLLECTOR ²	16.25	16.25	16.75	14.75	13.50	13.50	13.50	13.50	13.75	0.00
TOTAL	2,627.15	2,705.20	2,496.80	2,370.00	2,318.90	2,292.95	2,311.80	2,350.90	2,398.45	2,443.95

¹ Weights and Measures was incorporated-into the Agricultural Commissioner

² 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, 2016**

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
Watercraft 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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
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	1	1	1	1	1	1	1	1	1	1
Courthouses	2	3	3	3	3	3	3	3	3	2
Morgue	1	1	1	1	1	1	1	1	1	1
Center for Public Safety	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	-	-	-	-	-	-	-
Recreation and culture										
Parks acreage	228	228	228	226	225	223	223	223	223	223
Sites	60	60	60	59	59	57	57	57	57	55
Athletic fields	17	17	17	17	17	17	17	17	17	17
Swimming pools	4	4	4	4	4	4	4	4	2	2
Public ways and facilities										
Roads										
Pavement (miles)	600	600	600	600	600	600	600	600	600	600
Junction structures	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Minor culverts	2,262	2,262	2,262	2,262	2,262	1,010	2,000	2,000	2,000	2,200
Bridges and major culverts	160	160	160	160	160	160	160	160	160	159
Sanitation										
Pipe (miles)	245	244	236	236	230	230	230	222	222	222
Pump stations/treatment plants	63	64	63	63	62	62	62	62	62	62
General government										
Administrative/other facilities ¹	12	12	12	11	11	10	10	10	10	10

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.

UNQUALIFIED 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).