



**THE COUNTY OF SANTA CRUZ
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017**

Prepared Under the Direction of Edith Driscoll
Auditor-Controller-Treasurer-Tax Collector

DAVENPORT

At Santa Cruz County's northernmost end lies the quaint town of Davenport, boasting long pale beaches, breathtaking open spaces, and a history that reflects the adaptability of the town and its residents. Davenport was built by the logging industry, which flourished in the late 19th century. Initially, lumberjacks constructed a 400 ft. wharf at the foot of the town, allowing huge redwood logs to be loaded on steam ships and transported up and down the coast. Eventually the area around the wharf filled with silt making the log transportation activities unworkable. Despite a slow downturn, the logging industry is still present in Davenport, with Big Creek Lumber's sawmill operations still churning out timber today. The 20th century brought the construction of a cement plant in Davenport which was owned and operated by a variety of companies over the years and produced concrete used in construction of such iconic structures as Pearl Harbor, the Golden Gate Bridge, and the Panama Canal. In 2010, the owner of the plant, Cemex, shuttered the doors of the cement plant permanently. But where industry has flagged, the natural beauty of the surrounding area has moved in, drawing tourists and nearby residents alike year round. Much of the area around Davenport has been converted to public protected land which will preserve the beauty of Santa Cruz County's northern reaches for generations to come.

Photo by Neil Simmons Photography

County of Santa Cruz, California

*Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2017*

Prepared Under the Direction of
Edith Driscoll
Auditor-Controller



**COUNTY OF SANTA CRUZ
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 JUNE 30, 2017**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i
Organization Chart	xi
Directory of Public Officials	xii
Certificate of Achievement for Excellence in Financial Reporting – Government Finance Officers Association	xiii
FINANCIAL SECTION	
Independent Auditor’s Report	3
Management’s Discussion and Analysis.....	7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	25
Statement of Activities.....	26
Fund Financial Statements:	
<i>Governmental Funds Financial Statements:</i>	
Balance Sheet – Governmental Funds	33
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.....	34
Statement of Revenues, Expenditures, and Changes in Fund Balances	35
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities.....	36
<i>Proprietary Funds Financial Statements:</i>	
Statement of Fund Net Position	39
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	40
Statement of Cash Flows.....	42
<i>Fiduciary Funds Financial Statements:</i>	
Statement of Net Position	47
Statement of Changes in Net Position.....	49
Notes to Basic Financial Statements	55
Required Supplementary Information:	
Budgetary Principles	112
Budgetary Comparison Schedules:	
General Fund.....	114
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures.....	123
Housing Fund	124
Schedule of Changes in the Net Pension Liability and Related Ratios	125
Schedule of Contributions	129
Other Post-Employment Obligations – Schedule of Funding Progress	133

FINANCIAL SECTION (Continued)

Supplementary Information:

Nonmajor Governmental Funds:

Fund Statements and Schedules:

Balance Sheet	141
Statement of Revenues, Expenditures, and Changes in Fund Balances	142

Budgetary Comparison Schedule:

Major Fund – Capital Projects Fund	143
--	-----

Nonmajor Special Revenue Funds:

Combining Balance Sheet	146
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	148

Budgetary Comparison Schedules:

Library Special Revenue Fund	150
Fire Special Revenue Fund	151
Off-Highway, Road, and Transportation Special Revenue Fund	152
Fish and Game Special Revenue Fund	153
Park Dedication and State Park Bonds Special Revenue Fund	154
Health Services Special Revenue Fund	155
Santa Cruz Flood Control and Water Conservation Zone 7 Special Revenue Fund	156
Districts Governed by the Board of Supervisors:	
Public Protection Special Revenue Fund	157
Health and Sanitation Special Revenue Fund	158
Recreation and Culture Services Special Revenue Fund	159
Public Ways and Facilities Special Revenue Fund	160

Nonmajor Enterprise Funds:

Combining Statement of Net Position	162
Combining Statement of Revenues, Expenses, and Changes in Net Position	164
Combining Statement of Cash Flows	166

Internal Service Funds:

Combining Statement of Net Position	172
Combining Statement of Revenues, Expenses, and Changes in Net Position	174
Combining Statement of Cash Flows	176

Fiduciary Funds:

Combining Statement of Net Position – Agency Funds	183
Combining Statement of Changes in Net Position – Agency Funds	184
Santa Cruz County Redevelopment Successor Agency Statement of Net Position – Private Purpose Trust Fund	185
Santa Cruz County Redevelopment Successor Agency Statement of Changes in Net Position – Private Purpose Trust Fund	186

STATISTICAL SECTION (UNAUDITED)

Net Position by Component	188
Government-Wide Changes in Net Position	189
Fund Balances of Governmental Funds	191
Change in Fund Balances of Governmental Funds	192
General Fund Tax Revenues by Source	193

STATISTICAL SECTION (UNAUDITED) (Continued)

Property Tax Levies and Collections.....	194
Assessed Value of Taxable Property and Actual Value of Property.....	195
Property Tax Rates – Direct and Overlapping Governments.....	196
Ratios of Outstanding Debt by Type.....	197
Computation of Legal Debt Margin.....	198
Statement of Direct and Overlapping Debt.....	199
Outstanding Debt of the Public Financing Authority.....	200
General Information.....	201
Property Value, Construction, and Bank Deposits.....	202
Special Assessment Billings and Collections.....	203
Principal Taxpayers.....	204
Principal Employers.....	205
Operating Indicators by Function.....	206
Budgeted Positions.....	208
Schedule of Insurance in Effect.....	209
Capital Assets Statistics by Function.....	210
Glossary (Unaudited).....	213



INTRODUCTORY SECTION





COUNTY OF SANTA CRUZ

EDITH DRISCOLL
AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR
701 OCEAN STREET, SUITE 100, SANTA CRUZ, CA 95060-4073
(831) 454-2500 FAX (831) 454-2660

December 28, 2017

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, 2017 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) Uniform Guidance 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 reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

PROFILE OF THE COUNTY

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

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

Santa Cruz is located on the Central Coast of California, and is bordered by San Mateo County to the North, Santa Clara County to the East, San Benito and Monterey Counties to the South and the Monterey Bay National Marine Sanctuary to the West. The County of Santa Cruz is the second smallest county in California in terms of land mass and the 23rd of 58 counties in terms of population. The County's population is 276,603. 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, the objective of which 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. Assessed values reversed their declines from the recession beginning in Fiscal Year 2013-2014, which included the recapture of some of the market value reductions in real estate in prior years.

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 5.16% in 2016-2017 and have had a positive increase for the last four years with an annual average growth over the last five years of 5.66%. 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 increased by 1.79% in fiscal year 2016-2017, however, the total increase over the last five years reflects an 8.32% 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 \$2.8 million in taxes in 2016-2017.

Tourism is important to the local economy. Transient Occupancy Tax (TOT) collections, which comprise approximately 5.9% of the County's total tax revenues, have increased an average of 14.76% over the past five years, with an increase in fiscal year 2016-2017 of 12.96%. 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 274,673 as of July 1, 2016, increasing by 12,311 residents or 4.7% since the April 2010 Census. The County's unemployment rate at June 30, 2017, was 6.9%, 0.06% lower than it was one year ago at 7.5%, and much lower than the high of 13.3% in 2011-2012.

The County's General Fund revenues increased by \$20.6 million from \$422.0 million in fiscal year 2015-2016 to \$442.6 million in fiscal year 2016-2017, an increase of approximately 4.9%. There were revenue increases in taxes, licenses and permits sold, fines, forfeits and penalties, as well as charges for services which increased primarily due to outpatient clinic fees and other patient revenues. Intergovernmental revenue increased by \$1.0 million primarily due to Assembly Bill 109, the Public Safety Realignment Act.

The County General Fund increased its expenditures by \$19.6 million from \$412.3 million in fiscal year 2015-2016 to \$431.9 million in fiscal year 2016-2017, approximately 4.7%. The increases were primarily in General Government, Public Protection, Health and Sanitation and Recreation and Cultural Services. The increased expenditures in the health and human services program have relied on considerable growth in federal and state grants.

Long Term Financial Planning

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

- Total General Fund balance was \$55.8 million at June 30, 2017, an increase of \$4.1 million from \$51.7 million at June 30, 2016.
- General Fund committed and assigned designations totaled \$55.1 million at June 30, 2017, an increase of \$12.2 million from \$42.9 million at June 30, 2016, not including \$6.3 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, 2017, of \$55.1 million (excluding liabilities and the amount assigned to fund the fiscal year 2017-2018 budget) were at 9.8% of fiscal year 2017-2018 budgeted revenues.

The County's fiscal year 2017-2018 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 2017-2018 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 2016-2017.

The independent California Legislative Analyst's Office (LAO) projected a \$2.0 billion operating deficit (revenues less expenditures) in fiscal year 2016-2017, resulting in a \$7.5 billion reserve at June 30, 2017. For the following fiscal year 2017-2018, the LAO is projecting \$2.0 billion surplus, resulting in a \$11.5 billion reserve at June 30, 2018. The LAO estimates that revenues and transfers will increase \$8.1 billion, or 6.8%, in 2017-2018 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 0.61% on its investments for the year ended June 30, 2017, following gains of 2.4%, 18.40%, 12.5%, 1.0%, and 20.7% in the five prior years.

CalPERS stated long-term 20-year investment return remains at 7.5%. 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 9.74% in 2017, and will increase by 3.71% for 2018.

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, with the assistance from the Information Services Department, launched a Transient Occupancy Tax and Cannabis Business Tax online payment system to streamline the payment of those taxes online rather than mailing or dropping off in person the payment of these taxes. The Office held a successful sale of tax delinquent properties in March 2017.
- The County Administrative Office (CAO) and the Clerk of the Board (COB) transitioned to new leadership due to the retirement of the CAO after 28 years. The CAO continued to provide oversight for County Departments, ensure the effective operation of County

programs and initiatives, and identify and pursue new cost-savings and sources of revenue. In addition, the Office extended its public outreach efforts, joined with partners across the County and the Monterey Bay region to create successful partnerships that benefit residents, and oversaw the establishment and advancement of two new County divisions, Cannabis Licensing and Economic Development. In addition, the CAO created a new budget document and provided a new online tool to provide greater depth of information and clarity, refinanced bonds saving millions of dollars, and increased the general fund reserve to 10%. The Clerk of the Board improved electronic access to Board agendas and materials, advanced our efforts to become paperless and provided services to various County boards and commissions.

- The County Clerk/Elections Department conducted the November 8, 2016 Presidential General Election, as well as the August 30, 2016 Branciforte Fire Protection District Special Election and the March 7, 2017 Lakeside School District Special Election. Furthermore, we held four Passport Saturdays and conducted 18 weddings on Valentine's Day, in addition to our daily passport and wedding services.
- 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 406 document submitters which allows for quicker receipt of recordable documents.
- The Child Support Services Department continued to expand payment options for our customers and now has a TouchPay Kiosk in its office lobby in addition to our other payment options which include MoneyGram located in CVS stores and PayNearMe located in 7-Eleven stores. In an effort to increase efficiencies and provide more rapid service to customers, the department will implement e-filing of documents with the Superior Court in November of this year. In fiscal year 2016-2017, 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 the County Counsel recently led the revision of the County's Public Records Act policies and continues to work heavily on the development of the County's cannabis licensing program and regulatory scheme. The Office worked on the creation of the Monterey Bay Community Power JPA and has successfully litigated a number of cases over the last year, obtaining judgments and administrative decisions favorable for the County in the areas of land use, child protective services, and public employment. The Office continues to represent the County in the defense of general civil litigation at all stages of case presentation.
- The District Attorney's Office (DAO) faced a significant number of complex cases, including homicides and other violent felonies which occurred and went to trial. The DAO also resumed leadership of the Santa Cruz County Anti-Crime Team (SCCACT) and continued to be 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. The District Attorney's Office also continues to lead and staff the Bob

Lee Community Partnership for Accountability, Connection and Treatment (PACT). Our Office is currently collaborating with Health and Human Services and other stakeholders about redesigning that program to better leverage available resources. Finally, the DAO was successful in implementing its goal of establishing a Multi-Disciplinary Interview Center (MDIC) to ensure an organized, effective team response to cases of child sexual and physical abuse. This concept ensures that child victims are only interviewed once instead of reliving his or her story and trauma multiple times as they are taken from agency to agency.

- The General Services Department continues its efforts in furthering the goals of the Climate Action Strategy by partnering with Monterey and San Benito Counties and 16 cities within to form Monterey Bay Community Power Authority. The Facilities Division's work included implementing additional energy efficiency projects including installing LED lighting at the Government Center and the installation of rooftop and carport solar panels at seven County sites. In collaboration with the Parks Department, the General Services Department completed the Eagle Ridge Reroof Project, Polo Grounds Electrical Upgrade and Aldridge Court Resurface Project as well as building improvements at 1040 and 1020 Emeline.
- 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 Park Facilities, Recreation and Arts throughout the community. The department managed major capital improvement projects which were completed in 2016-17, including the Polo Grounds Park restroom/concession building, Seascape Park renovation, turf renovations at four parks, Aldridge Lane Park court resurfacing, and Brommer Park court renovation, adding Pickleball courts.
- The Information Services Department (ISD) received the Innovation Award from the California County Information Services Directors Association (CCISDA) at its October 2016 conference for the Neighborhood Video Partnership application built to support the County of Santa Cruz Sheriff's Office 21st Century Policing Initiative. Affecting almost every department in the County, ISD upgraded hundreds of desktop PCs to Windows 10 in less than 6 months to take advantage of Microsoft's free operating system upgrade. The GIS division within ISD processed close to 1 TB of new Aerial Imagery data which is available via the GIS open data portal.
- The Planning Department work efforts during the past year included preparation of an Environmental Impact Report for the proposed Commercial Cannabis Cultivation and Manufacturing Regulations and Licensing Program, with adoption of the Program to be considered in early 2018. Amendment of the County Code to implement new State laws that remove obstacles to the creation of Accessory Dwelling Units was completed, while additional work to complete Guidance documents and identify further code amendments to assist homeowners was ongoing, with completion anticipated by the end of 2017. Further refinements to the County's Vacation Rental (VR) regulations were completed, including addition of Davenport/Swanton as a Designated Area, establishing a 5-year term for all permits, and increasing permit requirements for VRs of 4 or more bedrooms. Consultants were hired to assist with creation of Pleasure Point Commercial Area Vision and Guiding Principles, County Commercial and Mixed Use Design Guidelines, and a Portola Drive Street and Streetscape Design Concept. The disposition process for the

Harper Street affordable housing real property asset was carried out, with Habitat for Humanity selected as the developer and Guiding Principles adopted by the Board of Supervisors for development of the site with affordable housing units. Grants totaling \$2 million were awarded for providing First Time Homebuyer and Tenant Based Rental Assistance funds. The department also administered contracts that provided funding assistance to the new St. Stephens (40 units) and Pippin Orchard (26 units) affordable housing projects constructed during the year.

- The Probation Department promotes public safety, reduces recidivism, and supports victims and all those impacted by crime. In partnership with our community, we provide balanced supervision, accountability, and opportunities for positive change through results driven practices.

The department is an integral part of the criminal justice system and is responsible for services required by the Courts. These services include custody alternative programs, probation supervision, collections, post-trial alternative custody and juvenile detention. The department is staffed by 127.25 employees who are organized around three service divisions: Adult, Juvenile, and Juvenile Hall. In 2016, the department completed a five-year Strategic Plan which resulted in our new mission statement and three strategic priorities: Operational Excellence, Public Safety, and Staff Development & Engagement. The strategic plan will guide our efforts to remain a data driven and innovative department.

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 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, and the 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, County road and sanitation service areas, and the Live Oak Parking Program.
- The Sheriff's Office implemented a Body Worn Camera program in 2016-2017 for all front-line patrol personnel. This program required the purchase and deployment of over 120 cameras as well as management of the resultant footage to ensure timely transmittal to the District Attorney's Office for prosecution and internal auditing and review.

The Rountree Reentry and Rehabilitation Facility is nearing completion and expected to open in March 2018. The construction for this project was funded by a \$25 million grant from the California Board of State and Community Corrections. This newly completed facility will allow us to better serve the needs of long-term inmates in developing pro-social and basic life skills to facilitate their return to society.

The grant funding for the Recovery Center is ending and the Sheriff's Office is committed to maintaining the facility as an effective diversionary tool for jail bookings. The center diverts about 20% of low-level alcohol offenses from the jail and provides the offenders with a safe, medically supervised environment to sober up with a subsequent referral for further services and treatment options.

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

Over 200,000 health visits were provided to approximately 90,000 Santa Cruz residents. Environmental Health provided 8,035 inspections as well as provided oversight of site monitoring and clean-up activities at 91 contaminated properties.

HSA is the recipient of multiple capital improvement grants totaling over \$6 million that are being used to expand service capacity for the Medi-cal population for both Watsonville and Santa Cruz locations.

- 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 93,774 people within the County struggle with poverty, 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). Legislative changes repealed the Maximum Family Grant (MFG), allowing CalWORKs families to receive cash assistance for children who were not previously aided.

Within the Family and Children's Services division, phase I of the Continuum of Care Reform (CCR), which significantly changed child welfare service delivery, was implemented in January 2017 with phase II implementation beginning December 2017. This change in congregate care requires a strong emphasis on placing children and youth in family-based care with individualized mental health plans as appropriate. The department will continue to meet with stakeholder groups to plan and prepare and create new resources.

Lastly, the department's In-Home Supportive Services (IHSS) program which provides in-home care to the needy and disabled has undergone significant changes with regards to the County Maintenance of Effort funding structure. Wage and benefit negotiations are ongoing between the County and IHSS providers.

- The Personnel Department has focused their efforts towards: 1) achieving long-term collective bargaining agreements with labor unions and associations, 2) expanding the on-line "Santa Cruz County Learns" Training Program to all County employees, 3)

modernizing New Employee Orientation to an on-line forum that provides relevant resources for new employees, and 4) retooling recruitment strategies to incorporate talent focused acquisition.

OTHER INFORMATION

State statutes require an annual audit by independent Certified Public Accountants. The firm of Brown Armstrong Accountancy Corporation was selected to audit the financial statements of the County's various funds and account groups, and has issued an unmodified ("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 Uniform Guidance. The auditor's report on the financial statements is included in the financial section of this report. The auditor's 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, 2016. 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

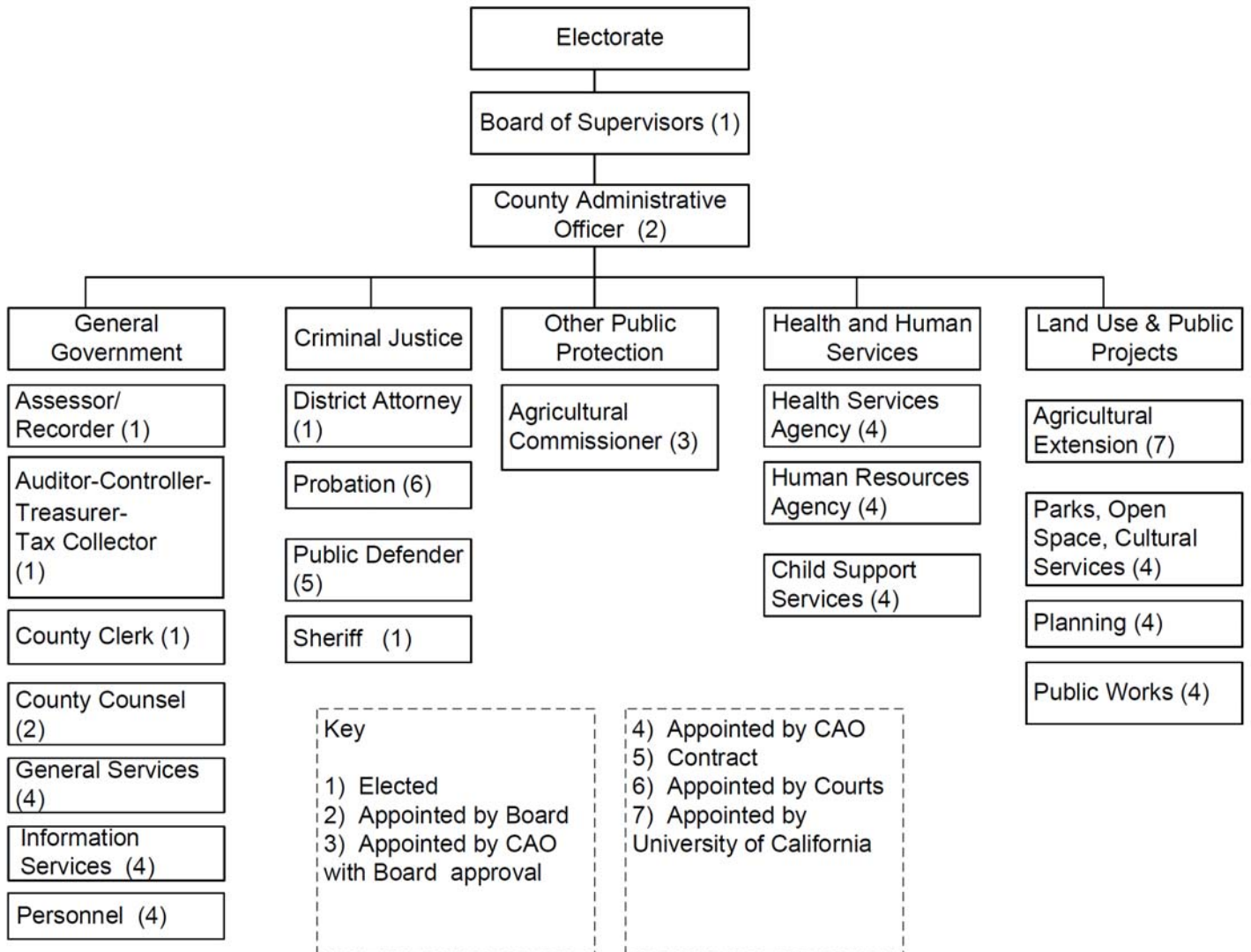
I wish to express my appreciation to my Accounting Division and Audit Division, the County departments that participated in the audit process, and Brown Armstrong Accountancy Corporation for their contributions, assistance, and guidance in the preparation of this report.

Respectfully submitted,



Edith Driscoll
Auditor-Controller-Treasurer-Tax Collector

COUNTY OF SANTA CRUZ



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	Anna M. Caballero	December 2018
U.S. Congressman, 20 th District	Jimmy Panetta	January 2019
U.S. Senator	Dianne Feinstein	January 2019
U.S. Senator	Kamala Harris	January 2023
U.S. Congresswoman, 18 th District	Anna G. Eshoo	January 2019
Assessor-Recorder	Sean Saldavia	January 2019
Auditor-Controller-Treasurer-Tax Collector	Edith Driscoll	January 2019
County Clerk-Elections	Gail Pellerin	January 2019
District Attorney-Public Administrator	Jeff Rosell	January 2019
Sheriff-Coroner	Jim Hart	January 2019

Appointed Officers

Administrative Officer	Carlos J. Palacios
Agricultural Commissioner	Juan Hidalgo
County Counsel	Dana McRae
Director of Agricultural Extension	Mark Bolda
Director of Child Support Services	Jamie Murray
Director of General Services	Nancy Gordon
Director of Information Services	Kevin Bowling
Director of Human Services Department	Ellen Timberlake
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
Veterans' 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

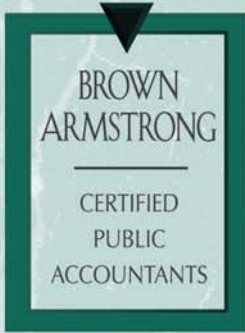
June 30, 2016

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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2017, 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.

BAKERSFIELD OFFICE (MAIN OFFICE)

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

FRESNO OFFICE

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

LAGUNA HILLS OFFICE

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

STOCKTON OFFICE

5250 CLAREMONT
AVENUE
SUITE 150
STOCKTON, CA 95207
TEL 209.451.4833

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 112-124, the County's Retirement Plans' Schedule of Changes in the Net Pension Liability and Related Ratios and the Schedule of Contributions on pages 125-132, and Other Postemployment Benefit (OPEB) schedules of funding progress on page 153 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 nonmajor 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 nonmajor 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 nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

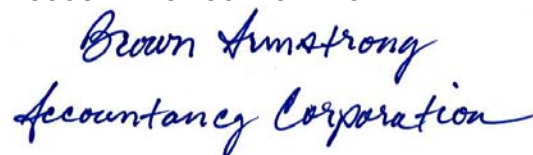
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and schedules and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2017, 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 28, 2017

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

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

MANAGEMENT'S DISCUSSION AND ANALYSIS



**COUNTY OF SANTA CRUZ
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the County exceeded liabilities plus deferred inflows of resources at the close of the 2017 fiscal year by \$197,135,408 (*net position*). Of this amount, \$(357,785,230) is unrestricted, \$57,740,130 is restricted for specific purposes (*restricted net position*), and \$497,180,508 is the net investment in capital assets.
- The County's total net position increased by \$11,503,852. This increase was primarily due to the County's General Revenues of \$146.7 million exceeding the net operating expense of \$135.2 million.
- As of June 30, 2017, the County's governmental funds reported combined ending fund balances of \$171,943,077, a decrease of \$4,562,364 in comparison with the prior year. Revenues increased by approximately \$33.7 million, \$10.3 million from taxes, \$1.4 million from licenses and permits, \$16.9 million from Federal and State Aid, and \$6.4 million from charges for services. Expenditures increased by \$39.7 million. Increases in expenditures for salaries and employee benefits of \$14.8 million accounted for the largest portion of the increase. Expenditures for services and supplies increased by \$5.3 million and other charges increased by \$3.6 million. Part of the change was a result of additional capital outlay of \$7.3 million.
- At the end of the fiscal year, the general fund reported an ending fund balance of \$55,790,885, of which \$703,306 was nonspendable, \$18,000,000 was committed, \$37,159,038 was assigned, and \$(71,459) 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 Supervisors 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 (Sanitation District) is reported as a discretely presented component unit of the County. The Sanitation 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 25-27 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 Supervisors 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 53-109 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 Fund, 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 112-133 of this report.

Combining Statements and Schedules

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

	Analysis of Net Position						Dollar Change
	Governmental Activities		Business-Type Activities		Total		
	2017	2016	2017	2016	2017	2016	
Assets:							
Current and other assets	\$ 332,947,589	\$ 311,584,401	\$ 18,869,848	\$ 18,056,250	\$ 351,817,437	\$ 329,640,651	\$ 22,176,786
Capital assets	538,883,944	523,811,841	27,452,539	28,681,397	566,336,483	552,493,238	13,843,245
Total assets	871,831,533	835,396,242	46,322,387	46,737,647	918,153,920	882,133,889	36,020,031
Deferred outflows of resources	129,914,913	76,241,498	2,266,694	1,349,869	132,181,607	77,591,367	54,590,240
Liabilities:							
Current and other liabilities	165,031,196	138,499,186	1,238,148	1,319,588	166,269,344	139,818,774	26,450,570
Long-term liabilities	619,786,775	540,332,568	20,067,225	18,548,908	639,854,000	558,881,476	80,972,524
Total liabilities	784,817,971	678,831,754	21,305,373	19,868,496	806,123,344	698,700,250	107,423,094
Deferred inflows of resources	46,230,451	74,068,177	846,324	1,325,273	47,076,775	75,393,450	(28,316,675)
Net position:							
Net investment in capital assets	476,456,050	468,998,543	20,724,458	28,466,343	497,180,508	497,464,886	(284,378)
Restricted	57,359,492	63,879,879	380,638	389,781	57,740,130	64,269,660	(6,529,530)
Unrestricted	(363,117,518)	(374,140,613)	5,332,288	(1,962,377)	(357,785,230)	(376,102,990)	18,317,760
Total net position	\$ 170,698,024	\$ 158,737,809	\$ 26,437,384	\$ 26,893,747	\$ 197,135,408	\$ 185,631,556	\$ 11,503,852

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 \$197,135,408 at the close of the 2016-2017 fiscal year.

The portion of the County's net investment in capital assets, \$497,180,508 (252%), reflects its investment in capital assets (e.g., land, building and structures, and equipment) less accumulated depreciation, less the related debt 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, \$57,740,130 (29%), represents resources that are subject to external restrictions on how they may be used. Of the total, 29% is restricted for capital asset acquisition, 48% is dedicated to public roads and facilities, 14% 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 \$(357,785,230) increased by \$18,317,760 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 other post-employment benefit (OPEB) obligations, due to the implementation of Governmental Accounting Standards Board (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	%
	2017	2016	2017	2016	2017	2016		
Revenues								
Program Revenues:								
Charges for services	\$ 92,492,686	\$ 84,244,859	\$ 15,637,513	\$ 14,763,104	\$ 108,130,199	\$ 99,007,963	\$ 9,122,236	9.2%
Operating grants and contributions	261,567,078	244,015,870	342,089	489,547	261,909,167	244,505,417	17,403,750	7.1%
Capital grants and contributions	8,192,673	8,797,922	327,377	128,950	8,520,050	8,926,872	(406,822)	-4.6%
General Revenues:								
Property taxes	107,283,370	100,143,100	31,861	29,005	107,315,231	100,172,105	7,143,126	7.1%
Other taxes	27,409,953	24,256,363	-	-	27,409,953	24,256,363	3,153,590	13.0%
Investment earnings	3,740,469	4,096,111	(231,747)	(170,079)	3,508,722	3,926,032	(417,310)	-10.6%
Miscellaneous	7,572,873	9,459,671	719,834	332,031	8,292,707	9,791,702	(1,498,995)	-15.3%
Gain on sale of assets	6,450	97,990	-	-	6,450	97,990	(91,540)	-93.4%
Total revenues	508,265,552	475,111,886	16,826,927	15,572,558	525,092,479	490,684,444	34,408,035	7.0%
Expenses:								
General government	43,566,451	35,068,404	-	-	43,566,451	35,068,404	8,498,047	24.2%
Public protection	157,414,434	141,369,586	-	-	157,414,434	141,369,586	16,044,848	11.3%
Public ways and facilities	24,715,771	28,271,471	-	-	24,715,771	28,271,471	(3,555,700)	-12.6%
Health and sanitation	123,519,200	114,208,716	-	-	123,519,200	114,208,716	9,310,484	8.2%
Public assistance	129,000,259	126,834,428	-	-	129,000,259	126,834,428	2,165,831	1.7%
Education	5,745,697	6,004,573	-	-	5,745,697	6,004,573	(258,876)	-4.3%
Recreation and cultural services	10,784,246	8,899,980	-	-	10,784,246	8,899,980	1,884,266	21.2%
Interest on long-term debt	2,210,128	2,763,791	-	-	2,210,128	2,763,791	(553,663)	-20.0%
County Disposal Sites CSA	-	-	13,283,158	12,017,848	13,283,158	12,017,848	1,265,310	10.5%
Boulder Creek CSA	-	-	308,098	362,488	308,098	362,488	(54,390)	-15.0%
Rolling Woods CSA	-	-	31,478	14,939	31,478	14,939	16,539	110.7%
Septic Tank Maintenance CSA	-	-	1,016,302	1,089,609	1,016,302	1,089,609	(73,307)	-6.7%
Freedom County Sanitation District	-	-	1,090,284	807,796	1,090,284	807,796	282,488	35.0%
Davenport Sanitation District	-	-	555,804	518,219	555,804	518,219	37,585	7.3%
Place De Mer CSA	-	-	30,243	38,231	30,243	38,231	(7,988)	-20.9%
Sand Dollar Beach CSA	-	-	246,684	236,652	246,684	236,652	10,032	4.2%
Trestle Beach CSA	-	-	62,131	45,085	62,131	45,085	17,046	37.8%
Summit West CSA	-	-	135	121	135	121	14	11.6%
Graham Hill CSA	-	-	8,124	10,552	8,124	10,552	(2,428)	-23.0%
Total expenses	496,956,186	463,420,949	16,632,441	15,141,540	513,588,627	478,562,489	35,026,138	7.3%
Revenues over expenditures	11,309,366	11,690,937	194,486	431,018	11,503,852	12,121,955	(618,103)	-5.1%
Transfers	386,892	-	(386,892)	-	-	-	-	0.0%
Change in net position	11,696,258	11,690,937	(192,406)	431,018	11,503,852	12,121,955	(618,103)	-5.1%
Net position, beginning of year	158,737,809	141,169,568	26,893,747	32,465,243	185,631,556	173,634,811	11,996,745	6.9%
Prior period adjustment	263,957	5,877,304	(263,957)	(6,002,514)	-	(125,210)	125,210	-100.0%
Net position, end of year	\$ 170,698,024	\$ 158,737,809	\$ 26,437,384	\$ 26,893,747	\$ 197,135,408	\$ 185,631,556	\$ 11,503,852	6.2%

Analysis of Change in Net Position

During the current fiscal year, the County's net position increased by \$11,503,852. This increase is explained in the governmental and business-type activity discussion below.

- **Governmental activities** increased the County's net position by \$11,960,215, accounting for 104% of the total \$11,503,852 increase in net position of the County. The County recorded a prior period adjustment in the amount of \$263,957 for the realignment of costs associated with long-term liabilities related to the County Disposal Sites CSA 9C.

Revenues increased by \$33.3 million from the prior year primarily due to increases in operating and capital grants and contributions of \$16.9 million. Property taxes increased by \$7.1 million, other taxes increased by \$3.2 million, and charges for services also increased by \$8.2 million primarily due to increases in medical and clinic charges.

- Expenses increased by \$33.7 million. The majority of increases were in public protection, which increased by \$16 million. General government increased by \$8.7 million and health and sanitation increased by \$9.3 million. Public assistance and recreation and cultural services also had moderate increases of \$2.2 million and \$1.9 million, respectively. All increases were primarily due to increases in salaries and benefits. However, public protection also saw significant increases in expenditures for services and supplies.

- **Business-type activities** had a decrease in net position of \$456,363 compared to the prior year. Expenses increased by \$1.5 million and revenues increased \$1.4 million. The difference in net position was partially due to a prior period adjustment of \$(263,957) resulting from the realignment of expenses related to the issuance of debt. The remainder was a result of a modest increase in expenses over revenue.

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 projects funds.

At June 30, 2017, the County's governmental funds reported combined ending fund balances of \$171,943,077, a decrease of \$4,562,364 in comparison with the prior year. The components of total fund balance are as follows (see Note 19 – Fund Balances).

- Nonspendable fund balance, \$62,261,154, consists of 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 \$475,193, (2) advances and loans of \$60,619,070, and (3) assets held for sale of \$1,166,891.
- Restricted fund balance, \$54,594,344, consists of amounts with externally imposed constraints put on their use by creditors, grantors, contributors, laws, regulations, or enabling legislation. Examples of restrictions on funds are those for (1) purpose of fund (i.e., flood control, library) of \$35,469,555, (2) debt service of \$2,378,349, and (3) amounts restricted for capital asset acquisition of \$16,746,440.
- Committed fund balance, \$18,000,000, consists of amounts for specific purposes determined by the Board of Supervisors, which include Natural Disasters of \$2,000,000, Working Capital of \$6,000,000, and Economic Uncertainty of \$10,000,000.
- Assigned fund balance of \$37,159,038 represents amounts that are intended for specific purposes and are established by the Board of Supervisors or an official or body delegated by the Board of Supervisors. Examples of assigned fund balances are (1) MBCP Credit Guaranty of \$272,727, (2) federally qualified health programs of \$14,229,750, (3) structural deficit of \$6,310,843, (4) projected budgetary deficit of \$6,310,843, (5) liabilities of \$2,000,000, (6) human services of \$1,969,278, and (7) salary savings of \$6,065,597.
- Unassigned fund balance is currently \$(71,459).

Revenues for governmental functions totaled \$508,881,577 in fiscal year 2016-2017, which represents an increase of \$33,655,480, or 7.1% from fiscal year 2015-2016. Expenditures for governmental functions totaling \$514,506,592 increased by \$39,752,549, or 8.4%, from fiscal year 2015-2016. In the fiscal year 2016-2017, expenditures for governmental functions exceeded revenues by \$5,625,015.

The General Fund is the primary operating fund of the County. At June 30, 2017, the General Fund's total fund balance was \$55,790,885, of which \$703,306 was nonspendable and \$55,087,579 was spendable. The spendable fund balance consists of \$18,000,000 in committed fund balance, \$37,159,038 in assigned fund balance, and \$(71,459) 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 12.9% 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, 2017, the Housing Fund's total fund balance was \$77,503,336, of which \$61,557,848 was nonspendable. The spendable (restricted) fund balance amount was \$15,945,488, a decrease of \$63,654,691 from the prior year. The decrease was primarily due to a reclassification of fund balance to nonspendable fund balance for advances, loans, and assets held for resale.

The Capital Projects Fund fund balance of \$7,654,906 was spendable (restricted) at June 30, 2017, an increase of \$864,132 from the prior year. The increase was due to increases in transfers in from other governmental funds and increases in revenue in excess of capital outlay expenses.

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

Revenues Classified by Source Governmental Funds					
	<u>2017</u>	<u>% of Total</u>	<u>2016</u>	<u>% of Total</u>	<u>Change</u>
Taxes	\$ 134,693,325	26.47%	\$ 124,399,463	26.18%	\$ 10,293,862
Licenses and permits	13,267,926	2.61%	11,880,505	2.50%	1,387,421
Fines, forfeits, and penalties	4,100,792	0.81%	3,630,182	0.76%	470,610
Use of money and property	3,622,536	0.71%	4,082,536	0.86%	(460,000)
Aid from other governments	269,759,749	53.01%	252,813,792	53.20%	16,945,957
Charges for services	75,123,968	14.76%	68,734,172	14.46%	6,389,796
Other	8,313,281	1.63%	9,685,447	2.04%	(1,372,166)
Total	<u>\$ 508,881,577</u>	<u>100.00%</u>	<u>\$ 475,226,097</u>	<u>100.00%</u>	<u>\$ 33,655,480</u>

Revenues increased \$33.7 million over the prior year. There was a \$10.3 million increase in taxes, consisting of \$6.6 million in property taxes, \$0.9 million in transient occupancy taxes, \$1.8 million in sales and use taxes, and the rest in various other taxes. Licenses and permits increased by \$1.4 million, aid from other governments increased by \$16.9 million, and charges for services increased by \$6.4 million. The majority of the increase in charges for services was outpatient clinic fees, which increased by \$5.7 million.

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

Expenditures Classified by Source Governmental Funds					
	<u>2017</u>	<u>% of Total</u>	<u>2016</u>	<u>% of Total</u>	<u>Change</u>
General government	\$ 33,188,505	6.45%	\$ 31,414,275	6.62%	\$ 1,774,230
Public protection	156,581,616	30.43%	146,434,409	30.84%	10,147,207
Public ways and facilities	34,217,089	6.65%	20,248,707	4.27%	13,968,382
Health and sanitation	122,842,428	23.88%	117,040,655	24.65%	5,801,773
Public assistance	129,505,276	25.17%	130,035,199	27.39%	(529,923)
Education	5,534,789	1.08%	5,792,972	1.22%	(258,183)
Recreation and cultural services	10,013,962	1.95%	8,666,549	1.83%	1,347,413
Capital outlay	14,861,969	2.89%	7,607,154	1.60%	7,254,815
Debt service - bond redemption	4,856,542	0.94%	4,744,166	1.00%	112,376
Debt service - interest and fiscal charges	2,904,416	0.56%	2,769,957	0.58%	134,459
Total	<u>\$ 514,506,592</u>	<u>100.00%</u>	<u>\$ 474,754,043</u>	<u>100.00%</u>	<u>\$ 39,752,549</u>

Overall expenditures increased by \$39.8 million. General government expenditures increased by \$1.7 million, public protection increased by \$10.1 million, public ways and facilities increased by \$14 million, health and sanitation increased by \$5.8 million, and recreation and cultural services increased by \$1.3 million. The increases were primarily due to increases in salaries and benefits. However, public protection also has had significant increases in expenditures for services and supplies. Capital outlay increased by \$7.3 million and debt service increased slightly by just over \$200,000.

Other financing sources and uses are presented below, including changes from the prior year. In 2016-17 there was a refunding of the 2002, 2005, and 2006 certificates of participation. The amount of \$10,620,000 was paid to the escrow agent for the refunded certificates and 2016 certificates of participation were issued in the amount of \$10,500,000. Refer to Note 10 for more information on long-term debt.

Transfers in and out are detailed in Note 5.

**Expenditures Classified by Source
Governmental Funds**

	2017	% of Total	2016	% of Total	Change
Bonds issued	\$ 10,500,000	1314.65%	\$ 9,945,000	93.53%	\$ 555,000
Bond premium/discount	950,674	119.03%	60,130	0.57%	890,544
Inception of capital lease	129,212	16.18%	69,685	0.66%	59,527
Sale of general capital assets	6,450	0.81%	97,990	0.92%	(91,540)
Miscellaneous	(7)	0.00%	-	0.00%	(7)
Issuance of refunding bonds	-	0.00%	13,770,000	129.50%	(13,770,000)
Payment to refunding escrow agent	(10,620,000)	-1329.67%	(13,097,459)	-123.17%	2,477,459
Transfers in	21,581,902	2702.15%	17,488,965	164.47%	4,092,937
Transfers out	(21,749,537)	-2723.14%	(17,700,819)	-166.46%	(4,048,718)
Total	<u>\$ 798,694</u>	<u>100.00%</u>	<u>\$ 10,633,492</u>	<u>100.00%</u>	<u>\$ (9,834,798)</u>

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	\$ 442,606,415	\$ 1,855,216	\$ 12,190,228	\$ 52,229,718	\$ 508,881,577
Expenditures	(431,920,317)	(3,952,059)	(14,861,969)	(63,772,247)	(514,506,592)
Net other financing sources/(uses)	(6,631,232)	-	3,535,873	3,894,053	798,694
Net change in fund balances	4,054,866	(2,096,843)	864,132	(7,648,476)	(4,826,321)
Fund balances, beginning (restated)	51,736,019	79,600,179	6,790,774	38,642,426	176,769,398
Fund balances, ending	<u>\$ 55,790,885</u>	<u>\$ 77,503,336</u>	<u>\$ 7,654,906</u>	<u>\$ 30,993,950</u>	<u>\$ 171,943,077</u>

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 \$26,437,384 at June 30, 2017, of which \$4,303,324 was unrestricted.

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

	<u>Major Fund</u>			
	<u>County Disposal Sites CSA 9C</u>	<u>Nonmajor Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
Operating revenues	\$ 13,029,081	\$ 3,328,266	\$ 16,357,347	\$ 78,943,499
Operating expenditures	<u>(13,505,524)</u>	<u>(3,383,325)</u>	<u>(16,888,849)</u>	<u>(73,387,141)</u>
Net operating loss	(476,443)	(55,059)	(531,502)	5,556,358
Net nonoperating revenues/(expenditures)	(274,339)	74,452	(199,887)	120,033
Transfers and capital contributions	<u>(45,010)</u>	<u>327,585</u>	<u>282,575</u>	<u>554,527</u>
Change in net position	(795,792)	346,978	(448,814)	6,230,918
Net position - beginning of year, as restated	<u>10,169,695</u>	<u>15,687,539</u>	<u>25,857,234</u>	<u>(37,773,970)</u>
Net position - end of year	<u>\$ 9,373,903</u>	<u>\$ 16,034,517</u>	<u>\$ 25,408,420</u>	<u>\$ (31,543,052)</u>

Total enterprise fund net position decreased by \$712,771. Operating revenues of \$16,357,347 increased by \$1,254,520 over the prior fiscal year. Operating expenses of \$16,888,849 increased by \$1,339,927 over the prior year; about half of the change was due to an increase in interest expense resulting from new debt issued the prior year. The remainder was caused by a modest increase in expenses over revenues.

There was a restatement of the beginning net position in the amount of \$(263,957) as a result of the prior period adjustment for expenses related to the realignment of expenses related to the issuance of debt as mentioned above.

The Internal Service fund net position increased by \$6,230,918 over the prior fiscal year. This was due to increases in revenue for internal billings from Public Works, Service Center, and the Self-Insurance funds.

RETIREMENT COSTS AND OBLIGATIONS

Retirement Costs

The County's current retirement costs consist of several components, including pension costs, OPEB costs, and social security costs. For the 2017 fiscal year, total retirement costs for the County were \$77,345,537. Of the \$77.3 million in retirement costs, the County contributed \$52.5 million. Employee contributions account for the remaining \$24.8 million. Total retirement costs included pension costs of \$46.7 million, OPEB of \$6.8 million, and social security costs of \$23.8 million. These costs reflect an increase of \$8.1 million, or 11.8%, compared to the prior year. Most of the change resulted from an increase in pension costs of \$6.3 million. Social security costs also increased \$1.5 million over the prior year.

Retirement Obligations

Obligations to pay pension and OPEB benefits in the future make up the County's retirement obligation. Total retirement obligations of the County were \$532,173,480 as of 2017; \$405.5 million was the liability for pension benefits and \$126.6 was the liability for OPEB. Total retirement obligations increased by \$92 million, or 20.9%, over the prior year. The total increase was made up of an increase in the pension liability of \$83.7 million and an increase in the OPEB liability of \$8.3 million.

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

Annual Summary of Total Retirement Costs and Obligations

	FY 2014/15	FY 2015/16	FY 2016/17
Total Pension Cost	\$ 36,540,999	\$ 40,402,558	\$ 46,744,026
Total OPEB Cost	4,917,343	6,477,103	6,776,963
Total Social Security Cost	20,822,743	22,330,939	23,824,548
Total Retirement Cost	\$ 62,281,085	\$ 69,210,600	\$ 77,345,537
<hr/>			
Total Employee Contribution	\$ 21,899,950	\$ 23,063,788	\$ 24,808,840
Total County Contribution	40,381,135	46,146,812	52,536,697
Total Retirement Cost	\$ 62,281,085	\$ 69,210,600	\$ 77,345,537
<hr/>			
Unfunded County Pension Liability Obligation	\$ 299,464,765	\$ 321,814,432	\$ 405,524,537
Unfunded County OPEB Liability Obligation	110,390,529	118,348,505	126,648,944
Total County Unfunded Liabilities	\$ 409,855,294	\$ 440,162,937	\$ 532,173,481
<hr/>			
Miscellaneous Pension Plan Funded Ratio Market Value of Assets (MVA)	73.4%	78.0%	74.3%
Safety Pension Plan Funded Ratio MVA	76.3%	78.4%	74.7%
Safety Sheriff Pension Plan Funded Ratio MVA	64.9%	67.0%	64.4%

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

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

GENERAL FUND BUDGETARY HIGHLIGHTS

After the adoption of the 2016-2017 fiscal year budget, the original General Fund budget was increased by \$7,218,917 during the year, not including transfers out.

The General Government budget was increased by approximately \$1.5 million primarily due to mid-year budget realignments.

Approximately \$2.6 million was from the Public Protection division. Of the \$2.6 million of unanticipated revenue received by Public Protection, the Sheriff-Coroner received \$0.7 million for the Board of State and Community Corrections Justice Assistance Grant. Proceeds of the grant fund salaries and benefits for staff to operate a 24 hour recovery center. The remainder of the \$2.6 million came from various small grants and mid-year budget adjustments.

The final budget for Health and Sanitation increased by approximately \$0.6 million over the adopted budget due primarily to \$0.5 million grant revenue received to establish the Nurse-Family Partnership program. The balance was a result of mid-year budget adjustments.

Public Assistance saw an increase of \$1.5 million resulting from approximately \$280 thousand dollars of unanticipated revenue received from the California Employment Development Department under the Workforce Innovation and Opportunity Act (WIOA) to implement WIOA locally; \$396 thousand dollars from the California Department of Social Services to support staffing costs associated with implementation of Continuum of Care Reform programs including Foster Parent Recruitment, Retention and Support and Child and Family Team program; and \$312 thousand dollars came from the California Department of Social Services for the Child Welfare program.

Finally, Recreation and Culture received unanticipated revenue of approximately \$0.9 million from the Federal Emergency Management Agency (FEMA) and the California Office of Emergency Services (CalOES) for 2016-17 storm damage.

The 2016-2017 total expenditures were 19,613,433, or 5%, greater than the prior fiscal year, not including transfers. General Government spending increased by \$3.0 million due to increases of \$1.3 million in other charges, \$1.9 million in salaries expenditures and \$0.7 million in services and supplies. Increases were offset by decreases in spending for fixed assets and intra fund transfers. An increase of \$5.8 million came from Health and Sanitation due to increased spending of \$5 million for salaries expenditures and \$2.3 million for services and supplies offset by decreases in spending for other charges. Public Protection had increased spending of \$8.9 million primarily due to increased spending in salaries expenditures of \$6.4 million and increased spending for services and supplies of \$3.4 million.

General Fund actual revenues were \$25,080,887 lower than the original budget. The majority of this was due to a difference of \$23 million from the original budget originating from Transfers In, plus \$12.1 million less than budget for Aid from other governments and \$8.4 difference in revenue from other sources. These were offset by a \$5.2 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, 2017 totaled \$566,336,483 (net of accumulated depreciation of \$459,447,606). These capital assets include land, construction in progress, infrastructure, buildings and structures, and equipment. There was a 2.5% increase in the County's capital assets for the 2016-2017 fiscal year in the amount of \$13,843,249.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the 2016-2017 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	
	2017	2016	2017	2016	2017	2016
Land	\$ 64,038,616	\$ 63,588,616	\$ 1,858,849	\$ 1,858,849	\$ 65,897,465	\$ 65,447,465
Construction in progress	17,006,669	9,232,835	752,030	496,335	17,758,699	9,729,170
Infrastructure	640,345,911	618,898,271	-	-	640,345,911	618,898,271
Buildings and structures	190,890,203	184,039,984	51,534,976	51,235,394	242,425,179	235,275,378
Equipment	49,604,381	48,944,905	9,752,454	9,644,051	59,356,835	58,588,956
Accumulated depreciation	(423,001,836)	(400,892,770)	(36,445,770)	(34,553,232)	(459,447,606)	(435,446,002)
Total	\$ 538,883,944	\$ 523,811,841	\$ 27,452,539	\$ 28,681,397	\$ 566,336,483	\$ 552,493,238

Capital Assets in Governmental Activities increased by \$15.1 million. Additions of \$37.2 million were offset by a change in depreciation of \$22.1 million. All categories of capital assets increased. However, most of the change was in Infrastructure, which increased by \$21.4 million.

Business-type capital assets decreased by \$1.2 million. Additions of \$0.7 million to capital assets were offset by a change in depreciation of \$1.9 million.

Additional information on the County's capital assets can be found in Note 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	
	2017	2016	2017	2016	2017	2016
Refunding certificates of participation	\$ 40,896,230	\$ 38,094,531	\$ -	\$ -	\$ 40,896,230	\$ 38,094,531
Lease revenue bonds	14,504,461	14,927,484	6,549,724	6,799,431	21,054,185	21,726,915
Lease revenue refunding bonds	1,561,349	1,627,052	-	-	1,561,349	1,627,052
Certificates of participation	6,990,744	13,389,529	-	-	6,990,744	13,389,529
Revenue bonds	105,000	135,000	-	-	105,000	135,000
Loans payable	15,641	57,668	240,021	286,714	255,662	344,382
Capital leases	5,968,454	6,739,249	3,472	4,614	5,971,926	6,743,863
Total	\$ 70,041,879	\$ 74,970,513	\$ 6,793,217	\$ 7,090,759	\$ 76,835,096	\$ 82,061,272

For the governmental activities, the County had total long-term debt outstanding of \$70,041,879 as compared to \$74,970,513 the prior year (excluding compensated absences and estimated claims), a decrease of \$4,928,634. Refunding certificates of participation in the amount of \$10,500,000 were issued to retire the balance of the 2002 and 2005 certificates of participation and the 2006 certificates of participation in the amounts of \$1,830,000, \$4,105,000, and \$5,900,000, respectively, plus issuance costs.

For the business-type activities, the County had total long-term debt outstanding of \$6,793,217 as compared to \$7,090,759 in the prior year (excluding post-closure liability), a decrease of \$297,542 due to bond debt retirement.

The County's total debt for all primary government activities decreased by \$5,226,176 or 6.4% 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 November 2017. Such ratings reflect only the views of the rating agency and any desired explanation of the significance of such ratings should be obtained from the rating agency.

The component unit, Santa Cruz Sanitation District, had total long-term debt outstanding of \$14,372,342 as compared to \$17,373,151 in the prior year. This amount was comprised of \$1,312,874 of Waste Water Revenue Refunding Bonds (including unamortized bond premium), \$175,000 of Limited Obligation Refunding Improvement Bonds, and \$12,880,920 of Loans Payable and \$3,548 of Capital Leases. During the year, retirement of debt amounted to \$3,084,858.

Additional information on the County's long-term debt can be found in Note 10 on pages 85-93 of this report.

FISCAL YEAR 2017-2018 BUDGET AND ECONOMIC CONDITIONS

The following factors were considered in preparing the County's operating budget for fiscal year 2017-2018:

- The budget continues to project a steady improvement in County revenue. For budget year 2017-2018 the proposed budget reflects modest increases including \$8.9 million in local Property Taxes, \$0.5 million in Transient Occupancy Taxes, \$0.9 million in Sales Taxes and \$0.5 million in Cannabis Business Taxes. Revenues from charges for services, permits, licenses and from other agencies are not expecting significant growth.

- Total Governmental Fund budgeted revenues reflects a projected increase of 16%, or \$76 million, comparing 2017-2018 budget to 2016-2017 actual revenues. The 2017-2018 budget shows a projected increase in General Fund total revenues of 8%, or \$35 million, compared to 2016-2017 actual revenues.
- The budget appropriations for total Governmental Fund expenditures for FY 2017-2018 includes a 19% increase, or \$92.5 million, when compared to 2016-2017 actual expenditures.
- As of June 30, 2017, the available spendable General Fund balance was \$55.9 million. Of this amount, \$18 million is Committed and \$37.1 million is Assigned, but remains available for appropriation.
- There was a decrease of 14.4 positions. The Human Services Department eliminated 39.5 positions while Health Services added 18.6 positions.

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, 2017**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and investments	\$ 211,407,554	\$ 9,321,184	\$ 220,728,738	\$ 10,385,721
Restricted cash	11,750,266	7,356,690	19,106,956	969,937
Loans receivable	60,373,083	48,837	60,421,920	-
Receivables, net	46,921,475	984,934	47,906,409	186,604
Deposits with others	240,000	-	240,000	-
Inventory	446,504	129,239	575,743	13,212
Prepaid items	1,670,780	-	1,670,780	6,429
Land held for resale	1,166,891	-	1,166,891	-
Notes receivable	-	-	-	55,077
Internal balances	(1,028,964)	1,028,964	-	-
Capital Assets:				
Nondepreciable assets	81,045,285	2,610,879	83,656,164	7,973,861
Depreciable assets, net	457,838,659	24,841,660	482,680,319	127,339,957
Total assets	871,831,533	46,322,387	918,153,920	146,930,798
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on bond refunding	1,127,739	-	1,127,739	39,230
Deferred pensions	128,787,174	2,266,694	131,053,868	-
Total deferred outflows of resources	129,914,913	2,266,694	132,181,607	39,230
LIABILITIES				
Payables	39,222,465	826,140	40,048,605	1,378,915
Accrued interest payable	754,009	108,067	862,076	151,293
Tax and revenue anticipation notes payable	47,977,600	-	47,977,600	-
Advances from grantors and third parties	37,415,024	-	37,415,024	-
Compensated absences:				
Due within one year	23,634,577	-	23,634,577	-
Due in more than one year	3,915,066	-	3,915,066	-
Estimated claims:				
Due within one year	10,424,128	-	10,424,128	-
Due in more than one year	26,333,000	-	26,333,000	-
Other long-term liabilities:				
Due within one year	5,604,235	303,901	5,908,136	2,723,358
Due in more than one year	64,437,644	12,994,007	77,431,651	11,648,984
OPEB liability	126,648,944	-	126,648,944	-
Net pension liability	398,451,279	7,073,258	405,524,537	-
Total liabilities	784,817,971	21,305,373	806,123,344	15,902,550
DEFERRED INFLOWS OF RESOURCES				
Deferred pensions	46,230,451	846,324	47,076,775	-
Total deferred inflows of resources	46,230,451	846,324	47,076,775	-
NET POSITION				
Net investment in capital assets	476,456,050	20,724,458	497,180,508	120,980,706
Restricted for:				
Debt service	2,378,349	-	2,378,349	969,937
Capital asset acquisition	16,746,440	-	16,746,440	-
Public safety	8,268,779	-	8,268,779	-
Health and public assistance	1,978,044	-	1,978,044	-
Public ways and facilities	27,987,880	-	27,987,880	-
Other	-	380,638	380,638	-
Unrestricted	(363,117,518)	5,332,288	(357,785,230)	9,116,835
Total net position	\$ 170,698,024	\$ 26,437,384	\$ 197,135,408	\$ 131,067,478

See accompanying Notes to Basic Financial Statements.

**COUNTY OF SANTA CRUZ
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

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	\$ 43,566,451	\$ 21,378,999	\$ 14,333,017	\$ 541,637	\$ 36,253,653
Public protection	157,414,434	22,877,170	50,590,844	1,009,981	74,477,995
Public ways and facilities	24,715,771	6,129,337	11,782,394	6,641,055	24,552,786
Health and sanitation	123,519,200	38,413,072	70,706,092	-	109,119,164
Public assistance	129,000,259	414,759	113,642,979	-	114,057,738
Education	5,745,697	-	94,628	-	94,628
Recreation and cultural services	10,784,246	3,279,349	243,616	-	3,522,965
Debt service	2,210,128	-	173,508	-	173,508
Total governmental activities	496,956,186	92,492,686	261,567,078	8,192,673	362,252,437
Business-type activities:					
County Disposal Sites CSA 9C	13,283,158	12,309,247	341,881	-	12,651,128
Boulder Creek CSA 7	308,098	474,870	-	-	474,870
Rolling Woods CSA 10	31,478	102,909	-	-	102,909
Septic Tank Maintenance CSA 12	1,016,302	1,050,832	-	-	1,050,832
Freedom County Sanitation District	1,090,284	844,752	-	-	844,752
Davenport Sanitation District	555,804	414,993	208	327,377	742,578
Place de Mer CSA 2	30,243	88,580	-	-	88,580
Sand Dollar Beach CSA 5	246,684	269,464	-	-	269,464
Trestle Beach CSA 20	62,131	47,061	-	-	47,061
Summit West CSA 54	135	-	-	-	-
Graham Hill CSA 57	8,124	34,805	-	-	34,805
Total business-type activities	16,632,441	15,637,513	342,089	327,377	16,306,979
Total primary government	\$ 513,588,627	\$ 108,130,199	\$ 261,909,167	\$ 8,520,050	\$ 378,559,416
Component unit:					
Santa Cruz County Sanitation District	\$ 20,390,741	\$ 23,814,123	\$ (1,279,016)	\$ 1,586,016	\$ 24,121,123

General Revenues:

Taxes:

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

Total taxes

Interest and investment earnings
Gain on disposal of capital assets
Miscellaneous
Transfers

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, 2017**

Net (Expense) Revenue and Changes in Net Position			Component Unit
Governmental Activities	Business-Type Activities	Total	
\$ (7,312,798)	\$ -	\$ (7,312,798)	
(82,936,439)	-	(82,936,439)	
(162,985)	-	(162,985)	
(14,400,036)	-	(14,400,036)	
(14,942,521)	-	(14,942,521)	
(5,651,069)	-	(5,651,069)	
(7,261,281)	-	(7,261,281)	
(2,036,620)	-	(2,036,620)	
<u>(134,703,749)</u>	<u>-</u>	<u>(134,703,749)</u>	
-	(632,030)	(632,030)	
-	166,772	166,772	
-	71,431	71,431	
-	34,530	34,530	
-	(245,532)	(245,532)	
-	186,774	186,774	
-	58,337	58,337	
-	22,780	22,780	
-	(15,070)	(15,070)	
-	(135)	(135)	
-	26,681	26,681	
<u>-</u>	<u>(325,462)</u>	<u>(325,462)</u>	
<u>\$ (134,703,749)</u>	<u>\$ (325,462)</u>	<u>\$ (135,029,211)</u>	
			<u>\$ 3,730,382</u>
107,283,370	31,861	107,315,231	91,703
2,317,423	-	2,317,423	-
11,862,932	-	11,862,932	-
8,002,020	-	8,002,020	-
5,227,578	-	5,227,578	-
<u>134,693,323</u>	<u>31,861</u>	<u>134,725,184</u>	<u>91,703</u>
3,740,469	(231,747)	3,508,722	116,239
6,450	-	6,450	-
7,572,873	719,834	8,292,707	-
386,892	(386,892)	-	-
<u>146,400,007</u>	<u>133,056</u>	<u>146,533,063</u>	<u>207,942</u>
<u>11,696,258</u>	<u>(192,406)</u>	<u>11,503,852</u>	<u>3,938,324</u>
158,737,809	26,893,747	185,631,556	127,129,154
263,957	(263,957)	-	-
<u>159,001,766</u>	<u>26,629,790</u>	<u>185,631,556</u>	<u>127,129,154</u>
<u>\$ 170,698,024</u>	<u>\$ 26,437,384</u>	<u>\$ 197,135,408</u>	<u>\$ 131,067,478</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, 2017**

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Housing Fund	Capital Projects Fund		
ASSETS					
Cash and investments	\$ 134,211,921	\$ 16,103,811	\$ 3,150,596	\$ 20,750,255	\$ 174,216,583
Restricted cash and investments	-	-	-	11,750,266	11,750,266
Receivables, net	26,031,182	124,488	7,210,959	9,709,735	43,076,364
Due from other funds	58,964	-	264,841	-	323,805
Loans receivable	100,113	60,272,970	-	-	60,373,083
Deposits with others	90,000	-	-	-	90,000
Prepays	1,589,346	-	-	-	1,589,346
Land held for resale	-	1,166,891	-	-	1,166,891
Total assets	162,081,526	77,668,160	10,626,396	42,210,256	292,586,338
LIABILITIES					
Payables	\$ 21,472,502	\$ 164,824	\$ 2,971,490	\$ 8,409,431	\$ 33,018,247
Tax and revenue anticipation notes payable	47,977,600	-	-	-	47,977,600
Due to other funds	-	-	-	2,232,390	2,232,390
Advances from grantors and third parties	36,840,539	-	-	574,485	37,415,024
Total liabilities	106,290,641	164,824	2,971,490	11,216,306	120,643,261
FUND BALANCES					
Nonspendable	703,306	61,557,848	-	-	62,261,154
Restricted	-	15,945,488	7,654,906	30,993,950	54,594,344
Committed	18,000,000	-	-	-	18,000,000
Assigned	37,159,038	-	-	-	37,159,038
Unassigned	(71,459)	-	-	-	(71,459)
Total fund balances	55,790,885	77,503,336	7,654,906	30,993,950	171,943,077
Total liabilities and fund balances	\$ 162,081,526	\$ 77,668,160	\$ 10,626,396	\$ 42,210,256	\$ 292,586,338

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, 2017**

Total Fund Balances - Total Governmental Funds \$ 171,943,077

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. (Net of \$10,512,498 of internal service fund capital assets.) 528,371,446

Deferred outflows of resources reported in the Statement of Net Position are not reported in the governmental funds. 116,168,937

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	(31,543,052)
Transfer of internal service funds to business-type activities	(1,028,964)

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	\$ (40,896,230)	
Lease revenue bonds	(14,504,461)	
Lease revenue refunding bonds, including premium	(1,561,349)	
Certificates of participation, including premium	(6,990,744)	
Revenue bonds	(105,000)	
California Energy Resources Conservation and Development Commission	(15,641)	
Pension liability	(354,091,100)	
Other post-employment benefits (OPEB) liability	(126,648,944)	
Compensated absences	(22,906,027)	
Capital leases	(4,011,575)	(571,731,071)

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. (754,009)

Deferred inflows of resources reported in the Statement of Net Position are not reported in the governmental funds. (40,728,340)

Net Position of Governmental Activities \$ 170,698,024

**COUNTY OF SANTA CRUZ
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Housing Fund	Capital Projects Fund		
REVENUES:					
Taxes	\$ 116,873,004	\$ -	\$ -	\$ 17,820,321	\$ 134,693,325
Licenses and permits	13,258,981	-	-	8,945	13,267,926
Fines, forfeits, and penalties	4,069,869	-	17,443	13,480	4,100,792
Use of money and property	2,708,279	653,614	39,707	220,936	3,622,536
Aid from other governments	235,816,827	1,047,595	12,111,829	20,783,498	269,759,749
Charges for services	63,205,072	138,258	17,000	11,763,638	75,123,968
Other	6,674,383	15,749	4,249	1,618,900	8,313,281
Total revenues	442,606,415	1,855,216	12,190,228	52,229,718	508,881,577
EXPENDITURES:					
Current:					
General government	32,659,003	-	-	529,502	33,188,505
Public protection	141,971,929	-	-	14,609,687	156,581,616
Public ways and facilities	254,318	-	-	33,962,771	34,217,089
Health and sanitation	122,803,793	-	-	38,635	122,842,428
Public assistance	125,553,217	3,952,059	-	-	129,505,276
Education	123,619	-	-	5,411,170	5,534,789
Recreation and cultural services	8,400,769	-	-	1,613,193	10,013,962
Debt service:					
Principal	-	-	-	4,856,542	4,856,542
Interest and fiscal charges	153,669	-	-	2,750,747	2,904,416
Capital outlay	-	-	14,861,969	-	14,861,969
Total expenditures	431,920,317	3,952,059	14,861,969	63,772,247	514,506,592
REVENUES OVER (UNDER) EXPENDITURES	10,686,098	(2,096,843)	(2,671,741)	(11,542,529)	(5,625,015)
OTHER FINANCING SOURCES (USES):					
Transfers in	3,595,209	-	7,118,324	10,868,369	21,581,902
Transfers out	(10,355,653)	-	(3,582,451)	(7,811,433)	(21,749,537)
Bonds issued	-	-	-	10,500,000	10,500,000
Bond premium/discount	-	-	-	950,674	950,674
Payment to bond refunding escrow agent	-	-	-	(10,620,000)	(10,620,000)
Inception of capital lease	129,212	-	-	-	129,212
Sale of general capital assets	-	-	-	6,450	6,450
Miscellaneous	-	-	-	(7)	(7)
Total other financing sources (uses)	(6,631,232)	-	3,535,873	3,894,053	798,694
Net change in fund balances	4,054,866	(2,096,843)	864,132	(7,648,476)	(4,826,321)
Fund balances - beginning	51,736,019	79,600,179	6,790,774	38,378,469	176,505,441
Prior period adjustment	-	-	-	263,957	263,957
Fund balances - beginning, as restated	51,736,019	79,600,179	6,790,774	38,642,426	176,769,398
Fund balances - ending	\$ 55,790,885	\$ 77,503,336	\$ 7,654,906	\$ 30,993,950	\$ 171,943,077

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, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ (4,826,321)

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	\$ 37,415,419	
Retirement of capital assets	(4,947)	
Less current year depreciation	<u>(22,209,645)</u>	15,200,827

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	(129,212)	
Premium on long-term debt	(950,674)	
Refunding certificates of participation issued	<u>(10,500,000)</u>	(11,579,886)

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	8,535,000	
Certificates of participation	6,435,000	
Lease revenue bonds	410,000	
Lease revenue refunding bonds	66,542	
Revenue bonds	30,000	
California Energy Resources Conservation and Development Commission	42,027	
Capital leases	<u>463,394</u>	15,981,963

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	89,944	
Change in accrued interest payable	206,041	
Change in compensated absences	(387,736)	
Change in deferred loss on bond refunding	385,239	
Change in net pension liability	<u>(1,047,884)</u>	(754,396)

OPEB obligation costs do not require current resources, so they are not reported in the governmental funds. (8,300,439)

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. 6,230,918

Reverse of prior year transfer of internal service funds to business-type activities. 772,556
Transfer of internal service funds to business-type activities. (1,028,964)

Change in Net Position of Governmental Activities \$ 11,696,258

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 FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

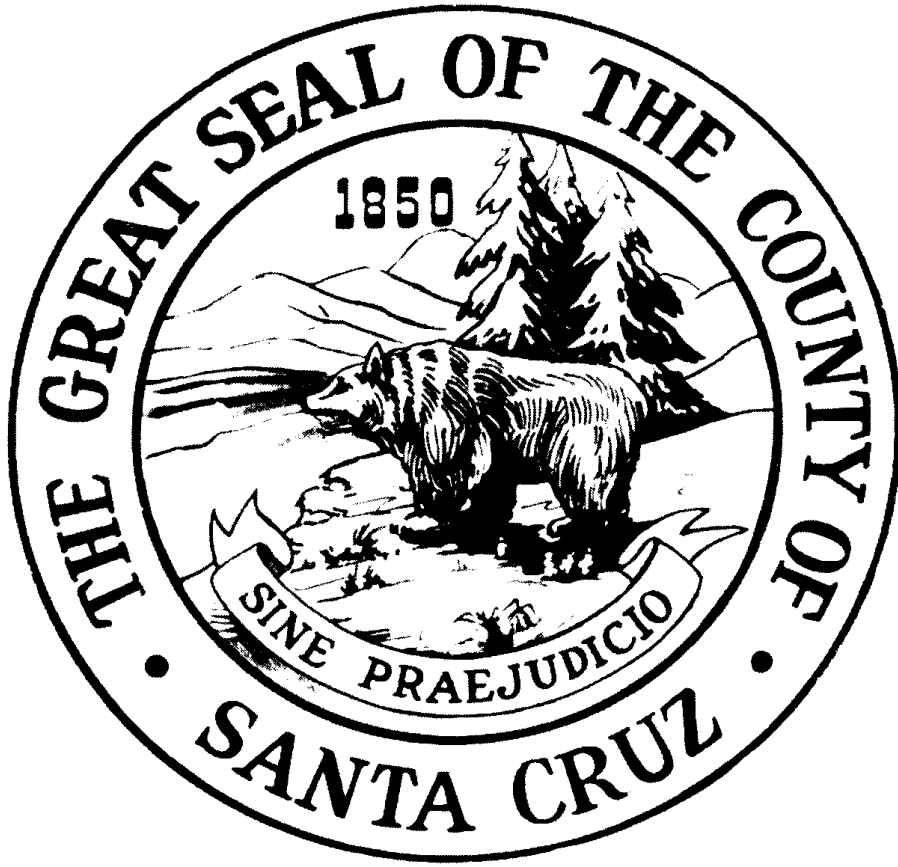
	Business-Type Activities - Enterprise Funds			Governmental
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 3,501,933	\$ 5,819,251	\$ 9,321,184	\$ 37,190,971
Restricted cash	7,340,022	16,668	7,356,690	-
Receivables	814,180	170,754	984,934	3,845,111
Due from other funds	-	-	-	1,908,585
Deposits with others	-	-	-	150,000
Inventory	129,239	-	129,239	446,504
Prepaid items	-	-	-	81,434
Total current assets	11,785,374	6,006,673	17,792,047	43,622,605
Noncurrent assets:				
Loans receivable	-	48,837	48,837	-
Capital assets:				
Non-depreciable:				
Land	1,858,849	-	1,858,849	97,087
Construction in progress	-	752,030	752,030	409,152
Depreciable:				
Buildings and structures	32,454,380	19,080,596	51,534,976	3,711,604
Equipment	9,539,104	213,350	9,752,454	29,669,012
Accumulated depreciation	(26,916,497)	(9,529,273)	(36,445,770)	(23,374,357)
Capital assets, net	16,935,836	10,516,703	27,452,539	10,512,498
Total noncurrent assets	16,935,836	10,565,540	27,501,376	10,512,498
Total assets	28,721,210	16,572,213	45,293,423	54,135,103
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension	2,266,694	-	2,266,694	13,745,976
Total deferred outflows of resources	2,266,694	-	2,266,694	13,745,976
LIABILITIES				
Current liabilities:				
Payables	528,465	297,675	826,140	6,204,218
Advances from other funds	108,067	-	108,067	-
Current portion of long-term liabilities	254,707	47,919	302,626	-
Capital leases	1,275	-	1,275	457,790
Claims liability	-	-	-	10,424,128
Compensated absences, due within one year	-	-	-	3,472,681
Total current liabilities	892,514	345,594	1,238,108	20,558,817
Noncurrent liabilities:				
Long-term liabilities	6,295,017	192,102	6,487,119	-
Capital leases	2,197	-	2,197	1,499,089
Claims liability	-	-	-	26,333,000
Closure and postclosure care costs liability	6,504,691	-	6,504,691	-
Compensated absences, due in more than one year	-	-	-	1,170,935
Net pension liability	7,073,258	-	7,073,258	44,360,179
Total noncurrent liabilities	19,875,163	192,102	20,067,265	73,363,203
Total liabilities	20,767,677	537,696	21,305,373	93,922,020
DEFERRED INFLOWS OF RESOURCES				
Deferred pension	846,324	-	846,324	5,502,111
Total deferred inflows of resources	846,324	-	846,324	5,502,111
NET POSITION				
Net investment in capital assets	10,382,640	10,341,818	20,724,458	7,466,905
Restricted for:				
Debt service	337,211	43,427	380,638	-
Unrestricted	(1,345,948)	5,649,272	4,303,324	(39,009,957)
Total net position	\$ 9,373,903	\$ 16,034,517	25,408,420	\$ (31,543,052)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			1,028,964	
Net Position of Business-Type Activities per Government-Wide Financial Statements			\$ 26,437,384	

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, 2017

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES:				
Charges for services	\$ 12,309,247	\$ 3,328,266	\$ 15,637,513	\$ 71,404,618
Provision of insured events for prior years	-	-	-	2,247,000
Other revenues	719,834	-	719,834	5,291,881
Total operating revenues	13,029,081	3,328,266	16,357,347	78,943,499
OPERATING EXPENSES:				
Salaries and employee benefits	-	-	-	38,447,248
Services and supplies	12,106,514	2,889,798	14,996,312	14,466,907
Insurance and compensation claims	-	-	-	18,154,151
Depreciation and amortization	1,399,010	493,527	1,892,537	2,318,835
Total operating expenses	13,505,524	3,383,325	16,888,849	73,387,141
Operating income (loss)	(476,443)	(55,059)	(531,502)	5,556,358
NONOPERATING REVENUES (EXPENSES):				
Interest and investment income	83,592	50,394	133,986	244,733
Property taxes	-	31,861	31,861	-
Gain on disposal of capital assets	-	-	-	2,100
Interest expense	(357,931)	(7,803)	(365,734)	(126,800)
Total nonoperating revenues (expenses)	(274,339)	74,452	(199,887)	120,033
Income (loss) before contributions and transfers	(750,782)	19,393	(731,389)	5,676,391
Capital contributions	341,882	327,585	669,467	-
Transfers in	-	-	-	554,527
Transfers out	(386,892)	-	(386,892)	-
Change in net position	(795,792)	346,978	(448,814)	6,230,918
Net position - beginning	10,433,652	15,687,539	26,121,191	(37,773,970)
Prior period adjustment	(263,957)	-	(263,957)	-
Net position - beginning, as restated	10,169,695	15,687,539	25,857,234	(37,773,970)
Net position - ending	\$ 9,373,903	\$ 16,034,517	25,408,420	\$ (31,543,052)
Change in Net Position of Business-Type Activities			(448,814)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			256,408	
Change in Net Position of Business-Type Activities per Government-Wide Financial Statements			\$ (192,406)	

See accompanying Notes to Basic Financial Statements.



**COUNTY OF SANTA CRUZ
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 12,723,959	\$ 3,646,269	\$ 16,370,228	\$ 30,079,059
Receipts from interfund charges for services	-	-	-	39,054,984
Payments to suppliers for goods and services	(4,820,969)	(1,992,411)	(6,813,380)	(20,577,184)
Payments to employees for salaries and benefits	-	-	-	(36,736,211)
Payments to other funds for services provided	(7,089,260)	(1,020,092)	(8,109,352)	-
Payments for judgments and claims	-	-	-	(10,586,154)
Other payments	-	-	-	4,258,544
Net cash provided by operating activities	813,730	633,766	1,447,496	5,493,038
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	(386,892)	-	(386,892)	554,527
Operating grants	398,059	-	398,059	-
Property taxes	-	31,861	31,861	-
Subsidies from other governmental agencies	-	157,316	157,316	-
Net cash provided by noncapital financing activities	11,167	189,177	200,344	554,527
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(103,449)	(560,230)	(663,679)	(2,193,778)
Principal paid on capital debt	(476,142)	(46,693)	(522,835)	(436,614)
Interest paid on capital debt	(264,571)	(7,803)	(272,374)	(126,798)
Proceeds from sale of capital assets	-	-	-	10,098
Net cash used by capital and related financing activities	(844,162)	(614,726)	(1,458,888)	(2,747,092)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	83,592	50,394	133,986	244,733
Net cash provided by investing activities	83,592	50,394	133,986	244,733
Net increase in cash and cash equivalents	64,327	258,611	322,938	3,545,206
CASH AND CASH EQUIVALENTS:				
Beginning of year	10,777,628	5,577,308	16,354,936	33,645,765
End of year	<u>\$ 10,841,955</u>	<u>\$ 5,835,919</u>	<u>\$ 16,677,874</u>	<u>\$ 37,190,971</u>

(Continued)

**COUNTY OF SANTA CRUZ
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds			Governmental
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (476,443)	\$ (55,059)	\$ (531,502)	\$ 5,556,358
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	1,399,010	493,527	1,892,537	2,318,835
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	(301,555)	161,006	(140,549)	(2,856,531)
Inventory	(3,567)	-	(3,567)	56,186
Prepaid items	-	-	-	(20,331)
Due from other funds	-	-	-	(113,687)
Deferred outflows of resources	(916,826)	-	(916,826)	(5,479,478)
Increase (decrease) in:				
Payables	(230,198)	34,292	(195,906)	3,389,555
Due to other funds	-	-	-	(734,898)
Accrued salaries and benefits	-	-	-	47,890
Compensated absences	-	-	-	(23,782)
Claims and judgments	-	-	-	(2,247,000)
Deferred inflows of resources	(478,949)	-	(478,949)	(2,883,571)
Closure and postclosure care liability	406,382	-	406,382	-
Net pension liability	1,415,876	-	1,415,876	8,483,492
Total adjustments	1,290,173	688,825	1,978,998	(63,320)
Net cash provided by operating activities	\$ 813,730	\$ 633,766	\$ 1,447,496	\$ 5,493,038

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, 2017**

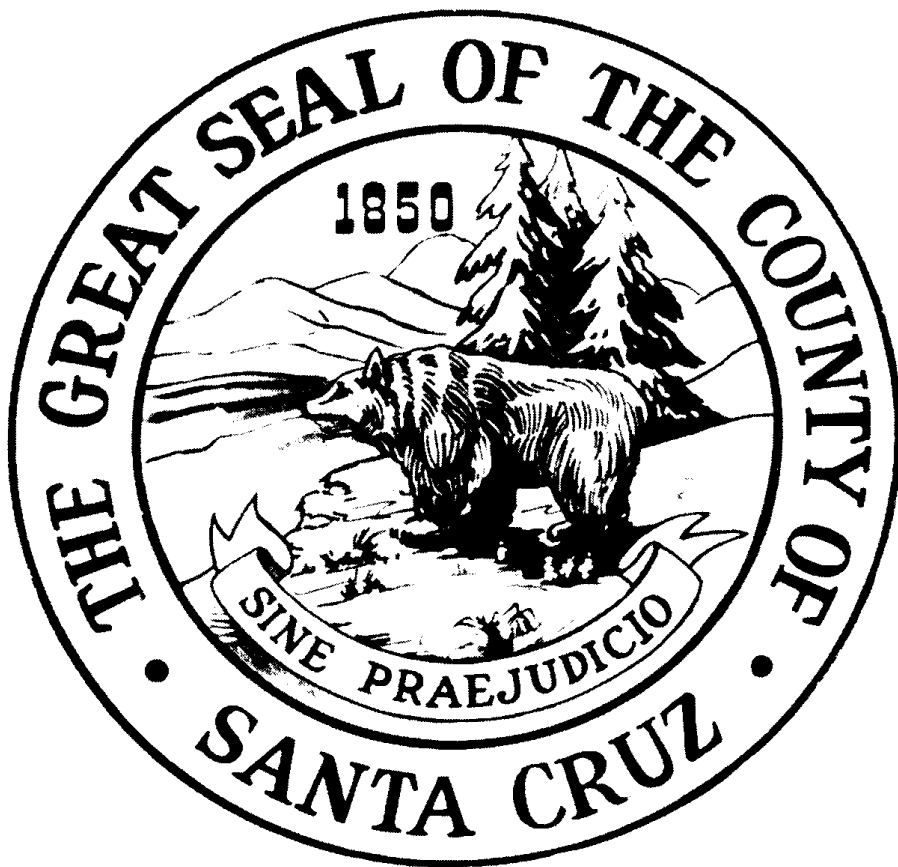
	Agency Funds	Investment Trust Fund	Private Purpose Trust Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 53,547,289	\$ 552,112,345	\$ 13,224,532
Restricted cash with fiscal agents	-	-	3,483,329
Receivables	11,717,529	-	-
Prepaid insurance	-	-	1,446,071
Capital assets, net	-	-	9,116,907
Total assets	<u><u>\$ 65,264,818</u></u>	<u><u>\$ 552,112,345</u></u>	<u><u>\$ 27,270,839</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding of debt	\$ -	\$ -	\$ 306,819
Total deferred outflows of resources	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 306,819</u></u>
LIABILITIES			
Accounts payable	\$ 7,221,446	\$ -	\$ 2,712
Interest payable	-	-	3,480,686
Due to other governmental units	27,022,391	-	-
Agency funds held for others	31,020,981	-	-
Long-term debt	-	-	220,394,703
Total liabilities	<u><u>\$ 65,264,818</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 223,878,101</u></u>
DEFERRED INFLOWS OF RESOURCES			
Deferred tax increment revenue	\$ -	\$ -	\$ 3,758,775
Gain on refunding of debt	-	-	222,748
Total deferred inflows of resources	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,981,523</u></u>
NET POSITION			
Net position held in trust	<u><u>\$ -</u></u>	<u><u>\$ 552,112,345</u></u>	<u><u>\$ (200,281,966)</u></u>

See accompanying Notes to Basic Financial Statements.



**COUNTY OF SANTA CRUZ
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Investment Trust Fund</u>	<u>Private Purpose Trust Fund</u>
ADDITIONS		
Contributions:		
Contributions to investment pool	\$ 1,398,342,974	\$ -
Total contributions	1,398,342,974	-
Investment income	3,637,770	81,019
Tax increment received	-	19,619,257
Other revenue	-	102,491
Total Additions	<u>1,401,980,744</u>	<u>19,802,767</u>
DEDUCTIONS		
Distributions from investment pool	1,275,764,121	-
Payments in accordance with trust agreements	-	21,618,627
Gain on refunding of debt	-	131,404
Total Deductions	<u>1,275,764,121</u>	<u>21,750,031</u>
Change in net position held in trust	126,216,623	(1,947,264)
Net position held in trust - beginning of year	<u>425,895,722</u>	<u>(198,334,702)</u>
Net position held in trust - end of year	<u>\$ 552,112,345</u>	<u>\$ (200,281,966)</u>



NOTES TO BASIC FINANCIAL STATEMENTS



**COUNTY OF SANTA CRUZ
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
TABLE OF CONTENTS**

	<u>Page</u>
NOTE 1. Summary of Significant Accounting Policies	55
NOTE 2. Cash and Investments.....	69
NOTE 3. Restricted Cash and Investments	75
NOTE 4. Receivables	75
NOTE 5. Interfund Transactions.....	76
NOTE 6. Loans Receivable	78
NOTE 7. Capital Assets.....	79
NOTE 8. Short-Term Debt – Tax and Revenue Anticipation Notes	82
NOTE 9. Leases	82
NOTE 10. Long-Term Debt	85
NOTE 11. Pledge of Future Revenues.....	93
NOTE 12. Landfill Closure and Postclosure Costs.....	93
NOTE 13. Deficit Net Position and Fund Balances	94
NOTE 14. Pension Plans.....	95
NOTE 15. Post-Retirement Health Care Benefits	102
NOTE 16. Deferred Compensation Plan	104
NOTE 17. Commitments and Contingencies	105
NOTE 18. Risk Management.....	105
NOTE 19. Fund Balances.....	107
NOTE 20. Subsequent Events	107
NOTE 21. Prior Period Adjustments.....	108
NOTE 22. Tax Abatements	109



**COUNTY OF SANTA CRUZ
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 accounting principles generally accepted 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 governing 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 governing 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
- Soquel Village CSA 9F
- 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 of Supervisors Governed District funds are reported as Enterprise Funds (Sewer and Refuse Disposal Districts):

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

B. Basis of Accounting and Measurement Focus

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below. The 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 for 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. 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) that are administered through trusts that meet the specified criteria. The requirements of this statement are effective for the County's fiscal year beginning after June 15, 2016. This statement has no significant impact on the County's financial statements.

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. The effect of this statement can be seen in the Tax Abatements note.

GASB Statement No. 78

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The requirements of this statement are effective for the County's fiscal year beginning after December 15, 2015. This statement has no significant impact on the County's financial statements.

GASB Statement No. 80

GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The requirements of this statement are effective for the County's fiscal year beginning after June 15, 2016. This statement has no significant impact on the County's financial statements.

GASB Statement No. 82

GASB Statement No. 82, *Pension Issues*. The requirements of this statement are effective for the County's fiscal year beginning after June 15, 2016. This statement has no significant impact on the County's financial statements.

Upcoming Accounting Pronouncements

The following GASB Statements will become effective for fiscal years subsequent to June 30, 2017. The County is currently analyzing its accounting practices to determine the potential impact on the financial statements for these GASB Statements.

GASB Statement No. 75

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Upcoming Accounting Pronouncements (Continued)

GASB Statement No. 81

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

GASB Statement No. 83

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

GASB Statement No. 84

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

GASB Statement No. 85

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

GASB Statement No. 86

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

GASB Statement No. 87

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Government-Wide Financial Statements (Continued)

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) Circular A-87. Using this directive, all indirect support costs are allocated to County funds and departments using a step-down method so that the true cost of operations can be included in determining the rates to be charged to users.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds are 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Fund Financial Statements (Continued)

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

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

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

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fiduciary Fund Financial Statements

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

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

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

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

C. *Cash, Cash Equivalents, and Investments*

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Interfund Transactions

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

E. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed, rather than when purchased. A reservation of fund balance has been reported in the governmental funds to show that prepaid amounts do not constitute “available spendable resources.”

F. Capital Assets

Government-Wide Financial Statements

Capital assets, which include land, construction-in-progress, buildings and improvements, improvements other than buildings, machinery and equipment, autos and trucks, equipment under capitalized leases, and infrastructure assets (e.g., roads, bridges, traffic signals, and similar items), are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements. County policy has set the capitalization threshold for reporting capital assets at \$5,000 (for equipment and vehicles) and \$25,000 (for infrastructure, buildings, and structures). Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated assets are valued at their estimated fair market 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	2-15 years

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

The County defines infrastructure as the basic physical assets that allow the County to function. The assets include streets, bridges, sidewalks, drainage systems, lighting systems, etc. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curbs 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. *Capital Assets* (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

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

G. *Land Held for Resale*

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

H. *Deferred Outflows and Inflows of Resources*

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

I. *Long-Term Debt*

Government-Wide Financial Statements

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

L. Pensions

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see the Pension Plans note and the required supplementary information (RSI) on page 121 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Position and Fund Balances

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

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

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

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

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

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

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

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. *Net Position and Fund Balances* (Continued)

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

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

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

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

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

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

Reserve for Working Capital

The County has established a separate committed fund balance account known as the Reserve for Working Capital. Funding for the Reserve for Working Capital 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 Working Capital is to be used only if the Board declares a fiscal emergency. Any use of funds requires a four-fifths vote of the Board appropriating the funds.

As of June 30, 2017, the County’s Reserve for Working Capital fund balance was \$6,000,000 and is included in the General Fund.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. *Net Position and Fund Balances* (Continued)

Reserve for Economic Uncertainty (Continued)

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, 2017, 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 of California or the Federal government. Any use of funds requires a four-fifths vote of the Board appropriating the funds.

As of June 30, 2017, the County's Reserve for Natural Disasters fund balance was \$2,000,000 and is included in the General Fund.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 California law, real property is not subject to sale for reasons of delinquent taxes until the end of the fifth year of delinquency, and the taxpayer may arrange to repay the delinquent taxes over a five year period and any time within the five year period, although the property is subject to a cash redemption up to the time of the sale.

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

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

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, 2017, was distributed on June 30, 2017.

NOTE 2 - CASH AND INVESTMENTS (Continued)

The following is a summary of cash and investments at June 30, 2017:

	Government-Wide Statement of Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Santa Cruz County Sanitation District
Cash and Investments	\$ 211,407,554	\$ 9,321,184	\$ 220,728,738	\$ 10,385,721
Restricted Cash and Investments	11,750,266	7,356,690	19,106,956	969,937
Total Cash and Investments	\$ 223,157,820	\$ 16,677,874	\$ 239,835,694	\$ 11,355,658
	Fiduciary Funds			
	Agency Funds	Investment Trust Fund	Private Purpose Trust Fund	County Total
Cash and Investments	\$ 53,547,289	\$ 552,112,345	\$ 13,224,532	\$ 849,998,625
Restricted Cash and Investments	-	-	3,483,329	23,560,222
Total Cash and Investments	\$ 53,547,289	\$ 552,112,345	\$ 16,707,861	\$ 873,558,847
	Cash and Investments	Restricted Cash and Investments	Total	
Primary Government and Fiduciary Funds:				
Cash on hand or imprest cash	\$ 1,762,650	\$ -	\$ 1,762,650	
Cash deposits in treasury pool	28,482,515	-	28,482,515	
Investments in treasury pool	809,367,739	-	809,367,739	
Restricted investments in other pools	-	15,250,263	15,250,263	
Restricted cash deposits in treasury pool:				
County Disposal Sites CSA 9C	-	7,340,022	7,340,022	
Total	839,612,904	22,590,285	862,203,189	
Component Unit:				
Investments in treasury pool	10,385,721	-	10,385,721	
Restricted investments in other banks	-	969,937	969,937	
Total	10,385,721	969,937	11,355,658	
Total cash and investments	\$ 849,998,625	\$ 23,560,222	\$ 873,558,847	

NOTE 2 - CASH AND INVESTMENTS (Continued)

At June 30, 2017, 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	\$ 60,536	\$ 1,702,114	\$ 1,762,650
Deposits	28,482,515	-	28,482,515
Investments	816,158,514	15,799,510	831,958,024
Total Primary Government	844,701,565	17,501,624	862,203,189
Component Unit:			
Investments	10,385,721	969,937	11,355,658
Total Component Unit	10,385,721	969,937	11,355,658
Total Reporting Entity	\$ 855,087,286	\$ 18,471,561	\$ 873,558,847

The carrying amounts of the County's cash deposits were \$28,482,515 at June 30, 2017, of which the bank balances were fully insured or collateralized with securities held by the pledging financial institutions in the County's name as discussed below.

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

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

A. Investments

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

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

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

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

B. Interest Rate Risk

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

At June 30, 2017, 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	\$ 314,658,348	\$ 149,841,930	\$ 128,271,428	\$ 16,780,190	\$ 19,764,800	\$ -
Federal Agency Securities	283,244,403	123,884,210	159,360,193	-	-	-
Medium-Term Notes - Other	57,359,088	37,530,188	9,947,400	9,881,500	-	-
Money Market Mutual Funds	5,009,647	5,009,647	-	-	-	-
Local Agency Investment Fund (LAIF)	65,123,913	65,123,913	-	-	-	-
Certificates of Deposit	76,236,156	74,999,500	969,937	266,719	-	-
Investment Agreements	12,000,000	12,000,000	-	-	-	-
Supranationals	39,688,350	-	-	29,798,850	9,889,500	-
Total Investments	\$ 853,319,905	\$ 468,389,388	\$ 298,548,958	\$ 56,727,259	\$ 29,654,300	\$ -

NOTE 2 - CASH AND INVESTMENTS (Continued)

C. Concentration of Credit Risk

At June 30, 2017, 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, 2017.

<u>Investments Type</u>	<u>Standard & Poor's</u>	<u>Moody's</u>	<u>% of Portfolio</u>
U.S. Treasury Securities	N/A	N/A	36.10%
Federal Agency Securities	AA+	Aaa	32.51%
Supranational	AAA	Aaa	4.57%
Medium-Term Notes	A/AAA	A+	6.60%
Money Market Mutual Funds	Unrated	Unrated	0.57%
Local Agency Investment Fund (LAIF)	Unrated	Unrated	7.46%
Certificates of Deposit	A1+	P1	8.62%
Checking Account	Unrated	Unrated	2.20%
Investment Agreements	Unrated	Unrated	1.37%
Total			<u>100.00%</u>

D. Custodial Credit Risk

For investments and deposits held with fiscal agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year-end, the County's investment pool and cash with fiscal agents had no securities exposed to custodial credit risk.

E. Local Agency Investment Fund (LAIF)

The County is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The County's investments with LAIF at June 30, 2017, 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.

NOTE 2 - CASH AND INVESTMENTS (Continued)

E. Local Agency Investment Fund (LAIF) (Continued)

As of June 30, 2017, the County had \$65,123,913 invested in LAIF, which had invested 0.05% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 0.08% in the previous year. LAIF provided a fair value factor of 0.998940671 to calculate the fair value of the investments in LAIF. However, an adjustment was not made to reflect the fair value of LAIF, as the fair value adjustment was considered immaterial.

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

F. Fair Value Measurements

The County investment pool categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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 County investment pool has the following recurring fair value measurements as of June 30, 2017:

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	\$ 314,658,348	\$ 314,658,348	\$ -
Federal Agency Securities	283,244,403	283,244,403	-
Medium-Term Notes - Other	57,359,088	57,359,088	-
Certificates of Deposit	75,249,793	75,249,793	-
Investment Agreements	12,000,000	12,000,000	-
Supranationals	39,688,350	39,688,350	-
Total Investments Measured at Fair Value	782,199,982	\$ 782,199,982	\$ -
Investments Measured at Amortized Cost:			
Money Market Mutual Funds	5,009,647		
Local Agency Investment Fund (LAIF)	65,123,913		
Total Pooled and Directed Investments	\$ 852,333,542		

NOTE 3 - RESTRICTED CASH AND INVESTMENTS

Cash and investments at June 30, 2017, 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>\$ 11,750,266</u>
<u>Business-Type Activities</u>		
County Disposal Sites CSA 9C:		
Used for landfill deposits		7,340,022
Davenport Sanitation District:		
Used for debt service and bond reserves		<u>16,668</u>
		<u>7,356,690</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>3,483,329</u>
		<u><u>\$ 23,560,222</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 Governmental Funds	Internal Service Funds	Total Governmental Activities
Governmental Activities:						
Accounts	\$ 25,287,357	\$ 124,488	\$ 7,210,959	\$ 9,709,735	\$ 3,845,111	\$ 46,177,650
Taxes	2,605,453	-	-	-	-	2,605,453
Gross receivables	27,892,810	124,488	7,210,959	9,709,735	3,845,111	48,783,103
Less: allowance for uncollectibles	(1,861,628)	-	-	-	-	(1,861,628)
Net receivables	<u>\$ 26,031,182</u>	<u>\$ 124,488</u>	<u>\$ 7,210,959</u>	<u>\$ 9,709,735</u>	<u>\$ 3,845,111</u>	<u>\$ 46,921,475</u>
	<u>County Disposal Sites CSA 9C</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Business-Type Activities</u>			
Business-Type Activities:						
Accounts receivable	<u>\$ 814,180</u>	<u>\$ 170,754</u>	<u>\$ 984,934</u>			

NOTE 5 - INTERFUND TRANSACTIONS

A. Government-Wide Financial Statements

Long-Term Internal Balances

At June 30, 2017, the County had the following long-term internal balances:

	Internal Balances Receivables
	Governmental Activities
Internal Balances Payable	
Business-Type Activities	\$ 1,028,964

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. Governmental Fund and Proprietary Fund Financial Statements

Due to/from

The County had the following due to/from other funds as of June 30, 2017:

Due to Other Funds	Due from Other Funds			
	General Fund	Capital Projects Fund	Internal Service Funds	Total
Nonmajor Governmental Funds	\$ 58,964	\$ 264,841	\$ 1,908,585	\$ 2,232,390
Total	\$ 58,964	\$ 264,841	\$ 1,908,585	\$ 2,232,390

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. Governmental Fund and Proprietary Fund Financial Statements (Continued)

Transfers in/out

The County had the following transfers for the year ending June 30, 2017:

		Transfers In				Total
		General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	
Transfers Out	General Fund	\$ -	\$ 2,491,931	\$ 7,369,262	\$ 494,460	\$ 10,355,653
	Capital Projects Fund	-	83,344	3,499,107	-	3,582,451
	Nonmajor Governmental Funds	3,208,317	4,543,049	-	60,067	7,811,433
	County Disposal Sites 9C	386,892	-	-	-	386,892
	Total	\$ 3,595,209	\$ 7,118,324	\$ 10,868,369	\$ 554,527	\$ 22,136,429

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

Transfers to/from other funds at June 30, 2017 are as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Capital Projects Fund	\$ 2,491,931	To finance various facilities capital projects
	Nonmajor Governmental Funds	7,369,262	To Financing Authorities Fund for debt service
	Internal Service Fund	494,460	To Fleet internal service fund to purchase vehicles
		<u>10,355,653</u>	
Nonmajor Governmental Funds	General Fund	1,413,267	Mosquito Abatement Fund to General Fund for salaries
	General Fund	139,308	Reimbursement of expenditures
	General Fund	1,542,537	Debt Service Fund
	General Fund	113,205	Financing Authorities Fund drawdown for General Fund projects
	Capital Projects Fund	4,543,049	Financing Authorities Fund Certificates of Participation drawdown for capital projects and Fire Fund Contributions
	Internal Service Fund	<u>60,067</u>	To Fleet internal service fund to purchase vehicles
		<u>7,811,433</u>	
Capital Projects Fund	Nonmajor Governmental Funds	3,499,107	To the Road Fund for improvements and repair storm damage
	Capital Projects Fund	<u>83,344</u>	Realignment of Capital Projects funds
		3,582,451	
County Disposal Sites 9C	General Fund	<u>386,892</u>	Reimbursement from recycling company
		<u>386,892</u>	
		<u>\$ 22,136,429</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	\$ 5,532,342
Hand Loans	5,129,550
Mobile Home Change Out Program	5,111,980
Mobile Home Rehab Program	270,390
Mobile Home Rehab Program (Bonds)	23,069
Property Tax Postponement Loans	137,768
Sorrento Oaks	<u>10,000</u>
Total Homeowner Loans	16,215,099
<u>Housing Project Loans</u>	
Aptos Cottages (Miller)	7,137,111
CFSC, Inc - Brommer St	2,407,200
Golden Torch	1,290,076
Housing for Independent People	40,940
Marmo's	1,642,323
McGregor	891,748
McIntosh Coach Purchase #12	98,000
McIntosh Coach Purchase	80,000
Mercy - McIntosh (Coach Loan)	348,666
Mercy - Rehab	95,236
MidPen Housing - St. Stephens	4,970,330
Mid-Peninsula the Farm, Inc	2,004,265
Minto	9,611,465
Pacific Family Coach Acquisitions	63,702
Pacific Family - SCH	2,670,411
Pleasant Acres Permanent Financing	3,512,452
San Andreas	700,000
South County Housing Corp	4,907,114
St. Stephens Predevelopment	421,832
Vista Verde Family Housing	<u>1,165,000</u>
Total Housing Project Loans	44,057,871
<u>City of Watsonville Loan</u>	<u>100,113</u>
Total Loans Receivable	<u>\$ 60,373,083</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, 2017:

Nonmajor business-type fund:		
Septic Tank Maintenance CSA 12		\$ 48,837
Total business-type loans receivable		\$ 48,837

NOTE 7 - CAPITAL ASSETS

A. Government-Wide Financial Statements

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

	Balance July 1, 2016	Prior Period Adjustment	Adjusted Beginning Balance	Additions	Retirements	Reclass- ifications	Balance June 30, 2017
Governmental activities:							
Capital assets, not being depreciated:							
Land	\$ 63,588,616	\$ -	\$ 63,588,616	\$ -	\$ -	\$ 450,000	\$ 64,038,616
Construction-in-progress	9,232,835	-	9,232,835	14,956,356	-	(7,182,522)	17,006,669
Total capital assets, not being depreciated	72,821,451	-	72,821,451	14,956,356	-	(6,732,522)	81,045,285
Capital assets, being depreciated:							
Infrastructure	618,898,271	-	618,898,271	21,447,640	-	-	640,345,911
Buildings	184,039,984	-	184,039,984	117,697	-	6,732,522	190,890,203
Machinery and equipment	48,944,905	-	48,944,905	3,091,835	(2,432,359)	-	49,604,381
Total capital assets, being depreciated	851,883,160	-	851,883,160	24,657,172	(2,432,359)	6,732,522	880,840,495
Less accumulated depreciation for:							
Infrastructure	(276,897,016)	-	(276,897,016)	(14,558,604)	-	-	(291,455,620)
Buildings	(89,467,306)	(9,216)	(89,476,522)	(6,093,062)	-	-	(95,569,584)
Machinery and equipment	(34,528,448)	9,216	(34,519,232)	(3,876,814)	2,419,414	-	(35,976,632)
Total accumulated depreciation	(400,892,770)	-	(400,892,770)	(24,528,480)	2,419,414	-	(423,001,836)
Total capital assets, being depreciated, net	450,990,390	-	450,990,390	128,692	(12,945)	6,732,522	457,838,659
Governmental activities capital assets, net	\$ 523,811,841	\$ -	\$ 523,811,841	\$ 15,085,048	\$ (12,945)	\$ -	\$ 538,883,944

NOTE 7 - CAPITAL ASSETS (Continued)

A. Government-Wide Financial Statements (Continued)

Depreciation expense was charged to governmental functions as follows:

	<u>Total</u>
Governmental Activities:	
General government	\$ 1,657,922
Public protection	3,181,531
Public ways and facilities	14,558,604
Health and sanitation	1,131,712
Public assistance	871,891
Education	218,031
Recreation and cultural services	<u>589,954</u>
Subtotal	22,209,645
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>2,318,835</u>
Total	<u><u>\$ 24,528,480</u></u>

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

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclass- ifications</u>	<u>Balance June 30, 2017</u>
Business-Type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,858,849	\$ -	\$ -	\$ -	\$ 1,858,849
Construction-in-progress	496,335	471,540	-	(215,845)	752,030
Total capital assets, not being depreciated	<u>2,355,184</u>	<u>471,540</u>	<u>-</u>	<u>(215,845)</u>	<u>2,610,879</u>
Capital assets, being depreciated:					
Buildings	51,235,394	83,737	-	215,845	51,534,976
Machinery and equipment	9,644,051	108,402	-	-	9,752,453
Total capital assets, being depreciated	<u>60,879,445</u>	<u>192,139</u>	<u>-</u>	<u>215,845</u>	<u>61,287,429</u>
Less accumulated depreciation for:					
Buildings	(25,722,593)	(1,753,420)	-	-	(27,476,013)
Machinery and equipment	(8,830,639)	(139,117)	-	-	(8,969,756)
Total accumulated depreciation	<u>(34,553,232)</u>	<u>(1,892,537)</u>	<u>-</u>	<u>-</u>	<u>(36,445,769)</u>
Total capital assets, being depreciated, net	<u>26,326,213</u>	<u>(1,700,398)</u>	<u>-</u>	<u>215,845</u>	<u>24,841,660</u>
Business-Type activities capital assets, net	<u><u>\$ 28,681,397</u></u>	<u><u>\$ (1,228,858)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 27,452,539</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	\$ 1,399,010
Boulder Creek CSA 7	66,943
Rolling Woods CSA 10	9,208
Septic Tank Maintenance CSA 12	4,847
Freedom County Sanitation District	208,275
Davenport Sanitation District	165,390
Place de Mer CSA 2	5,542
Sand Dollar Beach CSA 5	<u>33,322</u>
Total	<u><u>\$ 1,892,537</u></u>

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

	Balance July 1, 2016	Additions	Adjustments	Reclassification	Balance June 30, 2017
Nondepreciable assets:					
Construction-in-progress	\$ 24,556,291	\$ 3,839,361	\$ 139,755	\$ (20,561,546)	\$ 7,973,861
Total nondepreciable assets	<u>24,556,291</u>	<u>3,839,361</u>	<u>139,755</u>	<u>(20,561,546)</u>	<u>7,973,861</u>
Depreciable assets:					
Pumping stations	42,808,761	-	-	6,288,236	49,096,997
Transmission systems	109,744,952	-	-	14,273,310	124,018,262
Sewage treatment capacity rights	35,148,509	-	-	-	35,148,509
Mobile equipment	3,393,010	126,183	-	-	3,519,193
Other equipment	1,648,003	107,647	-	-	1,755,650
Total depreciable assets	<u>192,743,235</u>	<u>233,830</u>	<u>-</u>	<u>20,561,546</u>	<u>213,538,611</u>
Accumulated depreciation:					
Pumping stations	(22,902,409)	(966,360)	-	-	(23,868,769)
Transmission systems	(39,785,398)	(2,582,262)	-	-	(42,367,660)
Sewage treatment capacity rights	(14,914,456)	(912,948)	-	-	(15,827,404)
Mobile equipment	(2,756,670)	(157,583)	-	-	(2,914,253)
Other equipment	(1,071,776)	(148,792)	-	-	(1,220,568)
Total accumulated depreciation	<u>(81,430,709)</u>	<u>(4,767,945)</u>	<u>-</u>	<u>-</u>	<u>(86,198,654)</u>
Depreciable assets, net	<u>111,312,526</u>	<u>(4,534,115)</u>	<u>-</u>	<u>20,561,546</u>	<u>127,339,957</u>
Total capital assets, net	<u>\$ 135,868,817</u>	<u>\$ (694,754)</u>	<u>\$ 139,755</u>	<u>\$ -</u>	<u>\$ 135,313,818</u>

Depreciation expense for the District at June 30, 2017, is \$4,767,945.

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, 2017, was as follows:

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Premiums/ Discounts</u>	<u>Accrued Interest</u>	<u>Ending Balance</u>
2016	2.0%	\$ 50,498,611	\$ 50,000,000	\$ (101,495,833)	\$ -	\$ 997,222	\$ -
2017	3.0%	\$ -	\$ 41,500,000	\$ (42,741,542)	\$ -	\$ 1,241,542	\$ -
2018	3.0%	\$ -	\$ 47,000,000	\$ -	\$ 977,600	\$ -	\$ 47,977,600

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, 2017, were \$2,310,172.

As of June 30, 2017, 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>
2018	\$ 2,211,413
2019	1,975,387
2020	1,829,761
2021	1,805,933
2022	1,620,342
2023-2027	2,425,926
2028-2032	412,689
2033-2037	314,364
2038-2042	355,674
2043-2047	402,413
2048-2052	455,293
2053-2057	515,122
2058-2060	341,020
	<u>\$ 14,665,337</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, 2017
Government-Wide Activities		
<u>Governmental Activities:</u>		
Energy efficient infrastructure	3.62%	\$ 3,741,734
Elections equipment	6.82%	53,291
Parks, Open Space, and Cultural Services - Mower	4.34%	11,796
Copy machines	12.54%	204,754
Subtotal Governmental Activities:		<u>4,011,575</u>
<u>Internal Service Fund Activities:</u>		
Public Works copy machines	12.54%	8,661
Information Services copy machines	10.75%	6,840
Information Services phone system	5.25%	1,941,378
Subtotal Internal Service Fund Activities:		<u>1,956,879</u>
Total Government-Wide Capital Lease Obligations		<u>\$ 5,968,454</u>
Business-Type Activities		
<u>Enterprise Fund Activities:</u>		
County Disposal Sites CSA 9C copy machines	11.17%	\$ 3,472
Total Business-Type Capital Lease Obligations		<u>\$ 3,472</u>
Component Unit		
<u>Santa Cruz County Sanitation District</u>	10.94%	\$ 3,548
		<u>\$ 3,548</u>

NOTE 9 - LEASES (Continued)**B. Capital Leases** (Continued)

As of June 30, 2017, capital lease annual amortization is as follows:

Year Ending June 30,	Governmental Activities	Business-Type Activities	Component Unit
2018	\$ 1,186,808	\$ 1,611	\$ 1,312
2019	1,071,538	1,611	1,312
2020	1,049,889	805	1,312
2021	1,015,949	-	328
2022	449,250	-	-
2023-2027	2,246,251	-	-
Total Requirements	7,019,685	4,027	4,264
Less: Interest	(1,051,231)	(555)	(716)
Present Value of Remaining Payments	\$ 5,968,454	\$ 3,472	\$ 3,548

NOTE 10 - LONG-TERM DEBT

The following is a summary of long-term liabilities transactions for the year ended June 30, 2017:

	Balance July 1, 2016	Debt Issued or Transferred In	Debt Retired or Transferred Out	Balance June 30, 2017	Due in One Year	Due in More Than One Year
Governmental Activities Debt:						
1996 Refunding Certificates of Participation	\$ 13,785,000	\$ -	\$ (955,000)	\$ 12,830,000	\$ 1,005,000	\$ 11,825,000
2002 Refunding Certificates of Participation	1,830,000	-	(1,830,000)	-	-	-
2002 Unamortized bond premium	69,423	-	(69,423)	-	-	-
Subtotal	1,899,423	-	(1,899,423)	-	-	-
2005 Refunding Certificates of Participation	4,105,000	-	(4,105,000)	-	-	-
2005 Unamortized bond discount	(19,521)	-	19,521	-	-	-
Subtotal	4,085,479	-	(4,085,479)	-	-	-
1999 Local Agency Revenue Bonds	135,000	-	(30,000)	105,000	35,000	70,000
2006 Certificates of Participation	5,900,000	-	(5,900,000)	-	-	-
2006 Unamortized bond premium	(42,843)	-	42,843	-	-	-
Subtotal	5,857,157	-	(5,857,157)	-	-	-
2008 Certificates of Participation	2,330,000	-	(375,000)	1,955,000	390,000	1,565,000
2008 Unamortized bond premium	51,124	-	(6,816)	44,308	6,816	37,492
Subtotal	2,381,124	-	(381,816)	1,999,308	396,816	1,602,492
2011 Certificates of Participation	5,155,000	-	(160,000)	4,995,000	165,000	4,830,000
2011 Unamortized bond discount	(3,752)	-	188	(3,564)	(188)	(3,376)
Subtotal	5,151,248	-	(159,812)	4,991,436	164,812	4,826,624
2012 Lease Revenue Refunding Bond, Series A	1,642,161	-	(66,542)	1,575,619	66,542	1,509,077
2012 Unamortized bond discount	(15,109)	-	839	(14,270)	(839)	(13,431)
Subtotal	1,627,052	-	(65,703)	1,561,349	65,703	1,495,646
2014 Refunding Certificates of Participation	5,755,000	-	(255,000)	5,500,000	265,000	5,235,000
2014 Unamortized bond premium	264,629	-	(16,539)	248,090	16,539	231,551
Subtotal	6,019,629	-	(271,539)	5,748,090	281,539	5,466,551
2014 Lease Revenue Bonds	4,895,000	-	(175,000)	4,720,000	180,000	4,540,000
2014 Unamortized bond premium	209,358	-	(11,019)	198,339	11,019	187,320
Subtotal	5,104,358	-	(186,019)	4,918,339	191,019	4,727,320
2015 Refunding Certificates of Participation	12,305,000	-	(1,390,000)	10,915,000	1,410,000	9,505,000
2015 Lease Revenue Bonds	9,765,000	-	(235,000)	9,530,000	240,000	9,290,000
2015 Unamortized bond premium	58,126	-	(2,004)	56,122	2,004	54,118
Subtotal	9,823,126	-	(237,004)	9,586,122	242,004	9,344,118
2016 Refunding Certificates of Participation	-	10,500,000	-	10,500,000	820,000	9,680,000
2016 Unamortized bond premium	-	950,674	(47,534)	903,140	47,534	855,606
Subtotal	-	11,450,674	(47,534)	11,403,140	867,534	10,535,606
California Energy Resources Conservation and Development Commission	57,668	-	(42,027)	15,641	15,641	-
Subtotal bonds and loans payable	68,231,264	11,450,674	(15,608,513)	64,073,425	4,675,068	59,398,357
OPEB liability	118,348,505	8,300,439	-	126,648,944	-	126,648,944
Compensated absences	22,518,291	20,208,346	(19,820,610)	22,906,027	20,161,896	2,744,131
Capital leases	4,345,757	129,212	(463,394)	4,011,575	471,377	3,540,198
Total Governmental Activities	\$ 213,443,817	\$ 40,088,671	\$ (35,892,517)	\$ 217,639,971	\$ 25,308,341	\$ 192,331,630

NOTE 10 - LONG-TERM DEBT (Continued)

	Balance July 1, 2016	Debt Issued or Transferred In	Debt Retired or Transferred Out	Balance June 30, 2017	Due in One Year	Due in More Than One Year
Governmental Activities Debt, Continued:						
Internal Service Funds						
Compensated absences	\$ 4,667,398	\$ 3,465,246	\$ (3,489,028)	\$ 4,643,616	\$ 3,472,681	\$ 1,170,935
Estimated claims	39,004,128	11,321,693	(13,568,693)	36,757,128	10,424,128	26,333,000
Capital leases	2,393,492	-	(436,613)	1,956,879	457,790	1,499,089
Total Internal Service Funds	\$ 46,065,018	\$ 14,786,939	\$ (17,494,334)	\$ 43,357,623	\$ 14,354,599	\$ 29,003,024
Total Government-Wide Activities						
Compensated absences	\$ 27,185,689	\$ 23,673,592	\$ (23,309,638)	\$ 27,549,643	\$ 23,634,577	\$ 3,915,066
Estimated claims	39,004,128	11,321,693	(13,568,693)	36,757,128	10,424,128	26,333,000
Other long-term liabilities:						
Bonds and loans payable	68,231,264	11,450,674	(15,608,513)	64,073,425	4,675,068	59,398,357
Capital leases	6,739,249	129,212	(900,007)	5,968,454	929,167	5,039,287
Subtotal other long-term liabilities	74,970,513	11,579,886	(16,508,520)	70,041,879	5,604,235	64,437,644
OPEB liability	118,348,505	8,300,439	-	126,648,944	-	126,648,944
Total Government-Wide Activities	\$ 259,508,835	\$ 54,875,610	\$ (53,386,851)	\$ 260,997,594	\$ 39,662,940	\$ 221,334,654
Business-Type Activities						
<i>Enterprise Funds</i>						
2014 Lease Revenue Bonds	\$ 6,520,000	\$ -	\$ (235,000)	\$ 6,285,000	\$ 240,000	\$ 6,045,000
2014 Unamortized bond premium	279,431	-	(14,707)	264,724	14,707	250,017
Subtotal bonds payable	6,799,431	-	(249,707)	6,549,724	254,707	6,295,017
<i>Loans payable</i>						
Septic Tank Maintenance CSA 12	76,274	-	(15,984)	60,290	16,400	43,890
Davenport Sanitation District	210,440	-	(30,709)	179,731	31,519	148,212
Subtotal loans payable	286,714	-	(46,693)	240,021	47,919	192,102
Total bonds and loans payable	7,086,145	-	(296,400)	6,789,745	302,626	6,487,119
<i>Postclosure Liability</i>						
Enterprise Fund - County Disposal Sites CSA 9	6,098,309	406,382	-	6,504,691	-	6,504,691
<i>Capital Leases</i>	4,614	-	(1,142)	3,472	1,275	2,197
Total Business-Type Activities	\$ 13,189,068	\$ 406,382	\$ (297,542)	\$ 13,297,908	\$ 303,901	\$ 12,994,007
Component Unit - Santa Cruz County						
Sanitation District						
2005 Wastewater Revenue Refunding Bonds	\$ 2,180,000	\$ -	\$ (940,000)	\$ 1,240,000	\$ 535,000	\$ 705,000
2005 Unamortized bond premium	16,665	80,500	(24,291)	72,874	24,291	48,583
2004 Limited Obligation Refunding						
Improvement Bonds	255,000	-	(80,000)	175,000	85,000	90,000
2009 State Water Resources Control Board Loan	10,317,534	-	(532,374)	9,785,160	545,684	9,239,476
Loans payable	4,603,952	-	(1,508,192)	3,095,760	1,532,420	1,563,340
Capital lease	-	4,205	(657)	3,548	963	2,585
Total Component Unit	\$ 17,373,151	\$ 84,705	\$ (3,085,514)	\$ 14,372,342	\$ 2,723,358	\$ 11,648,984

NOTE 10 - LONG-TERM DEBT (Continued)

Descriptions of the long-term liabilities at June 30, 2017, are as follows:

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2017
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	\$ 8,930,000
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	12,830,000
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	-
Term bonds	8/1/23-8/1/32	5.25%	\$100,000-\$155,000	1,260,000	-
Unamortized bond premium				126,230	-
				Total 2002 Issue	-
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/Roundtree Lane Detention Facility					
Serial certificates	8/1/05-8/1/20	2.75-4.25%	\$500,000-\$910,000	\$ 10,580,000	-
Unamortized bond discount				(67,249)	-
				Total 2005 Issue	-
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	5,500,000
Unamortized bond premium				297,707	248,090
				Total 2014 Issue	5,748,090
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	6,035,000
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	10,915,000
2016 Issue (defeased certain outstanding lease obligations and prepay the outstanding 2002 Refunding Certificates of Participation, 2005 Refunding Certificates of Participation, and 2006 Certificates of Participation; to finance a variety of capital improvements; to satisfy the Reserve Requirement for the Certificates; and to pay the delivery costs of the Certificates)					
Collateral: Water Street Detention Facility and Blaine Street Detention Facility					
Serial certificates	8/1/17-8/1/33	0.64-2.46%	\$340,000-\$920,000	\$ 8,865,000	8,865,000
Term bonds	8/1/34-8/1/36	3.00%	\$525,000-\$565,000	1,635,000	1,635,000
Unamortized bond premium				950,674	903,140
				Total 2016 Issue	11,403,140
				Total Refunding Certificates of Participation	39,745,000
				Net Premiums/(Discounts)	1,151,230
				Total including Premiums/(Discounts)	\$ 40,896,230
<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	\$ 4,720,000
Unamortized bond premium				220,377	198,339
				Total 2014 Issue	\$ 4,918,339
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	\$ 5,700,000
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	56,122
				Total 2015 Issue	\$ 9,586,122
				Total Lease Revenue Bonds	14,250,000
				Net Premiums/(Discounts)	254,461
				Total including Premiums/(Discounts)	\$ 14,504,461

NOTE 10 - LONG-TERM DEBT (Continued)

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2017
Governmental Activities, Continued:					
Financing Authorities, Continued					
<i>Lease Revenue Refunding Bonds</i>					
2012 Series A (refinanced construction and equipment costs for the Santa Cruz County Consolidated Emergency Communications Center)					
Collateral: Santa Cruz County Regional 911 Center					
Serial bonds	6/15/13-6/15/30	2.00-5.00%	\$115,000-\$225,000	\$ 1,402,135	\$ 1,093,189
Term bonds	6/15/31-6/15/34	5.000%		482,430	482,430
Unamortized bond premium				18,465	(14,270)
Total Lease Revenue Refunding Bonds					<u>\$ 1,561,349</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>\$ 105,000</u>
<i>Certificates of Participation</i>					
2006 Series Issue (financed improvements to Watsonville Courthouse and Buena Vista Landfill)					
Collateral: Water Street Detention Facility/Roundtree Lane Detention Facility					
Serial certificates	8/1/07-8/1/28	3.50-4.625%	\$180,000-\$410,000	\$ 6,225,000	\$ -
Term certificates	8/1/29-8/1/32	4.50%		1,265,000	-
Term certificates	8/1/33-8/1/36	4.625%		1,510,000	-
Unamortized bond discount				(62,698)	-
Total 2006 Issue					<u>\$ -</u>
2008 Series Issue (finance purchase of computer software systems for various County departments)					
Collateral: Water Street Detention Facility/Roundtree Lane Detention Facility					
Serial certificates	8/1/09-8/1/23	3.00-4.30%	\$215,000-\$405,000	\$ 4,625,000	\$ 1,955,000
Unamortized bond premium				102,244	44,308
Total 2008 Issue					<u>\$ 1,999,308</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	\$ 885,000
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)	(3,564)
Total 2011 Issue					<u>4,991,436</u>
Total Certificates of Participation					<u>6,950,000</u>
Net Premiums/(Discounts)					<u>40,744</u>
Total including Premiums/(Discounts)					<u>\$ 6,990,744</u>
California Energy Resources Conservation and Development Commission					
	2013-2018	3.00%	\$16,642-\$21,172	\$ 172,837	<u>\$ 15,641</u>

NOTE 10 - LONG-TERM DEBT (Continued)

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2017
Governmental Activities, Continued:					
Financing Authorities, Continued					
<i>Capital leases</i>					
Energy efficient infrastructure	2008 - 2027	3.62%	\$135,989 - \$220,635	\$ 5,989,594	\$ 3,741,734
Elections equipment	2014 - 2017	6.82%	\$47,874 - \$56,225	263,175	53,291
Parks, Open Space, and Cultural Services					
Mower	2013 - 2018	4.34%	\$11,796 - \$12,307	56,626	11,796
Copy machines	2012 - 2020	6.70% - 12.54%	\$9,979 - \$97,904	501,403	220,255
Phone system	2014 - 2020	5.25%	\$405,100 - \$529,301	3,302,148	1,941,378
Total Governmental Activities					\$ 70,041,879
Business-Type Activities:					
Enterprise Fund - County Disposal Sites 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	\$ 6,285,000
Unamortized bond premium				294,138	264,724
Total 2014 Issue					\$ 6,549,724
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	\$ 50,193
California Technology, Trade, and Commerce Agency (fund sanitation system improvements)					
	2/28/95-7/1/24	2.75%	\$3,550-\$4,817	310,691	101,970
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	27,568
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	\$ 60,290
Subtotal Loans					\$ 240,021
Total Lease Revenue Bonds and Loans					\$ 6,525,021
Net Premiums/(Discounts)					264,724
Total including Premiums/(Discounts)					\$ 6,789,745
Copy machine	3/7/16-12/7/19	11.17%	\$259.2-\$391.75	\$ 5,140	\$ 3,472
Landfill postclosure					6,504,691
Total Business-Type Activities					\$ 13,297,908
Component Unit - Santa Cruz County Sanitation District (the District)					
2005 Wastewater Revenue Refunding Bonds (financed the District'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	\$ 1,240,000
Unamortized bond premium				364,370	72,874
					1,312,874
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	175,000
Loans payable - City of Santa Cruz (construct treatment plant expansion)	2000-2019	1.60%	\$717,884-\$1,563,340	\$ 7,532,957	3,095,760
2009 State Water Resources Control Board Loan	2013-2032	2.50%	\$630,445-\$959,296	\$ 11,981,910	9,785,160
Copy machine	10/22/2016 - 7/22/2020	10.94%	\$1,312	\$ 4,205	3,548
Total Component Unit					\$ 14,372,342

NOTE 10 - LONG-TERM DEBT (Continued)

A. Governmental Activities

At June 30, 2017, 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
2018	\$ 3,500,000	\$ 1,602,475	\$ 420,000	\$ 543,794	\$ 66,542	\$ 68,535
2019	3,620,000	1,486,009	440,000	529,194	68,919	66,539
2020	3,770,000	1,351,237	455,000	513,994	71,295	64,385
2021	3,920,000	1,205,478	475,000	498,194	73,672	62,068
2022	3,450,000	1,057,043	485,000	480,744	76,048	59,490
2023-2027	14,390,000	2,992,647	2,725,000	2,101,794	430,146	249,126
2028-2032	4,450,000	913,741	3,225,000	1,528,031	534,712	144,099
2033-2037	2,645,000	213,475	3,010,000	903,388	254,285	19,250
2038-2042	-	-	1,980,000	429,800	-	-
2043-2047	-	-	1,035,000	84,000	-	-
Total	\$ 39,745,000	\$ 10,822,105	\$ 14,250,000	\$ 7,612,933	\$ 1,575,619	\$ 733,492

Year Ending June 30,	Local Agency Revenue Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2018	\$ 35,000	\$ 4,813	\$ 555,000	\$ 296,225
2019	35,000	2,888	575,000	273,625
2020	35,000	963	390,000	254,325
2021	-	-	410,000	238,325
2022	-	-	420,000	221,725
2023-2027	-	-	1,570,000	872,175
2028-2032	-	-	1,340,000	583,219
2033-2037	-	-	1,690,000	219,500
Total	\$ 105,000	\$ 8,664	\$ 6,950,000	\$ 2,959,119

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

Defeasance of Bonds

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

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

NOTE 10 - LONG-TERM DEBT (Continued)

A. *Governmental Activities* (Continued)

Defeasance of Bonds (Continued)

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

Energy Resources Conservation and Development Commission Loan

In December 2012, the County entered into a loan agreement with the Energy Resources Conservation and Development Commission in the amount of \$172,837. The loan bears an annual interest rate of 3% due semi-annually and matures on December 22, 2017. For the current year, principal and interest paid on the loan was \$42,027. The outstanding balance of the loan is \$15,641.

B. *Business-Type Activities*

At June 30, 2017, 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>
2018	\$ 240,000	\$ 254,600	\$ 47,919	\$ 5,652
2019	250,000	244,800	49,178	4,557
2020	260,000	234,600	50,459	3,434
2021	270,000	224,000	34,207	2,285
2022	285,000	211,475	25,055	1,477
2023-2027	1,605,000	865,325	33,203	1,250
2028-2032	1,985,000	480,613	-	-
2033-2037	1,390,000	84,800	-	-
Total	<u>\$ 6,285,000</u>	<u>\$ 2,600,213</u>	<u>\$ 240,021</u>	<u>\$ 18,655</u>

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

NOTE 10 - LONG-TERM DEBT (Continued)**C. Component Unit**

At June 30, 2017, 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
	2018	\$ 85,000	\$ 6,914	\$ 535,000	\$ 47,225	\$ 2,078,102
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	-	-	-	-	602,333	187,980
2023-2027	-	-	-	-	3,245,210	706,354
2028-2032	-	-	-	-	3,671,658	279,906
2033-2037	-	-	-	-	-	-
Total	\$ 175,000	\$ 9,277	\$ 1,240,000	\$ 69,750	\$ 12,880,920	\$ 2,125,465

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 were 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 of Santa Cruz 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, 2017, is \$3,095,760.

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, 2017, 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 began 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, 2017, is \$532,606,295. The County's legal debt service limit is 1.25% of the total full cash valuation of all real and personal property within the County.

NOTE 10 - LONG-TERM DEBT (Continued)

E. Arbitrage

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

NOTE 11 - PLEDGE OF FUTURE REVENUES

2014 Lease Revenue Bonds

The bonds are payable from and secured by a pledge of revenues and certain funds and accounts established and held by the Trustee under the Indenture. Revenues, as defined in the Indenture, means (i) all lease payments and other amounts paid, or caused to be paid, by the County, and received by the Financing Authority pursuant to the Lease Agreement (but not additional payments), and (ii) all interest or other income from any investment of any money in any fund or account established pursuant to the Indenture (other than the Rebate Fund) to repay \$11,810,000 (\$5,065,000 financial management system software and \$6,745,000 County's Buena Vista Sanitary Landfill) in lease revenue bonds issued during April 2014. Proceeds from the bonds provided funds to finance capital improvements, including the County's new financial management system software and an additional module at the County's Buena Vista Sanitary Landfill, to fund capitalized interest for a portion of the bonds, to satisfy the Reserve Requirement for the bonds, and to pay the costs of issuance of the bonds. Annual principal and interest payments on the bonds continue through 2034. Total principal and interest paid for the current year were \$490,000 and \$508,244, respectively.

2012A Lease Revenue Refunding Bonds

The revenues of the Santa Cruz Regional 911 (Regional 911) were pledged to repay \$3,965,000 in lease revenue refunding bonds issued in May 2012. The Regional 911 was formed in a Joint Powers Authority Agreement with the cities of Santa Cruz, Watsonville, and Capitola and the County of Santa Cruz. Proceeds from the bonds provided funds to refinance an existing lease and to fund equipment purchases. The bonds were payable from use payments paid to the Regional 911 by the different governmental agencies. Annual principal and interest payments on the bonds continue through 2034 and are expected to require less than 12 percent of revenues. The total principal and interest remaining to be paid on the bonds is \$4,858,219. Pursuant to the Joint Powers Authority Agreement, the County is responsible for 47.53% of the total liability, or \$2,309,111. Total principal and interest paid for the current year and total customer revenues were \$288,044 and \$6,553,251, respectively. The County paid \$136,907 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.

NOTE 12 - LANDFILL CLOSURE AND POSTCLOSURE COSTS (Continued)

As of June 30, 2017, a liability for closure and postclosure maintenance in the amount of \$6,504,691 is reflected in the County Disposal Sites CSA 9C Enterprise Fund based upon landfill capacity used to date. As of June 30, 2017, Ben Lomond Landfill was filled to 100% capacity, and the County estimates that the Buena Vista Landfill is filled to 65.97% of capacity with an estimated remaining useful life of 19 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 \$3,355,311 as the remaining estimated capacity of the Buena Vista Landfill is filled. This amount is based on what it would cost to perform all closure and postclosure care in 2017. 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, 2017, cash of \$6,841,901 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 fund deficit net positions at June 30, 2017, were as follows:

Internal Service Funds:	
Information Services	\$ 3,168,622
Public Works	24,170,560
Risk Management	432,186
Workers' Compensation Insurance	15,356,843
Employee Benefit Staffing	88,134
Nonmajor Special Revenue Fund:	
Off Highway, Road, and Transportation	56,523

The deficit net positions in the Information Services Fund, Public Works Fund, Risk Management Fund and Employee Benefit Staffing 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.

The Workers' Compensation Fund had a deficit net position of \$15,356,843 related to the losses payable for claims and the inclusion of estimates for incurred but not reported (IBNR) claims. Management anticipates that the County will have sufficient funds to pay annual requirements. These funds will normally show up as deficits since the County is set up on a pay-as-you go program.

NOTE 14 - PENSION PLANS

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the County’s separate Miscellaneous (all other), Safety (police and fire), and Safety Sheriff Plans, 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 plan participants that are not part of the County. The amounts have been reduced based on payments within the Measurement Period of July 1, 2015 to June 30, 2016.

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, 2017, 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	18.7%	18.7%	18.7%

Hire Date	Safety		
	Prior to June 9, 2012	June 9, 2012 to December 31, 2012 or reciprocal *	On or after January 1, 2013
Benefit Formula	2% at 50	2% at 50	2.7% at 57
Benefit Vesting Schedule	5 Years	5 Years	5 Years
Earliest Retirement Age	50	50	50
Maximum Benefit Factor	2.7% @ 55	2.7% @ 55	2.7% @ 57
Final Compensation	12 Months	36 Months	36 Months
Required Employee Contribution Rates	9.0%	9.0%	11.0%
Required Employer Contribution Rates	25.6%	25.6%	25.6%

NOTE 14 - PENSION PLANS (Continued)

A. General Information about the Pension Plans (Continued)

Hire Date	Safety Sheriff		
	Prior to June 9, 2012	June 9, 2012 to December 31, 2012 or reciprocal *	On or after January 1, 2013
Benefit Formula	3% at 50	3% at 55	2.7% at 57
Benefit Vesting Schedule	5 Years	5 Years	5 Years
Earliest Retirement Age	50	50	50
Maximum Benefit Factor	3% @ 55	3% @ 55	2.7% @ 57
Final Compensation	12 Months	36 Months	36 Months
Required Employee Contribution Rates	9.0%	9.0%	12.0%
Required Employer Contribution Rates	38.2%	38.2%	38.2%

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

Employees Covered – At June 30, 2016, the following employees were covered by the benefit terms for each plan:

	Miscellaneous	Safety	Safety Sheriff
Inactive Employees or Beneficiaries Currently Receiving Benefits	2,575	262	82
Inactive Employees Entitled to but not yet Receiving Benefits	1,541	240	91
Active Employees	1,981	224	137
Total	6,097	726	310

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

B. Net Pension Liability

The County's net pension liability for each plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the plans is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

NOTE 14 - PENSION PLANS (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions – The June 30, 2015 valuation was rolled forward to determine the June 30, 2016 total pension liability, based on the following actuarial methods and assumptions:

	Miscellaneous	Safety	Safety Sheriff
Valuation Date	June 30, 2015	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
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	7.50% ⁽²⁾	7.50% ⁽²⁾	7.50% ⁽²⁾
Mortality	Derived using CalPERS' Membership Data for all Funds ⁽³⁾		
Post Retirement Benefit Increase	Contract Cost of Living Adjustment up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter		

⁽¹⁾ Depending on Entry age and service

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

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

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality, and retirement rates. The Experience Study report may be accessed on the CalPERS' website under Forms and Publications.

Change of Assumptions – There were no changes of assumptions.

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. The tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate 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 (PERF) cash flows. Taking into account all historical returns of all the PERF's asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

NOTE 14 - PENSION PLANS (Continued)

B. Net Pension Liability (Continued)

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, 2015.

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	20.00%	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	1.00%	-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.

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, 2015	\$ 987,185,841	\$ 750,583,900	\$ 236,601,941
Changes in the Year:			
Service Cost	20,403,352	-	20,403,352
Interest on the Total Pension Liability	78,852,555	-	78,852,555
Differences between Actual and Expected Experience	3,966,020	-	3,966,020
Plan to Plan Resource Movement	-	2,727	(2,727)
Contribution - Employer	-	24,836,370	(24,836,370)
Contribution - Employee	-	9,898,794	(9,898,794)
Net Investment Income	-	4,227,340	(4,227,340)
Benefit Payments, Including Refunds of Employee Contributions	(50,461,359)	(50,461,359)	-
Administrative Expenses	-	(482,672)	482,672
Net Changes	52,760,568	(11,978,800)	64,739,368
Balance at June 30, 2016	\$ 1,039,946,409	\$ 738,605,100	\$ 301,341,309

NOTE 14 - PENSION PLANS (Continued)

B. Net Pension Liability (Continued)

Safety Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2015	\$ 159,899,517	\$ 119,644,326	\$ 40,255,191
Changes in the Year:			
Service Cost	3,699,113	-	3,699,113
Interest on the Total Pension Liability	12,245,682	-	12,245,682
Differences between Actual and Expected Experience	(115,359)	-	(115,359)
Plan to Plan Resource Movement	-	(106,353)	106,353
Contribution - Employer	-	3,731,613	(3,731,613)
Contribution - Employee	-	1,613,925	(1,613,925)
Net Investment Income	-	588,970	(588,970)
Benefit Payments, Including Refunds of Employee Contributions	(7,830,764)	(7,830,764)	-
Administrative Expenses	-	(75,328)	75,328
Net Changes	<u>7,998,672</u>	<u>(2,077,937)</u>	<u>10,076,609</u>
Balance at June 30, 2016	<u>\$ 167,898,189</u>	<u>\$ 117,566,389</u>	<u>\$ 50,331,800</u>

Safety Sheriff Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2015	\$ 137,100,812	\$ 92,143,512	\$ 44,957,300
Changes in the Year:			
Service Cost	3,942,199	-	3,942,199
Interest on the Total Pension Liability	11,528,363	-	11,528,363
Differences between Actual and Expected Experience	531,702	-	531,702
Plan to Plan Resource Movement	-	(3,877)	3,877
Contribution - Employer	-	5,279,477	(5,279,477)
Contribution - Employee	-	1,383,847	(1,383,847)
Net Investment Income	-	509,520	(509,520)
Benefit Payments, Including Refunds of Employee Contributions	(5,816,534)	(5,816,534)	-
Administrative Expenses	-	(60,831)	60,831
Net Changes	<u>10,185,730</u>	<u>1,291,602</u>	<u>8,894,128</u>
Balance at June 30, 2016	<u>\$ 147,286,542</u>	<u>\$ 93,435,114</u>	<u>\$ 53,851,428</u>

NOTE 14 - PENSION PLANS (Continued)

B. Net Pension Liability (Continued)

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:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Safety Sheriff</u>
1% Decrease Net Pension Liability	\$ 433,412,424	\$ 74,533,220	\$ 74,534,350
Current Discount Rate Net Pension Liability	\$ 301,341,309	\$ 50,331,800	\$ 53,851,428
1% Increase Net Pension Liability	\$ 190,974,538	\$ 30,439,677	\$ 36,938,769

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. For example, for the accounting valuations, CalPERS must keep items such as deficiency reserves and fiduciary self-insurance included as assets. These amounts are excluded for rate setting purposes in the County’s funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

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

For the year ended June 30, 2017, the County recognized a pension expense of \$39,764,560. At June 30, 2017, the County’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ 28,156,030	\$ -
Changes in Assumptions	-	5,622,758
Differences between Actual and Expected Experience	2,644,013	4,400,437
Net Differences between Projected and Actual Earnings on Plan Investments	<u>68,622,787</u>	<u>25,678,151</u>
Total	<u>\$ 99,422,830</u>	<u>\$ 35,701,346</u>

NOTE 14 - PENSION PLANS (Continued)

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

	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 4,596,334	\$ -
Changes in Assumptions	-	1,335,233
Differences between Actual and Expected Experience	-	1,305,294
Net Differences between Projected and Actual Earnings on Plan Investments	<u>10,767,761</u>	<u>4,017,036</u>
Total	<u>\$ 15,364,095</u>	<u>\$ 6,657,563</u>

	Safety Sheriff	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 5,823,770	\$ -
Changes in Assumptions	-	1,605,034
Differences between Actual and Expected Experience	1,698,440	-
Net Differences between Projected and Actual Earnings on Plan Investments	<u>8,744,733</u>	<u>3,112,832</u>
Total	<u>\$ 16,266,943</u>	<u>\$ 4,717,866</u>

	TOTAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 38,576,134	\$ -
Changes in Assumptions	-	8,563,025
Differences between Actual and Expected Experience	4,342,453	5,705,731
Net Differences between Projected and Actual Earnings on Plan Investments	<u>88,135,281</u>	<u>32,808,019</u>
Total	<u>\$ 131,053,868</u>	<u>\$ 47,076,775</u>

\$38,576,134 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, 2018. Details for each of the plan follow:

Miscellaneous	Safety	Safety Sheriff	TOTAL
\$ 28,156,030	\$ 4,596,334	\$ 5,823,770	\$ 38,576,134

NOTE 14 - PENSION PLANS (Continued)

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

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

Year Ended June 30	Miscellaneous Deferred Inflows (Outflows) of Resources	Safety Deferred Inflows (Outflows) of Resources	Safety Sheriff Deferred Inflows (Outflows) of Resources	TOTAL Deferred Inflows (Outflows) of Resources
2018	\$ (2,370,569)	\$ (453,993)	\$ 877,006	\$ (1,947,556)
2019	7,652,625	(169,953)	877,005	8,359,677
2020	19,169,693	2,984,073	2,444,793	24,598,559
2021	11,113,705	1,750,071	1,526,503	14,390,279
Thereafter	-	-	-	-
Total	\$ 35,565,454	\$ 4,110,198	\$ 5,725,307	\$ 45,400,959

D. Payable to the Pension Plans

At June 30, 2017, there was no outstanding amount of contributions payable to the plans required for the year ended June 30, 2017.

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 single-employer 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:

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

* Most recent information available.

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

Funding Policy. The contribution requirements for the County are established by an MOU as negotiated by each group or bargaining unit. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2017, the County contributed \$6,776,963 to the Plan, \$1,463,000 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	\$ 17,570,000
Interest on net OPEB obligation	4,598,402
Amortization of net OPEB obligation	<u>(7,091,000)</u>
Annual OPEB cost (expense)	15,077,402
Contributions made	<u>(6,776,963)</u>
Increase in net OPEB obligation	8,300,439
Net OPEB obligation - beginning of year	<u>118,348,505</u>
Net OPEB obligation - end of year	<u><u>\$ 126,648,944</u></u>

The County's annual OPEB costs, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation 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>
6/30/2015	\$ 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
6/30/2017	15,077,402	6,776,963	44.9%	126,648,944

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.

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

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.

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, 2017. 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	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Liability as a Percentage of Covered Payroll
01/01/07	\$ -	\$ 216,766,000	\$ 216,766,000	0.0%	\$ 153,807,000	140.9%
01/01/14	-	145,013,000	145,013,000	0.0%	153,879,000	94.2%
01/01/16	-	167,095,000	167,095,000	0.0%	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, 2017, the deferred compensation plan's assets of \$166,661,913 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, 2017, 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 \$16,432,386 and \$16,462,511, respectively.

B. *Litigation*

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

C. *Federal and State Grants*

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

D. *Medicare and Medi-Cal Reimbursements*

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

NOTE 18 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; medical malpractice; unemployment coverage; and dental benefits to employees. The County is self-insured for its general and 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, 2017, 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, 2017, and two prior years for all Self-Insurance Internal Service Funds combined is as follows:

	2017	2016	2015
Unpaid claims and claim adjustment expenses, beginning of the fiscal year	\$ 39,004,128	\$ 38,986,910	\$ 46,984,023
Incurring claims and claim adjustment expenses	15,815,693	9,746,817	10,618,009
Increase (decrease) in provision of insured events for prior years	(2,247,000)	-	(8,028,909)
Claim payments	(15,815,693)	(9,729,599)	(10,586,213)
Unpaid claims and claim adjustment expenses, end of the fiscal year	<u>\$ 36,757,128</u>	<u>\$ 39,004,128</u>	<u>\$ 38,986,910</u>

At June 30, 2017, the Self-Insurance Funds held a total of \$30,175,748 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, 2017, the estimated future liabilities were \$29,794,000. As permitted by State and Federal guidelines, the Workers' Compensation program is funded on a pay-as-you-go basis. The funding is closely monitored to ensure that claims are paid when due or required by law.

B. Dental and Medical

The County provides a self-funded indemnity dental program for employees and their dependents and is funded by the various County departments through charges to their salary and benefits budgets. At June 30, 2017, 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, 2017, the County had estimated future liabilities totaling \$6,495,000 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, 2017, 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, 2017, is as follows:

	General Fund	Housing Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventory, prepaids, and imprest cash	\$ 475,193	\$ -	\$ -	\$ -	\$ 475,193
Advances and loans	228,113	60,390,957	-	-	60,619,070
Assets held for resale	-	1,166,891	-	-	1,166,891
Total nonspendable fund balance	703,306	61,557,848	-	-	62,261,154
Restricted for:					
Purpose of fund	-	15,945,488	-	19,524,067	35,469,555
Debt service	-	-	-	2,378,349	2,378,349
Capital asset acquisition	-	-	7,654,906	9,091,534	16,746,440
Total restricted fund balance	-	15,945,488	7,654,906	30,993,950	54,594,344
Committed to:					
Natural Disasters	2,000,000	-	-	-	2,000,000
Working Capital	6,000,000	-	-	-	6,000,000
Economic Uncertainty	10,000,000	-	-	-	10,000,000
Total committed fund balance	18,000,000	-	-	-	18,000,000
Assigned to:					
MBCP Credit Guaranty	272,727	-	-	-	272,727
Federally qualified health program	14,229,750	-	-	-	14,229,750
Budgeted Structural Deficit	6,310,843	-	-	-	6,310,843
Eliminate projected budgetary deficit in subsequent year's budget	6,310,843	-	-	-	6,310,843
Unanticipated liabilities	2,000,000	-	-	-	2,000,000
Human services programs	1,969,278	-	-	-	1,969,278
Salary savings	6,065,597	-	-	-	6,065,597
Total assigned fund balance	37,159,038	-	-	-	37,159,038
Unassigned Fund Balance	(71,459)	-	-	-	(71,459)
Total fund balances	\$ 55,790,885	\$ 77,503,336	\$ 7,654,906	\$ 30,993,950	\$ 171,943,077

NOTE 20 - SUBSEQUENT EVENTS

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

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

NOTE 20 - SUBSEQUENT EVENTS (Continued)

Over the past year, the County of Santa Cruz has contracted with Pacific Energy Advisors, Miller Maxfield, and LEAN Energy US for technical and energy services. Until MBCP has a Chief Executive Officer (CEO) and banking and credit services in place, the County of Santa Cruz will extend these contracts for six months until December 31, 2017, at which time they will be transitioned to MBCP.

MBCP will begin providing electrical service to customers in spring 2018.

During 2017, the County submitted an application with the Internal Revenue Service to apply for Clean Renewable Energy Bonds (CREBS) to finance solar projects at various County facilities.

On July 27, 2017, the County received allocations of volume cap to issue new CREBs with respect to the Renewable Energy Projects, which include the acquisition and installation of an aggregate 2,252 Kw DC photovoltaic energy system at eight facilities located throughout the County.

On August 3, 2017, the Santa Cruz County Redevelopment Successor Agency issued Tax Allocation Refunding Bonds, 2017 Series A in the amount of \$35,140,000. The 2017 Series A Refunding Bonds bear interest at rates ranging from 1.50% to 3.25% for Serial Bonds maturing on September 1, 2027, interest rate of 3.75% for Term Bonds maturing on September 1, 2032, and interest rate of 4.00% for Term Bonds maturing on September 1, 2036. The 2017 Series A Refunding Bonds were issued to refinance the following obligations of the prior Redevelopment Agency:

- 2010 Taxable Housing Tax Allocation Bonds (the “2010 Bonds”), currently outstanding in the amount of \$17,680,000,
- Taxable Tax Allocation Bonds, 2011 Series A (the “2011 Series A Bonds”), currently outstanding in the amount of \$8,995,000, and
- Taxable Housing Tax Allocation Bonds, 2011 Series B (the “2011 Series B Bonds”), currently outstanding in the amount of \$5,140,000.

NOTE 21 - PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of \$263,957 was made to increase the governmental activities' and nonmajor governmental funds' beginning net position to reflect the adjusted improvement fund allocation related to County Disposal Sites CSA 9C.

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

Governmental activities	
Net position at July 1, 2016, as previously stated	\$ 158,737,809
Net pension liability adjustment	<u>263,957</u>
Net position at July 1, 2016, as restated	<u>\$ 159,001,766</u>
Nonmajor governmental funds	
Net position at July 1, 2016, as previously stated	\$ 38,378,469
Net pension liability adjustment	<u>263,957</u>
Net position at July 1, 2016, as restated	<u>\$ 38,642,426</u>

A prior period adjustment of \$263,957 was made to decrease the business-type activities' beginning net position. The adjustment was made to reflect the adjusted improvement fund allocation related to County Disposal Sites CSA 9C.

NOTE 21 - PRIOR PERIOD ADJUSTMENTS (Continued)

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

Business-type activities	
Net position at July 1, 2016, as previously stated	\$ 26,893,747
Net pension liability adjustment	<u>(263,957)</u>
Net position at July 1, 2016, as restated	<u>\$ 26,629,790</u>

NOTE 22 - TAX ABATEMENTS

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

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

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

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

No other commitments were made by the County as part of the Williamson Act. For the fiscal year ended June 30, 2017, the Agricultural Preserve Program tax abatements were \$338,098.



**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, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 51,736,019	\$ 51,736,019	\$ 51,736,019	\$ -
RESOURCES (INFLOWS)				
Taxes	110,912,860	111,637,860	116,873,004	5,235,144
Licenses and permits	13,920,583	13,920,583	13,258,981	(661,602)
Fines, forfeits and penalties	4,290,700	5,026,823	4,069,869	(956,954)
Use of money and property	2,387,946	2,403,631	2,708,279	304,648
Aid from other governments	243,363,735	247,979,757	235,816,827	(12,162,930)
Charges for services	62,508,776	62,947,065	63,205,072	258,007
Other	7,230,151	15,047,368	6,674,383	(8,372,985)
Inception of capital lease	81,757	129,212	129,212	-
Transfers in	26,715,215	26,806,210	3,595,209	(23,211,001)
Amount Available for Appropriation	<u>471,411,723</u>	<u>485,898,509</u>	<u>446,330,836</u>	<u>(39,567,673)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General Government:				
Board of Supervisors				
Salaries and employee benefits	2,605,612	2,590,062	2,526,129	63,933
Services and supplies	118,738	136,084	110,342	25,742
Other charges	3,533	4,083	3,236	847
Capital assets	-	10,409	10,409	-
Total	<u>2,727,883</u>	<u>2,740,638</u>	<u>2,650,116</u>	<u>90,522</u>
Administrative Office				
Salaries and employee benefits	4,579,822	4,545,127	3,749,151	795,976
Services and supplies	2,749,277	2,369,153	1,113,859	1,255,294
Other charges	10,286	19,661	18,357	1,304
Capital assets	-	16,080	16,080	-
Intrafund transfers	(671,759)	(490,376)	(368,558)	(121,818)
Appropriations for contingencies	-	565,466	-	565,466
Total	<u>6,667,626</u>	<u>7,025,111</u>	<u>4,528,889</u>	<u>2,496,222</u>
Auditor-Controller				
Salaries and employee benefits	3,271,253	3,191,372	3,191,372	-
Services and supplies	1,404,818	1,385,793	1,276,934	108,859
Other charges	-	1,200	1,163	37
Capital assets	571,270	571,270	113,205	458,065
Intrafund transfers	(2,595,835)	(2,595,835)	(2,586,440)	(9,395)
Appropriations for contingencies	-	12,158	-	12,158
Total	<u>2,651,506</u>	<u>2,565,958</u>	<u>1,996,234</u>	<u>569,724</u>

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
General Government, Continued:				
Treasurer-Tax Collector				
Salaries and employee benefits	\$ 1,181,519	\$ 1,174,519	\$ 1,140,769	\$ 33,750
Services and supplies	860,050	721,471	602,010	119,461
Other charges	1,293	1,374	1,291	83
Intrafund transfers	272,957	272,957	287,956	(14,999)
Total	2,315,819	2,170,321	2,032,026	138,295
Assessor				
Salaries and employee benefits	2,582,762	2,567,762	2,549,023	18,739
Services and supplies	398,941	503,861	480,632	23,229
Other charges	223,043	223,043	221,833	1,210
Intrafund transfers	(243,281)	(243,281)	(217,352)	(25,929)
Total	2,961,465	3,051,385	3,034,136	17,249
Purchasing				
Salaries and employee benefits	194,326	228,958	228,958	-
Services and supplies	177,036	120,561	120,561	-
Intrafund transfers	(102,222)	(102,222)	(102,222)	-
Total	269,140	247,297	247,297	-
County Counsel				
Salaries and employee benefits	3,479,236	3,483,829	3,483,829	-
Services and supplies	157,253	153,664	153,394	270
Other charges	-	3,524	3,524	-
Capital assets	-	11,241	11,241	-
Intrafund transfers	(1,064,920)	(1,064,920)	(1,248,846)	183,926
Total	2,571,569	2,587,338	2,403,142	184,196
Personnel				
Salaries and employee benefits	3,487,233	3,510,240	3,510,240	-
Services and supplies	2,267,932	2,199,131	2,149,316	49,815
Other charges	-	1,310	1,301	9
Capital assets	-	16,605	16,605	-
Intrafund transfers	(951,487)	(951,487)	(951,487)	-
Total	4,803,678	4,775,799	4,725,975	49,824
County Clerk/Elections				
Salaries and employee benefits	1,897,562	2,002,684	2,002,684	-
Services and supplies	1,466,581	1,435,342	1,311,059	124,283
Other charges	59,682	59,682	58,365	1,317
Appropriations for contingencies	-	5,410	-	5,410
Total	3,423,825	3,503,118	3,372,108	131,010
				(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
General Government, Continued:				
Communications				
Salaries and employee benefits	\$ 886,004	\$ 841,004	\$ 820,716	\$ 20,288
Services and supplies	1,697,588	1,792,967	1,783,834	9,133
Other charges	211,483	211,483	211,471	12
Capital assets	586,691	792,532	541,637	250,895
Intrafund transfers	(884,609)	(952,609)	(970,000)	17,391
Appropriations for contingencies	-	65	-	65
Total	2,497,157	2,685,442	2,387,658	297,784
General Services				
Salaries and employee benefits	4,849,532	4,906,900	4,613,227	293,673
Services and supplies	4,287,720	4,477,570	4,407,366	70,204
Other charges	498,073	498,073	497,811	262
Intrafund transfers	(6,134,516)	(6,184,516)	(5,828,544)	(355,972)
Appropriations for contingencies	-	675	-	675
Total	3,500,809	3,698,702	3,689,860	8,842
Real Property Management				
Services and supplies	147,466	185,776	153,319	32,457
Capital assets	-	94,500	94,500	-
Total	147,466	280,276	247,819	32,457
Finance: Revenue-General Fund				
Salaries and employee benefits	533,880	4,110	-	4,110
Services and supplies	118,840	156,852	154,604	2,248
Other charges	880,455	2,157,078	1,699,956	457,122
Intrafund transfers	(623,146)	(623,146)	(782,652)	159,506
Appropriations for contingencies	-	1,110	-	1,110
Total	910,029	1,696,004	1,071,908	624,096
Surveyor				
Services and supplies	224,060	224,060	150,709	73,351
Intrafund transfers	-	-	(3,109)	3,109
Total	224,060	224,060	147,600	76,460
DPW Engineering				
Services and supplies	139,000	139,000	125,159	13,841
Total	139,000	139,000	125,159	13,841

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
General Government, Continued:				
Central Stores				
Salaries and employee benefits	\$ 187,057	\$ 188,942	\$ 188,942	\$ -
Services and supplies	74,116	72,231	66,458	5,773
Intrafund transfers	(245,781)	(245,781)	(256,324)	10,543
Total	<u>15,392</u>	<u>15,392</u>	<u>(924)</u>	<u>16,316</u>
Total General Government	<u>35,826,424</u>	<u>37,405,841</u>	<u>32,659,003</u>	<u>4,746,838</u>
Public Protection:				
Courts				
Services and supplies	220,719	228,252	228,252	-
Other charges	1,897,315	1,897,315	1,737,862	159,453
Total	<u>2,118,034</u>	<u>2,125,567</u>	<u>1,966,114</u>	<u>159,453</u>
Grand Jury				
Services and supplies	52,362	52,149	43,861	8,288
Total	<u>52,362</u>	<u>52,149</u>	<u>43,861</u>	<u>8,288</u>
Child Support				
Salaries and employee benefits	6,015,978	6,015,978	5,926,349	89,629
Services and supplies	682,374	682,374	620,336	62,038
Other charges	212,979	212,979	212,979	-
Total	<u>6,911,331</u>	<u>6,911,331</u>	<u>6,759,664</u>	<u>151,667</u>
District Attorney				
Salaries and employee benefits	14,739,597	14,898,647	14,181,803	716,844
Services and supplies	1,794,741	1,909,910	1,900,784	9,126
Other charges	324,831	385,425	306,920	78,505
Intrafund transfers	(246,971)	(246,971)	(263,768)	16,797
Appropriations for contingencies	-	9,036	-	9,036
Total	<u>16,612,198</u>	<u>16,956,047</u>	<u>16,125,739</u>	<u>830,308</u>
Public Defender				
Services and supplies	10,703,743	11,097,772	10,359,885	737,887
Total	<u>10,703,743</u>	<u>11,097,772</u>	<u>10,359,885</u>	<u>737,887</u>
Sheriff-Coroner				
Salaries and employee benefits	28,764,264	29,506,226	29,506,226	-
Services and supplies	7,193,558	7,419,525	6,854,189	565,336
Other charges	144,447	154,270	149,662	4,608
Capital assets	217,200	252,407	212,693	39,714
Appropriations for contingencies	-	7,500	-	7,500
Total	<u>36,319,469</u>	<u>37,339,928</u>	<u>36,722,770</u>	<u>617,158</u>

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Protection, Continued:				
Jail and Rehabilitation Center				
Salaries and employee benefits	\$ 23,548,396	\$ 23,503,447	\$ 23,331,833	\$ 171,614
Services and supplies	8,674,658	8,979,835	8,643,738	336,097
Other charges	104,148	68,803	68,803	-
Capital assets	21,357	-	-	-
Total	32,348,559	32,552,085	32,044,374	507,711
Probation Department				
Salaries and employee benefits	14,900,509	14,991,079	14,916,526	74,553
Services and supplies	7,088,452	7,176,161	6,507,268	668,893
Other charges	71,146	71,146	66,514	4,632
Intrafund transfers	(108,500)	(108,500)	(130,026)	21,526
Appropriations for contingencies	-	47,374	-	47,374
Total	21,951,607	22,177,260	21,360,282	816,978
State Correctional Schools				
Services and supplies	40,020	-	-	-
Other charges	60,000	60,000	23,671	36,329
Total	100,020	60,000	23,671	36,329
Agricultural Commissioner/ Weights and Measures				
Salaries and employee benefits	1,736,849	1,879,153	1,879,153	-
Services and supplies	329,010	333,220	332,104	1,116
Other charges	2,656	2,656	2,656	-
Capital assets	33,950	34,800	34,800	-
Intrafund transfers	(140,501)	(140,501)	(140,501)	-
Total	1,961,964	2,109,328	2,108,212	1,116
Public Works - Other Construction Inspection				
Services and supplies	40,000	115,000	88,352	26,648
Total	40,000	115,000	88,352	26,648
Recorder				
Salaries and employee benefits	855,882	855,882	847,461	8,421
Services and supplies	775,885	761,900	623,385	138,515
Other charges	138,717	139,195	138,644	551
Total	1,770,484	1,756,977	1,609,490	147,487

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Protection, Continued:				
County Emergency Office				
Salaries and employee benefits	\$ 204,712	\$ 204,712	\$ 163,259	\$ 41,453
Services and supplies	301,447	411,009	308,422	102,587
Total	506,159	615,721	471,681	144,040
Local Agency Formation Commission				
Other charges	113,367	113,367	113,367	-
Total	113,367	113,367	113,367	-
Planning Department				
Salaries and employee benefits	8,281,163	8,365,163	8,086,291	278,872
Services and supplies	6,444,779	6,730,354	6,214,386	515,968
Other charges	2,690,729	2,691,214	1,017,345	1,673,869
Capital assets	-	24,046	24,046	-
Intrafund transfers	(4,374,364)	(4,585,688)	(4,524,812)	(60,876)
Appropriations for contingencies	-	2,965	-	2,965
Total	13,042,307	13,228,054	10,817,256	2,410,798
Animal Services				
Other charges	1,323,942	1,323,942	1,323,942	-
Total	1,323,942	1,323,942	1,323,942	-
Association of Monterey Bay Area Govts.				
Other charges	33,269	33,269	33,269	-
Total	33,269	33,269	33,269	-
Total Public Protection	145,908,815	148,567,797	141,971,929	6,595,868
Public Ways and Facilities:				
Public Ways - DPW				
Services and supplies	225,272	225,272	205,340	19,932
Capital assets	-	60,000	48,978	11,022
Total	225,272	285,272	254,318	30,954
Total Public Ways and Facilities	225,272	285,272	254,318	30,954

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Health and Sanitation:				
Health Services Agency				
Salaries and employee benefits	\$ 68,286,068	\$ 68,505,615	\$ 62,511,127	\$ 5,994,488
Services and supplies	56,163,046	55,575,112	53,225,852	2,349,260
Other charges	22,066,443	21,867,441	19,743,083	2,124,358
Capital assets	78,571	149,071	134,716	14,355
Intrafund transfers	(14,511,900)	(14,544,300)	(14,271,883)	(272,417)
Appropriations for contingencies	-	1,088,350	-	1,088,350
Total	132,082,228	132,641,289	121,342,895	11,298,394
Mosquito Abatement				
Salaries and employee benefits	1,097,853	1,097,853	1,095,517	2,336
Services and supplies	412,625	393,673	289,811	103,862
Other charges	5,000	5,000	-	5,000
Capital assets	30,000	30,000	27,940	2,060
Appropriations for contingencies	-	18,952	-	18,952
Total	1,545,478	1,545,478	1,413,268	132,210
Air Pollution				
Other charges	47,630	47,630	47,630	-
Total	47,630	47,630	47,630	-
Total Health and Sanitation	133,675,336	134,234,397	122,803,793	11,430,604
Public Assistance:				
Human Services Department				
Salaries and employee benefits	58,524,674	58,456,941	56,083,911	2,373,030
Services and supplies	19,791,816	20,149,124	18,002,567	2,146,557
Other charges	13,611,506	13,456,738	12,831,541	625,197
Capital assets	50,000	84,457	79,504	4,953
Intrafund transfers	(189,168)	(189,168)	(152,822)	(36,346)
Appropriations for contingencies	-	653,809	-	653,809
Total	91,788,828	92,611,901	86,844,701	5,767,200
Community Programs				
Other charges	4,075,568	4,075,568	4,075,568	-
Total	4,075,568	4,075,568	4,075,568	-

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	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	\$ 129,427	\$ 50,573
Other charges	33,528,317	33,704,317	32,892,942	811,375
Total	33,708,317	33,884,317	33,022,369	861,948
General Assistance				
Services and supplies	1,351	1,351	-	1,351
Other charges	448,505	698,505	648,565	49,940
Total	449,856	699,856	648,565	51,291
Burial of Indigents				
Services and supplies	42,000	42,000	30,782	11,218
Total	42,000	42,000	30,782	11,218
Family Relations				
Services and supplies	43,026	57,026	52,826	4,200
Other charges	79,810	82,310	82,310	-
Total	122,836	139,336	135,136	4,200
Wards of Court				
Services and supplies	-	-	(877)	877
Other charges	163,710	350,505	316,854	33,651
Total	163,710	350,505	315,977	34,528
Veterans Service Officer				
Salaries and employee benefits	409,681	367,681	367,681	-
Services and supplies	93,964	135,641	111,014	24,627
Other charges	1,423	1,424	1,424	-
Total	505,068	504,746	480,119	24,627
Total Public Assistance	130,856,183	132,308,229	125,553,217	6,755,012

(Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Education:				
Agricultural Extension Services				
Salaries and employee benefits	\$ 98,451	\$ 98,739	\$ 98,739	\$ -
Services and supplies	31,409	31,321	24,880	6,441
Total	<u>129,860</u>	<u>130,060</u>	<u>123,619</u>	<u>6,441</u>
Total Education	<u>129,860</u>	<u>130,060</u>	<u>123,619</u>	<u>6,441</u>
Recreation and Cultural Services:				
Recreation and Cultural Services				
Salaries and employee benefits	5,508,738	5,483,411	5,483,411	-
Services and supplies	2,229,031	3,161,420	2,604,392	557,028
Other charges	409,442	409,442	400,522	8,920
Capital assets	9,478	9,478	9,413	65
Intrafund transfers	(96,969)	(96,969)	(96,969)	-
Appropriations for contingencies	-	2,649	-	2,649
Total	<u>8,059,720</u>	<u>8,969,431</u>	<u>8,400,769</u>	<u>568,662</u>
Total Recreation and Cultural Services	<u>8,059,720</u>	<u>8,969,431</u>	<u>8,400,769</u>	<u>568,662</u>
Debt Service:				
Debt Service				
Services and supplies	147,250	146,750	110,830	35,920
Other charges	294,000	294,000	289,532	4,468
Intrafund transfers	(284,657)	(284,657)	(246,693)	(37,964)
Total	<u>156,593</u>	<u>156,093</u>	<u>153,669</u>	<u>2,424</u>
Total Debt Service	<u>156,593</u>	<u>156,093</u>	<u>153,669</u>	<u>2,424</u>
Total Charges to Appropriations (Outflows)	<u>454,838,203</u>	<u>462,057,120</u>	<u>431,920,317</u>	<u>30,136,803</u> (Continued)

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Transfers Out:				
Cannabis	\$ 90,000	\$ 90,000	\$ 58,797	\$ 31,203
General Services	-	4,651	4,651	-
Plant	225,559	225,559	225,559	-
Planning Department	30,000	30,000	28,896	1,104
District Attorney	-	70,000	66,151	3,849
Sheriff-Coroner	60,000	102,690	79,341	23,349
Probation Department	54,000	54,000	53,668	332
Health Services Agency	12,129,226	20,113,142	2,469,328	17,643,814
Debt Service to Financing Authorities	8,370,013	8,370,013	7,369,262	1,000,751
Total transfers out	<u>20,958,798</u>	<u>29,060,055</u>	<u>10,355,653</u>	<u>18,704,402</u>
Total Charges to Appropriations (Outflows)	<u>475,797,001</u>	<u>491,117,175</u>	<u>442,275,970</u>	<u>48,841,205</u>
Net change in fund balance	<u>(4,385,278)</u>	<u>(5,218,666)</u>	<u>4,054,866</u>	<u>9,273,532</u>
FUND BALANCE, ENDING	<u>\$ 47,350,741</u>	<u>\$ 46,517,353</u>	<u>\$ 55,790,885</u>	<u>\$ 9,273,532</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	\$ 446,330,836
Differences - budget to GAAP:	
Inception of capital leases are not revenues for financial reporting purposes	(129,212)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(3,595,209)</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 442,606,415</u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule	\$ 442,275,970
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(10,355,653)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 431,920,317</u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
HOUSING FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 79,600,179	\$ 79,600,179	\$ 79,600,179	\$ -
RESOURCES (INFLOWS)				
Use of money and property	292,802	292,802	653,614	360,812
Aid from other governments	2,494,000	2,494,000	1,047,595	(1,446,405)
Charges for services	-	-	138,258	138,258
Other	2,147,216	2,147,216	15,749	(2,131,467)
Amounts available for appropriation	<u>4,934,018</u>	<u>4,934,018</u>	<u>1,855,216</u>	<u>(3,078,802)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	4,343,708	4,408,708	778,378	3,630,330
Other charges	16,333,147	16,168,147	3,173,681	12,994,466
Appropriations for contingencies	-	100,000	-	100,000
Total charges to appropriations	<u>20,676,855</u>	<u>20,676,855</u>	<u>3,952,059</u>	<u>16,724,796</u>
Net change in fund balance	<u>(15,742,837)</u>	<u>(15,742,837)</u>	<u>(2,096,843)</u>	<u>13,645,994</u>
FUND BALANCE, ENDING	<u>\$ 63,857,342</u>	<u>\$ 63,857,342</u>	<u>\$ 77,503,336</u>	<u>\$ 13,645,994</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, 2017
LAST 10 YEARS*

	Miscellaneous		
	2015-16	2014-15	2013-14
Total Pension Liability			
Service Cost	\$ 20,403,352	\$ 18,761,846	\$ 19,489,676
Interest on the Total Pension Liability	78,852,555	71,962,162	68,452,545
Changes of Benefit Terms	-	-	-
Changes in Assumptions	-	(16,868,274)	-
Differences between Actual and Expected Experience	3,966,020	(13,201,310)	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(50,461,359)</u>	<u>(44,263,142)</u>	<u>(40,206,837)</u>
Net Change in Total Pension Liability	52,760,568	16,391,282	47,735,384
Total Pension Liability - Beginning	<u>987,185,841</u>	<u>970,794,559</u>	<u>923,059,175</u>
Total Pension Liability - Ending (a)	<u><u>\$ 1,039,946,409</u></u>	<u><u>\$ 987,185,841</u></u>	<u><u>\$ 970,794,559</u></u>
Plan Fiduciary Net Position			
Contribution - Employer	\$ 24,836,370	\$ 20,788,367	\$ 18,466,079
Contribution - Employee	9,898,794	9,264,211	8,586,012
Net Investment Income	4,227,340	16,986,821	112,250,826
Benefit Payments, Including Refunds of Employee Contributions	(50,461,359)	(44,263,142)	(40,206,837)
Plan to Plan Resource Movement	2,727	(29,360)	-
Administrative Expenses	<u>(482,672)</u>	<u>(855,524)</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	(11,978,800)	1,891,373	99,096,080
Plan Fiduciary Net Position - Beginning	<u>750,583,900</u>	<u>748,692,527</u>	<u>649,596,447</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 738,605,100</u></u>	<u><u>\$ 750,583,900</u></u>	<u><u>\$ 748,692,527</u></u>
Net Pension Liability - Ending [(a) - (b)]	<u><u>\$ 301,341,309</u></u>	<u><u>\$ 236,601,941</u></u>	<u><u>\$ 222,102,032</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.02%	76.03%	77.12%
Covered-Employee Payroll	\$ 142,900,632	\$ 129,365,289	\$ 128,891,451
Net Pension Liability as a Percentage of Covered-Employee Payroll	210.87%	182.89%	172.32%

* Fiscal year 2016-17 was the 3rd year of implementation; therefore, only three 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, 2015 valuation date.

Changes in assumptions. In 2016, there were no changes of assumptions. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administration expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

COUNTY OF SANTA CRUZ
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)
AS OF JUNE 30, 2017
LAST 10 YEARS*

	Safety		
	2015-16	2014-15	2013-14
Total Pension Liability			
Service Cost	\$ 3,699,113	\$ 3,490,554	\$ 3,669,984
Interest on the Total Pension Liability	12,245,682	11,193,336	10,663,258
Changes of Benefit Terms	-	-	-
Changes in Assumptions	-	(2,818,825)	-
Differences between Actual and Expected Experience	(115,359)	(2,577,906)	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(7,830,764)</u>	<u>(7,060,615)</u>	<u>(6,316,966)</u>
Net Change in Total Pension Liability	7,998,672	2,226,544	8,016,276
Total Pension Liability - Beginning	<u>159,899,517</u>	<u>151,516,539</u>	<u>143,500,263</u>
Total Pension Liability - Ending (a)	<u><u>\$ 167,898,189</u></u>	<u><u>\$ 153,743,083</u></u>	<u><u>\$ 151,516,539</u></u>
Plan Fiduciary Net Position			
Contribution - Employer	\$ 3,731,613	\$ 4,503,776	\$ 2,833,995
Contribution - Employee	1,613,925	1,434,076	1,364,228
Net Investment Income	588,970	2,674,451	17,564,582
Benefit Payments, Including Refunds of Employee Contributions	(7,830,764)	(7,060,615)	(6,316,966)
Plan to Plan Resource Movement	(106,353)	-	-
Administrative Expenses	<u>(75,328)</u>	<u>(133,531)</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	(2,077,937)	1,418,157	15,445,839
Plan Fiduciary Net Position - Beginning	<u>119,644,326</u>	<u>117,011,036</u>	<u>101,565,197</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 117,566,389</u></u>	<u><u>\$ 118,429,193</u></u>	<u><u>\$ 117,011,036</u></u>
Net Pension Liability - Ending [(a) - (b)]	<u><u>\$ 50,331,800</u></u>	<u><u>\$ 35,313,890</u></u>	<u><u>\$ 34,505,503</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.02%	77.03%	77.23%
Covered-Employee Payroll	\$ 16,451,469	\$ 15,444,933	\$ 15,601,682
Net Pension Liability as a Percentage of Covered-Employee Payroll	305.94%	228.64%	221.17%

* Fiscal year 2016-17 was the 3rd year of implementation; therefore, only three 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, 2015 valuation date.

Changes in assumptions. In 2016, there were no changes of assumptions. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administration expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

COUNTY OF SANTA CRUZ
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)
AS OF JUNE 30, 2017
LAST 10 YEARS*

	Safety Sheriff		
	2015-16	2014-15	2013-14
Total Pension Liability			
Service Cost	3,942,199	\$ 3,634,483	\$ 3,589,667
Interest on the Total Pension Liability	11,528,363	10,356,153	9,442,627
Changes of Benefit Terms	-	-	-
Changes in Assumptions	-	(2,711,954)	-
Differences between Actual and Expected Experience	531,702	2,154,731	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(5,816,534)</u>	<u>(5,050,435)</u>	<u>(4,529,774)</u>
Net Change in Total Pension Liability	10,185,730	8,382,978	8,502,520
Total Pension Liability - Beginning	<u>137,100,812</u>	<u>134,874,267</u>	<u>126,371,747</u>
Total Pension Liability - Ending (a)	<u><u>\$ 147,286,542</u></u>	<u><u>\$ 143,257,245</u></u>	<u><u>\$ 134,874,267</u></u>
Plan Fiduciary Net Position			
Contribution - Employer	5,279,477	\$ 3,212,095	\$ 3,752,346
Contribution - Employee	1,383,847	1,200,032	1,538,338
Net Investment Income	509,520	2,087,758	13,619,878
Benefit Payments, Including Refunds of Employee Contributions	(5,816,534)	(5,050,435)	(4,529,774)
Plan to Plan Resource Movement	(3,877)	-	-
Administrative Expenses	<u>(60,831)</u>	<u>(107,841)</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	1,291,602	1,341,609	14,380,788
Plan Fiduciary Net Position - Beginning	<u>92,143,512</u>	<u>92,017,035</u>	<u>77,636,247</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 93,435,114</u></u>	<u><u>\$ 93,358,644</u></u>	<u><u>\$ 92,017,035</u></u>
Net Pension Liability - Ending [(a) - (b)]	<u><u>\$ 53,851,428</u></u>	<u><u>\$ 49,898,601</u></u>	<u><u>\$ 42,857,232</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.44%	65.17%	68.22%
Covered-Employee Payroll	\$ 14,432,887	\$ 13,136,050	\$ 12,367,504
Net Pension Liability as a Percentage of Covered-Employee Payroll	373.12%	379.86%	346.53%

* Fiscal year 2016-17 was the 3rd year of implementation; therefore, only three 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, 2015 valuation date.

Changes in assumptions. In 2016, there were no changes of assumptions. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administration expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

COUNTY OF SANTA CRUZ
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)
AS OF JUNE 30, 2017
LAST 10 YEARS*

	TOTAL		
	2015-16	2014-15	2013-14
Total Pension Liability			
Service Cost	\$ 28,044,664	\$ 25,886,883	\$ 26,749,327
Interest on the Total Pension Liability	102,626,600	93,511,651	88,558,430
Changes of Benefit Terms	-	-	-
Changes in Assumptions	-	(22,399,053)	-
Differences between Actual and Expected Experience	4,382,363	(13,624,485)	-
Benefit Payments, Including Refunds of Employee Contributions	(64,108,657)	(56,374,192)	(51,053,577)
Net Change in Total Pension Liability	70,944,970	27,000,804	64,254,180
Total Pension Liability - Beginning	1,284,186,170	1,257,185,365	1,192,931,185
Total Pension Liability - Ending (a)	<u>\$ 1,355,131,140</u>	<u>\$ 1,284,186,169</u>	<u>\$ 1,257,185,365</u>
Plan Fiduciary Net Position			
Contribution - Employer	\$ 33,847,460	\$ 28,504,238	\$ 25,052,420
Contribution - Employee	12,896,566	11,898,319	11,488,578
Net Investment Income	5,325,830	21,749,030	143,435,286
Benefit Payments, Including Refunds of Employee Contributions	(64,108,657)	(56,374,192)	(51,053,577)
Plan to Plan Resource Movement	(107,503)	(29,360)	-
Administrative Expenses	(618,831)	(1,096,896)	-
Net Change in Plan Fiduciary Net Position	(12,765,135)	4,651,139	128,922,707
Plan Fiduciary Net Position - Beginning	962,371,738	957,720,598	828,797,891
Plan Fiduciary Net Position - Ending (b)	<u>\$ 949,606,603</u>	<u>\$ 962,371,737</u>	<u>\$ 957,720,598</u>
Net Pension Liability - Ending [(a) - (b)]	<u>\$ 405,524,537</u>	<u>\$ 321,814,432</u>	<u>\$ 299,464,767</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.07%	74.94%	76.18%
Covered-Employee Payroll	\$ 173,784,988	\$ 157,946,272	\$ 156,860,637
Net Pension Liability as a Percentage of Covered-Employee Payroll	233.35%	203.75%	190.91%

* Fiscal year 2016-17 was the 3rd year of implementation; therefore, only three 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, 2015 valuation date.

Changes in assumptions. In 2016, there were no changes of assumptions. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administration expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

**COUNTY OF SANTA CRUZ
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2017
LAST 10 YEARS***

	Miscellaneous		
	2015-16	2014-15	2013-14
Actuarially Determined Contributions	\$ 24,708,760	\$ 20,518,076	\$ 18,466,079
Contributions in Relation to the Actuarially Determined Contributions	<u>24,708,760</u>	<u>20,518,076</u>	<u>18,466,079</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 142,900,632	\$ 129,365,289	\$ 128,891,450
Contributions as a Percentage of Covered-Employee Payroll	17.29%	15.86%	14.33%

*Fiscal year 2016-17 was the 3rd year of implementation; therefore, only three years are shown.

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization method	Level percent of payroll
Remaining amortization period	27 years as of the Valuation Date
Asset valuation method	Market Value beginning with the 06/30/13 valuation date, 15-year smoothed market for valuations prior to 06/30/13
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 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
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS (CONTINUED)
AS OF JUNE 30, 2017
LAST 10 YEARS***

	Safety		
	2015-16	2014-15	2013-14
Actuarially Determined Contributions	\$ 3,712,440	\$ 3,170,331	\$ 2,833,995
Contributions in Relation to the Actuarially Determined Contributions	<u>3,712,440</u>	<u>3,170,331</u>	<u>2,833,995</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 16,451,469	\$ 15,444,933	\$ 15,601,682
Contributions as a Percentage of Covered-Employee Payroll	22.57%	20.53%	18.16%

*Fiscal year 2016-17 was the 3rd year of implementation; therefore, only three years are shown.

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization method	Level percent of payroll
Remaining amortization period	32 years as of the Valuation Date
Asset valuation method	Market Value beginning with the 06/30/13 valuation date, 15-year smoothed market for valuations prior to 06/30/13
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 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
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS (CONTINUED)
AS OF JUNE 30, 2017
LAST 10 YEARS***

	Safety Sheriff		
	2015-16	2014-15	2013-14
Actuarially Determined Contributions	\$ 5,252,351	\$ 4,445,217	\$ 3,752,346
Contributions in Relation to the Actuarially Determined Contributions	<u>5,252,351</u>	<u>4,445,217</u>	<u>3,752,346</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 14,432,887	\$ 13,136,050	\$ 12,367,504
Contributions as a Percentage of Covered-Employee Payroll	36.39%	33.84%	30.34%

*Fiscal year 2016-17 was the 3rd year of implementation; therefore, only three years are shown.

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization method	Level percent of payroll
Remaining amortization period	32 years as of the Valuation Date
Asset valuation method	Market Value beginning with the 06/30/13 valuation date, 15-year smoothed market for valuations prior to 06/30/13
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 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
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS (CONTINUED)
AS OF JUNE 30, 2017
LAST 10 YEARS***

	TOTAL		
	2015-16	2014-15	2013-14
Actuarially Determined Contributions	\$ 33,673,551	\$ 28,133,624	\$ 25,052,420
Contributions in Relation to the Actuarially Determined Contributions	<u>33,673,551</u>	<u>28,133,624</u>	<u>25,052,420</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 173,784,988	\$ 157,946,272	\$ 156,860,636
Contributions as a Percentage of Covered-Employee Payroll	19.38%	17.81%	15.97%

*Fiscal year 2016-17 was the 3rd year of implementation; therefore, only three years are shown.

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization method	Level percent of payroll
Remaining amortization period	Varies 27 to 32 years as of the Valuation Date depending on the Plan
Asset valuation method	Market Value beginning with the 06/30/13 valuation date, 15-year smoothed market for valuations prior to 06/30/13
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 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	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Liability as a Percentage of Covered Payroll
01/01/07	\$ -	\$ 216,766,000	\$ 216,766,000	0.0%	\$ 153,807,000	140.9%
01/01/14	-	145,013,000	145,013,000	0.0%	153,879,000	94.2%
01/01/16	-	167,095,000	167,095,000	0.0%	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, 2017

		Nonmajor Governmental Funds
ASSETS		
Cash and investments	\$	20,750,255
Restricted cash and investments		11,750,266
Receivables, net		<u>9,709,735</u>
Total assets	\$	<u><u>42,210,256</u></u>
LIABILITIES		
Payables	\$	8,409,431
Due to other funds		2,232,390
Advances from grantors and third parties		<u>574,485</u>
Total liabilities		<u>11,216,306</u>
FUND BALANCES		
Restricted		<u>30,993,950</u>
Total fund balances		<u>30,993,950</u>
Total liabilities and fund balances	\$	<u><u>42,210,256</u></u>

**COUNTY OF SANTA CRUZ
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Nonmajor Governmental Funds</u>
REVENUES:	
Taxes	\$ 17,820,321
Licenses and permits	8,945
Fines, forfeits, and penalties	13,480
Use of money and property	220,936
Aid from other governments	20,783,498
Charges for services	11,763,638
Other	<u>1,618,900</u>
Total revenues	<u>52,229,718</u>
EXPENDITURES:	
Current:	
General government	529,502
Public protection	14,609,687
Public ways and facilities	33,962,771
Health and sanitation	38,635
Education	5,411,170
Recreation and cultural services	1,613,193
Debt service:	
Principal	4,856,542
Interest and fiscal charges	<u>2,750,747</u>
Total expenditures	<u>63,772,247</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(11,542,529)</u>
OTHER FINANCING SOURCES (USES):	
Bonds issued	10,500,000
Bond premium/discount	950,674
Payment to bond refunding escrow agent	(10,620,000)
Sale of general capital assets	6,450
Transfers in	10,868,369
Transfers out	(7,811,433)
Miscellaneous	<u>(7)</u>
Total other financing sources (uses)	<u>3,894,053</u>
Net change in fund balances	<u>(7,648,476)</u>
FUND BALANCES:	
Beginning of year	38,378,469
Prior period adjustment	<u>263,957</u>
Beginning of year, as restated	<u>38,642,426</u>
End of year	<u>\$ 30,993,950</u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 6,790,774	\$ 6,790,774	\$ 6,790,774	\$ -
RESOURCES (INFLOWS)				
Fines, forfeits, and penalties	-	17,443	17,443	-
Use of money and property	11,794	11,794	39,707	27,913
Aid from other governments	25,035,382	26,574,980	12,111,829	(14,463,151)
Charges for services	158,069	158,069	17,000	(141,069)
Other	251,900	79,000	4,249	(74,751)
Transfers in	15,739,318	21,244,325	7,118,324	(14,126,001)
Amounts available for appropriation	41,196,463	48,085,611	19,308,552	(28,777,059)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	72,827	17,000	17,000	-
Capital assets	47,534,918	50,246,303	14,844,969	35,401,334
Transfers out	2,299	4,478,094	3,582,451	895,643
Total charges to appropriations	47,610,044	54,741,397	18,444,420	36,296,977
Net change in fund balance	(6,413,581)	(6,655,786)	864,132	7,519,918
FUND BALANCE, ENDING	\$ 377,193	\$ 134,988	\$ 7,654,906	\$ 7,519,918

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	\$ 19,308,552
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(7,118,324)</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 12,190,228</u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	\$ 18,444,420
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(3,582,451)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 14,861,969</u>



NONMAJOR

SPECIAL REVENUE FUNDS

Special Revenue Funds:

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

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

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, 2017**

	Library	Fire	Off Highway, Road, and Transportation	Financing Authorities	Fish and Game	Park Dedication and State Park Bonds
ASSETS						
Cash and investments	\$ 591,652	\$ 4,513,732	\$ 393,538	\$ -	\$ 13,329	\$ 2,217,533
Restricted cash and investments	-	-	-	11,750,266	-	-
Receivables, net	-	-	8,590,200	-	-	46,381
Total assets	\$ 591,652	\$ 4,513,732	\$ 8,983,738	\$ 11,750,266	\$ 13,329	\$ 2,263,914
LIABILITIES						
Payables	\$ -	\$ 986,599	\$ 6,557,191	\$ -	\$ -	\$ 6,554
Due to other funds	-	-	1,908,585	280,383	-	43,422
Advances from grantors and third parties	-	-	574,485	-	-	-
Total liabilities	-	986,599	9,040,261	280,383	-	49,976
FUND BALANCES						
Restricted	591,652	3,527,133	(56,523)	11,469,883	13,329	2,213,938
Total fund balances	591,652	3,527,133	(56,523)	11,469,883	13,329	2,213,938
Total liabilities and fund balances	\$ 591,652	\$ 4,513,732	\$ 8,983,738	\$ 11,750,266	\$ 13,329	\$ 2,263,914

**COUNTY OF SANTA CRUZ
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2017**

Health Services	Santa Cruz Flood Control and Water Conservation Zone 7	Board of Supervisors Governed					Geologic Hazard Abatement Districts	Total Nonmajor Special Revenue Funds
		Public Protection	Health and Sanitation	Recreation and Culture Services	Public Ways and Facilities			
\$ 13,466	\$ 663,070	\$ 3,366,992	\$ 1,964,578	\$ 1,441,089	\$ 5,381,010	\$ 190,266	\$ 20,750,255	
-	-	-	-	-	-	-	11,750,266	
-	838,573	234,581	-	-	-	-	9,709,735	
<u>\$ 13,466</u>	<u>\$ 1,501,643</u>	<u>\$ 3,601,573</u>	<u>\$ 1,964,578</u>	<u>\$ 1,441,089</u>	<u>\$ 5,381,010</u>	<u>\$ 190,266</u>	<u>\$ 42,210,256</u>	
\$ -	\$ 221,889	\$ 343,276	\$ -	\$ -	\$ 293,922	\$ -	\$ 8,409,431	
-	-	-	-	-	-	-	2,232,390	
-	-	-	-	-	-	-	574,485	
-	221,889	343,276	-	-	293,922	-	11,216,306	
13,466	1,279,754	3,258,297	1,964,578	1,441,089	5,087,088	190,266	30,993,950	
13,466	1,279,754	3,258,297	1,964,578	1,441,089	5,087,088	190,266	30,993,950	
<u>\$ 13,466</u>	<u>\$ 1,501,643</u>	<u>\$ 3,601,573</u>	<u>\$ 1,964,578</u>	<u>\$ 1,441,089</u>	<u>\$ 5,381,010</u>	<u>\$ 190,266</u>	<u>\$ 42,210,256</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, 2017**

	Library	Fire	Off Highway, Road, and Transportation	Financing Authorities	Fish and Game	Park Dedication and State Park Bonds
REVENUES:						
Taxes	\$ 5,987,790	\$ 2,121,404	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Fines, forfeits, and penalties	-	-	-	-	13,480	-
Use of money and property	-	40,428	16,530	38,068	137	19,190
Aid from other governments	94,628	101,696	17,591,827	173,508	-	904
Charges for services	-	1,355,864	1,792,525	-	-	219,434
Other	-	6,756	1,586,822	-	-	13,500
Total revenues	6,082,418	3,626,148	20,987,704	211,576	13,617	253,028
EXPENDITURES:						
Current:						
General government	-	-	-	283,276	-	246,226
Public protection	-	4,017,547	-	-	12,996	-
Public ways and facilities	-	-	28,524,047	-	-	-
Health and sanitation	-	-	-	-	-	-
Education	5,411,170	-	-	-	-	-
Recreation and cultural services	-	-	-	-	-	6,998
Debt service:						
Principal	-	-	-	4,856,542	-	-
Interest and fiscal charges	-	-	-	2,750,747	-	-
Total expenditures	5,411,170	4,017,547	28,524,047	7,890,565	12,996	253,224
REVENUES OVER (UNDER) EXPENDITURES	671,248	(391,399)	(7,536,343)	(7,678,989)	621	(196)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	3,499,107	7,369,262	-	-
Transfers out	(189,341)	(255,000)	-	(4,308,254)	-	(48,313)
Bonds issued	-	-	-	10,500,000	-	-
Bond premium/discount	-	-	-	950,674	-	-
Payment to bond refunding escrow agent	-	-	-	(10,620,000)	-	-
Sale of general capital assets	-	6,450	-	-	-	-
Miscellaneous	-	-	-	(7)	-	-
Total other financing sources (uses)	(189,341)	(248,550)	3,499,107	3,891,675	-	(48,313)
Net change in fund balances	481,907	(639,949)	(4,037,236)	(3,787,314)	621	(48,509)
Fund balances - beginning	109,745	4,167,082	3,980,713	14,993,240	12,708	2,262,447
Prior period adjustment	-	-	-	263,957	-	-
Fund balances - beginning, as restated	109,745	4,167,082	3,980,713	15,257,197	12,708	2,262,447
Fund balances - ending	\$ 591,652	\$ 3,527,133	\$ (56,523)	\$ 11,469,883	\$ 13,329	\$ 2,213,938

**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, 2017**

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
\$ -	\$ -	\$ 7,290,528	\$ -	\$ 1,613,103	\$ 807,496	\$ -	\$ 17,820,321
-	-	4,995	-	-	3,950	-	8,945
-	-	-	-	-	-	-	13,480
114	3,465	35,141	17,555	14,325	34,366	1,617	220,936
-	964,330	1,018,854	-	6,129	831,622	-	20,783,498
-	1,810,936	1,016,875	1,395,388	-	4,172,616	-	11,763,638
-	-	5,221	-	-	6,601	-	1,618,900
<u>114</u>	<u>2,778,731</u>	<u>9,371,614</u>	<u>1,412,943</u>	<u>1,633,557</u>	<u>5,856,651</u>	<u>1,617</u>	<u>52,229,718</u>
-	-	-	-	-	-	-	529,502
-	2,462,163	8,116,981	-	-	-	-	14,609,687
-	-	-	-	-	5,438,724	-	33,962,771
-	-	-	38,635	-	-	-	38,635
-	-	-	-	-	-	-	5,411,170
-	-	-	-	1,606,195	-	-	1,613,193
-	-	-	-	-	-	-	4,856,542
-	-	-	-	-	-	-	2,750,747
<u>-</u>	<u>2,462,163</u>	<u>8,116,981</u>	<u>38,635</u>	<u>1,606,195</u>	<u>5,438,724</u>	<u>-</u>	<u>63,772,247</u>
<u>114</u>	<u>316,568</u>	<u>1,254,633</u>	<u>1,374,308</u>	<u>27,362</u>	<u>417,927</u>	<u>1,617</u>	<u>(11,542,529)</u>
-	-	-	-	-	-	-	10,868,369
-	-	(800,000)	(1,413,267)	(797,258)	-	-	(7,811,433)
-	-	-	-	-	-	-	10,500,000
-	-	-	-	-	-	-	950,674
-	-	-	-	-	-	-	(10,620,000)
-	-	-	-	-	-	-	6,450
-	-	-	-	-	-	-	(7)
<u>-</u>	<u>-</u>	<u>(800,000)</u>	<u>(1,413,267)</u>	<u>(797,258)</u>	<u>-</u>	<u>-</u>	<u>3,894,053</u>
114	316,568	454,633	(38,959)	(769,896)	417,927	1,617	(7,648,476)
13,352	963,186	2,803,664	2,003,537	2,210,985	4,669,161	188,649	38,378,469
-	-	-	-	-	-	-	263,957
<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>38,642,426</u>
<u>\$ 13,466</u>	<u>\$ 1,279,754</u>	<u>\$ 3,258,297</u>	<u>\$ 1,964,578</u>	<u>\$ 1,441,089</u>	<u>\$ 5,087,088</u>	<u>\$ 190,266</u>	<u>\$ 30,993,950</u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 109,745	\$ 109,745	\$ 109,745	\$ -
RESOURCES (INFLOWS)				
Taxes	5,593,391	5,807,558	5,987,790	180,232
Aid from other governments	71,429	74,952	94,628	19,676
Amounts available for appropriation	<u>5,664,820</u>	<u>5,882,510</u>	<u>6,082,418</u>	<u>199,908</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	5,482,898	5,626,338	5,235,048	391,290
Other charges	176,122	176,122	176,122	-
Transfers out	5,800	189,795	189,341	454
Total charges to appropriations	<u>5,664,820</u>	<u>5,992,255</u>	<u>5,600,511</u>	<u>391,744</u>
Net change in fund balance	<u>-</u>	<u>(109,745)</u>	<u>481,907</u>	<u>591,652</u>
FUND BALANCE, ENDING	<u>\$ 109,745</u>	<u>\$ -</u>	<u>\$ 591,652</u>	<u>\$ 591,652</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	\$ 5,600,511
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(189,341)</u>
Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	<u>\$ 5,411,170</u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
FIRE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 4,167,082	\$ 4,167,082	\$ 4,167,082	\$ -
RESOURCES (INFLOWS)				
Taxes	2,055,162	2,055,162	2,121,404	66,242
Use of money and property	26,300	26,300	40,428	14,128
Aid from other governments	101,646	111,986	101,696	(10,290)
Charges for services	1,343,585	1,343,585	1,355,864	12,279
Other	-	-	6,756	6,756
Transfers in	-	-	6,450	6,450
Amounts available for appropriation	<u>3,526,693</u>	<u>3,537,033</u>	<u>3,632,598</u>	<u>95,565</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Salaries and employee benefits	142,547	142,547	126,125	16,422
Services and supplies	4,016,819	4,027,159	2,829,537	1,197,622
Other charges	174,733	174,733	172,655	2,078
Capital assets	1,006,000	906,000	889,230	16,770
Transfers out	-	255,000	255,000	-
Appropriations for contingencies	200,000	45,000	-	45,000
Total charges to appropriations	<u>5,540,099</u>	<u>5,550,439</u>	<u>4,272,547</u>	<u>1,277,892</u>
Net change in fund balance	<u>(2,013,406)</u>	<u>(2,013,406)</u>	<u>(639,949)</u>	<u>1,373,457</u>
FUND BALANCE, ENDING	<u>\$ 2,153,676</u>	<u>\$ 2,153,676</u>	<u>\$ 3,527,133</u>	<u>\$ 1,373,457</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 \$ 3,632,598

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes (6,450)

Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds \$ 3,626,148

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule \$ 4,272,547

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (255,000)

Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds \$ 4,017,547

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
OFF HIGHWAY, ROAD, AND TRANSPORTATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 3,980,713	\$ 3,980,713	\$ 3,980,713	\$ -
RESOURCES (INFLOWS)				
Taxes	-	-	-	-
Fines, forfeits, and penalties	-	-	-	-
Use of money and property	7,000	7,000	16,530	9,530
Aid from other governments	19,131,364	33,854,234	17,591,827	(16,262,407)
Charges for services	5,013,172	5,013,172	1,792,525	(3,220,647)
Other	3,016,993	3,316,893	1,586,822	(1,730,071)
Transfers in	-	4,392,451	3,499,107	(893,344)
Amounts available for appropriation	<u>27,168,529</u>	<u>46,583,750</u>	<u>24,486,811</u>	<u>(22,096,939)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	31,074,619	50,396,627	28,524,047	21,872,580
Appropriations for contingencies	-	93,213	-	93,213
Total charges to appropriations	<u>31,074,619</u>	<u>50,489,840</u>	<u>28,524,047</u>	<u>21,965,793</u>
Net change in fund balance	<u>(3,906,090)</u>	<u>(3,906,090)</u>	<u>(4,037,236)</u>	<u>(131,146)</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ 74,623</u>	<u>\$ 74,623</u>	<u>\$ (56,523)</u>	<u>\$ (131,146)</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	\$ 24,486,811
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(3,499,107)</u>
Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	<u>\$ 20,987,704</u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
FISH AND GAME SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 12,708	\$ 12,708	\$ 12,708	\$ -
RESOURCES (INFLOWS)				
Fines, forfeits, and penalties	6,000	10,073	13,480	3,407
Use of money and property	100	100	137	37
Amounts available for appropriation	<u>6,100</u>	<u>10,173</u>	<u>13,617</u>	<u>3,444</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Other charges	<u>11,000</u>	<u>15,073</u>	<u>12,996</u>	<u>2,077</u>
Total charges to appropriations	<u>11,000</u>	<u>15,073</u>	<u>12,996</u>	<u>2,077</u>
Net change in fund balance	<u>(4,900)</u>	<u>(4,900)</u>	<u>621</u>	<u>5,521</u>
FUND BALANCE, ENDING	<u>\$ 7,808</u>	<u>\$ 7,808</u>	<u>\$ 13,329</u>	<u>\$ 5,521</u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
PARK DEDICATION AND STATE PARK BONDS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 2,262,447	\$ 2,262,447	\$ 2,262,447	\$ -
RESOURCES (INFLOWS)				
Use of money and property	6,589	6,589	19,190	12,601
Aid from other governments	-	-	904	904
Charges for services	107,106	107,106	219,434	112,328
Other	10,000	10,000	13,500	3,500
Transfers in	3,393	3,393	-	(3,393)
Amounts available for appropriation	<u>127,088</u>	<u>127,088</u>	<u>253,028</u>	<u>125,940</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	33,538	33,538	7,808	25,730
Other charges	102,018	102,018	2,075	99,943
Capital assets	2,157,095	2,157,095	243,341	1,913,754
Transfers out	51,706	51,706	48,313	3,393
Total charges to appropriations	<u>2,344,357</u>	<u>2,344,357</u>	<u>301,537</u>	<u>2,042,820</u>
Net change in fund balance	<u>(2,217,269)</u>	<u>(2,217,269)</u>	<u>(48,509)</u>	<u>2,168,760</u>
FUND BALANCE, ENDING	<u>\$ 45,178</u>	<u>\$ 45,178</u>	<u>\$ 2,213,938</u>	<u>\$ 2,168,760</u>

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

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	\$ 301,537
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(48,313)</u>
Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	<u>\$ 253,224</u>

**COUNTY OF SANTA CRUZ
BUDGETARY COMPARISON SCHEDULE
HEALTH SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 13,352	\$ 13,352	\$ 13,352	\$ -
RESOURCES (INFLOWS)				
Use of money and property	-	-	114	114
Amounts available for appropriation	-	-	114	114
Net change in fund balance	-	-	114	114
FUND BALANCE, ENDING	<u>\$ 13,352</u>	<u>\$ 13,352</u>	<u>\$ 13,466</u>	<u>\$ 114</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, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 963,186	\$ 963,186	\$ 963,186	\$ -
RESOURCES (INFLOWS)				
Use of money and property	-	-	3,465	3,465
Aid from other governments	2,957,472	2,957,472	964,330	(1,993,142)
Charges for services	1,827,960	1,827,960	1,810,936	(17,024)
Amounts available for appropriation	4,785,432	4,785,432	2,778,731	(2,006,701)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	1,369,883	1,138,011	828,264	309,747
Capital assets	4,128,733	4,425,941	1,633,899	2,792,042
Appropriations for contingencies	250,000	184,664	-	184,664
Total charges to appropriations	5,748,616	5,748,616	2,462,163	3,286,453
Net change in fund balance	(963,184)	(963,184)	316,568	1,279,752
FUND BALANCE, ENDING	\$ 2	\$ 2	\$ 1,279,754	\$ 1,279,752

**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, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 2,803,664	\$ 2,803,664	\$ 2,803,664	\$ -
RESOURCES (INFLOWS)				
Taxes	6,786,009	6,943,888	7,290,528	346,640
Licenses and permits	5,000	5,000	4,995	(5)
Fines, forfeits, and assessments	-	-	-	-
Use of money and property	13,959	16,413	35,141	18,728
Aid from other governments	1,372,021	1,373,412	1,018,854	(354,558)
Charges for services	933,083	933,083	1,016,875	83,792
Other	-	-	5,221	5,221
Amounts available for appropriation	<u>9,110,072</u>	<u>9,271,796</u>	<u>9,371,614</u>	<u>99,818</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Salaries and employee benefits	57,070	57,070	37,476	19,594
Services and supplies	7,140,459	7,284,283	5,892,909	1,391,374
Other charges	1,935,601	1,935,601	1,935,600	1
Capital assets	1,015,379	1,015,379	250,996	764,383
Transfers out	800,000	800,000	800,000	-
Appropriations for contingencies	229,573	247,473	-	247,473
Total charges to appropriations	<u>11,178,082</u>	<u>11,339,806</u>	<u>8,916,981</u>	<u>2,422,825</u>
Net change in fund balance	<u>(2,068,010)</u>	<u>(2,068,010)</u>	<u>454,633</u>	<u>2,522,643</u>
FUND BALANCE, ENDING	<u>\$ 735,654</u>	<u>\$ 735,654</u>	<u>\$ 3,258,297</u>	<u>\$ 2,522,643</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 \$ 8,916,981

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 \$ 8,116,981

**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, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 2,003,537	\$ 2,003,537	\$ 2,003,537	\$ -
RESOURCES (INFLOWS)				
Use of money and property	16,953	16,953	17,555	602
Charges for services	1,404,432	1,404,432	1,395,388	(9,044)
Amounts available for appropriation	<u>1,421,385</u>	<u>1,421,385</u>	<u>1,412,943</u>	<u>(8,442)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Salaries and employee benefits	-	-	-	-
Services and supplies	925	925	503	422
Other charges	38,132	38,132	38,132	-
Transfers out	1,545,478	1,545,478	1,413,267	132,211
Total charges to appropriations	<u>1,584,535</u>	<u>1,584,535</u>	<u>1,451,902</u>	<u>132,633</u>
Net change in fund balance	<u>(163,150)</u>	<u>(163,150)</u>	<u>(38,959)</u>	<u>124,191</u>
FUND BALANCE, ENDING	<u>\$ 1,840,387</u>	<u>\$ 1,840,387</u>	<u>\$ 1,964,578</u>	<u>\$ 124,191</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	\$ 1,451,902
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(1,413,267)</u>
Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	<u>\$ 38,635</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, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 2,210,985	\$ 2,210,985	\$ 2,210,985	\$ -
RESOURCES (INFLOWS)				
Taxes	1,481,238	1,481,238	1,613,103	131,865
Use of money and property	15,450	15,450	14,325	(1,125)
Aid from other governments	4,700	4,700	6,129	1,429
Amounts available for appropriation	<u>1,501,388</u>	<u>1,501,388</u>	<u>1,633,557</u>	<u>132,169</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	1,463,212	1,463,212	1,463,162	50
Other charges	9,461	9,461	9,461	-
Capital assets	332,700	303,425	133,572	169,853
Transfers out	771,966	801,241	797,258	3,983
Total charges to appropriations	<u>2,577,339</u>	<u>2,577,339</u>	<u>2,403,453</u>	<u>173,886</u>
Net change in fund balance	<u>(1,075,951)</u>	<u>(1,075,951)</u>	<u>(769,896)</u>	<u>306,055</u>
FUND BALANCE, ENDING	<u>\$ 1,135,034</u>	<u>\$ 1,135,034</u>	<u>\$ 1,441,089</u>	<u>\$ 306,055</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	\$ 2,403,453
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(797,258)</u>
Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	<u>\$ 1,606,195</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, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ 4,669,161	\$ 4,669,161	\$ 4,669,161	\$ -
RESOURCES (INFLOWS)				
Taxes	699,253	699,253	807,496	108,243
Licenses and permits	30,690	30,690	3,950	(26,740)
Use of money and property	22,064	22,064	34,366	12,302
Aid from other governments	810,153	810,153	831,622	21,469
Charges for services	4,177,757	4,177,757	4,172,616	(5,141)
Other	1,500	1,500	6,601	5,101
Amounts available for appropriation	<u>5,741,417</u>	<u>5,741,417</u>	<u>5,856,651</u>	<u>115,234</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Services and supplies	8,619,324	8,640,980	4,925,328	3,715,652
Other charges	11,872	11,872	11,211	661
Capital assets	701,256	679,600	502,185	177,415
Transfers out	-	100,000	-	100,000
Total charges to appropriations	<u>9,332,452</u>	<u>9,432,452</u>	<u>5,438,724</u>	<u>3,993,728</u>
Net change in fund balance	<u>(3,591,035)</u>	<u>(3,691,035)</u>	<u>417,927</u>	<u>4,108,962</u>
FUND BALANCE, ENDING	<u>\$ 1,078,126</u>	<u>\$ 978,126</u>	<u>\$ 5,087,088</u>	<u>\$ 4,108,962</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, 2017**

	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	\$ 997,265	\$ 616,493	\$ 559,561	\$ 309,911	\$ 38,623
Restricted cash	-	-	-	-	-
Receivables	-	-	-	-	-
Total current assets	997,265	616,493	559,561	309,911	38,623
Noncurrent assets:					
Loans receivable	-	-	-	-	-
Capital assets:					
Construction in progress	192,122	-	11,826	-	-
Buildings and structures	1,903,676	375,398	188,209	917,969	-
Equipment	171,770	-	-	-	-
Accumulated depreciation	(1,628,051)	(254,466)	(119,826)	(403,754)	-
Capital assets, net	639,517	120,932	80,209	514,215	-
Total noncurrent assets	639,517	120,932	80,209	514,215	-
Total assets	1,636,782	737,425	639,770	824,126	38,623
LIABILITIES					
Current liabilities:					
Payables	4,246	-	175	4,061	823
Current portion of long-term liabilities	-	-	-	-	-
Total current liabilities	4,246	-	175	4,061	823
Noncurrent liabilities:					
Long-term liabilities	-	-	-	-	-
Total noncurrent liabilities	-	-	-	-	-
Total liabilities	4,246	-	175	4,061	823
NET POSITION					
Net investment in capital assets	639,517	120,932	80,209	514,214	-
Restricted for:					
Debt service	-	-	-	-	-
Unrestricted	993,019	616,493	559,386	305,851	37,800
Total net position	\$ 1,632,536	\$ 737,425	\$ 639,595	\$ 820,065	\$ 37,800

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF NET POSITION (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2017**

Summit West CSA 54	Graham Hill CSA 57	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District	Total
\$ 2,268	\$ 338,271	\$ 1,077,592	\$ 1,868,205	\$ 11,062	\$ 5,819,251
-	-	-	-	16,668	16,668
-	-	485	-	170,269	170,754
<u>2,268</u>	<u>338,271</u>	<u>1,078,077</u>	<u>1,868,205</u>	<u>197,999</u>	<u>6,006,673</u>
-	-	48,837	-	-	48,837
-	-	-	-	548,082	752,030
-	-	-	9,089,310	6,606,034	19,080,596
-	-	24,235	-	17,345	213,350
-	-	(21,301)	(4,551,301)	(2,550,574)	(9,529,273)
-	-	2,934	4,538,009	4,620,887	10,516,703
-	-	51,771	4,538,009	4,620,887	10,565,540
<u>2,268</u>	<u>338,271</u>	<u>1,129,848</u>	<u>6,406,214</u>	<u>4,818,886</u>	<u>16,572,213</u>
-	-	142,924	3,097	142,349	297,675
-	-	16,400	-	31,519	47,919
-	-	159,324	3,097	173,868	345,594
-	-	43,890	-	148,212	192,102
-	-	43,890	-	148,212	192,102
-	-	203,214	3,097	322,080	537,696
-	-	7,781	4,538,009	4,441,156	10,341,818
-	-	-	-	43,427	43,427
<u>2,268</u>	<u>338,271</u>	<u>918,853</u>	<u>1,865,108</u>	<u>12,223</u>	<u>5,649,272</u>
<u>\$ 2,268</u>	<u>\$ 338,271</u>	<u>\$ 926,634</u>	<u>\$ 6,403,117</u>	<u>\$ 4,496,806</u>	<u>\$ 16,034,517</u>

**COUNTY OF SANTA CRUZ
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017**

	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	\$ 474,870	\$ 102,909	\$ 88,580	\$ 269,464	\$ 47,061
Total operating revenues	474,870	102,909	88,580	269,464	47,061
OPERATING EXPENSES:					
Services and supplies	245,782	22,697	25,175	217,457	63,244
Depreciation and amortization	66,943	9,208	5,542	33,322	-
Total operating expenses	312,725	31,905	30,717	250,779	63,244
Operating income (loss)	162,145	71,004	57,863	18,685	(16,183)
NONOPERATING REVENUES (EXPENSES):					
Interest and investment income	7,515	4,889	4,467	2,212	401
Interest expense	-	-	-	-	-
Property taxes	-	-	-	-	-
Total nonoperating revenues (expenses)	7,515	4,889	4,467	2,212	401
Income (loss) before contributions	169,660	75,893	62,330	20,897	(15,782)
Capital contributions	-	-	-	-	-
Change in net position	169,660	75,893	62,330	20,897	(15,782)
Net position - beginning	1,462,876	661,532	577,265	799,168	53,582
Net position - ending	\$ 1,632,536	\$ 737,425	\$ 639,595	\$ 820,065	\$ 37,800

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

Summit West CSA 54	Graham Hill CSA 57	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District	Total
\$ -	\$ 34,805	\$ 1,050,832	\$ 844,752	\$ 414,993	\$ 3,328,266
-	34,805	1,050,832	844,752	414,993	3,328,266
138	8,280	1,011,455	899,002	396,568	2,889,798
-	-	4,847	208,275	165,390	493,527
138	8,280	1,016,302	1,107,277	561,958	3,383,325
(138)	26,525	34,530	(262,525)	(146,965)	(55,059)
20	2,729	10,272	16,637	1,252	50,394
-	-	(1,983)	-	(5,820)	(7,803)
-	-	-	-	31,861	31,861
20	2,729	8,289	16,637	27,293	74,452
(118)	29,254	42,819	(245,888)	(119,672)	19,393
-	-	-	-	327,585	327,585
(118)	29,254	42,819	(245,888)	207,913	346,978
2,386	309,017	883,815	6,649,005	4,288,893	15,687,539
<u>\$ 2,268</u>	<u>\$ 338,271</u>	<u>\$ 926,634</u>	<u>\$ 6,403,117</u>	<u>\$ 4,496,806</u>	<u>\$ 16,034,517</u>

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	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	\$ 497,933	\$ 103,133	\$ 176,139	\$ 472,786	\$ 47,085
Payments to suppliers for goods and services	(88,921)	(12,533)	(98,211)	(277,664)	(16,101)
Payments to other funds for services provided	(179,164)	(10,388)	(15,725)	(141,608)	(46,527)
Net cash provided (used) by operating activities	229,848	80,212	62,203	53,514	(15,543)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Property taxes	-	-	-	-	-
Subsidies from other governmental agencies	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(153,405)	-	-	-	-
Principal paid on capital debt	-	-	-	-	-
Interest paid on capital debt	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	(153,405)	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on investments	7,515	4,889	4,467	2,212	401
Net cash provided (used) by investing activities	7,515	4,889	4,467	2,212	401
Net increase (decrease) in cash and cash equivalents	83,958	85,101	66,670	55,726	(15,142)
Cash and cash equivalents at beginning of year	913,307	531,392	492,891	254,185	53,765
Cash and cash equivalents at end of year	\$ 997,265	\$ 616,493	\$ 559,561	\$ 309,911	\$ 38,623

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

Summit West CSA 54	Graham Hill CSA 57	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District	Total
\$ -	\$ 34,805	\$ 1,055,227	\$ 844,752	\$ 414,409	\$ 3,646,269
(124)	(275)	(992,593)	(422,072)	(83,917)	(1,992,411)
(14)	(8,005)	-	(351,545)	(267,116)	(1,020,092)
(138)	26,525	62,634	71,135	63,376	633,766
-	-	-	-	31,861	31,861
-	-	-	-	157,316	157,316
-	-	-	-	189,177	189,177
-	-	-	(86,273)	(320,552)	(560,230)
-	-	(15,984)	-	(30,709)	(46,693)
-	-	(1,983)	-	(5,820)	(7,803)
-	-	(17,967)	(86,273)	(357,081)	(614,726)
20	2,729	10,272	16,637	1,252	50,394
20	2,729	10,272	16,637	1,252	50,394
(118)	29,254	54,939	1,499	(103,276)	258,611
2,386	309,017	1,022,653	1,866,706	131,006	5,577,308
\$ 2,268	\$ 338,271	\$ 1,077,592	\$ 1,868,205	\$ 27,730	\$ 5,835,919

(Continued)

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	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)	\$ 162,145	\$ 71,004	\$ 57,863	\$ 18,685	\$ (16,183)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	66,943	9,208	5,542	33,322	-
Changes in assets and liabilities:					
(Increase) decrease in:					
Receivables	-	-	-	-	-
Increase (decrease) in:					
Payables	760	-	(1,202)	1,507	640
Total adjustments	67,703	9,208	4,340	34,829	640
Net cash provided (used) by operating activities	\$ 229,848	\$ 80,212	\$ 62,203	\$ 53,514	\$ (15,543)

**COUNTY OF SANTA CRUZ
 COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017**

Summit West CSA 54	Graham Hill CSA 57	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District	Total
\$ (138)	\$ 26,525	\$ 34,530	\$ (262,525)	\$ (146,965)	\$ (55,059)
-	-	4,847	208,275	165,390	493,527
-	-	4,395	156,611	-	161,006
-	-	18,862	(31,226)	44,951	34,292
-	-	28,104	333,660	210,341	688,825
\$ (138)	\$ 26,525	\$ 62,634	\$ 71,135	\$ 63,376	\$ 633,766



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, 2017**

	Central Duplicating	Information Services	Public Works	Service Center
ASSETS				
Current assets:				
Cash and investments	\$ 403,132	\$ 2,420,313	\$ 2,390,167	\$ 1,801,611
Receivables	-	-	248,689	110
Due from other funds	-	-	1,908,585	-
Deposits with others	-	-	-	-
Inventory	-	-	433,019	13,485
Prepaid items	52,446	28,988	-	-
Total current assets	455,578	2,449,301	4,980,460	1,815,206
Capital assets:				
Land	-	-	62,914	34,173
Construction in progress	-	409,152	-	-
Buildings and structures	-	-	3,273,483	438,121
Equipment	195,952	10,851,119	8,092,263	10,474,441
Accumulated depreciation	(161,302)	(5,542,722)	(10,038,873)	(7,576,223)
Capital assets, net	34,650	5,717,549	1,389,787	3,370,512
Total assets	490,228	8,166,850	6,370,247	5,185,718
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension	73,382	3,115,083	9,759,989	240,497
Total deferred outflows of resources	73,382	3,115,083	9,759,989	240,497
LIABILITIES				
Current liabilities:				
Payables	17,561	326,441	1,397,809	196,087
Claims liabilities	-	-	-	-
Capital leases	-	453,190	4,600	-
Compensated absences, due within one year	16,794	647,009	2,635,490	58,804
Total current liabilities	34,355	1,426,640	4,037,899	254,891
Noncurrent liabilities:				
Claims liabilities	-	-	-	-
Capital leases	-	1,495,028	4,061	-
Compensated absences, due in more than one year	4,678	429,827	617,780	13,777
Net pension liability	241,705	9,893,251	31,683,653	790,783
Total noncurrent liabilities	246,383	11,818,106	32,305,494	804,560
Total liabilities	280,738	13,244,746	36,343,393	1,059,451
DEFERRED INFLOWS OF RESOURCES				
Deferred pension	30,694	1,205,809	3,957,403	98,700
Total deferred inflows of resources	30,694	1,205,809	3,957,403	98,700
NET POSITION				
Net investment in capital assets	34,650	3,174,251	1,389,787	2,868,217
Unrestricted	217,528	(6,342,873)	(25,560,347)	1,399,847
Total net position	\$ 252,178	\$ (3,168,622)	\$ (24,170,560)	\$ 4,268,064

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF NET POSITION (CONTINUED)
INTERNAL SERVICE FUNDS
JUNE 30, 2017**

Self-Insurance						
Risk Management	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance	Employee Benefit Staffing	State Unemployment Insurance Program	Total
\$ 799,912	\$ 1,340,143	\$ 12,562,205	\$ 14,639,344	\$ 399,015	\$ 435,129	\$ 37,190,971
-	96,312	3,500,000	-	-	-	3,845,111
-	-	-	-	-	-	1,908,585
-	-	-	150,000	-	-	150,000
-	-	-	-	-	-	446,504
-	-	-	-	-	-	81,434
<u>799,912</u>	<u>1,436,455</u>	<u>16,062,205</u>	<u>14,789,344</u>	<u>399,015</u>	<u>435,129</u>	<u>43,622,605</u>
-	-	-	-	-	-	97,087
-	-	-	-	-	-	409,152
-	-	-	-	-	-	3,711,604
55,237	-	-	-	-	-	29,669,012
(55,237)	-	-	-	-	-	(23,374,357)
-	-	-	-	-	-	10,512,498
<u>799,912</u>	<u>1,436,455</u>	<u>16,062,205</u>	<u>14,789,344</u>	<u>399,015</u>	<u>435,129</u>	<u>54,135,103</u>
<u>303,105</u>	-	-	-	253,920	-	13,745,976
<u>303,105</u>	-	-	-	253,920	-	13,745,976
58,752	38,225	3,779,385	352,187	37,771	-	6,204,218
-	406,120	2,717,000	7,239,000	-	62,008	10,424,128
-	-	-	-	-	-	457,790
<u>84,724</u>	-	-	-	29,860	-	3,472,681
<u>143,476</u>	<u>444,345</u>	<u>6,496,385</u>	<u>7,591,187</u>	<u>67,631</u>	<u>62,008</u>	<u>20,558,817</u>
-	-	3,778,000	22,555,000	-	-	26,333,000
-	-	-	-	-	-	1,499,089
75,234	-	-	-	29,639	-	1,170,935
<u>1,115,519</u>	-	-	-	<u>635,268</u>	-	<u>44,360,179</u>
<u>1,190,753</u>	-	<u>3,778,000</u>	<u>22,555,000</u>	<u>664,907</u>	-	<u>73,363,203</u>
<u>1,334,229</u>	<u>444,345</u>	<u>10,274,385</u>	<u>30,146,187</u>	<u>732,538</u>	<u>62,008</u>	<u>93,922,020</u>
<u>200,974</u>	-	-	-	8,531	-	5,502,111
<u>200,974</u>	-	-	-	8,531	-	5,502,111
-	-	-	-	-	-	7,466,905
(432,186)	992,110	5,787,820	(15,356,843)	(88,134)	373,121	(39,009,957)
<u>\$ (432,186)</u>	<u>\$ 992,110</u>	<u>\$ 5,787,820</u>	<u>\$ (15,356,843)</u>	<u>\$ (88,134)</u>	<u>\$ 373,121</u>	<u>\$ (31,543,052)</u>

**COUNTY OF SANTA CRUZ
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017**

	Central Duplicating	Information Services	Public Works	Service Center
OPERATING REVENUES:				
Charges for services	\$ 617,794	\$ 12,153,325	\$ 37,761,914	\$ 2,581,453
Provision of insured events for prior years	-	-	-	-
Other revenues	-	60,515	66,946	57,291
Total operating revenues	617,794	12,213,840	37,828,860	2,638,744
OPERATING EXPENSES:				
Salaries and employee benefits	192,545	7,185,896	29,189,079	567,111
Services and supplies	340,620	3,951,157	4,945,918	933,534
Insurance and compensation claims	6,808	63,816	2,244,626	23,208
Depreciation and amortization	29,713	1,267,141	205,882	816,099
Total operating expenses	569,686	12,468,010	36,585,505	2,339,952
Operating income (loss)	48,108	(254,170)	1,243,355	298,792
NONOPERATING REVENUES (EXPENSES):				
Interest and investment income	-	-	-	-
Gain/(loss) on disposal of capital assets	-	(7,998)	-	10,098
Interest expense	-	(125,418)	(1,382)	-
Total nonoperating revenues (expenses)	-	(133,416)	(1,382)	10,098
Income (loss) before transfers	48,108	(387,586)	1,241,973	308,890
Transfers in	-	-	-	554,527
Change in net position	48,108	(387,586)	1,241,973	863,417
Net position - beginning	204,070	(2,781,036)	(25,412,533)	3,404,647
Net position - ending	\$ 252,178	\$ (3,168,622)	\$ (24,170,560)	\$ 4,268,064

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION (CONTINUED)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

Self-Insurance							
Risk Management	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance	Employee Benefit Staffing	State Unemployment Insurance Program	Total	
\$ 2,000,000	\$ 2,357,570	\$ 4,999,812	\$ 7,514,278	\$ 1,017,842	\$ 400,630	\$ 71,404,618	
-	-	(932,000)	3,179,000	-	-	2,247,000	
-	-	3,500,438	1,606,691	-	-	5,291,881	
2,000,000	2,357,570	7,568,250	12,299,969	1,017,842	400,630	78,943,499	
945,179	-	-	-	367,438	-	38,447,248	
983,030	37,415	1,662,284	767,383	841,517	4,049	14,466,907	
18,580	2,125,754	6,359,918	6,795,830	-	515,611	18,154,151	
-	-	-	-	-	-	2,318,835	
1,946,789	2,163,169	8,022,202	7,563,213	1,208,955	519,660	73,387,141	
53,211	194,401	(453,952)	4,736,756	(191,113)	(119,030)	5,556,358	
9,974	10,917	91,132	121,913	6,396	4,401	244,733	
-	-	-	-	-	-	2,100	
-	-	-	-	-	-	(126,800)	
9,974	10,917	91,132	121,913	6,396	4,401	120,033	
63,185	205,318	(362,820)	4,858,669	(184,717)	(114,629)	5,676,391	
-	-	-	-	-	-	554,527	
63,185	205,318	(362,820)	4,858,669	(184,717)	(114,629)	6,230,918	
(495,371)	786,792	6,150,640	(20,215,512)	96,583	487,750	(37,773,970)	
\$ (432,186)	\$ 992,110	\$ 5,787,820	\$ (15,356,843)	\$ (88,134)	\$ 373,121	\$ (31,543,052)	

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Central Duplicating	Information Services	Public Works	Service Center
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 617,794	\$ 12,213,840	\$ 563,737	\$ 2,638,733
Receipts from interfund charges for services	-	-	39,054,984	-
Payments to suppliers for goods and services	(322,432)	(4,022,974)	(9,384,711)	(934,828)
Payments to employees for salaries and benefits	(193,221)	(7,113,607)	(27,561,871)	(552,282)
Payments for judgments and claims	(6,808)	(63,816)	-	(23,208)
Other payments	-	-	(848,585)	-
Net cash provided (used) by operating activities	95,333	1,013,443	1,823,554	1,128,415
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	-	-	-	554,527
Net cash provided by noncapital financing activities	-	-	-	554,527
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	-	(687,921)	(187,463)	(1,318,394)
Principal paid on capital debt	-	(430,360)	(6,254)	-
Interest paid on capital debt	-	(125,418)	(1,380)	-
Proceeds from sale of capital assets	-	-	-	10,098
Net cash used by capital and related financing activities	-	(1,243,699)	(195,097)	(1,308,296)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	-	-	-	-
Net cash provided by investing activities	-	-	-	-
Net increase (decrease) in cash and cash equivalents	95,333	(230,256)	1,628,457	374,646
Cash and cash equivalents at beginning of year	307,799	2,650,569	761,710	1,426,965
Cash and cash equivalents at end of year	\$ 403,132	\$ 2,420,313	\$ 2,390,167	\$ 1,801,611

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

Self-Insurance							
Risk Management	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance	Employee Benefit Staffing	State Unemployment Insurance Program	Total	
\$ 2,000,000	\$ 2,347,291	\$ 1,499,812	\$ 7,514,278	\$ 282,944	\$ 400,630	\$ 30,079,059	
-	-	-	-	-	-	39,054,984	
(962,343)	(193,231)	(726,626)	(2,839,880)	(826,110)	(364,049)	(20,577,184)	
(932,157)	-	-	-	(383,073)	-	(36,736,211)	
(18,580)	(1,968,337)	(3,772,203)	(4,577,591)	-	(155,611)	(10,586,154)	
-	-	3,500,438	1,606,691	-	-	4,258,544	
<u>86,920</u>	<u>185,723</u>	<u>501,421</u>	<u>1,703,498</u>	<u>(926,239)</u>	<u>(119,030)</u>	<u>5,493,038</u>	
-	-	-	-	-	-	554,527	
-	-	-	-	-	-	554,527	
-	-	-	-	-	-	(2,193,778)	
-	-	-	-	-	-	(436,614)	
-	-	-	-	-	-	(126,798)	
-	-	-	-	-	-	10,098	
-	-	-	-	-	-	(2,747,092)	
<u>9,974</u>	<u>10,917</u>	<u>91,132</u>	<u>121,913</u>	<u>6,396</u>	<u>4,401</u>	<u>244,733</u>	
<u>9,974</u>	<u>10,917</u>	<u>91,132</u>	<u>121,913</u>	<u>6,396</u>	<u>4,401</u>	<u>244,733</u>	
96,894	196,640	592,553	1,825,411	(919,843)	(114,629)	3,545,206	
703,018	1,143,503	11,969,652	12,813,933	1,318,858	549,758	33,645,765	
<u>\$ 799,912</u>	<u>\$ 1,340,143</u>	<u>\$ 12,562,205</u>	<u>\$ 14,639,344</u>	<u>\$ 399,015</u>	<u>\$ 435,129</u>	<u>\$ 37,190,971</u>	

(Continued)

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Central Duplicating	Information Services	Public Works	Service Center
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 48,108	\$ (254,170)	\$ 1,243,355	\$ 298,792
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	29,713	1,267,141	205,882	816,099
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	-	-	653,759	(11)
Inventory	-	-	53,168	3,018
Prepaid items	8,657	(28,988)	-	-
Due from other funds	-	-	(113,687)	-
Deferred outflows of resources	(15,156)	(1,252,997)	(3,888,089)	(96,771)
Increase (decrease) in:				
Payables	9,531	(42,830)	(279,645)	(4,313)
Due to other funds	-	-	-	-
Accrued salaries and benefits	489	39,292	-	2,937
Compensated absences	(1,802)	5,525	(24,523)	9,770
Claims and judgments	-	-	-	-
Deferred inflows of resources	(29,012)	(654,564)	(2,031,136)	(50,554)
Net pension liability	44,805	1,935,034	6,004,470	149,448
Total adjustments	47,225	1,267,613	580,199	829,623
Net cash provided (used) by operating activities	\$ 95,333	\$ 1,013,443	\$ 1,823,554	\$ 1,128,415

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

Self-Insurance							
Risk Management	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance	Employee Benefit Staffing	State Unemployment Insurance Program	Total	
\$ 53,211	\$ 194,401	\$ (453,952)	\$ 4,736,756	\$ (191,113)	\$ (119,030)	\$ 5,556,358	
-	-	-	-	-	-	2,318,835	
-	(10,279)	(3,500,000)	-	-	-	(2,856,531)	
-	-	-	-	-	-	56,186	
-	-	-	-	-	-	(20,331)	
-	-	-	-	-	-	(113,687)	
(67,564)	-	-	-	(158,901)	-	(5,479,478)	
20,688	1,601	3,523,373	145,742	15,408	-	3,389,555	
-	-	-	-	(734,898)	-	(734,898)	
8,181	-	-	-	(3,009)	-	47,890	
3,358	-	-	-	(16,110)	-	(23,782)	
-	-	932,000	(3,179,000)	-	-	(2,247,000)	
(35,295)	-	-	-	(83,010)	-	(2,883,571)	
104,341	-	-	-	245,394	-	8,483,492	
33,709	(8,678)	955,373	(3,033,258)	(735,126)	-	(63,320)	
\$ 86,920	\$ 185,723	\$ 501,421	\$ 1,703,498	\$ (926,239)	\$ (119,030)	\$ 5,493,038	



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 Santa Cruz County Redevelopment Successor Agency.



**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF NET POSITION
AGENCY FUNDS
JUNE 30, 2017**

	Inter- governmental Agency	Payroll	Property Tax Collections	Total
ASSETS				
Cash and investments	\$ 31,020,981	\$ 7,221,446	\$ 15,304,862	\$ 53,547,289
Receivables	-	-	11,717,529	11,717,529
Total assets	\$ 31,020,981	\$ 7,221,446	\$ 27,022,391	\$ 65,264,818
LIABILITIES				
Accounts payable	\$ -	\$ 7,221,446	\$ -	\$ 7,221,446
Due to other governmental units	-	-	27,022,391	27,022,391
Agency funds held for others	31,020,981	-	-	31,020,981
Total liabilities	\$ 31,020,981	\$ 7,221,446	\$ 27,022,391	\$ 65,264,818

**COUNTY OF SANTA CRUZ
COMBINING STATEMENT OF CHANGES IN NET POSITION
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<u>Intergovernmental Agency</u>				
Assets:				
Cash and investments	\$ 28,647,622	\$ 3,469,179,538	\$ 3,466,806,179	\$ 31,020,981
Receivables	12,097	-	12,097	-
Total assets	\$ 28,659,719	\$ 3,469,179,538	\$ 3,466,818,276	\$ 31,020,981
Liabilities:				
Accounts payable	\$ -	\$ 2,194,441,404	\$ 2,194,441,404	\$ -
Agency funds held for others	28,659,719	197,852,416	195,491,154	31,020,981
Total liabilities	\$ 28,659,719	\$ 2,392,293,820	\$ 2,389,932,558	\$ 31,020,981
<u>Payroll</u>				
Assets:				
Cash and investments	\$ 6,138,691	\$ 340,261,473	\$ 339,178,718	\$ 7,221,446
Total assets	\$ 6,138,691	\$ 340,261,473	\$ 339,178,718	\$ 7,221,446
Liabilities:				
Accounts payable	\$ 6,138,691	\$ 989,999,489	\$ 988,916,734	\$ 7,221,446
Total liabilities	\$ 6,138,691	\$ 989,999,489	\$ 988,916,734	\$ 7,221,446
<u>Property Tax Collections</u>				
Assets:				
Cash and investments	\$ 21,499,244	\$ 1,079,363,134	\$ 1,085,557,516	\$ 15,304,862
Receivables	11,036,964	509,525,763	508,845,198	11,717,529
Total assets	\$ 32,536,208	\$ 1,588,888,897	\$ 1,594,402,714	\$ 27,022,391
Liabilities:				
Accounts payable	\$ 161,616	\$ 15,148,473	\$ 15,310,089	\$ -
Due to other governmental units	32,374,592	1,589,812,221	1,595,164,422	27,022,391
Total liabilities	\$ 32,536,208	\$ 1,604,960,694	\$ 1,610,474,511	\$ 27,022,391
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$ 56,285,557	\$ 4,888,804,145	\$ 4,891,542,413	\$ 53,547,289
Receivables	11,049,061	509,525,763	508,857,295	11,717,529
Total assets	\$ 67,334,618	\$ 5,398,329,908	\$ 5,400,399,708	\$ 65,264,818
Liabilities:				
Accounts payable	\$ 6,300,307	\$ 3,199,589,366	\$ 3,198,668,227	\$ 7,221,446
Due to other governmental units	32,374,592	1,589,812,221	1,595,164,422	27,022,391
Agency funds held for others	28,659,719	197,852,416	195,491,154	31,020,981
Total liabilities	\$ 67,334,618	\$ 4,987,254,003	\$ 4,989,323,803	\$ 65,264,818

**COUNTY OF SANTA CRUZ
SANTA CRUZ COUNTY REDEVELOPMENT SUCCESSOR AGENCY
STATEMENT OF NET POSITION
PRIVATE PURPOSE TRUST FUND
JUNE 30, 2017**

	<u>Santa Cruz County Redevelopment Successor Agency</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 13,224,532
Total current assets:	13,224,532
Noncurrent Assets:	
Restricted cash with fiscal agents	3,483,329
Prepaid insurance	1,446,071
Capital assets, net	9,116,907
Total assets	\$ 27,270,839
DEFERRED OUTFLOWS OF RESOURCES	
Loss on refunding of debt	\$ 306,819
Total deferred outflows of resources	\$ 306,819
LIABILITIES	
Current Liabilities:	
Accounts payable - claims	\$ 2,712
Interest payable	3,480,686
Long-term debt - due within one year	7,417,646
Total current liabilities:	10,901,044
Long-Term Liabilities:	
Long-term debt - due in more than one year	212,977,057
Total long-term liabilities:	212,977,057
Total liabilities	\$ 223,878,101
DEFERRED INFLOWS OF RESOURCES	
Deferred tax increment revenue	\$ 3,758,775
Gain on refunding of debt	222,748
Total deferred inflows of resources	\$ 3,981,523
NET POSITION	
Net position held in trust	\$ (200,281,966)

COUNTY OF SANTA CRUZ
SANTA CRUZ COUNTY REDEVELOPMENT SUCCESSOR AGENCY
STATEMENT OF CHANGES IN NET POSITION
PRIVATE PURPOSE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Santa Cruz County Redevelopment Successor Agency</u>
ADDITIONS:	
Investment income	\$ 81,019
Tax increment received	19,619,257
Other revenue	<u>102,491</u>
Total additions	<u>19,802,767</u>
DEDUCTIONS:	
Payments in accordance with trust agreements	21,618,627
Gain on refunding of debt	<u>131,404</u>
Total deductions	<u>21,750,031</u>
Change in net position held in trust	(1,947,264)
Net position held in trust - beginning	<u>(198,334,702)</u>
Net position held in trust - ending	<u><u>\$ (200,281,966)</u></u>

STATISTICAL SECTION

(UNAUDITED)

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

Contents	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	188-192
Revenue Capacity These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.	193-196
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.	197-200
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.	201-205
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.	206-210

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets	\$ 476,456	\$ 468,999	\$ 484,646	\$ 439,466	\$ 448,657	\$ 455,726	\$ 215,172	\$ 212,557	\$ 242,858	\$ 327,708
Restricted	57,360	63,880	55,856	75,773	67,014	96,980	117,713	40,865	31,660	55,167
Unrestricted	(363,118)	(374,141)	(399,332)	(72,239)	(65,133)	(66,913)	(61,396)	36,955	32,147	(21,529)
Total governmental activities net position	<u>\$ 170,698</u>	<u>\$ 158,738</u>	<u>\$ 141,170</u>	<u>\$ 443,000</u>	<u>\$ 450,538</u>	<u>\$ 485,793</u>	<u>\$ 271,489</u>	<u>\$ 290,377</u>	<u>\$ 306,665</u>	<u>\$ 361,346</u>
Business-type activities										
Net investment in capital assets	\$ 20,724	\$ 28,466	\$ 28,585	\$ 24,033	\$ 25,023	\$ 25,442	\$ 24,677	\$ 26,662	\$ 26,327	\$ 27,280
Restricted	381	390	260	476	44	256	253	317	83	187
Unrestricted	5,332	(1,962)	3,620	8,130	7,634	6,520	5,803	6,553	7,433	6,797
Total business-type activities net position	<u>\$ 26,437</u>	<u>\$ 26,894</u>	<u>\$ 32,465</u>	<u>\$ 32,639</u>	<u>\$ 32,701</u>	<u>\$ 32,218</u>	<u>\$ 30,733</u>	<u>\$ 33,532</u>	<u>\$ 33,843</u>	<u>\$ 34,264</u>
Total primary government										
Net investment in capital assets	\$ 497,180	\$ 497,465	\$ 513,231	\$ 463,499	\$ 473,680	\$ 481,168	\$ 239,849	\$ 239,219	\$ 269,185	\$ 354,988
Restricted	57,741	64,270	56,116	76,249	67,058	97,236	117,966	41,182	31,743	55,354
Unrestricted	(357,786)	(376,103)	(395,712)	(64,109)	(57,499)	(60,393)	(55,593)	43,508	39,580	(14,732)
Total primary government net position	<u>\$ 197,135</u>	<u>\$ 185,632</u>	<u>\$ 173,635</u>	<u>\$ 475,639</u>	<u>\$ 483,239</u>	<u>\$ 518,011</u>	<u>\$ 302,222</u>	<u>\$ 323,909</u>	<u>\$ 340,508</u>	<u>\$ 395,610</u>

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities:										
General government	\$ 43,566	\$ 35,068	\$ 33,544	\$ 25,451	\$ 17,725	\$ 27,417	\$ 39,206	\$ 30,407	\$ 37,098	\$ 48,765
Public protection	157,415	141,370	131,718	133,932	127,640	124,721	125,065	122,743	146,283	117,001
Public ways and facilities	24,716	28,271	32,900	18,961	47,167	32,192	36,694	45,826	32,859	47,209
Health and sanitation	123,519	114,209	108,999	108,571	111,441	113,242	107,497	105,239	111,310	112,560
Public assistance	129,000	126,834	116,902	112,840	104,889	105,835	101,990	108,121	110,208	101,454
Education	5,746	6,005	5,537	4,915	5,005	5,033	5,194	5,140	5,153	5,209
Recreation and cultural services	10,784	8,900	7,202	6,870	5,867	6,670	6,386	6,617	8,499	8,558
Interest on long term debt	2,210	2,764	3,307	8,126	3,321	10,262	17,144	15,782	13,098	13,211
Total governmental activities expenses	496,956	463,421	440,109	419,666	423,055	425,372	439,176	439,875	464,508	453,967
Business-type activities:										
County Disposal Site CSA 9C	13,283	12,018	11,785	11,464	10,904	10,506	14,792	12,283	14,317	16,088
Boulder Creek CSA 7	308	362	332	310	344	295	299	298	417	438
Rolling Woods CSA 10	32	15	12	14	14	14	12	44	93	78
Septic Tank Maintenance CSA 12	1,016	1,090	1,058	1,114	1,017	943	1,050	951	1,148	966
Freedom County Sanitation District	1,090	808	965	607	441	857	825	551	891	609
Davenport County Sanitation District	556	518	656	557	458	532	477	701	550	420
Place de Mer CSA 2	30	38	50	23	21	37	70	32	52	39
Sand Dollar Beach CSA 5	247	237	275	243	260	265	315	252	254	314
Trestle Beach CSA 20	62	45	51	59	36	41	43	71	61	73
Summit West CSA 54	-	-	-	1	1	1	1	1	1	31
Graham Hill CSA 57	8	11	35	53	35	33	27	27	27	13
Total business-type activities expense	16,632	15,142	15,219	14,445	13,531	13,524	17,911	15,211	17,811	19,069
Total primary government expenses	\$ 513,588	\$ 478,563	\$ 455,328	\$ 434,111	\$ 436,586	\$ 438,896	\$ 457,087	\$ 455,086	\$ 482,319	\$ 473,036
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 21,379	\$ 19,053	\$ 18,605	\$ 19,150	\$ 18,071	\$ 17,695	\$ 18,305	\$ 17,083	\$ 18,494	\$ 16,953
Health, sanitation, and public assistance	38,828	34,628	28,088	25,830	23,238	33,029	27,635	24,754	27,137	23,675
Public protection	22,877	22,514	22,913	21,426	20,742	20,623	20,954	20,961	22,364	24,795
Public ways and facilities and recreation	9,408	8,051	8,217	8,286	8,869	9,412	8,453	8,555	8,633	7,672
Operating grants and contributions	261,567	244,016	243,896	227,863	219,341	207,264	199,689	209,932	187,859	208,047
Capital grants and contributions	8,193	8,798	7,006	10,541	10,678	8,016	11,298	8,673	7,885	3,542
Total governmental activities program revenues	362,252	337,060	328,725	313,096	300,939	296,039	286,334	289,958	272,372	284,684
Business-type activities:										
Charges for services	15,638	14,763	13,933	13,350	13,137	13,313	13,058	13,166	13,350	13,237
Operating grants and contributions	342	490	226	382	208	573	289	964	338	123
Capital grants and contributions	327	129	118	-	60	345	1,097	15	50	25
Total business-type activities program revenues	16,307	15,382	14,277	13,732	13,405	14,231	14,444	14,145	13,738	13,385
Total primary government program revenues	\$ 378,559	\$ 352,442	\$ 343,002	\$ 326,828	\$ 314,344	\$ 310,270	\$ 300,778	\$ 304,103	\$ 286,110	\$ 298,069
Net (expense)/revenue										
Governmental activities	\$ (134,704)	\$ (126,361)	\$ (111,384)	\$ (106,570)	\$ (122,116)	\$ (129,333)	\$ (152,842)	\$ (149,917)	\$ (192,136)	\$ (169,283)
Business-type activities	(325)	240	(942)	(713)	(126)	707	(3,467)	(1,066)	(4,073)	(5,684)
Total primary government net expense	\$ (135,029)	\$ (126,121)	\$ (112,326)	\$ (107,283)	\$ (122,242)	\$ (128,626)	\$ (156,309)	\$ (150,983)	\$ (196,209)	\$ (174,967)

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 107,283	\$ 100,143	\$ 93,563	\$ 88,178	\$ 84,795	\$ 97,716	\$ 109,837	\$ 111,224	\$ 115,179	\$ 111,745
Other taxes	27,410	24,256	21,831	19,046	17,201	16,044	15,265	12,978	13,951	15,622
Grants and contributions not restricted for specific purposes	-	-	-	-	117	-	-	-	-	-
Use of money and property	3,741	4,096	3,473	3,652	1,254	2,741	2,827	3,373	5,805	11,858
Miscellaneous	7,960	9,460	4,306	751	(156)	52,099	6,033	4,606	2,546	13,402
Gain (Loss) on sale of assets	6	98	-	(4)	26	1,005	(6)	101	37	(79)
Total governmental activities	146,400	138,053	123,173	111,623	103,237	169,605	133,956	132,282	137,518	152,548
Business-type activities:										
Property taxes	32	29	27	25	25	25	25	24	25	-
Use of money and property	(232)	(170)	49	95	(24)	45	12	13	174	756
Miscellaneous	333	332	6,539	531	609	705	631	760	1,068	3,048
Gain (Loss) on sale of assets	-	-	-	-	-	2	-	3	-	-
Total business-type activities	133	191	6,615	651	610	777	668	800	1,267	3,804
Total primary government	\$ 146,533	\$ 138,244	\$ 129,788	\$ 112,274	\$ 103,847	\$ 170,382	\$ 134,624	\$ 133,082	\$ 138,785	\$ 156,352
Extraordinary Item:	\$ -	\$ -	\$ -	\$ -	\$ (16,377)	\$ 174,033	\$ -	\$ -	\$ -	\$ -
Change in Net Position										
Governmental activities	\$ 11,696	\$ 11,692	\$ 11,789	\$ 5,053	\$ (35,256)	\$ 214,305	\$ (18,886)	\$ (17,635)	\$ (54,618)	\$ (16,735)
Business-type activities	(192)	431	5,673	(62)	484	1,484	(2,799)	(266)	(2,806)	(1,880)
Total primary government	\$ 11,504	\$ 12,123	\$ 17,462	\$ 4,991	\$ (34,772)	\$ 215,789	\$ (21,685)	\$ (17,901)	\$ (57,424)	\$ (18,615)

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

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

	Fiscal Year	
	2009	2008
General Fund		
Reserved	\$ 2,919	\$ 2,151
Unreserved	14,674	25,008
Total general fund	<u>\$ 17,593</u>	<u>\$ 27,159</u>
All other governmental funds		
Reserved	\$ 38,930	\$ 44,736
Unreserved, reported in:		
Special revenue funds	121,946	123,244
Capital projects funds	10,273	1,369
Total all other governmental funds	<u>\$ 171,149</u>	<u>\$ 169,349</u>

¹ In fiscal year 2010-2011 the County implemented GASB 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned.

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Taxes	\$ 134,693	\$ 124,399	\$ 115,394	\$ 107,224	\$ 101,997	\$ 113,760	\$ 125,101	\$ 123,718	\$ 129,130	\$ 127,367
Licenses and permits	13,268	11,881	11,053	9,847	9,819	10,356	9,046	9,247	9,177	10,085
Fines, forfeits, and penalties	4,101	3,630	4,720	4,758	4,474	4,737	5,200	5,231	5,088	4,911
Use of money and property	3,623	4,083	3,417	3,480	1,264	2,635	2,718	3,197	5,451	11,082
Aid from other governmental agencies	269,760	252,814	250,902	238,404	230,019	215,280	210,987	219,090	195,758	211,572
Charges for services	75,124	68,734	62,050	60,087	56,626	65,666	61,115	56,845	62,364	58,100
Other revenues	8,313	9,685	10,168	12,927	5,320	2,274	5,341	4,617	4,815	14,617
Total revenues	508,882	475,226	457,704	436,727	409,519	414,708	419,508	421,945	411,783	437,734
Expenditures										
Current										
General government	33,189	31,414	32,532	29,206	28,311	26,747	29,084	26,198	29,994	33,490
Public protection	156,582	146,434	137,893	134,296	129,562	118,671	117,531	118,848	126,014	123,435
Public ways and facilities	34,217	20,249	24,440	18,730	41,232	32,074	37,534	53,095	45,023	37,736
Health and sanitation	122,842	117,041	111,509	108,967	108,688	107,810	104,191	102,048	103,920	109,152
Public assistance	129,505	130,035	119,199	112,967	101,437	101,204	99,120	100,294	101,562	102,976
Education	5,535	5,793	5,325	4,915	4,781	4,810	4,974	4,921	5,420	5,040
Recreation and cultural services	10,014	8,667	7,156	6,951	6,900	7,004	6,928	7,345	7,876	9,189
Capital outlay	14,862	7,607	9,306	18,875	-	-	35,417	769	3,380	10,671
Debt service										
Principal	15,477	4,744	3,992	3,797	3,815	7,790	7,603	6,958	6,836	7,344
Bond redemption	-	-	-	-	-	-	-	-	771	-
Bond issue costs	-	-	-	-	-	-	1,127	-	181	263
Interest and fiscal charges	2,904	2,770	3,239	3,151	3,318	10,482	15,677	15,742	12,360	13,343
Total expenditures	525,127	474,754	454,591	441,855	428,044	416,592	459,186	436,218	443,337	452,639
Excess of Revenues Over (Under) Expenditures	(16,245)	472	3,113	(5,128)	(18,525)	(1,884)	(39,678)	(14,273)	(31,554)	(14,905)
Other Financing Sources (Uses)										
Sale of capital assets	6	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	-	-	-
Bond premium/discount	951	60	-	812	-	(23)	(914)	-	-	225
Gain on conversion of receivables	-	-	-	-	-	5,024	-	-	-	-
Bonds issued	10,500	13,770	-	-	-	-	-	-	60,492	7,370
Payment to bond refunding escrow agent	(10,620)	(13,097)	-	(6,362)	-	(1,399)	-	-	-	(8,012)
Transfers in	21,582	17,489	12,312	36,185	17,620	24,252	145,035	29,843	29,760	31,921
Transfers out	(21,750)	(17,701)	(18,706)	(37,268)	(18,379)	(24,282)	(145,709)	(30,551)	(79,777)	(32,043)
Inception of capital lease	129	70	93	403	36	80	123	-	110	94
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	798	10,634	(6,301)	5,580	(490)	57,597	33,936	(651)	59,963	776
Extraordinary Item	-	-	-	-	(7,179)	(71,866)	-	-	-	-
Net change in fund balance	\$ (15,447)	\$ 11,106	\$ (3,188)	\$ 452	\$ (26,194)	\$ (16,153)	\$ (5,742)	\$ (14,924)	\$ 28,409	\$ (14,129)
Debt service as a percentage of noncapital expenditures	3.77%	1.61%	1.69%	1.64%	1.79%	4.59%	5.76%	5.57%	4.66%	4.85%

**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
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
2017	88,414	174	3,210	11,863	8,002	2,805	2,321	85	116,874

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
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%	2,354	467,765	99.4%
2017	503,093	496,571	98.7%	-	496,571	98.7%

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 Ended June 30,	Secured ²	Unsecured	Total Taxable Assessed Value ³	Total Direct Tax Rate ⁴
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%
2017	42,608,504	936,890	43,545,394	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
(Reported in Thousands)**

Fiscal Year	Property Tax Rates Per \$100 of Assessed Valuation		County	Cities	School Districts	Special Districts	Total
	Low	High					
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
2017	1.051	1.163	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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities										
Capital Leases	\$ 5,968	\$ 6,739	\$ 4,731	\$ 5,077	\$ 5,075	\$ 5,337	\$ 5,544	\$ 5,673	\$ 5,942	\$ 6,051
Refunding Certificates of Participation - 1996	12,830	19,770	21,440	23,025	24,534	25,959	27,334	28,634	29,889	31,086
Lease Revenue Bonds	14,504	14,927	12,325	12,325	6,450	6,670	6,885	7,090	7,290	7,840
Refunding Certificates of Participation - 2015	10,915	12,305	-	-	-	-	-	-	-	-
Lease Revenue Refunding Bonds - 2012	1,561	1,627	1,690	1,751	1,812	1,866	1,404	1,535	1,667	1,797
Revenue Bonds	-	-	-	-	-	405	785	1,145	1,480	1,800
Local Agency Revenue Bonds - 1999	105	135	165	195	225	250	275	295	320	360
Certificates of Participation	6,991	13,390	27,266	29,307	31,278	33,024	29,110	30,746	32,312	28,822
Refunding Certificates of Participation - 2014	5,748	6,020	6,286	6,583	-	-	-	-	-	-
Refunding Certificates of Participation - 2016	11,403									
City of Scotts Valley Writ of Mandate	-	-	-	725	1,450	2,175	-	-	-	-
McGaffigan Mill Road HOA	-	-	-	-	1	33	63	91	-	-
CA Energy Resources Conservation and Development Commission	16	58	-	-	-	-	-	-	510	711
CA Transportation Finance Bank	-	-	-	-	-	-	-	-	600	600
RDA Tax Allocation Bonds	-	-	-	-	-	-	247,995	217,472	220,938	168,549
Internal Service Funds	-	-	26	19	16	29	22	-	-	329
Business-Type Activities										
Lease Revenue Bonds	6,550	6,799	-	-	-	-	-	-	-	-
Loans Payable	240	287	449	490	531	570	608	646	404	448
Capital Leases	3	4	-	2	3	-	-	-	178	605
Total Primary Government¹	\$ 76,834	\$ 82,061	\$ 74,378	\$ 79,499	\$ 71,375	\$ 76,318	\$ 320,025	\$ 293,327	\$ 301,530	\$ 248,998
Percentage of Personal Income ^{2,4}	0.49%	0.52%	0.47%	0.54%	0.50%	0.55%	2.44% ³	2.33% ³	2.53%	2.04%
Per Capita ^{3,4}	\$ 280	\$ 299	\$ 271	\$ 293	\$ 265	\$ 286	\$ 1,208 ³	\$ 1,114 ³	\$ 1,160	\$ 971

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 2017 is based on 2016 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 2017 is based on 2016 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**

Fiscal year	Assessed Value ¹	Legal Debt Limit ²	Total Net Applicable Debt	Legal Debt Margin	Debt Margin/ Debt Limit
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%
2017	42,608,503,591	532,606,295	-	532,606,295	100%

¹ Total Assessed Value includes exempt property.

² Section 29909 of the California Government Code limits the General Obligation Bond indebtedness to 1.25 percent of the total full cash valuation of all real and personal property within the County. The Legal Debt Margin is the Legal Debt Limit reduced by the General Bonded Debt. The County does not have any General Bonded Debt.

**COUNTY OF SANTA CRUZ
STATEMENT OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2017
(Reported in Thousands)**

2016-2017 Total Net Assessed Valuation	<u>\$</u>	<u>43,284,454</u>		
			<u>Percentage Applicable¹</u>	<u>Net Debt Outstanding</u>
<u>Overlapping Tax and Assessment and General Obligation Debt</u>				
SCHOOL DISTRICTS				
Live Oak Elementary			100%	\$ 12,056
Santa Cruz City Elementary			100%	15,800
Soquel Union Elementary			100%	28,870
Santa Cruz City High			100%	87,724
Scotts Valley Unified			100%	46,020
San Lorenzo Valley Unified			100%	26,984
Pacific			100%	823
Pajaro Valley Unified			100%	154,084
Cabrillo College			100%	120,154
SPECIAL DISTRICTS				
Zayante Fire			100%	40
Lompico Water			100%	61
Rolling Woods Water			100%	970
Rolling Woods Sewer Improvements			100%	640
Orchard Drive			100%	815
North Polo Drive Sewer Extension			100%	155
Felton Community Facilities - District No. 1			100%	8,420
Total Overlapping Tax and Assessment and General Obligation Debt				<u>503,616</u>
<u>Direct Debt</u>				
Santa Cruz County ²			100%	<u>70,042</u>
Total Direct Debt				<u>70,042</u>
Total Combined Overlapping and Direct Debt				<u>\$ 573,658</u>
<u>Ratio to 2016-2017 Assessed Valuation</u>				
Total Overlapping Tax and Assessment and General Obligation Debt			1.16%	
Total Direct Debt			0.16%	
Total Combined Direct Debt and Overlapping Debt			1.33%	

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 PUBLIC FINANCING AUTHORITY¹
JUNE 30, 2017
(Reported in Thousands)**

<u>YEAR OF ISSUANCE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
Debt ²			
1996	\$ 12,830	\$ 3,915	\$ 16,745
1999	105	9	114
2008	1,955	252	2,207
2011	4,995	2,707	7,702
2012A	1,576	734	2,310
2014	5,500	1,969	7,469
2014	4,720	1,952	6,672
2014	6,285	2,600	8,885
2015	9,530	5,661	15,191
2015	10,915	1,564	12,479
2016	<u>10,500</u>	<u>3,374</u>	<u>13,874</u>
Total debt outstanding for the Public Financing Authority	<u>\$ 68,911</u>	<u>\$ 24,737</u>	<u>\$ 93,648</u>

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

² Certificates of Participation, Refunding Certificates of Participation, Lease Revenue Bonds, Lease Revenue Refunding Bonds, Revenue Bonds, and Local Agency Revenue Bonds.

**COUNTY OF SANTA CRUZ
GENERAL INFORMATION
LAST TEN FISCAL YEARS**

Santa Cruz County is the second smallest county in the State of California, with an area of 440 square miles. It is also one of the original 27 counties formed in 1850, and prior to California's independence it was one of three Spanish Pueblos in California.

Santa Cruz County is located in the northern crescent of Monterey Bay, 74 miles south of San Francisco, 375 miles north of Los Angeles, 159 miles southwest of Sacramento, and 164 miles northwest of Fresno.

Fiscal Year	Population ¹ (in thousands)	Budget Requirements ² (in thousands)	Budget Per Capita	Current Property Taxes (in thousands)	Taxes Per Capita
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
2017	277	552,333	1,994	88,414	319

Fiscal Year	Assessed Valuation (in thousands)	Per Capita Income ³	Personal Income ³ (in thousands)	School Enrollment ⁴	Unemployment Rate ⁵
2008	\$ 33,586,675	\$ 47,585	\$ 12,206,441	68,647	5.9%
2009	32,531,717	45,801	11,908,765	69,640	7.4%
2010	32,390,765	47,729	12,565,434	69,958	11.1%
2011	32,332,271	49,439	13,100,030	68,543	13.3%
2012	32,033,769	52,256	13,931,267	69,336	13.1%
2013	33,625,169	52,908	14,246,799	69,194	11.8%
2014	35,996,363	54,585	14,814,476	69,342	10.3%
2015	38,321,843	57,257	15,696,689	70,516	8.8%
2016	40,296,052	n/a	n/a	70,411	7.5%
2017	42,608,504	n/a	n/a	70,282	6.9%

SOURCES

¹ Based on information compiled by the California Department of Finance.

² Santa Cruz County Final/Adopted Budgets.

³ U.S. Bureau of Economic Analysis (BEA). Figures are for the preceding calendar year (e.g., Fiscal Year 2017 is 2016 calendar year data). All prior period numbers have been revised by the BEA and have been restated here. Data for 2016 was not available when General Information was compiled.

⁴ Total includes data obtained from the California Department of Education, the University of California at Santa Cruz, and Cabrillo College.

⁵ Data reflects the annual average rate for the calendar year (e.g., Fiscal Year 2017 is annual average for 2016 calendar year) as calculated by the California Employment Development Department. Calendar year 2013 was revised by the EDD and has been restated here.

**COUNTY OF SANTA CRUZ
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN CALENDAR YEARS**

Calendar Year	New Dwelling Units ¹			Valuation of New Units ¹ (in thousands)			Deposits ²
	Single Family	Multiple Family	Total Units	Residential	Non-Residential	Total Valuation	Amount (in thousands)
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
2016	116	202	318	102,393	93,011	195,404	6,076,534

¹ Compiled by the California Department of Finance - Economic Research Unit. Calendar year 2017 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, 2016.

**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
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
2017	264,054	275,353	91,707	91,703

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 2016-2017	Percentage of Total Assessed Valuation 2016-2017 ¹
Pacific Gas & Electric Company	Gas & Electric Utility	\$ 272,331,891	0.63 %
Santa Cruz Seaside Company	Amusement Park	111,243,992	0.26
Watsonville Hospital	Hospital	60,574,364	0.14
AT&T	Telephone Utility	60,499,386	0.14
Capitola Mall, LLC	Property Management	59,779,061	0.14
Rancho Del Mar Center	Property Management	55,556,111	0.13
Safeway	Grocery Store	47,844,545	0.11
Bei-Scott Company, LLC	Property Management	46,272,692	0.11
Cypress Point Real Estate Investors	Real Estate	46,227,717	0.11
SC Beach Hotel Partners	Hotel Operator	45,821,941	0.11
Totals		<u>\$ 806,151,700</u>	<u>1.88 %</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	0.52 %
Lone Star	Cement Manufacturer	75,060,423	0.24
NNN Enterprise Way LLC et al	Software producer	63,799,109	0.21
Macerich Partnership L P	Commercial Real Estate	63,263,622	0.20
Watsonville Hospital Corp	Hospital	57,037,519	0.18
AT&T California	Telephone Utility	52,280,664	0.17
Santa Cruz Seaside Company	Amusement Park	48,153,968	0.16
Cypress Point RE Investors, LLC	Apartment Complex	39,802,437	0.13
Seagate Technology	Electronic Manufacturer	39,231,837	0.13
George Ow, Jr. et al	Real Estate	36,599,349	0.12
Totals		<u>\$ 636,428,635</u>	<u>2.06 %</u>

Note: Principal taxpayer data for fiscal year 2016-2017 is derived from the 2016 tax roll, which was billed and collected during 2017.

Note: Data for fiscal year 2007-2008 is derived from the 2007 tax roll, which was billed and collected during 2008.

¹ Percentage of total assessed valuation for 2016-2017 is calculated from the total net assessed valuation of \$43,284,453,899.

² Percentage of total assessed valuation for 2006-2007 is calculated from the total net assessed valuation of \$33,343,469,636.

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

Employer	Product/Service	Number of Employees 2016-2017¹	Percentage of Total Employment 2016-2017²
University of California at Santa Cruz	Education	1,000-4,999	2.15 %
Pajaro Valley Unified School District	Education	1,000-4,999	2.15
County of Santa Cruz	County Services	1,000-4,999	2.15
Dominican Hospital	Hospital	1,000-4,999	2.15
Santa Cruz Beach Boardwalk	Amusement/Recreation	1,000-4,999	2.15
Dutra Farms	Grocery/Wholesale	1,000-4,999	2.15
Granite Rock	Excavating Contractors	500-999	0.54
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 2011-2012³	Percentage of Total Employment 2011-2012³
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	Manufacturing	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 139,400 as reported by the EDD for March 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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Assistance										
Human Services Department										
Adult Protective Services										
Referrals received	1,011 ²	936 ¹	754	630	603	626	547	542	585	610
Investigations completed	906 ²	816 ¹	601	444	420	386	352	320	416	468
Family and Children's Services										
Annual referrals (families)	2,770 ²	2,635 ¹	2,727	2,591	2,457	3,200	2,870	2,624	3,096	3,093
Finalized adoptions	52 ²	50 ¹	45	72	58	51	41	32	42	41
Licensed foster homes (monthly average)	139 ²	130 ¹	125	113	106	112	105	100	109	124
Benefit Services										
Average number of Medi-Cal recipients	76,713 ²	73,060 ¹	64,344	44,600	37,971	31,624	30,786	28,998	27,487	26,655
Public Ways and Facilities										
Public Works										
Roads										
Miles of road maintained	596	600	600	600	600	600	600	600	600	600
Potholes repaired	4,013	3,750	3,994	4,130	3,700	4,500	3,552	2,500	2,500	3,500
Minor culverts maintained	2,262	2,262	2,262	2,262	2,262	2,262 ⁴	1,010	2,000	2,000	2,000
Bridges and major culverts maintained	160	160	160	160	160	160	160	160	160	160
Traffic signs replaced/repared	1,047	1,377	1,238	1,452	1,463	1,516	1,850	1,029	1,400	1,475
Miles of street swept	285	518	381	1,607	1,800	1,555	1,465	4,000	4,500	5,000
Sanitation										
Miles of pipe maintained	245	245	244	236	236	230	230	230	222	222
Maintenance call responses	150	209	319	100	138	168	182	238	216	272
Landfill										
Waste generated (tons)	197,810	155,789	172,555	166,594	139,529	138,448	139,365	153,873	164,717	183,993
Waste disposed (tons)	125,610	91,399	83,642	79,292	60,974	61,503	71,470	71,701	76,203	77,745
Recreation and Cultural Services										
Parks, Open Space, and Cultural Services										
Facility bookings	6,927	6,716	7,621	7,532	6,877	6,114	5,545	5,942	5,772	6,114
Recreation registrations	7,591	7,295	6,720	6,831	6,218	6,165	6,273	5,518	5,888	4,982
Swim admissions	184,064	178,882	178,289	158,573	130,059	77,022	76,334	90,771	86,834	82,800

Sources: Various County Departments

¹ Prior period reported an estimate which has been restated here to reflect actual data.

² Data is estimated as presented in the 2016-2017 Proposed Budget.

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

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

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

Function	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Protection										
Agricultural Commissioner										
High risk quarantine inspections	1,400 ²	1,400 ¹	1,347	1,293	1,569	1,450	1,669	1,900	2,800	2,640
District Attorney										
Criminal Prosecution										
Felony filings	2,379 ²	1,757 ¹	2,113	2,703	2,322	2,164	2,169	2,457	2,155	2,128
Juvenile filings	591 ²	817 ¹	413	652	709	799	503	594	731	1,046
Consumer Affairs										
Number of calls received	2,198 ²	1,821 ¹	2,143	2,040	2,410	2,345	2,410	2,622	2,880	2,960
Number of written complaints received	148 ²	127 ¹	129	121	195	272	302	462	288	440
Planning										
Building permits issued	4,600 ²	4,532 ¹	4,097	3,487	3,446	2,899	2,787	2,463	2,611	3,162
Building permit inspection sites visited	11,000 ²	10,800 ¹	10,084	9,081	8,700	8,601	7,620	7,093	9,353	10,061
Code compliance cases resolved	130 ²	90 ¹	105	77	112	249	228	400	574	1,192
Probation										
Juvenile division referrals	n/a ³	n/a ³	1,220	1,074	1,160	1,453	1,613	1,649	2,323	2,378
Juvenile division petitions filed	n/a ³	n/a ³	569	430	445	637	851	880	1,166	1,148
Juvenile court investigations	n/a ³	n/a ³	60	62	54	96	110	116	178	183
Public Defender										
Total cases	10,900 ²	10,800 ¹	10,445	10,910	11,268	10,731	10,311	10,805	12,385	12,455
Sheriff/Coroner (Investigation Division)										
Total cases reviewed	n/a ³	10481	10,471	10,425	10,686	10,989	11,660	12,535	12,929	12,617
Total arrests	n/a ³	86	168	216	188	98	269	307	238	254
Detention										
Main jail bookings	10,641	11,305	10,964	10,487	9,658	10,699	12,274	12,716	13,576	12,941
Weights and Measures										
Establishments visited	1,200 ²	1,200 ¹	1,039	1,237	1,043	1,027	1,139	1,500	1,742	1,836
Special District										
Mosquito Abatement/Vector Control CSA #53										
Mosquito inspections	4,000 ²	3,100 ¹	4,208	2,995	3,342	3,885	4,500	5,515	5,515	4,396

Sources: Various County Departments

¹ Prior period reported an estimate which has been restated here to reflect actual data.

² Data is estimated as presented in the 2016-2017 Proposed Budget.

³ 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>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>	<u>2017</u>
COUNTY ADMINISTRATIVE OFFICE	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	22.00	22.00
CANNABIS LICENSING OFFICE	-	-	-	-	-	-	-	-	-	5.00
AGRICULTURAL COMMISSIONER ¹	22.00	22.00	19.75	19.70	19.60	19.40	19.40	20.40	16.40	16.40
MOSQUITO ABATEMENT/VECTOR CONTROL	8.00	9.00	9.00	8.00	8.00	8.00	9.00	9.00	10.00	10.00
AGRICULTURAL EXTENSION	2.00	2.00	1.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00
ASSESSOR	38.00	37.50	35.50	33.50	33.25	33.25	33.25	33.25	29.00	26.00
AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR	29.50	29.50	29.00	29.00	29.00	29.00	29.00	30.00	42.75	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	11.00	11.00	11.00	11.00	11.00	11.00	9.00	9.00	9.00
COUNTY CLERK/ELECTIONS	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00
COUNTY COUNSEL	19.50	19.00	18.50	18.50	18.50	18.50	18.50	18.50	18.50	18.50
DISTRICT ATTORNEY	91.50	92.50	92.50	90.50	89.50	89.50	89.50	90.50	94.00	97.00
CHILD SUPPORT SERVICES	69.50	66.50	66.50	65.50	62.00	63.00	64.00	61.00	59.00	59.00
EMERGENCY SERVICES	2.00	3.75	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.50
FIRE MARSHALL	2.30	-	-	-	-	-	-	-	-	-
GENERAL SERVICES	11.00	9.00	9.00	9.00	8.80	8.80	8.80	8.80	8.00	9.00
FACILITIES MAINTENANCE	47.75	47.00	47.00	44.00	44.00	44.00	44.00	44.00	42.00	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	3.00	3.00	3.00	3.00	3.00	3.00	2.00
SERVICE CENTER	6.00	6.00	6.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
HEALTH SERVICES ²	661.05	526.55	486.50	498.25	522.00	508.05	512.40	526.95	534.30	531.85
HUMAN SERVICES	527.60	463.00	445.50	434.50	435.50	441.00	489.50	515.00	574.50	570.00
VETERANS SERVICES	5.00	4.00	4.00	4.00	4.00	3.00	4.00	4.00	4.00	4.00
INFORMATION SERVICES/TELEPHONE	78.25	76.25	65.00	65.00	64.00	64.50	64.50	64.50	57.00	56.00
INFORMATION SERVICES/COMM. TECH.	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	7.00	7.00
PARKS, OPEN SPACE, AND CULTURAL SERVICES	57.00	56.00	47.50	42.10	29.80	34.80	33.80	40.80	44.75	45.75
PERSONNEL	27.50	27.50	25.50	24.50	24.25	24.25	24.50	26.50	25.00	27.00
RISK MANAGEMENT	10.75	10.75	12.00	11.00	11.00	11.00	11.00	11.00	12.00	12.00
PLANNING	100.00	100.00	87.25	75.60	63.25	66.00	66.00	65.25	64.00	65.25
PROBATION	101.00	94.00	81.00	77.00	77.50	93.75	98.25	93.25	91.25	96.25
JUVENILE HALL	31.00	31.00	30.50	30.50	30.50	30.50	30.50	30.50	30.50	31.00
PUBLIC WORKS	300.50	290.00	274.00	272.50	272.50	267.50	267.50	267.50	256.00	256.80
RDA	14.00	14.00	22.00	22.00	1.00	1.00	1.00	-	-	-
SHERIFF-CORONER	177.25	176.25	173.75	170.75	171.00	171.00	170.00	173.00	173.00	175.00
CORRECTIONS	148.00	168.00	165.25	155.00	156.50	164.50	145.00	149.00	151.00	150.00
COURT SECURITY	26.00	26.00	26.00	25.00	24.00	24.00	24.00	24.00	24.00	24.00
TREASURER-TAX COLLECTOR ³	16.25	16.75	14.75	13.50	13.50	13.50	13.50	13.75	-	-
TOTAL	<u>2,705.20</u>	<u>2,496.80</u>	<u>2,370.00</u>	<u>2,318.90</u>	<u>2,292.95</u>	<u>2,311.80</u>	<u>2,350.90</u>	<u>2,398.45</u>	<u>2,443.95</u>	<u>2,452.05</u>

Source: Annual Adopted County Budget

¹ Weights and Measures was incorporated into the Agricultural Commissioner.

² On July 1, 2005, the Public Guardian was transferred to Health Services Agency. Its positions are incorporated into Health Services Agency.

³ On January 5, 2015, the County began consolidating of the offices of Auditor-Controller and Treasurer-Tax Collector.

**COUNTY OF SANTA CRUZ
SCHEDULE OF INSURANCE IN EFFECT
JUNE 30, 2017**

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	\$ 600,000,000 640,000,000 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	CSAC-Excess Insurance Authority \$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 Includes fossils and fine arts for all County locations 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 \$25,000,000 in excess of \$25,000,000	25,000,000
County Fire, Auto, and Liability Insurance	Wells Fargo/American Alternative Insurance Corp. Includes property insurance for County owned fire stations, including contents, business interruption, money and securities, boiler and machinery Fire Liability Auto Liability Deductible Equipment Deductible	3,000,000 3,000,000 1,000,000 1,000 100
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 and privacy insurance with electronic media liability Self-Insurance Retention Deductible	2,000,000 50,000
Watercraft Coverage	CSAC-Excess Insurance Authority Protection and Indemnity Deductible	1,000,000 1,000

**COUNTY OF SANTA CRUZ
CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public protection										
Jail facilities	3	3	3	3	3	3	3	3	3	3
Rehabilitation center	1	1	1	1	1	1	1	1	1	1
Juvenile center	2	1	1	1	1	1	1	1	1	1
Courthouses	3	2	3	3	3	3	3	3	3	3
Morgue	1	1	1	1	1	1	1	1	1	1
Center for Public Safety	1	1	1	1	-	-	-	-	-	-
Public assistance										
Child day care center	1	1	1	1	1	1	1	1	1	1
Elder day care center	1	1	1	1	1	1	1	1	1	1
Residential care facility	1	1	1	1	1	1	1	1	1	1
Volunteer center	1	1	1	1	1	1	1	1	1	1
Veterans centers	2	2	2	2	2	2	2	2	2	2
Behavioral Health Unit	1	1	1	1	-	-	-	-	-	-
Recreation and culture										
Parks acreage	228	228	228	228	226	225	223	223	223	223
Sites	63	60	60	60	59	59	57	57	57	57
Athletic fields	17	17	17	17	17	17	17	17	17	17
Swimming pools	4	4	4	4	4	4	4	4	4	2
Public ways and facilities										
Roads										
Pavement (miles)	596	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	2,262	1,010	2,000	2,000	2,000
Bridges and major culverts	160	160	160	160	160	160	160	160	160	160
Sanitation										
Pipe (miles)	245	245	244	236	236	230	230	230	222	222
Pump stations/treatment plants	61	63	64	63	63	62	62	62	62	62
General government										
Administrative/other facilities ¹	13	12	12	12	11	11	10	10	10	10

Sources: Various County Departments

¹ Includes buildings and centers utilized by various departments within different functions.

GLOSSARY
(UNAUDITED)



ACCOUNTS PAYABLE. A short-term liability account reflecting amounts owed to private persons or organizations for goods and services received by a government.

ACCOUNTS RECEIVABLE. An asset account reflecting amounts due from private persons or organizations for goods and services furnished by a government (but not including amounts due from other funds or other governments).

ACCRUAL BASIS. The recording of the financial effects on a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events, and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

ACCUMULATED DEPRECIATION. A contra-asset account used to report the accumulation of periodic credits to reflect the expiration of the estimated service life of capital assets.

ADVANCE FROM OTHER FUNDS. A liability account used to record noncurrent portions of a long-term debt owed by one fund to another fund within the same reporting entity. See DUE TO OTHER FUNDS and INTERFUND RECEIVABLE/PAYABLE.

ADVANCE TO OTHER FUNDS. An asset account used to record noncurrent portions of a long-term loan from one fund to another fund within the same reporting entity. See DUE FROM OTHER FUNDS.

AGENCY FUND. A fund normally used to account for assets held by a government as an agent for individuals, private organizations, or other governments and/or other funds.

AMORTIZATION. (1) The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

APPROPRIATION. A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and time it may be expended.

ASSESSED VALUATION. A valuation set upon real estate or other property by a government as a basis for levying taxes.

ASSIGNED FUND BALANCE. Amounts that are constrained by the County's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority or by a body or an official designated for that purpose. This is also the classification for residual funds in the County's special revenue funds.

AUDITOR'S REPORT. In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor's opinion on the fairness of presentation of the financial information in conformity with GAAP or some other comprehensive basis of accounting.

BALANCE SHEET. The financial statement disclosing the assets, liabilities, and equity of an entity at a specified date in conformity with GAAP.

BASIC FINANCIAL STATEMENTS (BFS). The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP. Basic financial statements have three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

BASIS OF ACCOUNTING. A term used to refer to *when* revenues, expenditures, expenses, and transfers and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the *timing* of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual basis.

BUDGET. A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term “budget” is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating governing body for adoption, and sometimes, the plan finally approved by that body.

BUDGETARY CONTROL. The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

CAPITAL ASSETS. Long-lived tangible assets obtained or controlled as a result of past transactions, events, or circumstances. Capital assets include buildings, equipment, improvements other than buildings, land, and infrastructure. In the private sector, these assets are referred to most often as property, plant, and equipment.

CAPITAL EXPENDITURES. Expenditures resulting in the acquisition of or addition to the government’s general capital assets.

CAPITALIZATION POLICY. The criteria used by a government to determine which outlays should be reported as capital assets.

CAPITAL LEASE. An agreement that conveys the right to use property, plant, or equipment, usually for a stated period of time. See LEASE-PURCHASE AGREEMENTS.

CAPITAL PROJECTS FUND. A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

CASH BASIS. A basis of accounting under which transactions are recognized only when cash is received or disbursed.

CASH WITH FISCAL AGENT. An asset account reflecting deposits with fiscal agents, such as commercial banks, for the payment of bond principal and interest

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING PROGRAM. A voluntary program administered by the GFOA to encourage governments to publish efficiently organized and easily readable CAFRs and to provide technical assistance and peer recognition to the finance officers preparing them.

CHANGE IN THE FAIR VALUE OF INVESTMENTS. The difference between the fair value of investments at the beginning of the year and at the end of the year, taking into consideration investment purchases, sales, and redemptions.

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

COMPENSATED ABSENCES. Absences, such as vacation and illness, for which it is expected employees will be paid. The term does not encompass severance or termination pay, post-retirement 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 an 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. Any one 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 the Uniform Guidance. The Single Audit Act allows or requires governments (depending on the amount of Federal assistance received) to have one audit performed to meet the needs of all Federal agencies.

SPECIAL DISTRICT. An independent unit of local government organized to perform a single government function or a restricted number of related functions. Special districts usually have the power to incur debt and levy taxes; however, certain types of special districts are entirely dependent upon enterprise earnings and cannot impose taxes. Examples of special districts are water districts, drainage districts, flood control districts, hospital districts, fire protection districts, transit authorities, port authorities, and electric power authorities.

SPECIAL REVENUE FUND. A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

TAX AND REVENUE ANTICIPATION NOTES (TRANS). Notes issued in anticipation of the collection of taxes and revenues, usually retireable only from tax collections, and frequently only from the proceeds of the tax and revenues levy whose collection they anticipate.

TRUST FUNDS. Funds used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments, and/or other funds.

UNASSIGNED FUND BALANCE. The residual classification for the County's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

UNMODIFIED OPINION. An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

UNRESERVED FUND BALANCE. That portion of a fund balance available for spending or appropriation in the future.

UNRESTRICTED NET POSITION. That portion of net position that is neither restricted nor invested in capital assets (net of related debt).