

# **SANTA CRUZ COUNTY, ARIZONA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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CHAIRMAN  
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DISTRICT #2**

**BRUCE BRACKER  
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DISTRICT #3**

### **COUNTY MANAGER**

**JENNIFER K. ST. JOHN**

### **PREPARED BY THE SANTA CRUZ COUNTY FINANCE DEPARTMENT**

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MAYRA OCHOA**

**DATA PROCESSING &  
PAYROLL ADMINISTRATOR  
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ROSIE FERNANDEZ**

**ACCOUNTING SPECIALIST  
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**ACCOUNTING SPECIALIST  
SYLVIA BRENNER**

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Santa Cruz County  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2016

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## ADMINISTRATIVE SERVICES SANTA CRUZ COUNTY

Jennifer K. St. John, CPA  
Director

March 29, 2017

The Honorable Board of Supervisors  
Santa Cruz County, Arizona

I am pleased to submit, in accordance with state statutes, Santa Cruz County's (County) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This report has been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed in pronouncements of the Governmental Accounting Standards Board. County management is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all representations and disclosures. To the best of our knowledge and belief, this report 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 of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

GAAP require 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.

This report includes all funds of the County. The County provides a full range of services, including law enforcement and public safety; healthcare; sanitation; welfare programs; construction and maintenance of highways, streets, and related infrastructure; recreational services and cultural activities; and education.

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### Profile of Santa Cruz County

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Santa Cruz County is situated in the southern part of Arizona with its southern boundary bordering Mexico. The County was split from Pima County by the 20<sup>th</sup> Territorial Assembly in 1899. The County encompasses approximately 1,250 square miles and has roughly 50,500 people. The neighboring community of Nogales, Sonora, Mexico has grown to an estimated population of 450,000.

Santa Cruz County is divided into three supervisorial districts. Each district elects a member to the Board of Supervisors to serve a 4-year term. The Chair is selected by the Board from among its members. The Board establishes the policies that govern the various County departments. The Board-appointed County Manager oversees the County's general administrative operations.

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## **Economic Condition and Outlook**

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Santa Cruz County serves as a gateway for international trade and is a major link in the CANAMEX Trade Corridor, which is a western transportation corridor connecting Canada, the United States, and Mexico. The County's location at the U.S. and Mexican border provides excellent opportunities for shipping and distribution, retail trade, manufacturing, and tourism. The County has been a trading center for northern Mexico since the 1880s. Over 35,000 visitors come from northwest Mexico daily to shop in Santa Cruz County.

The County is home to some of the largest produce distributors in the United States. At peak season, over 1,350 trucks pass through the County's state-of-the-art commercial port, Mariposa Port of Entry, daily carrying approximately 33.5 percent of the winter produce consumed in the U.S. in a normal year. Santa Cruz County's produce industry is anchored by over 250 brokers, distributors, and warehouses. Rail traffic has remained steady as consumers continue to purchase new vehicles manufactured in Mexico. Bulk commodities needed worldwide continue to be exported to Mexico for distribution elsewhere.

The County will continue to operate in a fiscally responsible manner that respects our heritage and our environment, while exploring new economic opportunities and providing the services demanded of a rapidly growing border community.

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## **Major Initiatives**

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The County geographic information system (GIS) project has continued with data development, rectification, and quality assurance tasks. A major project to correct all property addresses was undertaken in support of the national 911 emergency response system. An event management planning system was deployed to provide GIS maps and forms to the public in order to track major events throughout the County. The Public Works Department completed the development of road and traffic signage and other facilities for inventory, maintenance tracking and capital improvement planning. More interactive maps continue to be made available to the public on the County website.

New elections equipment was acquired for a busy election cycle in 2016. About \$56,000 was spent on purchasing some equipment including tablets which are loaded with current voter registration information and deployed at the voter precincts. The system also includes on demand ballot printers, touch screen voting machines and a high speed ballot counter. Rental payments for some of the equipment total just over \$200,000 for FY16-FY18.

Two flood control design projects moved forward this year, both in the City of Nogales. A small detention basin project in the neighborhood of Nogalitos was designed to reduce the damaging effects of flooding for about 80 homes. A larger project under design is for the Ephraim Canyon drainage which, if implemented, would remove hundreds of homes from the floodplain.

The signalization project planned for the Rio Rico Drive/Pendleton Drive intersection has undergone scopes changes over the past year and construction is planned for FY18.

The County extended the bank protection along Nogales Wash in the wake of the completion of the Chula Vista Bridge replacement project last year. A pedestrian path was installed along Old Tucson Road and the road was repaved to the city limits at a cost of \$1.5 million. Some overweight



truck fees were used for this road project and were also used for design of Kipper Street in the Rio Rico South Industrial Park, which will be rebuilt in the next fiscal year.

A major transient apron repaving project at the Nogales International Airport is set for completion early in FY17. In partnership with the Federal Aviation Administration and the Aeronautics Division of the State Department of Transportation, the project is costing just over \$1.8 million of which the County's share is about 4.47%.

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## Financial Management and Information

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County management is responsible for establishing and maintaining an internal control structure designed to ensure that the County's assets 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 GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management. We believe that the County's internal control structure adequately safeguards assets and provides reasonable assurance of the proper recording and integrity of financial statements and underlying financial transactions.

Independent Audit: State statutes require that the County issue annual financial statements, which shall be audited by the State of Arizona, Office of the Auditor General or its designee. The State Auditors' report on the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining funds are included as the first component of the financial section of this report.

Single Audit: As a recipient of federal and state financial assistance, the County is required to have an annual audit under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Uniform Guidance requirements also address the establishment and maintenance of an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. Tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as determining that the County has materially complied with applicable laws and regulations.

Budgeting Controls: The County also maintains budgetary controls, which are designed to help ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Supervisors. Budgetary control generally is maintained at the departmental level for all funds. Management further controls budgets by not allowing personnel savings to be reprogrammed to operating supplies and services within a department.

The Reporting Entity: The financial reporting entity includes all the funds of the primary government, Santa Cruz County, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the funds of the Santa Cruz County Flood Control District and the Santa Cruz County Jail District, whose Board of

Directors is the County's Board of Supervisors, are blended and reported as special revenue funds of the primary government.

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### **Acknowledgements**

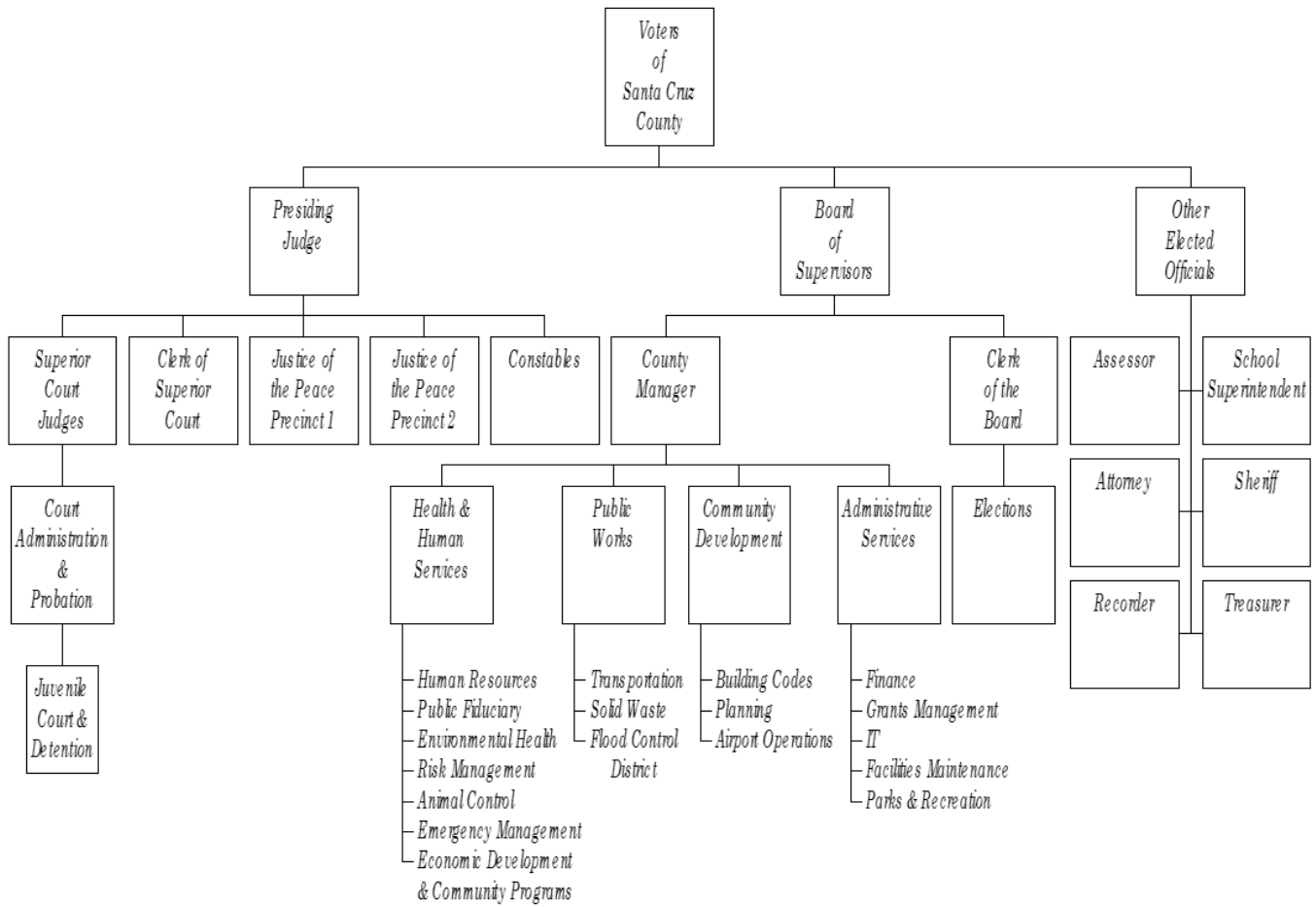
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The preparation of this report could not be accomplished without the efficient and dedicated services of the finance department. I would also like to thank every county department who assisted in and contributed to the preparation of this report. In addition, the staff of the Auditor General's Office provided excellent support and technical advice. I also wish to express my sincere appreciation to the Board of Supervisors for their interest and support in planning and conducting the financial operations of the County in a responsible manner.

Respectfully submitted,

Jennifer K. St. John, CPA  
County Manager

# Santa Cruz County Organizational Chart



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## Financial Section

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**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

## **Independent Auditors' Report**

Members of the Arizona State Legislature

The Board of Supervisors of  
Santa Cruz County, Arizona

### **Report on the financial statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Santa Cruz County as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

#### ***Management's responsibility for the financial statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

#### ***Auditors' responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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, business-type activities, each major fund, and aggregate remaining fund information of Santa Cruz County as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## ***Emphasis of matter***

As discussed in Note 1 to the financial statements, for the year ended June 30, 2016, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

## ***Other matters***

### ***Required supplementary information***

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 5 through 14, budgetary comparison schedules on pages 74 through 80, schedule of the County's proportionate share of the net pension liability—cost-sharing pension plans on page 81, schedule of changes in the County's net pension liability and related ratios—agent pension plans on pages 82 through 83, schedule of County pension contributions on pages 84 through 85, and schedule of agent OPEB plans' funding progress on page 87 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 U.S. generally accepted auditing standards, 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.

### ***Supplementary and 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 combining and individual fund statements and schedules and the introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual fund statements and schedules are management's responsibility 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements 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 accordingly, we do not express an opinion or provide any assurance on them.

*Compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies*

In connection with our audit, nothing came to our attention that caused us to believe that the County failed to use highway user revenue fund monies the County received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues the County received solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management, and other responsible parties within the County and is not intended to be and should not be used by anyone other than these specified parties.

**Other reporting required by government auditing standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 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 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.

Debbie Davenport  
Auditor General

March 29, 2017

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## Santa Cruz County Management's Discussion and Analysis

This discussion and analysis is intended to be an easily readable analysis of Santa Cruz County's (County) financial activities based on currently known facts, decisions, or conditions. This analysis focuses on current year activities and should be read in conjunction with the transmittal letter that begins on page v and with the County's basic financial statements following this section.

### Financial Highlights

- At June 30, 2016, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by \$58,485,102 (net position). Of this amount, \$73.8 million is the net investment in capital assets (e.g., land, buildings, improvements, construction and vehicles, furniture and equipment, infrastructure and construction in progress); \$9.7 million is restricted for specific purposes (restricted net position); and \$(25.0) million is the unrestricted net position deficit balance that is primarily a result of recognizing long-term liabilities related to pensions.
- The County's total net position as reported in the Statement of Activities decreased by \$437,004.
- At June 30, 2016, total assets were \$153,251,040 compared to \$156,655,518 at June 30, 2015. This is a \$3,404,478 or 2.2 percent decrease over the prior fiscal year.
- At June 30, 2016, total liabilities were \$99,440,240 compared to \$100,933,119 at June 30, 2015. This is a \$1,492,879 or 1.5 percent decrease over the prior fiscal year.
- At June 30, 2016, the County reported total deferred outflows related to refunding debts of \$887,483 and related to pensions of \$6,385,287 and deferred inflows related to pensions of \$2,598,468.
- At June 30, 2016, the governmental funds reported combined fund balances of \$18,882,499 or a decrease in fund balance of \$1,223,388, in comparison with the prior year.
- At June 30, 2016, \$8,223,341 or 43.5 percent of governmental fund balances were restricted, \$295,859 or 1.6 percent were assigned, \$10,308,804 or 54.6 percent were unassigned, and \$54,495 or 0.3 percent were nonspendable. Restricted fund balances have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations; or by constitutional provisions or enabling legislation. The assigned and unassigned fund balances are considered unrestricted. The unrestricted fund balances are available for spending at the County's discretion. However, the assigned fund balances are designated by management. The nonspendable fund balances include amounts that cannot be spent because they are not in spendable form, such as prepaid items.
- At June 30, 2016, unassigned fund balance for the general fund was \$11,063,411, approximately 54.6 percent of total general fund expenditures. In accordance with Arizona Revised Statutes §42-17151, this entire amount is budgeted to be spent in the next fiscal year.

# Santa Cruz County

## Management's Discussion and Analysis

### 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 comprise 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** are designed to provide readers with a broad overview of the County's finances, in a manner similar to private-sector businesses.

The *Statement of Net Position* presents information on all county assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how 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 related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the County include general government, public safety, highways and streets, health, welfare and sanitation, education and economic opportunity, and recreation. The County has one business-type activity, which is the County Landfill.

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 blended component units included in the County's basic financial statements are the Santa Cruz County Flood Control District and the Santa Cruz County Jail District.

*The government-wide financial statements can be found on pages 16-17 of this report.*

**Fund Financial Statements** are groupings of related accounts that are used to maintain control over 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 finance-related legal compliance. All of the funds of the County can be divided into three classifications: *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. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

## Santa Cruz County Management's Discussion and Analysis

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 governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The County reports four major governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Jail District, Criminal Justice Enhancement, and Road funds. Data from the other governmental funds (nonmajor) are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

*The governmental fund financial statements can be found on pages 18-24 of this report.*

**Proprietary funds** are maintained two ways. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses its enterprise fund to account for the landfills operated by the County. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County has no internal service funds. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The County's landfill operation is considered to be a major fund and is presented in the proprietary fund financial statements.

*The proprietary fund financial statements can be found on pages 25-27 of this report.*

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. 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 financial statements can be found on pages 28-29 of this report.*

**Notes to 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 financial statements can be found on pages 31-72 of this report.

**Required supplementary information** presents budgetary comparison schedules for the General, Jail District, Criminal Justice Enhancement, Flood Control and Road funds of the County. It also includes pension plan schedules and a schedule of agent OPEB plans' funding progress. Required supplementary information can be found on pages 74-87 of this report.

# Santa Cruz County Management's Discussion and Analysis

## Government-wide Financial Analysis

### Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Position of the County as of June 30, 2016, compared to the prior year.

Statement of Net Position  
June 30, 2016 and 2015 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 22,567	\$ 25,665	\$ 1,583	\$ 1,631	\$ 24,150	\$ 27,296
Capital assets	124,268	124,411	4,833	4,949	129,101	129,360
Total assets	<u>146,835</u>	<u>150,076</u>	<u>6,416</u>	<u>6,580</u>	<u>153,251</u>	<u>156,656</u>
Deferred outflows of resources	<u>7,209</u>	<u>7,185</u>	<u>64</u>	<u>64</u>	<u>7,273</u>	<u>7,249</u>
Total deferred outflows of resources	<u>7,209</u>	<u>7,185</u>	<u>64</u>	<u>64</u>	<u>7,273</u>	<u>7,249</u>
Current and other liabilities	1,916	3,318	165	385	2,081	3,703
Long-term liabilities	94,108	94,082	3,252	3,149	97,360	97,231
Total liabilities	<u>96,024</u>	<u>97,400</u>	<u>3,417</u>	<u>3,534</u>	<u>99,441</u>	<u>100,934</u>
Deferred inflows of resources	<u>2,522</u>	<u>3,935</u>	<u>76</u>	<u>114</u>	<u>2,598</u>	<u>4,049</u>
Total deferred inflows of resources	<u>2,522</u>	<u>3,935</u>	<u>76</u>	<u>114</u>	<u>2,598</u>	<u>4,049</u>
Net Position						
Net investment in capital assets	69,644	70,340	4,115	4,274	73,759	74,614
Restricted net position	9,756	7,711	-	-	9,756	7,711
Unrestricted net position (deficit)	<u>(23,902)</u>	<u>(22,125)</u>	<u>(1,128)</u>	<u>(1,278)</u>	<u>(25,030)</u>	<u>(23,403)</u>
Total net position	<u>\$ 55,498</u>	<u>\$ 55,926</u>	<u>\$ 2,987</u>	<u>\$ 2,996</u>	<u>\$ 58,485</u>	<u>\$ 58,922</u>

At June 30, 2016, the County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by almost \$58.5 million (net position).

The largest portion (\$73.8 million or 126.1 percent) of the County's net position reflects the investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, and construction in progress), less accumulated depreciation and related debt still outstanding used to acquire those assets. The County uses these assets to provide services to its 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, because the capital assets themselves will not be used to liquidate these liabilities.

## Santa Cruz County Management's Discussion and Analysis

Restricted net position (\$9.7 million or 16.7 percent) represents resources that are subject to external restrictions on how they may be used.

The remaining deficit balance (\$25 million or negative 42.8 percent) is the unrestricted net position deficit balance that is primarily a result of recognizing long-term liabilities related to pensions as mentioned above.

The following provides an explanation of governmental activities assets, liabilities and deferred outflows and inflows of resources that changed significantly over the prior year:

- Current and other assets – the net decrease of \$3.1 million or 12.1 percent was primarily due to a decrease of \$3.1 million in cash and investments held by trustee. The decrease was due to \$1.6 million that was spent on construction costs for the flood control projects and \$1.5 million was paid to early extinguish a portion of the series 2012 outstanding loan balance.
- Deferred outflows related to refunding debts – the \$887 thousand of deferred outflows related to refunding was a result of an early extinguishment of \$8.8 million of the GADA 2008-1 long-term loan.
- Deferred outflows/inflows related to pensions – deferred outflows decreased by \$864 thousand, or 12 percent, mainly due to decreases in the changes of assumptions or other inputs under the EORP and CORP-AOC plans. Deferred inflows decreased by \$1.4 million, or 36 percent, due mostly to a significant decrease in the difference between projected and actual earnings on pension plan investments offset by an increase to the differences between expected and actual experience, both under the ASRS plan. These changes were a result of the changes in the net pension liabilities between fiscal years along with the amortization of the prior year's deferred outflows and inflows related to pensions.

For the business-type activities there were no significant changes in assets, liabilities and deferred outflows and inflows of resources between fiscal years.

# Santa Cruz County

## Management's Discussion and Analysis

### Changes in Net position

The following table indicates the changes in net position for governmental and business-type activities:

Changes in Net Position  
For the Years Ended June 30, 2016 and 2015 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,628	\$ 3,099	\$2,062	\$1,993	\$ 4,690	\$ 5,092
Operating grants and contributions	9,079	8,993	-	-	9,079	8,993
Capital grants and contributions	5,810	4,747	-	-	5,810	4,747
General revenues:						
Property taxes	14,496	14,041	-	-	14,496	14,041
County excise tax	5,308	5,009	-	-	5,308	5,009
Share of state sales taxes	4,682	4,454	-	-	4,682	4,454
Share of state overweight permits	802	783	-	-	802	783
Share of state lottery funds	550	1,100	-	-	550	1,100
Payments in lieu of taxes	1,073	932	-	-	1,073	932
VLT unrestricted	1,649	1,527	-	-	1,649	1,527
Grants and contributions not restricted to specific programs	433	522	-	-	433	522
Investment earnings	59	14	3	1	62	15
Miscellaneous	378	377	-	-	378	377
Gain on sale of capital assets	315	4	17	-	332	4
Capital contribution	256	-	-	-	256	-
Transfers	<u>150</u>	<u>(2)</u>	<u>(150)</u>	<u>2</u>	<u>-</u>	<u>-</u>
Total revenues	<u>47,668</u>	<u>45,600</u>	<u>1,932</u>	<u>1,996</u>	<u>49,600</u>	<u>47,596</u>
Expenses:						
General government	16,403	16,772	-	-	16,403	16,772
Public safety	14,854	16,431	-	-	14,854	16,431
Highways and streets	5,966	7,474	-	-	5,966	7,474
Health, welfare and sanitation	4,621	4,633	-	-	4,621	4,633
Education and economic opportunity	2,909	3,259	-	-	2,909	3,259
Recreation	202	152	-	-	202	152
Interest on long-term debt	3,141	2,810	-	-	3,141	2,810
Landfill	<u>-</u>	<u>-</u>	<u>1,941</u>	<u>887</u>	<u>1,941</u>	<u>887</u>
Total expenses	<u>48,096</u>	<u>51,531</u>	<u>1,941</u>	<u>887</u>	<u>50,037</u>	<u>52,418</u>
Changes in net position	(428)	(5,931)	(9)	1,109	(437)	(4,822)
Net position—beginning	<u>55,926</u>	<u>61,857</u>	<u>2,996</u>	<u>1,887</u>	<u>58,922</u>	<u>63,744</u>
Net position—ending	<u>\$55,498</u>	<u>\$55,926</u>	<u>\$2,987</u>	<u>\$2,996</u>	<u>\$58,485</u>	<u>\$58,922</u>



## Santa Cruz County Management's Discussion and Analysis

Overall, the County's governmental revenues increased by \$2.1 million or 4.5 percent and expenses decreased by almost \$3.4 million or 6.7 percent. The following provides an explanation of governmental activities revenues and expenses that changed significantly over the prior year:

Capital grants and contributions – the \$1.1 million or 22.4 percent increase was primarily due a federal grant received by the County for the airport apron construction. This grant required a small local match and also included a state grant portion.

Highways and streets expenses – the \$1.5 million or 20.2 percent decrease was largely due to the Public Works Department completing several large projects in the prior fiscal year.

Overall, the County's business-type operating revenues increased by \$68.6 thousand or 3.4 percent and operating expenses increased by \$1.0 million or 118.4 percent. The following provides an explanation of business-type activities revenues and expenses that changed significantly over the prior year:

Landfill operating expenses – The \$1.0 million increase was due to an increase of \$685 thousand in the estimated landfill closure and postclosure care costs, \$162 thousand in professional services, and \$196 thousand in depreciation expense. The increase in professional services was due to the upgrade of the landfill scale, software, and the installation of cameras to help secure the landfill and its revenues. The increase in depreciation expense was due to additional new equipment added to capital assets close to the end of prior fiscal year and during the current fiscal year. Additional information on the County's closure and postclosure care costs can be found in Note 7 of the Notes to Financial Statements on pages 44-48 of this report.

### Financial Analysis of the County's Funds

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

*Governmental Funds* – Governmental activities are contained in the general, special revenue, debt service, and capital projects funds. The focus of the County's governmental funds is to provide information of near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2016, the County's governmental funds reported combined fund balances of \$18,882,499, a decrease of \$1,223,388 in comparison with the prior year. This decrease is largely due to an early extinguishment of \$1.3 million of the 2012 series long-term loan. Of the combined fund balances, \$10,308,804 constitutes unassigned fund balance, which is available to meet the County's current and future needs.

The General Fund is the County's primary operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$11,063,411. Unassigned fund balance represents 54.6 percent of total General Fund expenditures. This ratio indicates a strong fund balance position in comparison to expenditures.

## Santa Cruz County Management's Discussion and Analysis

The intergovernmental revenues in the Jail District Fund increased by \$190 thousand or 12.6 percent due mainly to intergovernmental agreements signed with other governmental agencies to house inmates. As a result of additional grants and contributions, due from other governments increased by \$94 thousand or 25.2 percent.

The intergovernmental revenues in the Criminal Justice Enhancement Fund increased by \$295 thousand or 27.2 percent due largely to an increase in funding for a federal grant for the Sheriff's Office and a newly funded position for a federal grant within the County Attorney's Office.

The fines and forfeitures revenue and expenditures in the Criminal Justice Enhancement Fund decreased by \$236 thousand or 49.3 percent and \$379 thousand or 17.7 percent, respectively, due largely to a decline in the seizure of assets under the Anti-Racketeering program, resulting in a corresponding decline of money available to spend within the Anti-Racketeering fund.

The highways and streets expenditures in the Road fund decreased by \$2 million due primarily to the Public Works Department completed several large projects in the prior fiscal year.

### General Fund Budgetary Highlights

General Fund actual expenditures were approximately \$9 million under the adopted budget and actual revenues were more than estimated revenues by \$1.2 million. The County conservatively estimated revenues and collected prior year's property taxes and intergovernmental revenues in excess of what was anticipated and budgeted. The County Attorney department exceeded its budget by \$147,409 due largely to unexpected increases in indigent costs for legal fees, autopsies, and advertising. The Constable #1, Information Technology, Justice Court #1 and Juvenile Probation exceeded their budget by \$5,781, \$40,247, \$64,263 and \$50,500, respectively, due largely to an unbudgeted increase in the agent pension plans' required county contribution rates during fiscal year 2016. The Information Technology department increase was also due to some unbudgeted but necessary equipment maintenance needed within the department. The increase in Justice Court #1 was also due to an unbudgeted and unexpected increase in legal fees. Finally, the additional increase within the Juvenile Detention department was due to an agreed upon but unbudgeted employee, of which the general fund funded 50 percent of the salary.

### Capital Assets and Debt Administration

#### Capital Assets

The County's investment in capital assets as of June 30, 2016, amounted to \$129.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, construction equipment and vehicles, furniture and equipment, construction in progress, and infrastructure. Major capital asset events during the current fiscal year included the following:

- Construction in progress had a net increase of \$217 thousand which consists of additional construction costs of \$3.3 million incurred on four projects and transfer of three completed projects totaling of \$3.1 million to buildings and improvements other than buildings. Specifically, majority of the additional construction costs were incurred on two major projects, \$1.5 million for the Nogales wash

## Santa Cruz County Management's Discussion and Analysis

bank protection project and \$1.5 million for the airport apron project. The completed projects were the Rio Rico road yard project of \$770 thousand, the Nogales wash bank protection project of \$1.6 million and the Rio Rico yard building of \$632 thousand.

- Improvements other than buildings increased by \$2.2 million primarily due to two completed construction in progress projects in fiscal year 2016, Rio Rico road yard and Nogales wash bank protection as mentioned above.
- Construction equipment and vehicles increased by \$443 thousand primarily due to the new purchased equipment of \$1.3 million and the accumulated depreciation of \$896 thousand added during the fiscal year.
- Furniture and equipment decreased by \$563 thousand largely due to the accumulated depreciation of \$697 thousand added during the fiscal year and the new purchased equipment of \$135 thousand.
- Infrastructure decreased by \$1.4 million largely due to the accumulated depreciation added during the fiscal year.

### Capital Assets (Net of Depreciation) (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 22,347	\$ 22,343	\$ 230	\$ 230	\$ 22,577	\$ 22,573
Buildings	59,222	60,423	112	118	59,334	60,541
Improvements other than buildings	4,420	2,086	3,221	3,309	7,641	5,395
Construction equipment and vehicles	2,861	2,354	1,212	1,276	4,073	3,630
Furniture and equipment	806	1,411	58	16	864	1,427
Construction in progress	1,547	1,263	-	-	1,547	1,263
Infrastructure	33,065	34,531	-	-	33,065	34,531
Totals	<u>\$124,268</u>	<u>\$124,411</u>	<u>\$4,833</u>	<u>\$4,949</u>	<u>\$129,101</u>	<u>\$129,360</u>

Additional information on the County's capital assets can be found in Note 6 of the Notes to Financial Statements on pages 42-43 of this report.

### Long-Term Debt

At June 30, 2016, the County had total long-term debt outstanding of \$97,359,475. This amount includes pledged revenue obligations of \$10 million, long-term notes of \$44.2 million, net pension liabilities of \$37.5 million, compensated absences payable of \$2.4 million, landfill closure and postclosure care costs payable of \$1.9 million and capital leases payable of \$1.3 million.

Additional information on the County's long-term debt can be found in Note 7 of the Notes to Financial Statements on pages 44-48 of this report.

## Santa Cruz County Management's Discussion and Analysis

### Economic Factors and Next Year's Budget

- Due to the economic and political turmoil in Mexico and the uncertainty of the presidential election in the US, the local economy has taken a downward turn while the state economy generally is continuing to improve, particularly in the urban areas.
- The structural imbalance of the State's budget has led to legislative budget proposals involving cost shifts, program shifts, lost revenue streams and HURF shifts to the detriment of the County ranging from \$600,000 to \$1.4 million annually over the past nine years. The improving State economy should reduce this burden in future years, but lagging revenues on the local level continue to hamper the County's recovery from the recession.
- The produce industry continues to be a major contributor to the regions' economy, but its unpredictability is notorious. This year, Nogales was dethroned as the southern border's number one port of entry for fresh produce by the ports of Laredo and Hidalgo primarily because of the surge in popularity of the avocado. This has fed into the continued migration of produce firms to that region, negatively impacting our employment base. The new Mariposa Port of Entry (POE) has not performed as promised to speed up entry into the U.S. primarily due to staffing shortages in Customs and Border Protection.
- Despite border security and immigration policy dominating discussions on the national level, pedestrian border crossings at the Nogales POE increased in 2015 after seven straight years of decline. As violence in Mexico diminishes, this trend may continue although a new President's approach to immigration reform and border security could quickly reverse this.
- The property tax levy amount continued to decline during F/Y 2016 due to the decreasing assessed valuations. As such, the County increased the primary property tax rate in order to levy essentially the same amount as the prior fiscal year. Construction of new homes remains non-existent due to a surplus of vacant homes. While there have been significant improvements in the economy in urban counties with the State, rural areas typically lag 1-2 years behind.

### Request for Information

This financial report is designed to provide a general overview of 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 Santa Cruz County Finance Department, 2150 N. Congress Drive, Room 118, Nogales, AZ 85621.

## Basic Financial Statements

Santa Cruz County  
Statement of Net Position  
June 30, 2016

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 18,085,983	\$ 1,310,080	\$ 19,396,063
Cash and investments held by trustee-restricted	171,425		171,425
Property taxes receivable (net of allowance)	1,317,553		1,317,553
Due from other governmental units	2,787,884	2,727	2,790,611
Accounts receivable	149,282	269,862	419,144
Prepaid items	54,495	307	54,802
Noncurrent assets:			
Capital assets:			
Nondepreciable	23,893,957	229,996	24,123,953
Depreciable (net)	100,374,397	4,603,092	104,977,489
Total assets	<u>146,834,976</u>	<u>6,416,064</u>	<u>153,251,040</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to refunding debts	887,483		887,483
Deferred outflows related to pensions	6,321,526	63,761	6,385,287
Total deferred outflows of resources	<u>7,209,009</u>	<u>63,761</u>	<u>7,272,770</u>
<b>Liabilities</b>			
Accounts payable	1,252,221	153,304	1,405,525
Due to other governments	4,610		4,610
Accrued payroll and employee benefits	659,093	11,537	670,630
Noncurrent liabilities:			
Due within 1 year	3,709,360	119,478	3,828,838
Due in more than 1 year	90,398,562	3,132,075	93,530,637
Total liabilities	<u>96,023,846</u>	<u>3,416,394</u>	<u>99,440,240</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions	2,522,147	76,321	2,598,468
Total deferred inflows of resources	<u>2,522,147</u>	<u>76,321</u>	<u>2,598,468</u>
<b>Net Position</b>			
Net investment in capital assets	69,644,589	4,115,034	73,759,623
Restricted for:			
Capital projects	233,474		233,474
Education	763,924		763,924
Flood control	1,657,281		1,657,281
Health	37,357		37,357
Judicial activities	2,351,604		2,351,604
Law enforcement	949,122		949,122
Social services	268,814		268,814
Highways and streets	1,993,836		1,993,836
Debt service	887,483		887,483
Other purposes	612,921		612,921
Unrestricted (deficit)	<u>(23,902,413)</u>	<u>(1,127,924)</u>	<u>(25,030,337)</u>
Total net position	<u>\$ 55,497,992</u>	<u>\$ 2,987,110</u>	<u>\$ 58,485,102</u>

See accompanying notes to financial statements.

Santa Cruz County  
Statement of Activities  
Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 16,402,562	\$ 2,161,544	\$ 1,826,142	\$ 1,464,695	\$ (10,950,181)		\$ (10,950,181)
Public safety	14,853,961	244,096	4,821,396		(9,788,469)		(9,788,469)
Highways and streets	5,966,383			4,345,550	(1,620,833)		(1,620,833)
Health, welfare and sanitation	4,620,690	187,642	887,349		(3,545,699)		(3,545,699)
Education and economic opportunity	2,909,404	26,108	1,544,055		(1,339,241)		(1,339,241)
Recreation	202,304	8,890			(193,414)		(193,414)
Interest on long-term debt	<u>2,905,368</u>				<u>(2,905,368)</u>		<u>(2,905,368)</u>
Total governmental activities	<u>47,860,672</u>	<u>2,628,280</u>	<u>9,078,942</u>	<u>5,810,245</u>	<u>(30,343,205)</u>	<u>-</u>	<u>(30,343,205)</u>
Business-type activities:							
Landfill	<u>1,940,807</u>	<u>2,061,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,985</u>	<u>120,985</u>
Total business-type activities	<u>1,940,807</u>	<u>2,061,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,985</u>	<u>120,985</u>
Total primary government	<u>\$ 49,801,479</u>	<u>\$ 4,690,072</u>	<u>\$ 9,078,942</u>	<u>\$ 5,810,245</u>	<u>\$ (30,343,205)</u>	<u>\$ 120,985</u>	<u>\$ (30,222,220)</u>
<b>General revenues:</b>							
Taxes							
Property taxes, levied for general purpose					12,362,496		12,362,496
Property taxes, levied for flood control district					2,132,719		2,132,719
Property taxes, levied for debt service					248		248
County excise tax for general purpose					2,654,133		2,654,133
County excise tax for jail district					2,653,509		2,653,509
Share of state sales taxes					4,682,275		4,682,275
Share of state vehicle license tax					1,649,407		1,649,407
Share of state overweight permits					802,152		802,152
Share of state lottery funds					550,050		550,050
Payments in lieu of taxes					1,072,786		1,072,786
Grants and contributions not restricted to specific programs					433,004		433,004
Investment earnings					59,352	3,498	62,850
Miscellaneous					378,334		378,334
Capital contributions					255,635		255,635
Gain on trade-in of capital assets					315,190	16,600	331,790
Loss on early debt extinguishment					(236,172)		(236,172)
Operating transfers in (out)					<u>150,000</u>	<u>(150,000)</u>	<u>-</u>
Total general revenues and transfers					<u>29,915,118</u>	<u>(129,902)</u>	<u>29,785,216</u>
Changes in net position					(428,087)	(8,917)	(437,004)
<b>Net position—July 1, 2015</b>					<u>55,926,079</u>	<u>2,996,027</u>	<u>58,922,106</u>
<b>Net position—June 30, 2016</b>					<u>\$ 55,497,992</u>	<u>\$ 2,987,110</u>	<u>\$ 58,485,102</u>

See accompanying notes to financial statements.

Santa Cruz County  
Balance Sheet  
Governmental Funds  
June 30, 2016

	<u>General Fund</u>	<u>Jail District Fund</u>	<u>Criminal Justice Enhancement Fund</u>
<b>Assets</b>			
Cash and investments	\$ 10,277,604	\$ 35,372	\$ 1,219,826
Cash and investments held by trustee-restricted			
Property taxes receivable (net of allowances for uncollectibles)	1,110,041		
Due from other governmental units	622,042	465,421	279,392
Due from other funds	1,071,496		
Accounts receivable	86,037	133	10,620
Prepaid items	45,475		7,468
Total assets	<u>\$ 13,212,695</u>	<u>\$ 500,926</u>	<u>\$ 1,517,306</u>
<b>Liabilities</b>			
Accounts payable	\$ 764,331	\$ 55,791	\$ 25,192
Due to other governments			
Accrued payroll and employee benefits	319,505	110,010	41,397
Due to other funds		74,700	377,183
Total liabilities	<u>1,083,836</u>	<u>240,501</u>	<u>443,772</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue–property taxes	1,006,277		
Unavailable revenue–intergovernmental	13,696		104,257
Unavailable revenue–miscellaneous			1,173
Total deferred inflows of resources	<u>1,019,973</u>	<u>-</u>	<u>105,430</u>
<b>Fund balances</b>			
Nonspendable	45,475		7,468
Restricted		260,425	1,228,961
Assigned			
Unassigned	11,063,411		(268,325)
Total fund balances	<u>11,108,886</u>	<u>260,425</u>	<u>968,104</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 13,212,695</u>	 <u>\$ 500,926</u>	 <u>\$ 1,517,306</u>

See accompanying notes to financial statements.



<u>Road Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 1,681,850	\$ 4,871,331	\$ 18,085,983
	171,425	171,425
	207,512	1,317,553
433,134	987,895	2,787,884
	108,862	1,180,358
9,562	42,930	149,282
	1,552	54,495
<u>\$ 2,124,546</u>	<u>\$ 6,391,507</u>	<u>\$ 23,746,980</u>
\$ 89,937	\$ 316,970	\$ 1,252,221
	4,610	4,610
40,773	147,408	659,093
	728,475	1,180,358
<u>130,710</u>	<u>1,197,463</u>	<u>3,096,282</u>
	186,953	1,193,230
	455,735	573,688
108		1,281
<u>108</u>	<u>642,688</u>	<u>1,768,199</u>
	1,552	54,495
1,993,728	4,740,227	8,223,341
	295,859	295,859
	(486,282)	10,308,804
<u>1,993,728</u>	<u>4,551,356</u>	<u>18,882,499</u>
<u>\$ 2,124,546</u>	<u>\$ 6,391,507</u>	<u>\$ 23,746,980</u>

Santa Cruz County  
Reconciliation of the Governmental Funds Balance Sheet  
to the Government-wide Statement of Net Position  
June 30, 2016

<b>Fund balances—total governmental funds</b>		<b>\$ 18,882,499</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$209,108,227 and the accumulated depreciation is \$84,839,873		124,268,354
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds		1,768,199
Long-term liabilities, such as net pension liabilities and loans payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Pledged revenue obligations payable	\$ (9,495,000)	
Pledged revenue obligations premium payable	(494,356)	
Long-term loans payable	(44,225,000)	
Compensated absences payable	(2,309,031)	
Obligations under capital leases	(580,834)	
Net pension liabilities	(36,928,701)	
Estimated liabilities for claims and judgments	<u>(75,000)</u>	
		(94,107,922)
Deferred outflows of resources related to long-term debts are applicable to future reporting periods and, therefore, are not reported in the funds		887,483
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds		<u>3,799,379</u>
<b>Net position of governmental activities</b>		<b><u>\$ 55,497,992</u></b>

See accompanying notes to financial statements.

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Santa Cruz County  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2016

	<b>General Fund</b>	<b>Jail District Fund</b>	<b>Criminal Justice Enhancement Fund</b>
<b>Revenues:</b>			
Taxes	\$ 15,170,627	\$ 2,653,509	
Intergovernmental	8,228,475	1,703,288	\$ 1,382,126
Licenses and permits	408,765		
Charges for services	633,132	4,091	90,677
Fines and forfeits	691,925		242,206
Investment earnings	26,140	1,248	327
Rents	39,177		
Miscellaneous	141,330		33,900
Total revenues	<u>25,339,571</u>	<u>4,362,136</u>	<u>1,749,236</u>
<b>Expenditures:</b>			
Current:			
General government	12,267,455		1,040,417
Public safety	4,476,175	4,129,141	723,774
Highways and streets			
Health, welfare and sanitation	2,950,557	302,444	
Education and economic opportunity	271,410		
Recreation	166,627		
Debt service:			
Principal retirement	128,329	1,557,039	
Interest and fiscal charges	6,271	1,707,298	
Total expenditures	<u>20,266,824</u>	<u>7,695,922</u>	<u>1,764,191</u>
Excess (deficiency) of revenues over expenditures	5,072,747	(3,333,786)	(14,955)
<b>Other financing sources (uses):</b>			
Pledged revenue refunding obligations proceeds			
Payment to debt refinancing escrow agent			
Capital lease agreements			
Transfers in	29,379	3,584,104	152,686
Transfers out	(5,212,758)	(139)	(5,356)
Total other financing sources (uses)	<u>(5,183,379)</u>	<u>3,583,965</u>	<u>147,330</u>
Net change in fund balances	(110,632)	250,179	132,375
Fund balances, beginning of year	11,219,518	10,246	835,729
Fund balances, end of year	<u>\$ 11,108,886</u>	<u>\$ 260,425</u>	<u>\$ 968,104</u>

See accompanying notes to financial statements.

<b>Road Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ 5,147,702	\$ 2,166,777	\$ 19,990,913
	7,137,174	23,598,765
		408,765
	441,139	1,169,039
	115,563	1,049,694
2,563	29,075	59,353
		39,177
<u>78,286</u>	<u>88,450</u>	<u>341,966</u>
<u>5,228,551</u>	<u>9,978,178</u>	<u>46,657,672</u>
	1,783,496	15,091,368
	4,878,794	14,207,884
4,437,613	105,748	4,543,361
	1,457,247	4,710,248
	2,508,009	2,779,419
		166,627
19,846	2,070,534	3,775,748
	1,335,231	3,048,800
<u>4,457,459</u>	<u>14,139,059</u>	<u>48,323,455</u>
771,092	(4,160,881)	(1,665,783)
	9,996,836	9,996,836
	(9,797,704)	(9,797,704)
93,263		93,263
457,500	1,757,910	5,981,579
(108,718)	(504,608)	(5,831,579)
<u>442,045</u>	<u>1,452,434</u>	<u>442,395</u>
1,213,137	(2,708,447)	(1,223,388)
780,591	7,259,803	20,105,887
<u>\$ 1,993,728</u>	<u>\$ 4,551,356</u>	<u>\$ 18,882,499</u>

Santa Cruz County  
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and  
Changes in Fund Balances to the Government-wide Statement of Activities  
Year Ended June 30, 2016

**Net change in fund balances—total governmental funds** \$ (1,223,388)

Amounts reported for governmental activities in the Statement of  
Activities are different because:

Governmental funds report capital outlays as expenditures. However,  
in the Statement of Activities, the cost of those assets is allocated  
over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 4,074,428	
Less: current-year depreciation	<u>(4,787,566)</u>	(713,138)

Debt proceeds provide current financial resources to governmental  
funds, but incurring debt increases long-term liabilities in the  
Statement of Net Position. Repayment of debt principal is an  
expenditure in the governmental funds, but the repayment reduces  
long-term liabilities in the Statement of Net Position

Debt issued	(10,090,099)	
Principal repaid, including amounts paid to refunding escrow agent	<u>13,480,711</u>	3,390,612

Under the modified accrual basis of accounting used in the  
governmental funds, expenditures are not recognized for transactions  
that are not normally paid with expendable available resources. In the  
Statement of Activities, however, which is presented on the accrual  
basis of accounting, expenses and liabilities are reported regardless  
of when the financial resources are available.

Increase in compensated absences payable		(13,650)
--	--	----------

County pension contributions are reported as expenditures in the governmental funds  
when made. However, they are reported as deferred outflows of resources in the  
Statement of Net Position because the reported net pension liability is measured a  
year before the County's report date. Pension expense, which is the change in the  
net pension liability adjusted for changes in deferred outflows and inflows of  
resources related to pensions, is reported in the Statement of Activities.

County pension contributions	2,385,670	
Pension expense	<u>(5,115,279)</u>	(2,729,609)

Collections of revenues in the governmental funds exceeded revenues  
reported in the Statement of Activities

Property tax revenues	(187,808)	
Intergovernmental	(490,845)	
Miscellaneous revenue	<u>(3,255)</u>	(681,908)

Some revenues reported in the Statement of Activities do not represent  
the collection of current financial resources and therefore are not  
reported as revenues in the governmental funds.

Forfeited and donated capital assets	255,635	
Trade-in value of capital assets	315,190	
Intergovernmental	970,940	
Charges for services	784	
Miscellaneous revenue	<u>445</u>	<u>1,542,994</u>

**Change in net position of governmental activities** \$ (428,087)

Santa Cruz County  
Statement of Net Position  
Propriety Funds  
June 30, 2016

	<b>Business-Type Activities - Enterprise Fund Landfill</b>
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 1,310,080
Due from other governmental units	2,727
Accounts receivable	269,862
Prepaid items	307
Total current assets	<u>1,582,976</u>
Noncurrent assets:	
Capital assets	
Nondepreciable	229,996
Depreciable (net)	<u>4,603,092</u>
Total noncurrent assets	<u>4,833,088</u>
Total assets	<u>6,416,064</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to pensions	<u>63,761</u>
Total deferred outflows of resources	<u>63,761</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	153,304
Accrued payroll and employee benefits	11,537
Obligations under capital leases—current portion	100,579
Compensated absences payable—current portion	<u>18,899</u>
Total current liabilities	<u>284,319</u>
Noncurrent liabilities:	
Landfill closure and postclosure care costs payable	1,929,705
Obligations under capital leases	617,475
Compensated absences payable	25,556
Net pension liability	<u>559,339</u>
Total noncurrent liabilities	<u>3,132,075</u>
Total liabilities	<u>3,416,394</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to pensions	<u>76,321</u>
Total deferred inflows of resources	<u>76,321</u>
<b>Net Position</b>	
Net investment in capital assets	4,115,034
Unrestricted (deficit)	<u>(1,127,924)</u>
Total net position	<u>\$ 2,987,110</u>

See accompanying notes to financial statements.

Santa Cruz County  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
Year Ended June 30, 2016

	<b>Business-Type Activities— Enterprise Fund Landfill</b>
<b>Operating revenues:</b>	
Landfill fees	\$ 2,060,883
Other	909
Total operating revenues	<u>2,061,792</u>
<b>Operating expenses:</b>	
Personal services	368,748
Professional services	498,212
Supplies	71,377
Utilities	24,656
Repairs and maintenance	263,100
Recycling program	2,082
Insurance	5,295
Landfill closure and postclosure care costs	27,216
Depreciation	374,239
Other	284,283
Total operating expenses	<u>1,919,208</u>
Operating income	<u>142,584</u>
<b>Nonoperating revenues (expenses):</b>	
Investment earnings	3,498
Gain on sale of capital assets	16,600
Transfers out	(150,000)
Interest expense on capital leases	(21,599)
Total nonoperating revenues (expenses)	<u>(151,501)</u>
Decrease in net position	(8,917)
Net position, July 1, 2015	<u>2,996,027</u>
Net position, June 30, 2016	<u><u>\$ 2,987,110</u></u>

See accompanying notes to financial statements.



Santa Cruz County  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2016

	<b>Business-Type Activities— Enterprise Fund Landfill</b>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 1,915,583
Payments to suppliers and providers of goods and services	(1,195,195)
Payments to employees	<u>(375,316)</u>
Net cash provided by operating activities	<u>345,072</u>
<b>Cash flows from noncapital and related financing activities</b>	
Operating transfers to governmental funds	<u>(150,000)</u>
Net cash used for noncapital and related financing activities	<u>(150,000)</u>
<b>Cash flows from capital and related financing activities</b>	
Purchases of capital assets	(285,598)
Principal paid on capital leases	(101,958)
Interest paid on capital leases	(21,599)
Proceeds from sale of capital assets	<u>16,600</u>
Net cash used for capital and related financing activities	<u>(392,555)</u>
<b>Cash flows from investing activities</b>	
Interest received on investments	<u>3,498</u>
Net cash provided by investing activities	<u>3,498</u>
Net decrease in cash and cash equivalents	(193,985)
Cash and cash equivalents, July 1, 2015	<u>1,504,065</u>
Cash and cash equivalents, June 30, 2016	<u><u>\$ 1,310,080</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 142,584
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	374,239
Changes in assets and liabilities	
Increase and decrease in:	
Due from other governmental units	523
Accounts receivable	(146,732)
Prepaid items	(12)
Deferred inflows related to pensions	(37,571)
Accounts payable	(46,178)
Accrued payroll and employee benefits	(1,171)
Compensated absences payable	3,382
Landfill closure and postclosure care costs payable	27,216
Deferred outflows related to pensions	(215)
Net pension liability	<u>29,007</u>
Net cash provided by operating activities	<u><u>\$ 345,072</u></u>

See accompanying notes to financial statements.

Santa Cruz County  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016

	<b>Investment Trust Funds</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and investments	\$ 28,300,273	\$ 2,154,149
Total assets	<u>\$ 28,300,273</u>	<u>\$ 2,154,149</u>
<b>Liabilities</b>		
Due to other governmental units		\$ 156,122
Deposits held for others		<u>1,998,027</u>
Total Liabilities		<u>\$ 2,154,149</u>
<b>Net Position</b>		
Held in trust for investment trust participants	<u>\$ 28,300,273</u>	

See accompanying notes to financial statements.

Santa Cruz County  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2016

	<b>Investment Trust Funds</b>
<b>Additions</b>	
Contributions from participants	\$ 102,083,214
Investment earnings	<u>12,178</u>
Total additions	<u>102,095,392</u>
<b>Deductions</b>	
Distributions to participants	<u>104,450,141</u>
Total deductions	<u>104,450,141</u>
Changes in net position	(2,354,749)
Net position, July 1, 2015	<u>30,655,022</u>
Net position, June 30, 2016	<u><u>\$ 28,300,273</u></u>

See accompanying notes to financial statements.

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Santa Cruz County  
Notes to Financial Statements  
June 30, 2016

Note 1 – Summary of Significant Accounting Policies

Santa Cruz County's accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2016, the County implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*; and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 72 establishes standards for measuring fair value and applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 76 establishes the hierarchy of sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles.

A. Reporting Entity

The County is a general purpose local government that a separately elected board of supervisors governs. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are so intertwined with the County that they are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended component unit discussed below has a June 30 year-end. The County has no discretely presented component units.

The Santa Cruz County Flood Control District is a legally separate tax-levying entity pursuant to A.R.S. §48-3602 that provides flood control facilities and regulates floodplains and drainage to prevent flooding of property within Santa Cruz County. The Santa Cruz County Jail District is a legally separate tax-levying entity pursuant to A.R.S. §48-4002 that acquires, constructs, operates, maintains, and finances the County jail, jail system, and juvenile detention facility. The Santa Cruz County Board of Supervisors serves as the Board of Directors of the Flood Control and Jail Districts and significantly influences the programs, projects, activities, and level of services provided by the Districts. The Board also establishes policy, appoints management, exercises budgetary control and sets the tax rate for the Flood Control District. In addition, the Board exercises budgetary control for the Jail District. Further, the Districts provide services almost entirely for the benefit of the County; therefore, the Flood Control and Jail Districts are considered blended component units of the County. Separate financial statements for the Districts are not available.

Santa Cruz County  
Notes to Financial Statements  
June 30, 2016

## B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the County as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

**Government-wide statements**—Provide information about the primary government (the County) and its component units. The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities, except for fiduciary activities. They also distinguish between the County's governmental and business-type activities. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided;
- operating grants and contributions; and
- capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the County levies or imposes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

**Fund financial statements**—Provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as user charges, in which each party receives and gives up essentially equal values are operating revenues. Other revenues, such

Santa Cruz County  
Notes to Financial Statements  
June 30, 2016

as grants and contributions, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

The County reports the following major governmental funds:

The *General Fund* is 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 funds.

The *Jail District Fund* accounts for all financial resources of the Jail District and is funded by excise taxes, maintenance of effort payments from the County's General Fund, and federal reimbursements.

The *Criminal Justice Enhancement Fund* accounts for various public safety and criminal justice programs that provide crime prevention, criminal apprehension, and prosecution and is funded by fines, proceeds from the sale of seized assets, and federal and state grants.

The *Road Fund* accounts for specific revenue sources such as highway user revenues and vehicle license taxes that are restricted for road construction, maintenance and operations, and pavement preservation.

The County also reports the following major enterprise fund:

The *Landfill Fund* accounts for sanitation fee revenues and expenses related to the operation of the Rio Rico and Sonoita Landfills as well as the Tubac Transfer station.

The County also reports the following fund types:

The *investment trust funds* account for pooled and nonpooled assets the County Treasurer holds and invests on behalf of other governmental entities.

The *agency funds* account for assets the County holds as an agent for the State, cities, towns, and other parties.

### C. Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year

Santa Cruz County  
Notes to Financial Statements  
June 30, 2016

for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net position resources available to finance the program. The County applies grant resources to such programs before using general revenues.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The County's major revenue sources that are susceptible to accrual are property taxes, excise taxes, intergovernmental, charges for services, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

#### D. Cash and Investments

For the statement of cash flows, the County's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, investments in the State Treasurer's Local Government Investment Pool, and only those highly liquid investments with a maturity of 3 months or less when purchased.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of 1 year or less at the time of purchase that are not in the County Treasurer's investment pool are stated at amortized cost. All other investments are stated at fair value.

#### E. Property Tax Calendar

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.



Santa Cruz County  
Notes to Financial Statements  
June 30, 2016

## F. Capital Assets

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

	<b>Capitalization Threshold</b>	<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
Land	\$10,000	N/A	N/A
Construction in progress	10,000	N/A	N/A
Buildings	10,000	Straight line	15-40 years
Improvements other than buildings	10,000	Straight line	7-40 years
Construction equipment and vehicles	5,000	Straight line	5-7 years
Furniture and equipment	5,000	Straight line	5-7 years
Infrastructure	10,000	Straight line	20-65 years

## G. Deferred Outflows and Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

## H. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Santa Cruz County  
Notes to Financial Statements  
June 30, 2016

## I. Fund Balance Classifications

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as prepaid items, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the County's Board of Supervisors approved, which is the highest level of decision-making authority within the County. Only the Board can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the County's intent to be used for specific purposes, but that are neither restricted nor committed. The Board of Supervisors has authorized the Administrative Services Director to assign resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the County's policy to use restricted fund balance first. It is the County's policy to use committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

The County does not have a minimum fund balance policy in place.

## J. Investment Earnings

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments.

Santa Cruz County  
Notes to Financial Statements  
June 30, 2016

## K. Compensated Absences

Compensated absences payable consists of vacation leave and a calculated amount of sick leave employees earned based on services already rendered.

Employees may accumulate up to 320 hours of vacation depending on years of service, but they forfeit any unused vacation hours in excess of the maximum amount at calendar year-end. Upon terminating employment, the County pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year end.

Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative, but employees forfeit them upon terminating employment. However, for employees who terminate with a minimum of 5 years of continuous service and have accumulated sick leave hours in excess of 240 hours, sick leave benefits do vest and, therefore, are accrued as a liability in the government-wide and proprietary funds' financial statements. Such eligible terminating employees are compensated for actual sick leave at a percentage in proportion to years of service provided. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

## Note 2 – Fund Balance Classifications of the Governmental Funds

The fund balance classifications of the governmental funds as of June 30, 2016, were as follows:

	<u>General Fund</u>	<u>Jail District Fund</u>	<u>Criminal Justice Enhancement Fund</u>	<u>Road Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
Prepaid items	\$ 45,475	\$	\$ 7,468		\$ 1,552	\$ 54,495
Total nonspendable	<u>45,475</u>		<u>7,468</u>		<u>1,552</u>	<u>54,495</u>
<b>Restricted for:</b>						
Capital projects					225,880	225,880
Education					459,837	459,837
Flood control					1,641,753	1,641,753
General government					470,891	470,891
Health					25,011	25,011
Judicial activities			1,105,964		1,122,723	2,228,687
Law enforcement		260,425	122,997		439,419	822,841
Social services					227,131	227,131
Streets and highways				1,993,728		1,993,728
Other purposes					<u>127,582</u>	<u>127,582</u>
Total restricted		<u>260,425</u>	<u>1,228,961</u>	<u>1,993,728</u>	<u>4,740,227</u>	<u>8,223,341</u>

Santa Cruz County  
Notes to Financial Statements  
June 30, 2016

	<u>General Fund</u>	<u>Jail District Fund</u>	<u>Criminal Justice Enhancement Fund</u>	<u>Road Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Assigned to:</b>						
Capital projects					59,292	59,292
Debt service					202,475	202,475
Education					11,672	11,672
Health					22,420	22,420
Total assigned					<u>295,859</u>	<u>295,859</u>
<b>Unassigned:</b>	<u>11,063,411</u>		<u>(268,325)</u>		<u>(486,282)</u>	<u>10,308,804</u>
Total fund balances	<u>\$11,108,886</u>	<u>\$260,425</u>	<u>\$ 968,104</u>	<u>\$1,993,728</u>	<u>\$4,551,356</u>	<u>\$18,882,499</u>

Note 3 – Stewardship, Compliance, and Accountability

**Deficit fund balances**—At June 30, 2016, the following nonmajor funds reported deficits in fund balance:

<u>Fund</u>	<u>Deficit</u>
<b>Governmental funds:</b>	
Other governmental	
Special Revenue	
WIOA	\$105,991
Health Services	107,626
Homeland Security	94,889
Capital Projects	
Airport	794

Note 4 – Deposits and Investments

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the County Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

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Credit risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Bonds, debentures, notes and other evidences of indebtedness that are denominated in United States dollars must be rated "A" or better at the time of purchase by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk

Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

Concentration of credit risk

Statutes do not include any requirements for concentration of credit risk.

Interest rate risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

Foreign currency risk

Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

**Deposits**—At June 30, 2016, the carrying amount of the County's deposits was \$19,904,653, and the bank balance was \$21,397,070. Of the bank balance, \$1,432 was uninsured and uncollateralized. The County does not have a formal policy related to custodial credit risk for deposits.

**Investments**—The County's investments at June 30, 2016, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

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	Amount	Fair Value Measurement Using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant Unobservable inputs (Level 3)
<b>Investments by fair value level</b>				
U.S. Treasury securities	\$ 100,000	\$ 100,000		
Corporate bonds	3,557,460	3,557,460		
Corporate notes	6,063,560	6,063,560		
Money market mutual funds	<u>7,035,515</u>	<u>6,864,090</u>	<u>\$171,425</u>	
Total investments by fair value level	<u>\$16,756,535</u>	<u>\$16,585,110</u>	<u>\$171,425</u>	

**External investment pools measured  
at fair value**

State Treasurer's investment pool 5	\$13,352,597
State Treasurer's investment pool 7	<u>3,037</u>
Total investments measured at fair value	<u>\$30,112,169</u>

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using market prices for similar investments in active or inactive markets or other observable inputs. Investments in the State Treasurer's investment pool are valued at the pool's share price multiplied by the number of shares the County held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

**Credit Risk**—The County does not have a formal investment policy with respect to credit risk. At June 30, 2016, credit risk for the County's investments was as follows:

Investment Type	Rating	Rating Agency	Amount
U.S. Treasury securities	AAA	Standard and Poor's	\$ 100,000
Corporate bonds	A2	Moody's	1,002,460
Corporate bonds	A3	Moody's	1,029,795
Corporate bonds	Aa3	Moody's	501,115
Corporate bonds	Baa1	Moody's	1,024,090
Corporate notes	A1	Moody's	1,512,890
Corporate notes	A2	Moody's	2,014,550
Corporate notes	Aa3	Moody's	500,920
Corporate notes	Baa1	Moody's	2,035,200
Money market mutual fund	Aaa-mf	Moody's	7,035,515
State Treasurer's investment pool 5	AAAf/S1+	Standard and Poor's	13,352,597
State Treasurer's investment pool 7	Unrated	Not applicable	<u>3,037</u>
			<u>\$30,112,169</u>

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**Custodial credit risk**—For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in an outside party's possession. The County does not have a formal investment policy with respect to custodial credit risk. At June 30, 2016, the County had \$3,557,460 in corporate bonds and \$6,063,560 in corporate notes that were uninsured, not registered in the County's name, and held by the counterparty.

**Interest rate risk**—The County does not have a formal investment policy with respect to interest rate risk. At June 30, 2016, the County had the following investments in debt securities:

<b>Investment Type</b>	<b>Amount</b>	<b>Weighted Average Maturity (In Years)</b>
U.S. Treasury securities	\$ 100,000	4.63
Corporate bonds	3,557,460	0.70
Corporate notes	6,063,560	0.60
Money market mutual fund	7,035,515	0.00
State Treasurer's investment pool 5	13,352,597	0.07
State Treasurer's investment pool 7	3,037	0.19
	<u>\$30,112,169</u>	

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Position follows:

Cash, deposits, and investments:

Cash on hand	\$ 5,088
Amount of deposits	19,904,653
Amount of investments	<u>30,112,169</u>
Total	<u>\$50,021,910</u>

Statement of Net Position:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Investment Trust Funds</b>	<b>Agency Funds</b>	<b>Total</b>
Cash and investments	\$18,085,983	\$1,310,080	\$28,300,273	\$2,154,149	\$49,850,485
Cash and investments held by trustee—restricted	171,425				171,425
Total	<u>\$18,257,408</u>	<u>\$1,310,080</u>	<u>\$28,300,273</u>	<u>\$2,154,149</u>	<u>\$50,021,910</u>

## Note 5 – Due From Other Governmental Units

Amounts due from other governmental units at June 30, 2016, for the County's individual major funds and nonmajor funds in the aggregate are shown as follows:

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Description	Governmental Activities						Total
	General Fund	Jail District Fund	Criminal Justice Enhancement Fund	Road Fund	Other Governmental Funds	Business-Type Activities	
County half-cent sales tax	\$207,213	\$206,938					\$ 414,151
State shared sales tax	219,040						219,040
State vehicle license tax	75,086						75,086
State shared overweight permits				\$ 60,994			60,994
Highway user revenue				360,279			360,279
Federal and state reimbursement grants	43,755	257,075	\$279,392		\$986,744		1,566,966
Miscellaneous	<u>76,948</u>	<u>1,408</u>		<u>11,861</u>	<u>1,151</u>	<u>\$2,727</u>	<u>94,095</u>
	<u>\$622,042</u>	<u>\$465,421</u>	<u>\$279,392</u>	<u>\$433,134</u>	<u>\$987,895</u>	<u>\$2,727</u>	<u>\$2,790,611</u>

## Note 6 – Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Primary Government			
	Balance July 1, 2015 <u>As Restated</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, 2016
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 22,343,006	\$ 4,195		\$ 22,347,201
Construction in progress	<u>1,329,625</u>	<u>3,261,868</u>	<u>\$3,044,737</u>	<u>1,546,756</u>
Total capital assets not being depreciated	<u>23,672,631</u>	<u>3,266,063</u>	<u>3,044,737</u>	<u>23,893,957</u>
Capital assets being depreciated:				
Buildings	73,962,830	631,764		74,594,594
Improvements other than buildings	3,802,014	2,524,257		6,326,271
Construction equipment and vehicles	10,660,586	1,180,991	50,616	11,790,961
Furniture and equipment	11,251,166	86,915	225,544	11,112,537
Infrastructure	<u>81,389,907</u>			<u>81,389,907</u>
Total capital assets being depreciated	<u>181,066,503</u>	<u>4,423,927</u>	<u>276,160</u>	<u>185,214,270</u>
Less accumulated depreciation for:				
Buildings	13,539,288	1,833,155		15,372,443
Improvements other than buildings	1,716,426	189,578		1,906,004
Construction equipment and vehicles	8,306,400	674,227	50,616	8,930,011
Furniture and equipment	9,840,545	691,787	225,544	10,306,788
Infrastructure	<u>46,925,808</u>	<u>1,398,819</u>		<u>48,324,627</u>
Total accumulated depreciation	<u>80,328,467</u>	<u>4,787,566</u>	<u>276,160</u>	<u>84,839,873</u>
Total capital assets being depreciated, net	<u>100,738,036</u>	<u>(363,639)</u>		<u>100,374,397</u>
Governmental activities capital assets, net	<u>\$124,410,667</u>	<u>\$2,902,424</u>	<u>\$3,044,737</u>	<u>\$124,268,354</u>



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	Primary Government			
	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 229,996	\$ _____	\$ _____	\$ 229,996
Total capital assets not being depreciated	<u>229,996</u>	<u>_____</u>	<u>_____</u>	<u>229,996</u>
Capital assets being depreciated:				
Buildings	246,067			246,067
Improvements other than buildings	4,330,866	52,236		4,383,102
Construction equipment and vehicles	2,660,713	158,289	175,402	2,643,600
Furniture and equipment	<u>16,527</u>	<u>47,636</u>	<u>_____</u>	<u>64,163</u>
Total capital assets being depreciated	<u>7,254,173</u>	<u>258,161</u>	<u>175,402</u>	<u>7,336,932</u>
Less accumulated depreciation for:				
Buildings	128,373	6,156		134,529
Improvements other than buildings	1,021,547	140,831		1,162,378
Construction equipment and vehicles	1,384,712	221,810	175,402	1,431,120
Furniture and equipment	<u>371</u>	<u>5,442</u>	<u>_____</u>	<u>5,813</u>
Total accumulated depreciation	<u>2,535,003</u>	<u>374,239</u>	<u>175,402</u>	<u>2,733,840</u>
Total capital assets being depreciated, net	<u>4,719,170</u>	<u>(116,078)</u>	<u>_____</u>	<u>4,603,092</u>
Business-type activities capital assets, net	<u>\$ 4,949,166</u>	<u>\$ (116,078)</u>	<u>\$ _____</u>	<u>\$ 4,833,088</u>
Depreciation expense was charged to functions as follows:				
Governmental activities:				
General government			\$ 1,028,016	
Public safety			1,777,306	
Highways and streets			1,871,647	
Health, welfare and sanitation			32,400	
Education and economic opportunity			33,250	
Recreation			<u>44,947</u>	
Total governmental activities depreciation expense			<u>\$ 4,787,566</u>	
Business-type activities:				
Landfill			<u>\$ 374,239</u>	
Total business-type activities depreciation expense			<u>\$ 374,239</u>	

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Note 7 – Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Due within 1 year</u>
<b>Governmental activities</b>					
Pledged revenue obligations payable		\$ 9,495,000		\$ 9,495,000	\$ 40,000
Pledged revenue obligations premium payable		501,836	\$ 7,480	494,356	22,439
Long-term loans payable	\$56,550,000		12,325,000	44,225,000	2,335,000
Obligations under capital leases	748,319	93,263	260,748	580,834	155,596
Net pension liabilities	34,413,198	2,598,861	83,358	36,928,701	
Compensated absences payable	2,295,381	1,009,541	995,891	2,309,031	1,156,325
Estimated liabilities for claims and judgments	75,000			75,000	
Total governmental activities long-term liabilities	<u>\$94,081,898</u>	<u>\$13,698,501</u>	<u>\$13,672,477</u>	<u>\$94,107,922</u>	<u>\$3,709,360</u>
<b>Business-type activities</b>					
Obligations under capital leases	\$674,964	\$ 145,048	\$ 101,958	\$ 718,054	\$ 100,579
Net pension liabilities	530,332	29,007		559,339	
Compensated absences payable	41,073	23,922	20,540	44,455	18,899
Landfill closure and postclosure care costs payable	1,902,489	27,216		1,929,705	
Total business-type activities long-term liabilities	<u>\$ 3,148,858</u>	<u>\$ 225,193</u>	<u>\$ 122,498</u>	<u>\$ 3,251,553</u>	<u>\$ 119,478</u>

**Pledged revenue refunding obligations payable**—The County has issued pledged revenue refunding obligations that are generally callable with interest payable semiannually. The Series 2016 pledged revenue refunding obligations of \$9,495,000 were issued to refund the outstanding principal balance of \$8,810,000 relating to the Greater Arizona Development Authority (GADA) loan for the 2008-1 project.

Pledged revenue obligations payable at June 30, 2016, were as follows:

<b>Description</b>	<b>Original Amount Issued</b>	<b>Interest Rates</b>	<b>Maturities</b>	<b>Outstanding Principal June 30, 2016</b>
Santa Cruz Pledged Revenue Refunding Obligations, Series 2016	\$9,495,000	2%-4%	2017-2038	\$9,495,000

The following schedule details debt service requirements to maturity for the County's pledged revenue obligations payable at June 30, 2016:

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<u>Year Ending June 30</u>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2017	\$ 40,000	\$ 349,912
2018	45,000	349,113
2019	45,000	347,762
2020	45,000	346,413
2021	45,000	345,512
2022-2026	340,000	1,711,938
2027-2031	3,225,000	1,423,937
2032-2036	3,930,000	725,138
2037-2038	<u>1,780,000</u>	<u>83,906</u>
Total	<u>\$9,495,000</u>	<u>\$5,683,631</u>

**Long-term loans payable**—The County's long-term loans payable include a loan agreement with U.S. Bank National Association, the 2012 series. The purpose of the 2012 series loan is to finance the construction of bridges and other flood control projects that provide vehicle access to flood-prone areas within the County. The loan calls for an annual principal payment and semi-annual interest payments.

In addition, the County's long-term loans payable includes two other loan agreements with the Greater Arizona Development Authority (GADA), the 2008-1 project and the 2008-2 project. The purpose of the 2008-1 project loan is to provide funds for the construction of the court and judicial facility, and the purpose of the 2008-2 loan is to provide funds for the construction of the County's Jail District detention facility. Both loans call for annual principal payments and semi-annual interest payments.

Long-term loans payable at June 30, 2016, were as follows:

<b>Description</b>	<b>Interest Rates</b>	<b>Maturities</b>	<b>Outstanding Principal July 1, 2015</b>	<b>Retirements</b>	<b>Outstanding Principal June 30, 2016</b>
2008-1 project	4.00%-5.00%	2017-2026	\$13,270,000	\$ 9,140,000	\$ 4,130,000
2008-2 project	4.125%-5.25%	2017-2031	35,185,000	1,540,000	33,645,000
2012 series	3.82%	2017-2026	<u>8,095,000</u>	<u>1,645,000</u>	<u>6,450,000</u>
			<u>\$56,550,000</u>	<u>\$12,325,000</u>	<u>\$44,225,000</u>

The following schedule details debt service requirements to maturity for the County's loans payable at June 30, 2016:

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<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,335,000	\$ 2,085,121
2018	2,435,000	1,990,423
2019	2,535,000	1,889,127
2020	2,645,000	1,780,552
2021	2,755,000	1,664,519
2022-2026	17,540,000	6,275,485
2027-2031	<u>13,980,000</u>	<u>2,255,500</u>
Total	<u>\$44,225,000</u>	<u>\$17,940,727</u>

For the series 2016 pledged revenue refunding obligations, 2008-1 project loan and series 2012 loan, the County has pledged a portion of its future general excise tax and state shared revenues toward the debt payments related to revenue refunding obligations and to repay the loans obtained from GADA for funding the 2008-1 project and the private bank for funding the flood control projects. For fiscal year 2016, the County received general excise tax revenues of \$2,654,133 and state shared revenues net of other statutory claims of \$2,620,559 and the total principal and interest payments were \$0 and \$108,862 for the revenue refunding obligations, \$330,000 and \$366,768 for the 2008-1 loan and \$380,000 and \$309,085 for the 2012 loan. At June 30, 2016, future debt service requirements through final maturity at July 1, 2038, and July 1, 2026, respectively, totaled \$28,740,752 consisting of total principal and interest remaining to be paid on the revenue refunding obligations and the 2008-1 and 2012 loans of \$20,075,000 and \$8,665,752, respectively. Future principal and interest payments are expected to require 25 percent of pledged excise tax and state shared revenues.

For the 2008-2 project loan, the County's debt service obligations to repay the loan obtained from GADA for funding the 2008-2 project are secured by a lien on (1) collections from the County's Jail District excise tax and (2) the maintenance of effort payments from the County's General Fund. For fiscal year 2016, the County received Jail District excise tax revenues of \$2,653,509 and made maintenance of effort payments of \$3,584,104, and the principal and interest payments were \$1,540,000 and \$1,707,306, respectively. At June 30, 2016, future pledged revenues through final maturity at August 1, 2031, totaled \$48,712,469 consisting of \$33,645,000 for principal and \$15,067,469 for interest. Future principal and interest payments are expected to require 52 percent of pledged County's Jail District excise tax revenue and the maintenance of effort payments from the County's General Fund.

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**Refunded Partial 2008-1 - Loan Agreement with Greater Arizona Development Authority (GADA)**—In March 2016, the County issued pledged revenue refunding obligations, series 2016, with interest rates between 2 percent and 4 percent to partially advance-refund higher-rates of the 2008-1 loan with interest rates between 5 percent and 5.25 percent. The County realized net proceeds of \$9,710,912 after payment of \$285,924 in issuance costs. These proceeds were used to purchase U.S. government securities that were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. The refunded debt is considered defeased, and related liabilities are not included in the County's financial statements. Details of the refunding transactions are as follows:

Amount of Pledged Revenue Refunding Obligations,	
Series 2016 issued	\$9,495,000
Series 2016 net premium	\$ 501,836
GADA refunded partial loan agreement, 2008-1 project	\$8,810,000
Reduction in debt service payments	\$1,508,209
Economic gain	\$1,089,971

**Obligations under capital leases**—The County has acquired a building, kitchen and phone equipment, and computer software and hardware under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a transfer of ownership by the end of the lease term.

The assets acquired through capital leases are as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Building	\$1,025,840	
Construction equipment	148,563	\$912,704
Furniture and equipment	1,022,784	
Less: accumulated depreciation	<u>1,125,134</u>	<u>156,678</u>
Carrying value	<u>\$1,072,053</u>	<u>\$756,026</u>

The following schedule details debt service requirements to maturity for the County's obligations under capital leases at June 30, 2016:

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Year Ending June 30	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2017	\$167,758	\$123,557
2018	71,202	123,557
2019	71,203	123,557
2020	71,204	123,558
2021	51,358	92,691
2022-2026	<u>196,609</u>	<u>219,599</u>
Total minimum lease payments	629,334	806,519
Less amount representing interest	<u>48,500</u>	<u>88,465</u>
Present value of net minimum lease payments	<u>\$580,834</u>	<u>\$718,054</u>

**Landfill closure and postclosure care costs**—State and federal laws and regulations require the County to place a final cover on its two landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will not be paid until near or after the date that the landfills stop accepting waste, the County reports a portion of these closure and postclosure care costs in each period that the County operates the landfills. These costs will be paid from the Enterprise Fund.

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$1,929,705 reported as landfill closure and postclosure care liability at June 30, 2016, represents the cumulative amount reported to date based on the use of 51 percent and 43 percent of the estimated capacity of the Rio Rico Sanitary Landfill and Sonoita Elgin Landfill, respectively. The County will recognize the remaining estimated cost of closure and postclosure care of \$2,058,758 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2016 and the actual cost may be lower or higher each year due to deflation or inflation, changes in technology, changes in materials or changes in regulations. The County expects to close Rio Rico Sanitary Landfill in 2036 and Sonoita Elgin Landfill in 2087.

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that ensure the County can meet the costs of landfill closure, postclosure, and corrective action when needed. The County is in compliance with these requirements.

**Compensated absences and claims and judgments**—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. Claims and judgments are generally paid from the fund that accounts for the activity that gave rise to the claim. During fiscal year 2016, the County paid for compensated absences as follows: 53 percent from the General Fund, 16 percent from the Jail District Fund, 6 percent from the Criminal Justice Enhancement Fund, 5 percent from the Road Fund, 18 percent from the Other Governmental Funds, and 2 percent from the Enterprise Fund.

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Note 8 – Construction Commitments

At June 30, 2016, the County had major contractual commitments related to various capital projects for the construction of airport apron project and Rio Rico Drive/Pendlenton Street improvement project. As of June 30, 2016, the County has spent \$1,546,756 on these projects and reported the total amount in construction in progress. An estimated cost to complete these projects is approximately \$1,300,000. These projects are predominantly financed by state and federal grants for the airport apron project and state shared revenues for the Rio Rico project.

Note 9 – 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; and natural disasters. For these risks of loss, the County joined and is covered by three public entity risk pools: the Arizona Counties Property and Casualty Pool, the Arizona Counties Workers' Compensation Pool, and the Arizona Local Government Employee Benefit Trust. The County carries commercial insurance for all such risks of loss relating to the ownership of Nogales International Airport, and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 12 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium based on its exposure in relation to the exposure of the other participants, and a deductible of \$5,000 per occurrence for property claims and \$5,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$300 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least 3 years after becoming a member; however, it may withdraw after the initial 3-year period.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 12 member counties. The pool provides member counties with workers' compensation coverage, as law requires, and risk management services. The County is responsible for paying a premium based on an experience-rating formula that allocates pool expenditures and liabilities among the members.

The Arizona Local Government Employee Benefit Trust is a public entity risk pool currently composed of nine member entities. The pool provides member entities with health, prescription, dental, vision, life, short-term disability, and accidental death benefits for the counties' employees and their dependents. The County is responsible for paying a premium

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based on enrolled employees and dependents and requires its employees to contribute a portion of that premium. If it withdraws from the Trust, the County is responsible for any claims' run-out costs, including claims reported but not settled, claims incurred but not reported, and administrative costs. If the Trust were to terminate, the County would be responsible for its proportional share of any Trust deficit.

The Arizona Counties Property and Casualty Pool, the Arizona Counties Workers' Compensation Pool, and the Arizona Local Government Employee Benefit Trust receive independent audits annually and an audit by the Arizona Department of Insurance every 5 years. All pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation. If a pool were to become insolvent, the County would be assessed an additional contribution.

## Note 10 – Pensions and Other Postemployment Benefits

The County contributes to the plans described below. The plans are component units of the State of Arizona.

At June 30, 2016, the County reported the following aggregate amounts related to pensions for all plans to which it contributes:

<b>Statement of Net Position and Statement of Activities</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Net pension liabilities	\$36,928,701	\$559,339	\$37,488,040
Deferred outflows of resources	6,321,526	63,761	6,385,287
Deferred inflows of resources	2,522,147	76,321	2,598,468
Pension expense	5,115,279	18,115	5,133,394

The County's accrued payroll and employee benefits includes \$81,982 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2016. Also, the County reported \$2,385,670 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

### A. Arizona State Retirement System

**Plan description**—County employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).



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**Benefits provided**—The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

ASRS	Retirement	
	Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service	Sum of years and age equals 80	30 years age 55
and age required	10 years age 62	25 years age 60
to receive benefit	5 years age 50*	10 years age 62
	any years age 65	5 years age 50*
		any years age 65
Final average	Highest 36 consecutive months	Highest 60 consecutive months
salary is based on	of last 120 months	of last 120 months
Benefit percent per		
year of service	2.1% to 2.3%	2.1% to 2.3%

\*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

**Contributions**—In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, statute required active ASRS members to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.50 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 9.36 percent (9.17 percent for retirement, 0.13 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the ASRS would typically fill. The County's contributions to the pension plan for the year ended June 30, 2016, were \$1,046,432. The County's OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

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ASRS Year ended June 30	Health benefit supplement fund	Long-term disability fund
2016	\$47,690	\$11,571
2015	53,141	10,786
2014	51,842	20,737

During fiscal year 2016, the County paid for ASRS pension and OPEB contributions as follows: 57 percent from the general fund, 9 percent from the Criminal Justice Enhancement Fund, 8 percent from the Road Fund, 5 percent from the Jail District Fund, 18 percent from other governmental funds, and 3 percent from the Landfill Fund.

**Pension liability**—At June 30, 2016, the County reported a liability of \$15,579,144 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The County's proportion measured as of June 30, 2015, was 0.100020 percent, which was an increase of 0.002359 from its proportion measured as of June 30, 2014.

**Pension expense and deferred outflows/inflows of resources**—For the year ended June 30, 2016, the County recognized pension expense for ASRS of \$704,857. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 425,121	\$ 816,363
Net difference between projected and actual earnings on pension plan investments		499,277
Changes in proportion and differences between county contributions and proportionate share of contributions	268,302	325,794
County contributions subsequent to the measurement date	<u>1,046,432</u>	
Total	<u>\$1,739,855</u>	<u>\$1,641,434</u>

The \$1,046,432 reported as deferred outflows of resources related to ASRS pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

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Year ending June 30	
2017	\$(459,277)
2018	(512,761)
2019	(336,388)
2020	360,415

**Actuarial Assumptions**—The significant actuarial assumptions used to measure the total pension liability are as follows:

ASRS	
Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3–6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent 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. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASRS		
Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Equity	58%	6.79%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	<u>2%</u>	3.93%
Total	<u>100%</u>	

**Discount Rate**—The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the

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ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the County's proportionate share of the ASRS net pension liability to changes in the discount rate**—The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

ASRS	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
County's proportionate share of the net pension liability	\$20,414,003	\$15,579,144	\$12,265,682

**Pension plan fiduciary net position**—Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

## B. Public Safety Personnel Retirement System and Corrections Officer Retirement Plan

**Plan descriptions**—County sheriff employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

County detention officers and Administrative Office of the Courts (AOC) probation, surveillance, and juvenile detention officers participate in the Corrections Officer Retirement Plan (CORP). The CORP administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan for county detention officers (agent plans), and a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for AOC officers (cost-sharing plans). The PSPRS Board of Trustees and the participating local boards govern CORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

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The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPRS and CORP plans. The report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**Benefits provided**—The PSPRS and CORP provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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**CORP**

**Initial membership date:**

	<b>Before January 1, 2012</b>	<b>On or after January 1, 2012</b>
Retirement and Disability		
Years of service and age required to receive benefit	Sum of years and age equals 80 20 years any age 10 years age 62	25 years age 52.5 10 years age 62
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal Retirement	2.0% to 2.5% per year of credited service, not to exceed 80%	
Accidental Disability Retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service
Total and Permanent Disability Retirement	50% or normal retirement if more than 25 years of credited service	
Ordinary Disability Retirement	2.5% per year of credited service	
Survivor Benefit		
Retired Members	80% of retired member's pension benefit	
Active Members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

**Employees covered by benefit terms**—At June 30, 2016, the following employees were covered by the agent pension plans' benefit terms:

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	<b>PSPRS Sheriff</b>	<b>CORP Detention</b>
Inactive employees or beneficiaries currently receiving benefits	17	4
Inactive employees entitled to but not yet receiving benefits	12	20
Active employees	<u>32</u>	<u>30</u>
Total	<u>61</u>	<u>54</u>

**Contributions and annual OPEB cost**—State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2016, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<b>PSPRS Sheriff</b>	<b>CORP Detention</b>	<b>CORP AOC</b>
Active members—pension County	11.65%	8.41%	8.41%
Pension	44.50%	7.86%	19.10%
Health insurance premium benefit	0.02%	0%	0.85%

For the agent plans, the County's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2016, were:

	<b>PSPRS Sheriff</b>	<b>CORP Detention</b>
<b>Pension</b>		
Contributions made	\$764,136	\$70,436
<b>Health insurance premium benefit</b>		
Annual OPEB cost	\$ 551	\$ 0
Contributions made	551	0

Contributions to the CORP AOC pension plan for the year ended June 30, 2016, were \$292,758. The County's contributions for the current and 2 preceding years for the CORP AOC OPEB, all of which were equal to the required contributions, were as follows:

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**CORP AOC**

Year ended June 30	Health Insurance Fund
2016	\$12,985
2015	19,282
2014	17,313

During fiscal year 2016, the County paid for PSPRS and CORP pension and OPEB contributions as follows: 55 percent from the General Fund, 27 percent from the Jail District Fund, 7 percent from the Criminal Justice Enhancement Fund, and 11 percent from other governmental funds.

**Pension liability**—At June 30, 2016, the County reported the following net pension liabilities:

	<b>Net Pension Liability</b>
PSPRS Sheriff	\$9,215,146
CORP Detention	195,889
CORP AOC (County's proportionate share)	3,396,680

The net pension liabilities were measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the County's net pension liability as a result of the statutory adjustments is not known.

**Pension actuarial assumptions**—The significant actuarial assumptions used to measure the total pension liability are as follows:

PSPRS and CORP—Pension

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.0%–8.0% for PSPRS and 4.0%–7.25% for CORP
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.



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The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>PSPRS and CORP</b>		<b>Long-Term Expected</b>
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Geometric Real Rate of Return</b>
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	<u>16%</u>	6.23%
Total	<u>100%</u>	

**Pension discount rates**—The discount rate used to measure the PSPRS and CORP total pension liabilities was 7.85 percent. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in the Net Pension Liability (Asset)

**PSPRS Sheriff**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2015	<u>\$14,707,593</u>	<u>\$5,973,289</u>	<u>\$8,734,304</u>
Changes for the year:			
Service cost	325,750		325,750
Interest on the total pension liability	1,137,080		1,137,080
Differences between expected and actual experience in the measurement of the pension liability	(182,980)		(182,980)
Contributions—employer		512,953	(512,953)
Contributions—employee		198,938	(198,938)
Net investment income		213,595	(213,595)
Benefit payments, including refunds of employee contributions	(770,744)	(770,744)	-
Administrative expense		(5,585)	5,585
Other changes		<u>(120,893)</u>	<u>120,893</u>
Net changes	<u>509,106</u>	<u>28,264</u>	<u>480,842</u>
Balances at June 30, 2016	<u>\$15,216,699</u>	<u>\$6,001,553</u>	<u>\$9,215,146</u>

**CORP**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2015	<u>\$2,431,307</u>	<u>\$2,208,562</u>	<u>\$222,745</u>
Changes for the year:			
Service cost	166,936		166,936
Interest on the total pension liability	191,011		191,011
Differences between expected and actual experience in the measurement of the pension liability	(173,115)		(173,115)
Contributions—employer		68,898	(68,898)
Contributions—employee		83,854	(83,854)
Net investment income		80,723	(80,723)
Benefit payments, including refunds of employee contributions	(163,038)	(163,038)	-
Administrative expense		(2,361)	2,361
Other changes		<u>(19,426)</u>	<u>19,426</u>
Net changes	<u>21,794</u>	<u>48,650</u>	<u>(26,856)</u>
Balances at June 30, 2016	<u>\$2,453,101</u>	<u>\$2,257,212</u>	<u>\$195,889</u>

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The County's proportion of the CORP AOC net pension liability was based on the County's actual contributions to the plan relative to the total of all participating counties' actual contributions for the year ended June 30, 2015. The County's proportion measured as of June 30, 2015, was 1.397176 percent, which was a decrease of 0.141723 from its proportion measured as of June 30, 2014.

**Sensitivity of the County's net pension liability to changes in the discount rate**—The following table presents the County's net pension liabilities calculated using the discount rate of 7.85 percent, as well as what the County's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.85 percent) or 1 percentage point higher (8.85 percent) than the current rate:

	1% Decrease (6.85%)	Current discount rate (7.85%)	1% Increase (8.85%)
PSPRS Sheriff			
Net pension liability	\$11,077,073	\$9,215,146	\$7,668,124
CORP Detention			
Net pension liability (asset)	\$ 531,763	\$ 195,889	\$ (76,456)
CORP AOC			
County's proportionate share of the net pension liability	\$ 4,441,176	\$3,396,680	\$2,527,391

**Pension plan fiduciary net position**—Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS and CORP financial reports.

**Pension expense**—For the year ended June 30, 2016, the County recognized the following pension expense:

	<b>Pension Expense</b>
PSPRS Sheriff	\$1,214,385
CORP Detention	106,573
CORP AOC (County's proportionate share)	401,922

**Pension deferred outflows/inflows of resources**—At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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<b>PSPRS Sheriff</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience		\$227,810
Changes of assumptions or other inputs	\$ 972,006	
Net difference between projected and actual earnings on pension plan investments	15,178	
County contributions subsequent to the measurement date	<u>764,136</u>	
Total	<u>\$1,751,320</u>	<u>\$227,810</u>
 <b>CORP Detention</b>	 <b>Deferred Outflows of Resources</b>	 <b>Deferred Inflows of Resources</b>
Differences between expected and actual experience		\$262,349
Changes of assumptions or other inputs	\$196,615	
Net difference between projected and actual earnings on pension plan investments	5,747	
County contributions subsequent to the measurement date	<u>70,436</u>	
Total	<u>\$272,798</u>	<u>\$262,349</u>
 <b>CORP AOC</b>	 <b>Deferred Outflows of Resources</b>	 <b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$116,322	\$ 72,381
Changes of assumptions or other inputs	360,028	
Net difference between projected and actual earnings on pension plan investments	18,676	
Changes in proportion and differences between county contributions and proportionate share of contributions		169,615
County contributions subsequent to the measurement date	<u>292,758</u>	
Total	<u>\$787,784</u>	<u>\$241,996</u>

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The amounts reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>PSPRS Sheriff</b>	<b>CORP Detention</b>	<b>CORP AOC</b>
Year ending June 30			
2017	\$299,341	\$(16,750)	\$ 71,528
2018	299,341	(16,750)	71,528
2019	132,318	(16,747)	71,528
2020	28,374	5,706	58,975
2021		(15,446)	(20,529)

**Agent plan OPEB actuarial assumptions**—The health insurance premium benefit contribution requirements for the year ended June 30, 2016, were established by the June 30, 2014, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plans as the County and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS and CORP plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2016 contribution requirements:

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**PSPRS and CORP—OPEB Contribution Requirements**

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%–8% for PSPRS and 4%–7.25% for CORP
Wage growth	4% for PSPRS and CORP

**Agent plan OPEB trend information**—Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows for each of the agent plans:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Sheriff			
2016	\$ 551	100%	\$ 0
2015	28,389	100	0
2014	24,796	100	0
CORP Detention			
2016	\$ -	100%	\$ 0
2015	6,439	100	0
2014	8,287	100	0

**Agent plan OPEB funded status**—The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used in those valuations follow.

	PSPRS Sheriff	CORP Detention
Actuarial value of assets (a)	\$ 452,130	\$212,579
Actuarial accrued liability (b)	493,534	123,409
Unfunded actuarial accrued liability (funding excess) (b) – (a)	41,404	(89,170)
Funded ratio (a)/(b)	91.6%	172.26%
Annual covered payroll (c)	\$1,689,307	\$785,446
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) – (a) / (c)	2.45%	(11.35)%

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The actuarial methods and assumptions used are the same for all the PSPRS and CORP health insurance premium benefit plans (unless noted), and for the most recent valuation date are as follows:

**PSPRS and CORP—OPEB Funded Status**

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay closed
Remaining amortization period	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4%–8% for PSPRS and 4%–7.25% for CORP
Wage growth	4% for PSPRS and CORP

**C. Elected Officials Retirement Plan**

**Plan description**—Elected officials and judges participate in the Elected Officials Retirement Plan (EORP), ASRS, or the Elected Officials Defined Contribution Retirement System (EODCRS). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials and judges who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The report is available on PSPRS's website at [www.psprs.com](http://www.psprs.com).

**Benefits provided**—The EORP provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

<b>EORP</b>	<b>Initial membership date:</b>	
	<b>Before January 1, 2012</b>	<b>On or after January 1, 2012</b>
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 10 years age 62 5 years age 65 5 years any age* any years and age if disabled	10 years age 62 5 years age 65 any years and age if disabled

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EORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal Retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability Retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor Benefit		
Retired Members	75% of retired member's benefit	50% of retired member's benefit
Active Members and Other Inactive Members	75% of disability retirement benefit	50% of disability retirement benefit

\* With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

**Contributions**—State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2016, statute required active EORP members to contribute 13 percent of the members' annual covered payroll and the County to contribute 23.5 percent of active EORP members' annual covered payroll. Also, statute required the County to contribute 12.15 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 17.50 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the County's required contributions to ASRS and EODCRS for these elected officials and judges. The County's contributions to the pension plan for the year ended June 30, 2016, were \$238,801. No OPEB contributions were required or made for the years ended June 30, 2015 and 2016.



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The County's OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

<b>EORP</b>	
	<b>Health</b>
<b>Year ended June 30</b>	<b>Insurance Fund</b>
2016	\$ -
2015	-
2014	17,428

During fiscal year 2016, the County paid for EORP pension contributions as follows: 95 percent from the General Fund and 5 percent from the Jail District Fund.

**Pension liability**—At June 30, 2016, the County reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the County's proportionate share of the State's appropriation for EORP. The amount the County recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the County were as follows:

County's proportionate share of the EORP net pension liability	\$ 9,101,181
State's proportionate share of the EORP net pension liability associated with the County	<u>2,837,369</u>
Total	<u>\$11,938,550</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2015. The County's proportion measured as of June 30, 2015, was 1.1646511 percent, which was a decrease of 0.0407142 from its proportion measured as of June 30, 2014.

**Pension expense and deferred outflows/inflows of resources**—For the year ended June 30, 2016, the County recognized pension expense for EORP of \$2,705,656 and revenue of \$763,432 for the County's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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EORP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,553	\$101,329
Changes of assumptions or other inputs	1,524,977	
Net difference between projected and actual earnings on pension plan investments	55,199	
Changes in proportion and differences between county contributions and proportionate share of contributions		123,549
County contributions subsequent to the measurement date	<u>238,801</u>	
Total	<u>\$1,833,530</u>	<u>\$224,878</u>

The \$238,801 reported as deferred outflows of resources related to EORP pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year ending June 30	
2017	\$1,175,441
2018	148,303
2019	4,545
2020	41,562

**Actuarial assumptions**—The significant actuarial assumptions used to measure the total pension liability are as follows:

<b>EORP</b>	
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.25%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table projected to 2025 with projection scale AA

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and

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June 30, 2016

inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

EORP		Long-Term Expected Geometric Real Rate of Return
Asset Class	Target Allocation	
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	<u>16%</u>	6.23%
Total	<u>100%</u>	

**Discount rate**—At June 30 2015, the discount rate used to measure the EORP total pension liability was 4.86 percent, which was a decrease of 0.81 from the discount rate used as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.85 percent was applied to periods of projected benefit payments through the year ended June 30, 2028. A municipal bond rate of 3.80 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 25, 2015, was applied to periods of projected benefit payments after June 30, 2028.

**Sensitivity of the County's proportionate share of the EORP net pension liability to changes in the discount rate**—The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 4.86 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.86 percent) or 1 percentage point higher (5.86 percent) than the current rate:

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June 30, 2016

EORP	1% Decrease (3.86%)	Current discount rate (4.86%)	1% Increase (5.86%)
County's proportionate share of the net pension liability	\$10,594,923	\$9,101,181	\$7,845,023

**Pension Plan Fiduciary Net Position**—Detailed information about the pension plan's fiduciary net position is available in the separately issued EORP financial report.

**EODCRS plan**—Elected officials and judges that are not members of EORP or ASRS participate in the EODCRS and the Elected Officials Defined Contribution Retirement System Disability Program (EODCDP). The EODCRS is a defined contribution pension plan. The EODCDP is a cost-sharing multiple-employer defined benefit disability (OPEB) plan for EODCRS members. The PSPRS Board of Trustees governs the EODCRS and EODCDP according to the provisions of A.R.S. Title 38, Chapter 5, Articles 3.1 and 3.2. Benefit terms, including contribution requirements, are established by state statute.

For the year ended June 30, 2016, active EODCRS members were required by statute to contribute 8 percent of the members' annual covered payroll, and the County was required by statute to contribute 6 percent of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the County's contributions to the individual employee account and the earnings on those contributions. In addition, statute required active EODCRS members and the County to each contribute at the actuarially determined rate of 0.125 percent of the members' annual covered payroll to the EODCDP plan. For the year ended June 30, 2016, the County recognized pension expense of \$4,332. The County's OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

<b>EODCDP</b>	
Year ended June 30	Disability fund
2016	\$90
2015	90
2014	0

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June 30, 2016

Note 11 – Interfund Balances and Activity

**Interfund receivables and payables**—Interfund balances at June 30, 2016, were as follows:

	Payable to		
	General Fund	Nonmajor Governmental Funds	Total
<b>Payable from</b>			
Jail District Fund	\$ 74,700		\$ 74,700
Criminal Justice Enhancement Fund	377,183		377,183
Nonmajor Governmental Funds	<u>619,613</u>	<u>\$108,862</u>	<u>728,475</u>
Total	<u>\$1,071,496</u>	<u>\$108,862</u>	<u>\$1,180,358</u>

The interfund balances resulted from time lags between the dates that interfund goods and services are provided or reimbursable expenditures occur and the dates payments are made.

**Interfund transfers**—Interfund transfers for the year ended June 30, 2016, were as follows:

	Transfers to				
	General Fund	Jail District Fund	Criminal Justice Enhancement Fund	Road Fund	Nonmajor Governmental Funds
<b>Transfers from</b>					
General Fund		\$3,584,104	\$ 46,434		\$1,582,220
Jail District Fund			139		
Criminal Justice Enhancement Fund	\$ 5,356				
Road Fund					108,718
Landfill Fund				\$150,000	
Nonmajor Governmental Funds	<u>24,023</u>		<u>106,113</u>	<u>307,500</u>	<u>66,972</u>
Total	<u>\$29,379</u>	<u>\$3,584,104</u>	<u>\$152,686</u>	<u>\$457,500</u>	<u>\$1,757,910</u>

The principal purpose of interfund transfers was to provide grant matches or to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 12 – County Treasurer's Investment Pool

Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The Treasurer has a fiduciary responsibility to administer those and the County's monies under her stewardship. The Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the Treasurer determines the fair value of those pooled investments annually at June 30.

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Notes to Financial Statements  
June 30, 2016

The County Treasurer's investment pool is not registered with the Securities and Exchange Commission as an investment company, and there is no regulatory oversight of its operations. The pool's structure does not provide for shares, and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments.

The Treasurer allocates interest earnings to each of the pool's participants.

The deposits and investments the County holds are included in the County Treasurer's investment pool, except for \$1,626,142 of deposits, \$10,925,492 of investments in the State Treasurer's investment pools, \$171,425 of investments held by trustee, and \$100,000 of investments held for a conservatee. Therefore, the deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks. See Note 4 for disclosure of the County's deposit and investment risks.

Details of each major investment classification follow:

Investment Type	Principal	Interest Rate(s)	Maturities	Fair Value
State Treasurer's investment pool 5	\$2,430,142	None stated	None stated	\$2,430,142
Corporate bonds	3,500,000	1.13% - 5.55%	2/15/17 - 4/27/17	3,557,460
Corporate notes	6,000,000	1.65% - 6.50%	8/1/16 - 6/27/17	6,063,560
Money Market Mutual Funds	6,864,090	None stated	None stated	6,864,090

A condensed statement of the investment pool's net position and changes in net position follows:

**Statement of Net Position:**

Assets	\$ 37,193,763
Liabilities	-
Net position	<u>\$ 37,193,763</u>
Net position held in trust for:	
Internal participants	\$ 8,526,836
External participants	<u>28,666,927</u>
Total net position held in trust	<u>\$ 37,193,763</u>

**Statement of Changes in Net Position:**

Total additions	\$147,997,854
Total deductions	<u>149,302,747</u>
Net decrease	(1,304,893)
Net position held in trust:	
July 1, 2015	<u>38,498,656</u>
June 30, 2016	<u>\$ 37,193,763</u>

Required Supplementary Information

Santa Cruz County  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>Revenues</b>			
Taxes	\$ 14,587,325	\$ 15,170,627	\$ 583,302
Intergovernmental	7,817,252	8,228,475	411,223
Licenses and permits	590,000	408,765	(181,235)
Charges for services	567,500	633,132	65,632
Fines and forfeits	441,000	691,925	250,925
Investment earnings	6,000	26,140	20,140
Rents	32,796	39,177	6,381
Miscellaneous	85,000	141,330	56,330
Total revenues	<u>24,126,873</u>	<u>25,339,571</u>	<u>1,212,698</u>
<b>Expenditures</b>			
Current:			
General government			
Airport	166,695	88,559	78,136
Assessor	828,236	801,023	27,213
Board of Supervisors	6,965,759	2,880,837	4,084,922
Central Permits	160,065	40,077	119,988
Clerk of Superior Court	741,911	707,864	34,047
Constable #1	78,397	84,178	(5,781)
Constable #2	30,614	27,512	3,102
County Attorney	1,261,363	1,408,772	(147,409)
Elections	505,741	378,982	126,759
Finance	2,000,561	501,371	1,499,190
GIS	39,750	38,093	1,657
Grounds and Maintenance	3,296,582	1,390,238	1,906,344
Information Technology	722,709	762,956	(40,247)
Justice Court #1	599,451	663,714	(64,263)
Justice Court #2	178,701	173,793	4,908
Planning and Zoning	393,139	299,688	93,451
Recorder	276,577	233,834	42,743
Recorder - Election	239,283	191,290	47,993
Superior Court	1,312,161	1,276,012	36,149
Treasurer	531,824	453,262	78,562
Total general government	<u>20,329,519</u>	<u>12,402,055</u>	<u>7,927,464</u>

(Continued)

See accompanying notes to budgetary comparison schedules.



Santa Cruz County  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2016  
(Concluded)

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
Public safety			
Adult Probation	\$ 548,134	\$ 427,562	\$ 120,572
Juvenile Probation		50,500	(50,500)
Building Codes	261,350	182,919	78,431
Emergency Services	274,600	240,909	33,691
Sheriff	<u>3,828,041</u>	<u>3,574,285</u>	<u>253,756</u>
Total public safety	<u>4,912,125</u>	<u>4,476,175</u>	<u>435,950</u>
Health, welfare and sanitation			
Public Fiduciary	<u>3,238,255</u>	<u>2,950,557</u>	<u>287,698</u>
Total health, welfare and sanitation	<u>3,238,255</u>	<u>2,950,557</u>	<u>287,698</u>
Education and economic opportunity			
School Superintendent	<u>371,049</u>	<u>271,410</u>	<u>99,639</u>
Total education and economic opportunity	<u>371,049</u>	<u>271,410</u>	<u>99,639</u>
Recreation			
Parks	<u>398,828</u>	<u>166,627</u>	<u>232,201</u>
Total recreation	<u>398,828</u>	<u>166,627</u>	<u>232,201</u>
Total expenditures	<u>29,249,776</u>	<u>20,266,824</u>	<u>8,982,952</u>
Excess (deficiency) of revenues over expenditures	(5,122,903)	5,072,747	10,195,650
Other financing sources (uses)			
Transfers in		29,379	29,379
Transfers out	<u>(5,293,248)</u>	<u>(5,212,758)</u>	<u>80,490</u>
Total other financing sources (uses)	<u>(5,293,248)</u>	<u>(5,183,379)</u>	<u>109,869</u>
Net change in fund balance	(10,416,151)	(110,632)	10,305,519
Fund balance, July 1, 2015	<u>10,416,151</u>	<u>11,219,518</u>	<u>803,367</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ 11,108,886</u>	<u>\$ 11,108,886</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County  
Required Supplementary Information  
Budgetary Comparison Schedule  
Jail District Fund  
Year Ended June 30, 2016

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues</b>			
Taxes	\$ 2,500,000	\$ 2,653,509	\$ 153,509
Intergovernmental	2,031,564	1,703,288	(328,276)
Charges for services		4,091	4,091
Investment earnings		1,248	1,248
Miscellaneous	-	-	-
Total revenues	<u>4,531,564</u>	<u>4,362,136</u>	<u>(169,428)</u>
<b>Expenditures</b>			
Current:			
Public safety			
Juvenile Detention	2,135,979	2,104,519	31,460
Sheriff's Office	5,705,613	5,288,959	416,654
Health			
Environmental Health	<u>285,246</u>	<u>302,444</u>	<u>(17,198)</u>
Total expenditures	<u>8,126,838</u>	<u>7,695,922</u>	<u>430,916</u>
Excess (deficiency) of revenues over expenditures	(3,595,274)	(3,333,786)	261,488
<b>Other financing sources</b>			
Transfers in	3,584,104	3,584,104	-
Transfers out	<u>-</u>	<u>(139)</u>	<u>(139)</u>
Total other financing sources	<u>3,584,104</u>	<u>3,583,965</u>	<u>(139)</u>
Net change in fund balances	(11,170)	250,179	261,349
Fund balance, July 1, 2015	<u>11,170</u>	<u>10,246</u>	<u>(924)</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ 260,425</u>	<u>\$ 260,425</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County  
Required Supplementary Information  
Budgetary Comparison Schedule  
Criminal Justice Enhancement Fund  
Year Ended June 30, 2016

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues</b>			
Intergovernmental	\$ 1,207,717	\$ 1,382,126	\$ 174,409
Charges for services	66,500	90,677	24,177
Fines and forfeits	547,000	242,206	(304,794)
Investment earnings	150	327	177
Miscellaneous	<u>-</u>	<u>33,900</u>	<u>33,900</u>
Total revenues	<u>1,821,367</u>	<u>1,749,236</u>	<u>(72,131)</u>
<b>Expenditures</b>			
Current:			
General government			
County Attorney	1,371,093	983,277	387,816
Clerk of Superior Court	11,285	-	11,285
Justice Court	192,332	53,407	138,925
Superior Court	<u>820,010</u>	<u>3,733</u>	<u>816,277</u>
Total general government	<u>2,394,720</u>	<u>1,040,417</u>	<u>1,354,303</u>
Public safety			
Juvenile Probation	91,207	3,000	88,207
Sheriff's Office	583,061	579,407	3,654
Other Agencies	<u>-</u>	<u>141,367</u>	<u>(141,367)</u>
Total public safety	<u>674,268</u>	<u>723,774</u>	<u>(49,506)</u>
Total expenditures	<u>3,068,988</u>	<u>1,764,191</u>	<u>1,304,797</u>
Excess (deficiency) of revenues over expenditures	(1,247,621)	(14,955)	1,232,666
<b>Other financing sources (uses)</b>			
Transfers in	95,768	152,686	56,918
Transfers out	<u>-</u>	<u>(5,356)</u>	<u>(5,356)</u>
Total other financing sources (uses)	<u>95,768</u>	<u>147,330</u>	<u>51,562</u>
Net change in fund balance	(1,151,853)	132,375	1,284,228
Fund balance, July 1, 2015	<u>1,151,853</u>	<u>835,729</u>	<u>(316,124)</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ 968,104</u>	<u>\$ 968,104</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County  
Budgetary Comparison Schedule  
Road Fund  
Year Ended June 30, 2016

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	\$ 4,825,000	\$ 5,147,702	\$ 322,702
Charges for services	50,000		(50,000)
Investment earnings	-	2,563	2,563
Miscellaneous	-	78,286	78,286
Total Revenues	<u>4,875,000</u>	<u>5,228,551</u>	<u>353,551</u>
<b>Expenditures</b>			
Highways and streets	<u>5,986,474</u>	<u>4,364,196</u>	<u>1,622,278</u>
Total expenditures	<u>5,986,474</u>	<u>4,364,196</u>	<u>1,622,278</u>
Excess (deficiency) of revenues over expenditures	(1,111,474)	864,355	1,975,829
<b>Other financing sources (uses)</b>			
Transfers in	7,500	457,500	450,000
Transfers out	<u>(40,000)</u>	<u>(108,718)</u>	<u>(68,718)</u>
Total other financing sources (uses)	<u>(32,500)</u>	<u>348,782</u>	<u>381,282</u>
Net change in fund balance	(1,143,974)	1,213,137	2,357,111
Fund balance, July 1, 2015	<u>1,143,974</u>	<u>780,591</u>	<u>(363,383)</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ 1,993,728</u>	<u>\$ 1,993,728</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County  
Required Supplementary Information  
Notes to Budgetary Comparison Schedules  
June 30, 2016

Note 1 – Budgeting and Budgetary Control

A.R.S. requires the County to prepare and adopt a balanced budget annually for each governmental fund. The Board of Supervisors must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

Essentially, the County prepares its budget on the same modified accrual basis of accounting used to record actual revenues and expenditures. However, in the General Fund, Jail District Fund, and Road Fund the County records budgeted debt service expenditures by the expenditure function and department.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors' approval.

Note 2 – Budgetary Basis of Accounting

The County's budget is prepared on a basis consistent with generally accepted accounting principles, except for the following unbudgeted item:

- Present value of net minimum capital lease payments.

The following schedule reconciles the excess of revenues over expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balances to the budgetary comparison schedules:

	<b>Road Fund</b>
Excess of revenues over expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balances	\$771,092
Present value of net minimum capital lease payments	<u>93,263</u>
Excess of revenues over expenditures from the Budgetary comparison schedules	<u><u>\$864,355</u></u>

Santa Cruz County  
Required Supplementary Information  
Notes to Budgetary Comparison Schedules  
June 30, 2016

Note 3 – Expenditures in Excess of Appropriations

For the year ended June 30, 2016, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

<b>Fund/Department</b>	<b>Excess</b>
Constable #1 – General Fund	\$ 5,781
County Attorney - General Fund	147,409
Information Technology – General Fund	40,247
Justice Court #1 - General Fund	64,263
Juvenile Probation - General Fund	50,500
Environmental Health – Jail District Fund	17,198
Other Agencies – Criminal Justice Enhancement Fund	141,367
Superior Court – Juvenile Services Fund	7,762
School Superintendent – Juvenile Services Fund	156,787
Emergency Management – Homeland Security Fund	21,754
Health Services Fund	79,941
Animal Control Fund	2,791
Other Capital Projects Funds	6,181

The excesses were primarily the result of unexpected expenditures or expenditures made as a result of unanticipated revenues, or both. When departments exceed their annual budget, the County closely monitors departmental spending and discusses the overage with the departments in subsequent budget meetings with the County Manager and Finance.

Santa Cruz County  
Required Supplementary Information  
Schedule of the County's Proportionate Share of the Net Pension Liability  
Cost-Sharing Pension Plans  
June 30, 2016

**Arizona State Retirement System**

	<b>Reporting Fiscal Year (Measurement Date)</b>		
	<b>2016 (2015)</b>	<b>2015 (2014)</b>	<b>2014 through 2007</b>
County's proportion of the net pension liability	0.10%	0.10%	Information
County's proportionate share of the net pension liability	\$ 15,579,144	\$ 14,450,456	not available
County's covered payroll	\$ 9,180,476	\$ 8,829,998	
County's proportionate share of the net pension liability as a percentage of its covered payroll	169.70%	163.65%	
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49	

**Corrections Officer Retirement Plan—Administrative  
Office of the Courts**

	<b>Reporting Fiscal Year (Measurement Date)</b>		
	<b>2016 (2015)</b>	<b>2015 (2014)</b>	<b>2014 through 2007</b>
County's proportion of the net pension liability	1.40%	1.54%	Information
County's proportionate share of the net pension liability	\$ 3,396,680	\$ 3,453,182	not available
County's covered payroll	\$ 1,554,981	\$ 1,656,220	
County's proportionate share of the net pension liability as a percentage of its covered payroll	218.44%	208.50%	
Plan fiduciary net position as a percentage of the total pension liability	57.89%	58.59%	

**Elected Officials Retirement Plan**

	<b>Reporting Fiscal Year (Measurement Date)</b>		
	<b>2016 (2015)</b>	<b>2015 (2014)</b>	<b>2014 through 2007</b>
County's proportion of the net pension liability	1.16%	1.21%	Information
County's proportionate share of the net pension liability	\$ 9,101,181	\$ 8,082,842	not available
State's proportionate share of the net pension liability associated with the County	2,837,369	2,478,274	
Total	\$ 11,938,550	\$ 10,561,116	
County's covered payroll	\$ 953,443	\$ 1,117,166	
County's proportionate share of the net pension liability as a percentage of its covered payroll	954.56%	723.51%	
Plan fiduciary net position as a percentage of the total pension liability	28.32%	31.91%	

See accompanying notes to pension plan schedules.

Santa Cruz County  
Required Supplementary Information  
Schedule of Changes in the County's  
Net Pension Liability and Related Ratios  
Agent Pension Plans  
June 30, 2016

**PSPRS Sheriff**

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
Total pension liability			Information not available
Service cost	\$ 325,750	\$ 391,688	
Interest on the total pension liability	1,137,080	942,459	
Changes of benefit terms		355,803	
Differences between expected and actual experience in the measurement of the pension liability	(182,980)	(152,819)	
Changes of assumptions or other inputs		1,742,066	
Benefit payments, including refunds of employee contributions	<u>(770,744)</u>	<u>(763,205)</u>	
Net change in total pension liability	509,106	2,515,992	
Total pension liability—beginning	<u>14,707,593</u>	<u>12,191,601</u>	
Total pension liability—ending (a)	<u>\$ 15,216,699</u>	<u>\$ 14,707,593</u>	
Plan fiduciary net position			
Contributions—employer	\$ 512,953	\$ 519,566	
Contributions—employee	198,938	197,413	
Net investment income	213,595	732,556	
Benefit payments, including refunds of employee contributions	(770,744)	(763,205)	
Administrative expense	(5,585)	(5,899)	
Other changes	<u>(120,893)</u>	<u>-</u>	
Net change in plan fiduciary net position	28,264	680,431	
Plan fiduciary net position—beginning	<u>5,973,289</u>	<u>5,292,858</u>	
Plan fiduciary net position—ending (b)	<u>\$ 6,001,553</u>	<u>\$ 5,973,289</u>	
County's net pension liability—ending (a) – (b)	<u>\$ 9,215,146</u>	<u>\$ 8,734,304</u>	
Plan fiduciary net position as a percentage of the total pension liability	39.44%	40.61%	
Covered payroll	\$ 1,752,386	\$ 1,907,364	
County's net pension liability as a percentage of covered payroll	525.86%	457.93%	

See accompanying notes to pension plan schedules.



Santa Cruz County  
Required Supplementary Information  
Schedule of Changes in the County's  
Net Pension Liability and Related Ratios  
Agent Pension Plans  
June 30, 2016

**CORP Detention**

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
Total pension liability			Information not available
Service cost	\$ 166,936	\$ 196,551	
Interest on the total pension liability	191,011	164,952	
Changes of benefit terms		44,932	
Differences between expected and actual experience in the measurement of the pension liability	(173,115)	(176,819)	
Changes of assumptions or other inputs		289,789	
Benefit payments, including refunds of employee contributions	<u>(163,038)</u>	<u>(182,256)</u>	
Net change in total pension liability	21,794	337,149	
Total pension liability—beginning	<u>2,431,307</u>	<u>2,094,158</u>	
Total pension liability—ending (a)	<u>\$ 2,453,101</u>	<u>\$ 2,431,307</u>	
Plan fiduciary net position			
Contributions—employer	\$ 68,898	\$ 92,945	
Contributions—employee	83,854	107,243	
Net investment income	80,723	270,559	
Benefit payments, including refunds of employee contributions	(163,038)	(182,256)	
Administrative expense	(2,361)	(2,128)	
Other changes	<u>(19,426)</u>	<u>(5,345)</u>	
Net change in plan fiduciary net position	48,650	281,018	
Plan fiduciary net position—beginning	<u>2,208,562</u>	<u>1,927,544</u>	
Plan fiduciary net position—ending (b)	<u>\$ 2,257,212</u>	<u>\$ 2,208,562</u>	
County's net pension liability—ending (a) – (b)	<u>\$ 195,889</u>	<u>\$ 222,745</u>	
Plan fiduciary net position as a percentage of the total pension liability	92.01%	90.84%	
Covered payroll	\$ 990,632	\$ 1,275,200	
County's net pension liability as a percentage of covered payroll	19.77%	17.47%	

See accompanying notes to pension plan schedules.

Santa Cruz County  
Required Supplementary Information  
Schedule of County Pension Contributions  
June 30, 2016

**Arizona State Retirement System**

	Reporting Fiscal Year			
	2016	2015	2014	2013-2007
Statutorily required contribution	\$ 1,046,432	\$ 997,087	\$ 941,966	Information not available
County's contributions in relation to the statutorily required contribution	<u>1,046,432</u>	<u>997,087</u>	<u>941,966</u>	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	\$ 9,670,325	\$ 9,180,476	\$ 8,829,998	
County's contributions as a percentage of covered payroll	10.82%	10.86%	10.67%	

**Corrections Officer Retirement Plan—Administrative  
Office of the Courts**

	Reporting Fiscal Year			
	2016	2015	2014	2013-2007
Statutorily required contribution	\$ 292,758	\$ 231,381	\$ 239,324	Information not available
County's contributions in relation to the statutorily required contribution	<u>292,758</u>	<u>231,381</u>	<u>239,324</u>	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	\$ 1,530,360	\$ 1,554,981	\$ 1,656,220	
County's contributions as a percentage of covered payroll	19.13%	14.88%	14.45%	

**Elected Officials Retirement Plan**

	Reporting Fiscal Year			
	2016	2015	2014	2013-2007
Statutorily required contribution	\$ 238,801	\$ 224,059	\$ 256,832	Information not available
County's contributions in relation to the statutorily required contribution	<u>238,801</u>	<u>224,059</u>	<u>256,832</u>	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	\$1,082,951	\$953,443	\$1,117,166	
County's contributions as a percentage of covered payroll	22.05%	23.50%	22.99%	

**PSPRS Sheriff**

	Reporting Fiscal Year			
	2016	2015	2014	2013-2007
Actuarially required contribution	\$ 764,136	\$ 499,255	\$ 519,566	Information not available
County's contributions in relation to the actuarially required contribution	<u>764,136</u>	<u>499,255</u>	<u>519,566</u>	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	\$ 1,719,431	\$ 1,752,386	\$ 1,907,364	
County's contributions as a percentage of covered payroll	44.44%	28.49%	27.24%	

See accompanying notes to pension plan schedules.

Santa Cruz County  
Required Supplementary Information  
Schedule of County Pension Contributions  
June 30, 2016

**CORP Detention**

	Reporting Fiscal Year			
	2016	2015	2014	2013-2007
Actuarially required contribution	\$ 70,436	\$ 68,453	\$ 92,945	Information not available
County's contributions in relation to the actuarially required contribution	<u>70,436</u>	<u>68,453</u>	<u>92,945</u>	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	\$ 898,399	\$ 990,632	\$ 1,275,200	
County's contributions as a percentage of covered payroll	7.84%	6.91%	7.29%	

See accompanying notes to pension plan schedules.

Santa Cruz County  
Required Supplementary Information  
Notes to Pension Plan Schedules  
June 30, 2016

Note 1 – Actuarially Determined Contribution Rates

Actuarial determined contribution rates for PSPRS and CORP are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2014 actuarial valuation	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS and from 4.5%–7.75% to 4.0%–7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS and from 5.0%–8.25% to 4.5%–7.75% for CORP.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

Santa Cruz County  
Required Supplementary Information  
Schedule of Agent OPEB Plans' Funding Progress  
June 30, 2016

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (UAAL) (funding excess) (b) – (a)	Funded ratio (a)/(b)	Annual covered payroll (c)	UAAL (funding excess) as a percentage of covered payroll (b) – (a)/(c)
<b>PSPRS Sheriff</b>						
<b>6/30/16</b>	\$ 452,130	\$ 493,534	\$ 41,404	91.61%	\$ 1,689,307	2.45%
<b>6/30/15</b>	453,219	415,252	(37,967)	109.14%	1,879,141	(2.02)%
<b>6/30/14</b>	411,789	325,644	(86,145)	126.45%	1,706,477	(5.05)%
<b>CORP Detention</b>						
<b>6/30/16</b>	\$ 212,579	\$ 123,409	\$ (89,170)	172.26%	\$ 785,446	(11.4)%
<b>6/30/15</b>	213,138	116,565	(96,573)	182.85%	945,419	(10.2)%
<b>6/30/14</b>	197,254	66,444	(130,810)	296.87%	1,212,091	(10.8)%

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## Combining and Individual Fund Statements and Schedules

Santa Cruz County  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2016

	Special Revenue Funds	Capital Projects Funds	Debt Service	Total Other Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 4,270,212	\$ 285,172	\$ 315,947	\$ 4,871,331
Cash and investments held by trustee-restricted	171,425			171,425
Property taxes (net of allowance for uncollectibles)	207,512			207,512
Due from other governmental units	962,544	25,351		987,895
Due from other funds	108,862			108,862
Accounts receivable	42,930			42,930
Prepaid items	1,552			1,552
Total assets	<u>\$ 5,765,037</u>	<u>\$ 310,523</u>	<u>\$ 315,947</u>	<u>\$ 6,391,507</u>
<b>Liabilities</b>				
Accounts payable	\$ 316,970			\$ 316,970
Accrued payroll and employee benefits	147,408			147,408
Due to other funds	594,262	25,351	\$ 108,862	728,475
Due to other governments			4,610	4,610
Total liabilities	<u>1,058,640</u>	<u>25,351</u>	<u>113,472</u>	<u>1,197,463</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	186,953			186,953
Unavailable revenue - intergovernmental	448,141	7,594		455,735
Total deferred inflows of resources	<u>635,094</u>	<u>7,594</u>		<u>642,688</u>
<b>Fund Balance</b>				
Fund balance	4,071,303	277,578	202,475	4,551,356
Total fund balance	<u>4,071,303</u>	<u>277,578</u>	<u>202,475</u>	<u>4,551,356</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 5,765,037</u>	 <u>\$ 310,523</u>	 <u>\$ 315,947</u>	 <u>\$ 6,391,507</u>



Santa Cruz County  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2016

	Special Revenue Funds	Capital Projects Funds	Debt Service	Total Other Governmental Funds
<b>Revenues</b>				
Taxes	\$ 2,166,529		\$ 248	\$ 2,166,777
Intergovernmental	5,449,286	\$ 1,687,888		7,137,174
Charges for services	441,139			441,139
Fines and forfeits	115,563			115,563
Investment earnings	4,884	23,283	908	29,075
Miscellaneous	88,450			88,450
Total revenues	<u>8,265,851</u>	<u>1,711,171</u>	<u>1,156</u>	<u>9,978,178</u>
<b>Expenditures</b>				
General government	251,723	1,531,773		1,783,496
Public safety	4,873,724	5,070		4,878,794
Highways and streets		105,748		105,748
Health, welfare and sanitation	1,457,247			1,457,247
Education and economic opportunity	2,507,942	67		2,508,009
Debt Service				
Principal retirement	1,740,534		330,000	2,070,534
Interest and fiscal charges	<u>572,277</u>		<u>762,954</u>	<u>1,335,231</u>
Total expenditures	<u>11,403,447</u>	<u>1,642,658</u>	<u>1,092,954</u>	<u>14,139,059</u>
Excess (deficiency) of revenues over expenditures	<u>(3,137,596)</u>	<u>68,513</u>	<u>(1,091,798)</u>	<u>(4,160,881)</u>
<b>Other financing sources (uses)</b>				
Pledged revenue refunding obligations proceeds			9,996,836	9,996,836
Payment to debt refinancing escrow agent			(9,797,704)	(9,797,704)
Transfers in	580,107	181,265	996,538	1,757,910
Transfers out	<u>(445,041)</u>	<u>(59,567)</u>		<u>(504,608)</u>
Total other financing sources (uses)	<u>135,066</u>	<u>121,698</u>	<u>1,195,670</u>	<u>1,452,434</u>
Net change in fund balance	(3,002,530)	190,211	103,872	(2,708,447)
Beginning fund balance	<u>7,073,833</u>	<u>87,367</u>	<u>98,603</u>	<u>7,259,803</u>
Ending fund balance	<u>\$ 4,071,303</u>	<u>\$ 277,578</u>	<u>\$ 202,475</u>	<u>\$ 4,551,356</u>

Santa Cruz County  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2016

	<u>Flood Control</u>	<u>WIOA</u>	<u>Health Services</u>	<u>Juvenile Services</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,372,386	\$ 5,139	\$ 22,742	\$ 243,707
Cash and investments held by trustee-restricted	171,425			
Property taxes (net of allowance for uncollectibles)	207,512			
Due from other governmental units		231,345	153,982	311,974
Due from other funds	108,862			
Accounts receivable		305	785	752
Prepaid items				1,450
Total assets	<u>\$ 1,860,185</u>	<u>\$ 236,789</u>	<u>\$ 177,509</u>	<u>\$ 557,883</u>
<b>Liabilities</b>				
Accounts payable	\$ 13,686	\$ 18,901	\$ 195,140	\$ 65,022
Accrued payroll and employee benefits	17,793	17,956	13,757	29,119
Due to other funds		151,802	63,892	189,409
Due to other governments				
Total liabilities	<u>31,479</u>	<u>188,659</u>	<u>272,789</u>	<u>283,550</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	186,953			
Unavailable revenue - intergovernmental		154,121	12,346	166,454
Total deferred inflows of resources	<u>186,953</u>	<u>154,121</u>	<u>12,346</u>	<u>166,454</u>
<b>Fund Balance</b>				
Fund balance	<u>1,641,753</u>	<u>(105,991)</u>	<u>(107,626)</u>	<u>107,879</u>
Total fund balance (deficit)	<u>1,641,753</u>	<u>(105,991)</u>	<u>(107,626)</u>	<u>107,879</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 1,860,185</u>	 <u>\$ 236,789</u>	 <u>\$ 177,509</u>	 <u>\$ 557,883</u>

<u>Probation Services</u>	<u>Homeland Security</u>	<u>Retrieval Conversion</u>	<u>Animal Control</u>	<u>Other Special Revenue Funds</u>	<u>Total</u>
\$ 645,966	\$ 3,110	\$ 760,652	\$ 39,627	\$ 1,176,883	\$ 4,270,212
					171,425
					207,512
1,119	220,103		32	43,989	962,544
					108,862
7,308		17,457	2,010	14,313	42,930
		102			1,552
<u>\$ 654,393</u>	<u>\$ 223,213</u>	<u>\$ 778,211</u>	<u>\$ 41,669</u>	<u>\$ 1,235,185</u>	<u>\$ 5,765,037</u>
\$ 4,746	\$ 1,332	\$ 1,189	\$ 5,169	\$ 11,785	\$ 316,970
30,272	22,672	894	11,811	3,134	147,408
	183,976	5,183			594,262
					-
<u>35,018</u>	<u>207,980</u>	<u>7,266</u>	<u>16,980</u>	<u>14,919</u>	<u>1,058,640</u>
	110,122	5,098	-	-	186,953
					448,141
<u>-</u>	<u>110,122</u>	<u>5,098</u>	<u>-</u>	<u>-</u>	<u>635,094</u>
619,375	(94,889)	765,847	24,689	1,220,266	4,071,303
<u>619,375</u>	<u>(94,889)</u>	<u>765,847</u>	<u>24,689</u>	<u>1,220,266</u>	<u>4,071,303</u>
<u>\$ 654,393</u>	<u>\$ 223,213</u>	<u>\$ 778,211</u>	<u>\$ 41,669</u>	<u>\$ 1,235,185</u>	<u>\$ 5,765,037</u>

Santa Cruz County  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
Year Ended June 30, 2016

	<u>Flood Control</u>	<u>WIOA</u>	<u>Health Services</u>	<u>Juvenile Services</u>
<b>Revenues</b>				
Taxes	\$ 2,166,529			
Intergovernmental		\$ 731,082	\$ 419,740	\$ 1,619,211
Charges for services			125,962	4,639
Fines and forfeits				
Investment earnings	3,116			136
Miscellaneous	5	200		21,195
Total revenues	<u>2,169,650</u>	<u>731,282</u>	<u>545,702</u>	<u>1,645,181</u>
<b>Expenditures</b>				
General government				143,533
Public safety	2,513,854			639,785
Health, welfare and sanitation			753,403	
Education and economic opportunity		632,342		865,358
Debt Service				
Principal retirement	1,645,000	95,534		
Interest and fiscal charges	547,980	24,297		
Total expenditures	<u>4,706,834</u>	<u>752,173</u>	<u>753,403</u>	<u>1,648,676</u>
Excess (deficiency) of revenues over expenditures	<u>(2,537,184)</u>	<u>(20,891)</u>	<u>(207,701)</u>	<u>(3,495)</u>
<b>Other financing sources (uses)</b>				
Transfers in		96,768	193,563	8,226
Transfers out	(300,000)	(10,668)		
Total other financing sources (uses)	<u>(300,000)</u>	<u>86,100</u>	<u>193,563</u>	<u>8,226</u>
Net change in fund balance	(2,837,184)	65,209	(14,138)	4,731
Beginning fund balance	<u>4,478,937</u>	<u>(171,200)</u>	<u>(93,488)</u>	<u>103,148</u>
Ending fund balance	<u>\$ 1,641,753</u>	<u>\$ (105,991)</u>	<u>\$ (107,626)</u>	<u>\$ 107,879</u>

<u>Probation Services</u>	<u>Homeland Security</u>	<u>Retrieval Conversion</u>	<u>Animal Control</u>	<u>Other Special Revenue Funds</u>	<u>Total</u>
					\$ 2,166,529
\$ 899,009	\$ 501,146	\$ 27,338	\$ 335,213	\$ 916,547	5,449,286
110,852		72,239	44,518	82,929	441,139
		115,563			115,563
620		678	16	318	4,884
			10,050	57,000	88,450
<u>1,010,481</u>	<u>501,146</u>	<u>215,818</u>	<u>389,797</u>	<u>1,056,794</u>	<u>8,265,851</u>
		59,637		48,553	251,723
982,041	508,515			229,529	4,873,724
			556,601	147,243	1,457,247
				1,010,242	2,507,942
					1,740,534
					572,277
<u>982,041</u>	<u>508,515</u>	<u>59,637</u>	<u>556,601</u>	<u>1,435,567</u>	<u>11,403,447</u>
<u>28,440</u>	<u>(7,369)</u>	<u>156,181</u>	<u>(166,804)</u>	<u>(378,773)</u>	<u>(3,137,596)</u>
1,916			179,044	100,590	580,107
	(13,036)	(101,063)		(20,274)	(445,041)
<u>1,916</u>	<u>(13,036)</u>	<u>(101,063)</u>	<u>179,044</u>	<u>80,316</u>	<u>135,066</u>
30,356	(20,405)	55,118	12,240	(298,457)	(3,002,530)
<u>589,019</u>	<u>(74,484)</u>	<u>710,729</u>	<u>12,449</u>	<u>1,518,723</u>	<u>7,073,833</u>
<u>\$ 619,375</u>	<u>\$ (94,889)</u>	<u>\$ 765,847</u>	<u>\$ 24,689</u>	<u>\$ 1,220,266</u>	<u>\$ 4,071,303</u>

Santa Cruz County  
Combining Balance Sheet  
Nonmajor Capital Projects Funds  
June 30, 2016

	<u>Construction</u>	<u>Airport</u>	<u>Other</u>	<u>Total</u>
<b>Assets</b>				
Cash and investments	\$ 278,372	\$ 6,800		\$ 285,172
Due from other governmental units		25,351		25,351
Total assets	<u>\$ 278,372</u>	<u>\$ 32,151</u>	<u>-</u>	<u>\$ 310,523</u>
<b>Liabilities</b>				
Accounts payable				\$ -
Due to other funds		\$ 25,351		25,351
Total liabilities	<u>-</u>	<u>25,351</u>	<u>-</u>	<u>25,351</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - intergovernmental	-	7,594		7,594
Total deferred inflows of resources	<u>-</u>	<u>7,594</u>	<u>-</u>	<u>7,594</u>
<b>Fund Balance</b>				
Fund balance	278,372	(794)		277,578
Total fund balance	<u>278,372</u>	<u>(794)</u>	<u>-</u>	<u>277,578</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 278,372</u>	<u>\$ 32,151</u>	<u>-</u>	<u>\$ 310,523</u>

Santa Cruz County  
Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances  
Nonmajor Capital Projects Funds  
Year Ended June 30, 2016

	<u>Construction</u>	<u>Airport</u>	<u>Other</u>	<u>Total</u>
<b>Revenues</b>				
Intergovernmental		\$ 1,457,375	\$ 230,513	\$ 1,687,888
Investment earnings	\$ 23,283			23,283
Miscellaneous				-
Total revenues	<u>23,283</u>	<u>1,457,375</u>	<u>230,513</u>	<u>1,711,171</u>
<b>Expenditures</b>				
General government		1,531,773		1,531,773
Public Safety	5,070			5,070
Highways and streets			105,748	105,748
Education and economic opportunity			67	67
Total expenditures	<u>5,070</u>	<u>1,531,773</u>	<u>105,815</u>	<u>1,642,658</u>
Excess (deficiency) of revenues over expenditures	<u>18,213</u>	<u>(74,398)</u>	<u>124,698</u>	<u>68,513</u>
<b>Other financing sources (uses)</b>				
Transfers in	2,970	72,547	105,748	181,265
Transfers out			(59,567)	(59,567)
Total other financing sources (uses)	<u>2,970</u>	<u>72,547</u>	<u>46,181</u>	<u>121,698</u>
Net change in fund balance	21,183	(1,851)	170,879	190,211
Beginning fund balance (deficit)	<u>257,189</u>	<u>1,057</u>	<u>(170,879)</u>	<u>87,367</u>
Ending fund balance (deficit)	<u>\$ 278,372</u>	<u>\$ (794)</u>	<u>\$ -</u>	<u>\$ 277,578</u>

Schedule of Revenues, Expenditures, and Changes in Fund  
Balances—Budget and Actual

Nonmajor Special Revenue Funds



Santa Cruz County  
Required Supplementary Information  
Budgetary Comparison Schedule  
Flood Control Fund  
Year Ended June 30, 2016

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues</b>			
Taxes	\$ 2,176,809	\$ 2,166,529	\$ (10,280)
Investment earnings	-	3,116	3,116
Miscellaneous	-	5	5
Total revenues	<u>2,176,809</u>	<u>2,169,650</u>	<u>(7,159)</u>
<b>Expenditures</b>			
Public safety	<u>7,306,855</u>	<u>4,706,834</u>	<u>2,600,021</u>
Total expenditures	<u>7,306,855</u>	<u>4,706,834</u>	<u>2,600,021</u>
Excess (deficiency) of revenues over expenditures	(5,130,046)	(2,537,184)	2,592,862
<b>Other financing uses:</b>			
Transfers out	-	(300,000)	(300,000)
Total other financing uses	-	(300,000)	(300,000)
Net change in fund balance	(5,130,046)	(2,837,184)	2,292,862
Fund balance, July 1, 2015	<u>5,130,046</u>	<u>4,478,937</u>	<u>(651,109)</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ 1,641,753</u>	<u>\$ 1,641,753</u>

Santa Cruz County  
Nonmajor Special Revenue Funds  
WIOA Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2016

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	\$ 1,616,653	\$ 731,082	\$ (885,571)
Miscellaneous	<u>-</u>	<u>200</u>	<u>200</u>
Total revenues	<u>1,616,653</u>	<u>731,282</u>	<u>(885,371)</u>
<b>Expenditures</b>			
Education and economic opportunity—Commerce	<u>1,631,503</u>	<u>752,173</u>	<u>879,330</u>
Total expenditures	<u>1,631,503</u>	<u>752,173</u>	<u>879,330</u>
Excess (deficiency) of revenues over expenditures	(14,850)	(20,891)	(6,041)
<b>Other financing sources</b>			
Transfers in		96,768	96,768
Transfers out	<u>-</u>	<u>(10,668)</u>	<u>(10,668)</u>
Total other financing sources	<u>-</u>	<u>86,100</u>	<u>86,100</u>
Net change in fund balance	(14,850)	65,209	80,059
Fund balance, July 1, 2015	<u>14,850</u>	<u>(171,200)</u>	<u>(186,050)</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ (105,991)</u>	<u>\$ (105,991)</u>

Santa Cruz County  
Nonmajor Special Revenue Funds  
Health Services Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2016

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	\$ 243,446	\$ 419,740	\$ 176,294
Charges for services	<u>132,000</u>	<u>125,962</u>	<u>(6,038)</u>
Total revenues	<u>375,446</u>	<u>545,702</u>	<u>170,256</u>
<b>Expenditures</b>			
Health, welfare & sanitation	<u>673,462</u>	<u>753,403</u>	<u>(79,941)</u>
Total expenditures	<u>673,462</u>	<u>753,403</u>	<u>(79,941)</u>
Excess (deficiency) of revenues over expenditures	(298,016)	(207,701)	90,315
<b>Other financing uses:</b>			
Transfers in	<u>273,669</u>	<u>193,563</u>	<u>(80,106)</u>
Total other financing sources (uses)	<u>273,669</u>	<u>193,563</u>	<u>(80,106)</u>
Net change in fund balance	(24,347)	(14,138)	10,209
Fund balance, July 1, 2015	<u>24,347</u>	<u>(93,488)</u>	<u>(117,835)</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ (107,626)</u>	<u>\$ (107,626)</u>

Santa Cruz County  
Nonmajor Special Revenue Funds  
Juvenile Services Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2016

	<b>Original and Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues</b>			
Intergovernmental	\$ 1,444,564	\$ 1,619,211	\$ 174,647
Charges for service	5,300	4,639	(661)
Investment earnings	55	136	81
Miscellaneous	<u>-</u>	<u>21,195</u>	<u>21,195</u>
Total revenues	<u>1,449,919</u>	<u>1,645,181</u>	<u>195,262</u>
<b>Expenditures</b>			
General government			
Superior Court	135,771	143,533	(7,762)
Public safety			-
Probation	836,947	639,785	197,162
Education			-
School Superintendent	<u>708,571</u>	<u>865,358</u>	<u>(156,787)</u>
Total expenditures	<u>1,681,289</u>	<u>1,648,676</u>	<u>32,613</u>
Excess (deficiency) of revenues over expenditures	(231,370)	(3,495)	227,875
<b>Other financing sources (uses)</b>			
Transfers in		8,226	8,226
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>8,226</u>	<u>8,226</u>
Net change in fund balance	(231,370)	4,731	236,101
Fund balance, July 1, 2015	<u>231,370</u>	<u>103,148</u>	<u>(128,222)</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ 107,879</u>	<u>\$ 107,879</u>

Santa Cruz County  
Nonmajor Special Revenue Funds  
Probation Services Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2016

	<b>Original and Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues</b>			
Intergovernmental	\$ 889,091	\$ 899,009	\$ 9,918
Charges for service	91,200	110,852	19,652
Investment earnings	180	620	440
Total revenues	<u>980,471</u>	<u>1,010,481</u>	<u>30,010</u>
<b>Expenditures</b>			
Public safety	<u>1,592,303</u>	<u>982,041</u>	<u>610,262</u>
Total expenditures	<u>1,592,303</u>	<u>982,041</u>	<u>610,262</u>
Excess (deficiency) of revenues over expenditures	(611,832)	28,440	640,272
<b>Other financing sources</b>			
Transfers in	<u>1,916</u>	<u>1,916</u>	<u>-</u>
Total other financing sources	<u>1,916</u>	<u>1,916</u>	<u>-</u>
Net change in fund balance	(609,916)	30,356	640,272
Fund balance, July 1, 2015	<u>609,916</u>	<u>589,019</u>	<u>(20,897)</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ 619,375</u>	<u>\$ 619,375</u>

Santa Cruz County  
Nonmajor Special Revenue Funds  
Homeland Security Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2016

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	\$ 580,420	\$ 501,146	\$ (79,274)
Total revenues	<u>580,420</u>	<u>501,146</u>	<u>(79,274)</u>
<b>Expenditures</b>			
Public safety			
Emergency Management	28,921	50,675	(21,754)
Sheriff's Office	<u>554,768</u>	<u>457,840</u>	<u>96,928</u>
Total expenditures	<u>583,689</u>	<u>508,515</u>	<u>75,174</u>
Excess (deficiency) of revenues over expenditures	(3,269)	(7,369)	(4,100)
<b>Other financing sources</b>			
Transfers out	<u>-</u>	<u>(13,036)</u>	<u>(13,036)</u>
Total other financing sources	<u>-</u>	<u>(13,036)</u>	<u>(13,036)</u>
Net change in fund balance	(3,269)	(20,405)	(17,136)
Fund balance, July 1, 2015	<u>3,269</u>	<u>(74,484)</u>	<u>(77,753)</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ (94,889)</u>	<u>\$ (94,889)</u>

Santa Cruz County  
Nonmajor Special Revenue Funds  
Retrieval Conversion Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2016

	<b>Original and Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues</b>			
Intergovernmental	\$ 15,000	\$ 27,338	\$ 12,338
Charges for services	64,500	72,239	7,739
Fines and forfeits	98,500	115,563	17,063
Investment earnings	30	678	648
Total revenues	<u>178,030</u>	<u>215,818</u>	<u>37,788</u>
<b>Expenditures</b>			
General government	<u>806,094</u>	<u>59,637</u>	<u>746,457</u>
Total expenditures	<u>806,094</u>	<u>59,637</u>	<u>746,457</u>
Excess (deficiency) of revenues over expenditures	(628,064)	156,181	784,245
<b>Other financing uses</b>			
Transfers out	<u>(80,000)</u>	<u>(101,063)</u>	<u>(21,063)</u>
Total other financing sources (uses)	<u>(80,000)</u>	<u>(101,063)</u>	<u>(21,063)</u>
Net change in fund balance	(708,064)	55,118	763,182
Fund balance, July 1, 2015	<u>708,064</u>	<u>710,729</u>	<u>2,665</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ 765,847</u>	<u>\$ 765,847</u>

Santa Cruz County  
Nonmajor Special Revenue Funds  
Animal Control Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2016

	<b>Original and Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues</b>			
Intergovernmental	\$ 253,994	\$ 335,213	\$ 81,219
Charges for services	20,500	44,518	24,018
Investment earnings		16	16
Miscellaneous	<u>10,000</u>	<u>10,050</u>	<u>50</u>
Total revenues	<u>284,494</u>	<u>389,797</u>	<u>105,303</u>
<b>Expenditures</b>			
Current:			
Health, welfare and sanitation	<u>553,810</u>	<u>556,601</u>	<u>(2,791)</u>
Total expenditures	<u>553,810</u>	<u>556,601</u>	<u>(2,791)</u>
Excess (deficiency) of revenues over expenditures	(269,316)	(166,804)	102,512
<b>Other financing sources</b>			
Transfers in	<u>233,993</u>	<u>179,044</u>	<u>(54,949)</u>
Total other financing sources	<u>233,993</u>	<u>179,044</u>	<u>(54,949)</u>
Net change in fund balance	(35,323)	12,240	47,563
Fund balance, July 1, 2015	<u>35,323</u>	<u>12,449</u>	<u>(22,874)</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ 24,689</u>	<u>\$ 24,689</u>



Santa Cruz County  
Nonmajor Special Revenue Funds  
Other Special Revenue Funds  
Budgetary Comparison Schedule  
Year Ended June 30, 2016

	<b>Original and Final Budget Amounts</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>Revenues</b>			
Intergovernmental	\$ 906,204	\$ 916,547	\$ 10,343
Charges for services	93,200	82,929	(10,271)
Investment earnings	10	318	308
Miscellaneous	21,000	57,000	36,000
Total revenues	<u>1,020,414</u>	<u>1,056,794</u>	<u>36,380</u>
<b>Expenditures</b>			
General government	215,436	48,553	166,883
Public safety	524,641	229,529	295,112
Health, welfare and sanitation	309,373	147,243	162,130
Education and economic opportunity	1,627,863	1,010,242	617,621
Total expenditures	<u>2,677,313</u>	<u>1,435,567</u>	<u>1,241,746</u>
Excess (deficiency) of revenues over expenditures	(1,656,899)	(378,773)	1,278,126
<b>Other financing sources (uses)</b>			
Transfers in	104,185	100,590	(3,595)
Transfers out	(7,500)	(20,274)	(12,774)
Total other financing sources (uses)	<u>96,685</u>	<u>80,316</u>	<u>(16,369)</u>
Net change in fund balance	(1,560,214)	(298,457)	1,261,757
Fund balance, July 1, 2015	<u>1,560,214</u>	<u>1,518,723</u>	<u>(41,491)</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ 1,220,266</u>	<u>\$ 1,220,266</u>

Schedule of Revenues, Expenditures, and Changes in Fund  
Balances—Budget and Actual

Nonmajor Capital Projects Funds

Santa Cruz County  
 Budgetary Comparison Schedule  
 Capital Projects—Construction Fund  
 Year Ended June 30, 2016

	<b>Original and Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues</b>			
Investment earnings	\$ -	\$ 23,283	\$ 23,283
Total revenues	<u>-</u>	<u>23,283</u>	<u>23,283</u>
<b>Expenditures</b>			
Public safety	<u>257,171</u>	<u>5,070</u>	<u>252,101</u>
Total expenditures	<u>257,171</u>	<u>5,070</u>	<u>252,101</u>
Excess (deficiency) of revenues over expenditures	(257,171)	18,213	275,384
<b>Other financing sources</b>			
Transfers in	<u>-</u>	<u>2,970</u>	<u>2,970</u>
Total other financing sources	<u>-</u>	<u>2,970</u>	<u>2,970</u>
Net change in fund balances	(257,171)	21,183	278,354
Fund balance, July 1, 2015	<u>257,171</u>	<u>257,189</u>	<u>18</u>
Fund balance, June 30, 2016	<u><u>\$ -</u></u>	<u><u>\$ 278,372</u></u>	<u><u>\$ 278,372</u></u>

Santa Cruz County  
 Budgetary Comparison Schedule  
 Capital Projects—Airport Fund  
 Year Ended June 30, 2016

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	\$ 1,969,925	\$ 1,457,375	\$ (512,550)
Total Revenues	<u>1,969,925</u>	<u>1,457,375</u>	<u>(512,550)</u>
<b>Expenditures</b>			
General government	<u>2,059,224</u>	<u>1,531,773</u>	<u>527,451</u>
Total expenditures	<u>2,059,224</u>	<u>1,531,773</u>	<u>527,451</u>
Excess (deficiency) of revenues over expenditures	(89,299)	(74,398)	14,901
<b>Other financing sources</b>			
Transfers in	<u>83,075</u>	<u>72,547</u>	<u>(10,528)</u>
Total other financing sources	<u>83,075</u>	<u>72,547</u>	<u>(10,528)</u>
Net change in fund balance	(6,224)	(1,851)	4,373
Fund balance, July 1, 2015	<u>6,224</u>	<u>1,057</u>	<u>(5,167)</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ (794)</u>	<u>\$ (794)</u>

Santa Cruz County  
 Budgetary Comparison Schedule  
 Capital Projects—Other Funds  
 Year Ended June 30, 2016

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	\$ -	\$ 230,513	\$ 230,513
Total revenues	<u>-</u>	<u>230,513</u>	<u>230,513</u>
<b>Expenditures</b>			
Highways and streets	40,000	105,748	(65,748)
Education and economic opportunity	<u>59,634</u>	<u>67</u>	<u>59,567</u>
Total expenditures	<u>99,634</u>	<u>105,815</u>	<u>(6,181)</u>
Excess (deficiency) of revenues over expenditures	(99,634)	124,698	224,332
<b>Other financing sources (uses)</b>			
Transfers in	40,000	105,748	65,748
Transfers out	<u>-</u>	<u>(59,567)</u>	<u>(59,567)</u>
Total other financing sources (uses)	<u>40,000</u>	<u>46,181</u>	<u>6,181</u>
Net change in fund balance	(59,634)	170,879	230,513
Fund balance, July 1, 2015	<u>59,634</u>	<u>(170,879)</u>	<u>(230,513)</u>
Fund balance, June 30, 2016	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Schedule of Revenues, Expenditures, and Changes in Fund  
Balances—Budget and Actual

Nonmajor Debt Service Fund

Santa Cruz County  
Debt Service Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2016

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Taxes	\$ -	\$ 248	\$ 248
Investment earnings	-	908	908
Total revenues	<u>-</u>	<u>1,156</u>	<u>1,156</u>
<b>Expenditures</b>			
Debt service	<u>1,099,745</u>	<u>1,092,954</u>	<u>6,791</u>
Total expenditures	<u>1,099,745</u>	<u>1,092,954</u>	<u>6,791</u>
Excess (deficiency) of revenues over expenditures	(1,099,745)	(1,091,798)	7,947
<b>Other financing sources (uses)</b>			
Pledged revenue refunding obligations proceeds		9,996,836	9,996,836
Payment to pledged revenue refunding obligations escrow agent		(9,797,704)	(9,797,704)
Transfers in	<u>996,538</u>	<u>996,538</u>	<u>-</u>
Total other financing sources	<u>996,538</u>	<u>1,195,670</u>	<u>199,132</u>
Net change in fund balance	(103,207)	103,872	207,079
Fund balance, July 1, 2015	<u>103,207</u>	<u>98,603</u>	<u>(4,604)</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ 202,475</u>	<u>\$ 202,475</u>

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Investment Trust and Agency Funds

Santa Cruz County  
Combining Statement of Fiduciary Net Position  
Investment Trust Funds  
June 30, 2016

	<u>Treasurer's Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total</u>
<b>Assets</b>			
Cash and investments	\$ 28,238,920	\$ 61,353	\$ 28,300,273
Total assets	<u>\$ 28,238,920</u>	<u>\$ 61,353</u>	<u>\$ 28,300,273</u>
<b>Net Position</b>			
Held in trust for investment trust participants	<u>\$ 28,238,920</u>	<u>\$ 61,353</u>	<u>\$ 28,300,273</u>

Santa Cruz County  
Combining Statement of Fiduciary Net Position  
Agency Funds  
June 30, 2016

	<u>Property Tax Collection</u>	<u>Fire District</u>	<u>Special Purpose</u>	<u>Total</u>
<b>Assets</b>				
Cash and investments	\$ 428,007	\$ -	\$ 1,726,142	\$ 2,154,149
Total assets	<u>\$ 428,007</u>	<u>\$ -</u>	<u>\$ 1,726,142</u>	<u>\$ 2,154,149</u>
<b>Liabilities</b>				
Due to other governmental units	\$ 156,122	\$ -		\$ 156,122
Deposits held for others	<u>271,885</u>	<u></u>	<u>\$ 1,726,142</u>	<u>1,998,027</u>
Total liabilities	<u>\$ 428,007</u>	<u>\$ -</u>	<u>\$ 1,726,142</u>	<u>\$ 2,154,149</u>

Santa Cruz County  
Combining Statement of Changes in Fiduciary Net Position  
Investment Trust Funds  
Year Ended June 30, 2016

	<u>Treasurer's Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total</u>
<b>Additions</b>			
Contributions from participants	\$ 102,083,214		\$ 102,083,214
Investment earnings	<u>11,509</u>	<u>\$ 669</u>	<u>12,178</u>
Total additions	<u>102,094,723</u>	<u>669</u>	<u>102,095,392</u>
<b>Deductions</b>			
Distributions to participants	<u>104,449,671</u>	<u>470</u>	<u>104,450,141</u>
Total deductions	<u>104,449,671</u>	<u>470</u>	<u>104,450,141</u>
Changes in net position	(2,354,948)	199	(2,354,749)
Net position, July 1, 2015	<u>30,593,868</u>	<u>61,154</u>	<u>30,655,022</u>
Net position, June 30, 2016	<u><u>\$ 28,238,920</u></u>	<u><u>\$ 61,353</u></u>	<u><u>\$ 28,300,273</u></u>

Santa Cruz County  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2016

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
<b>Property Tax Collection:</b>				
Assets				
Cash and investments	\$ 287,775	\$ 1,587,201	\$ 1,446,969	\$ 428,007
Liabilities				
Due to other governmental units	\$ 77,216	\$ 90,440	\$ 11,534	\$ 156,122
Deposits held for others	210,559	1,496,761	1,435,435	271,885
Total liabilities	<u>\$ 287,775</u>	<u>\$ 1,587,201</u>	<u>\$ 1,446,969</u>	<u>\$ 428,007</u>
<b>Fire District:</b>				
Assets				
Cash and investments	\$ -	\$ 317,371	\$ 317,371	\$ -
Liabilities				
Due to other governmental units	\$ -	\$ 317,371	\$ 317,371	\$ -
<b>Special Purpose:</b>				
Assets				
Cash and investments	\$ 1,816,142	\$ 540,711	\$ 630,711	\$ 1,726,142
Liabilities				
Deposits held for others	\$ 1,816,142	\$ 540,711	\$ 630,711	\$ 1,726,142
<b>Total - All Agency Funds</b>				
Assets				
Cash and investments	\$ 2,103,917	\$ 2,445,283	\$ 2,395,051	\$ 2,154,149
Liabilities				
Due to other governmental units	\$ 77,216	\$ 407,811	\$ 328,905	\$ 156,122
Deposits held for others	2,026,701	2,037,472	2,066,146	1,998,027
Total liabilities	<u>\$ 2,103,917</u>	<u>\$ 2,445,283</u>	<u>\$ 2,395,051</u>	<u>\$ 2,154,149</u>

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## Statistical Section

## **FINANCIAL TRENDS:**

Financial trends schedules provide readers an understanding and assessment of government's financial position over time. This information is a source of historical and comparative data. Financial trends summarize for users an entity's economic direction and financial performance during a specified time period.



Santa Cruz County  
Net Position By Component  
Last Ten Fiscal Years  
(Amounts in Thousands)  
(Accrual Basis of Accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 69,644	\$ 70,340	\$ 70,668	\$ 73,030	\$ 74,702	\$ 75,658	\$ 74,440	\$ 73,420	\$ 74,969	\$ 71,338
Restricted	9,756	7,711	9,515	9,190	9,412	10,559	6,012	7,868	8,463	5,115
Unrestricted (deficit)	<u>(23,902)</u>	<u>(22,125)</u>	<u>9,783</u>	<u>10,951</u>	<u>11,913</u>	<u>10,801</u>	<u>14,795</u>	<u>14,615</u>	<u>13,109</u>	<u>15,751</u>
Total governmental activities net position	<u>55,498</u>	<u>55,926</u>	<u>89,966</u>	<u>93,171</u>	<u>96,027</u>	<u>97,018</u>	<u>95,247</u>	<u>95,903</u>	<u>96,541</u>	<u>92,204</u>
<b>Business-Type Activities</b>										
Net investment in capital assets	4,115	4,274	3,660	3,538	3,691	3,393	2,568	2,602	2,710	2,676
Unrestricted (deficit)	<u>(1,128)</u>	<u>(1,278)</u>	<u>(1,182)</u>	<u>(1,356)</u>	<u>(375)</u>	<u>(351)</u>	<u>715</u>	<u>596</u>	<u>(1,560)</u>	<u>(1,745)</u>
Total business-type activities net position (deficit)	<u>2,987</u>	<u>2,996</u>	<u>2,478</u>	<u>2,182</u>	<u>3,316</u>	<u>3,042</u>	<u>3,283</u>	<u>3,198</u>	<u>1,150</u>	<u>931</u>
<b>Primary Government</b>										
Net investment in capital assets	73,759	74,614	74,328	76,568	78,393	79,051	77,008	76,022	77,679	74,014
Restricted	9,756	7,711	9,515	9,190	9,412	10,559	6,012	7,868	8,463	5,115
Unrestricted (deficit)	<u>(25,030)</u>	<u>(23,403)</u>	<u>8,601</u>	<u>9,595</u>	<u>11,538</u>	<u>10,450</u>	<u>15,510</u>	<u>15,211</u>	<u>11,549</u>	<u>14,006</u>
Total primary government net position	<u>\$ 58,485</u>	<u>\$ 58,922</u>	<u>\$ 92,444</u>	<u>\$ 95,353</u>	<u>\$ 99,343</u>	<u>\$ 100,060</u>	<u>\$ 98,530</u>	<u>\$ 99,101</u>	<u>\$ 97,691</u>	<u>\$ 93,135</u>

NOTE: In accordance with GASB 34, the County capitalized in fiscal year 2007 all major infrastructure assets acquired subsequent to July 1, 1980 and prior to June 30, 2003. Prior year information presented herein has not been restated to reflect this and prior period adjustment made during fiscal year 2007

SOURCE: Comprehensive Annual Financial Reports for the relevant year.

Santa Cruz County  
Changes in Net Position  
Last Ten Fiscal Years  
(Amounts in Thousands)  
(Accrual Basis of Accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Expenses</b>										
Governmental activities:										
General government	\$ 16,403	\$ 16,772	\$ 14,525	\$ 14,184	\$ 14,243	\$ 13,285	\$ 13,542	\$ 13,674	\$ 14,264	\$ 14,754
Public safety	14,854	16,431	16,043	15,420	17,894	14,733	12,986	14,631	12,961	8,789
Highways and streets	5,966	7,474	6,972	6,509	4,239	4,570	4,248	4,701	4,928	5,730
Health, welfare and sanitation	4,621	4,633	4,754	4,224	4,518	3,865	3,916	4,149	4,647	4,596
Education and economic opportunity	2,909	3,259	2,454	2,443	3,371	4,589	6,280	4,912	4,758	5,309
Recreation	202	152	165	139	141	121	208	329	354	302
Interest on long-term debt	3,141	2,810	2,899	2,983	2,965	2,767	4,220	1,976	63	52
Total governmental activities expenses	<u>48,096</u>	<u>51,531</u>	<u>47,812</u>	<u>45,902</u>	<u>47,371</u>	<u>43,930</u>	<u>45,400</u>	<u>44,372</u>	<u>41,975</u>	<u>39,532</u>
Business-type activities:										
Landfill	1,941	887	1,511	2,432	833	1,261	562	(342)	2,137	1,824
Total business-type activities expenses	<u>1,941</u>	<u>887</u>	<u>1,511</u>	<u>2,432</u>	<u>833</u>	<u>1,261</u>	<u>562</u>	<u>(342)</u>	<u>2,137</u>	<u>1,824</u>
Total primary government expenses	<u>50,037</u>	<u>52,418</u>	<u>49,323</u>	<u>48,334</u>	<u>48,204</u>	<u>45,191</u>	<u>45,962</u>	<u>44,030</u>	<u>44,112</u>	<u>41,356</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
General government	2,161	2,412	2,569	3,201	3,326	3,087	3,532	3,153	3,629	3,459
Public safety	244	450	399	920	400	218	395	307	262	854
Highways and streets	-	-	-	-	-	-	2	7	-	22
Health, welfare and sanitation	188	156	174	157	185	206	202	218	242	596
Education and economic opportunity	26	73	128	13	88	14	1	-	182	155
Recreation	9	9	8	6	11	10	6	8	14	5
Operating grants and contributions*	9,079	8,993	8,338	9,077	10,777	11,079	9,955	9,305	16,402	16,051
Capital grants and contributions	5,810	4,747	4,512	3,513	3,447	4,335	3,608	3,963	656	1,351
Total governmental activities program revenues	<u>17,517</u>	<u>16,840</u>	<u>16,128</u>	<u>16,887</u>	<u>18,234</u>	<u>18,949</u>	<u>17,701</u>	<u>16,961</u>	<u>21,387</u>	<u>22,493</u>
Business-type activities:										
Charges for services										
Landfill	2,062	1,993	1,600	1,269	968	1,001	610	1,683	2,266	2,137
Operating grants and contributions	-	-	94	-	-	-	20	8	-	-
Total business-type program revenues	<u>2,062</u>	<u>1,993</u>	<u>1,694</u>	<u>1,269</u>	<u>968</u>	<u>1,001</u>	<u>630</u>	<u>1,691</u>	<u>2,266</u>	<u>2,137</u>
Total primary government program revenues	<u>19,579</u>	<u>18,833</u>	<u>17,822</u>	<u>18,156</u>	<u>19,202</u>	<u>19,950</u>	<u>18,331</u>	<u>18,652</u>	<u>23,653</u>	<u>24,630</u>
<b>Net (expense) revenue</b>										
Governmental activities	(30,579)	(34,691)	(31,684)	(29,015)	(29,137)	(24,981)	(27,699)	(27,410)	(20,588)	(17,039)
Business-type activities	121	1,106	183	(1,163)	135	(260)	68	2,033	129	313
Total primary government activities net (expense) revenue	<u>(30,458)</u>	<u>(33,585)</u>	<u>(31,501)</u>	<u>(30,178)</u>	<u>(29,002)</u>	<u>(25,241)</u>	<u>(27,631)</u>	<u>(25,377)</u>	<u>(20,459)</u>	<u>(16,726)</u>

(continued)

Santa Cruz County  
Changes in Net Position  
Last Ten Fiscal Years  
(Amounts in Thousands)  
(Accrual Basis of Accounting)  
(continued)

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	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>General revenues and other changes in net position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 14,495	\$ 14,041	\$ 13,915	\$ 12,650	\$ 13,398	\$ 13,988	\$ 14,187	\$ 12,666	\$ 12,276	\$ 11,718
County general excise tax	2,654	2,504	2,685	2,596	2,646	2,571	2,519	2,961	-	-
County jail excise tax	2,654	2,504	2,685	2,594	2,642	2,609	2,446	2,951		
Share of state sales taxes-general government	2,621	2,421	2,426	2,197	2,018	2,272	779	1,127	8,035	11,677
Share of state sales taxes-welfare	2,062	2,033	2,024	2,019	2,047	1,589	1,540	2,037		
Share of state sales taxes-education							1,356	987		
Payments in lieu of taxes	1,073	932	978	980	956	834	324	1,360	578	571
Vehicle lieu tax unrestricted*	1,649	1,527	1,466	1,312	1,367	1,343	1,432	1,528	1,592	1,615
Share of state lottery revenue	550	1,100	-	-	-	-	304	522	-	-
Share of federal disproportionate revenue	-	-	-	-	-	-	-	215	-	-
Share of state overweight permits	802	783	754	702	-	-	-	-	-	-
Unrestricted grants and contributions	433	522	506	592	738	564	791	850	661	842
Investment earnings (loss)	59	14	130	98	68	205	730	(384)	771	884
Miscellaneous	378	377	855	402	531	747	754	531	252	67
Capital contributions	256	-	29	39	37	33	42	19	-	-
Transfers	150	(2)	(109)	(22)	(18)	(12)	-	-	-	(23)
Gain on sale of capital assets	315	4	134	-	-	9	-	-	-	-
Loss on disposal	-	-	-	-	(144)	-	-	-	-	(32)
Total governmental activities	<u>30,151</u>	<u>28,760</u>	<u>28,478</u>	<u>26,159</u>	<u>26,286</u>	<u>26,752</u>	<u>27,204</u>	<u>27,370</u>	<u>24,165</u>	<u>27,319</u>
Business-type activities:										
Grants and contributions	-	-	-	-	80					
Investment earnings	3	1	4	7	2	6	18	15	90	86
Gain on sale of capital assets	57									
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	(190)	2	109	22	18	12	-	-	-	23
Capital contributions	-	-	-	-	-	-	-	-	-	1
Total business-type activities	<u>(130)</u>	<u>3</u>	<u>113</u>	<u>29</u>	<u>100</u>	<u>18</u>	<u>18</u>	<u>15</u>	<u>90</u>	<u>110</u>
Total primary government	<u>30,021</u>	<u>28,763</u>	<u>28,591</u>	<u>26,188</u>	<u>26,386</u>	<u>26,770</u>	<u>27,222</u>	<u>27,385</u>	<u>24,255</u>	<u>27,429</u>
Changes in net position										
Governmental activities	(428)	(5,931)	(3,205)	(2,856)	(2,851)	1,771	(495)	(40)	3,577	10,280
Business-type activities	(9)	1,109	296	(1,134)	235	(242)	86	2,048	219	423
Total primary government	<u>\$ (437)</u>	<u>\$ (4,822)</u>	<u>\$ (2,909)</u>	<u>\$ (3,990)</u>	<u>\$ (2,616)</u>	<u>\$ 1,529</u>	<u>\$ (409)</u>	<u>\$ 2,008</u>	<u>\$ 3,796</u>	<u>\$ 10,703</u>

NOTE: In accordance with GASB 34, the County capitalized in fiscal year 2007 all major infrastructure assets acquired subsequent to July 1, 1980 and prior to June 30, 2003. Prior year information presented herein has not been restated to reflect this and other period adjustment made during fiscal year 2007.

SOURCE: Comprehensive Annual Financial Reports for the relevant year.

\*During FY 2008 and prior Vehicle lieu tax unrestricted was reported under Operating Grants & Contributions

Santa Cruz County  
Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(Amounts in Thousands)  
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	13,370	15,052	12,752	15,356
Nonspendable*	46	95	51	49	44	42	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	11,063	11,125	11,021	13,458	13,513	13,945	-	-	-	-
Subtotal general fund	<u>\$ 11,109</u>	<u>\$ 11,220</u>	<u>\$ 11,072</u>	<u>\$ 13,507</u>	<u>\$ 13,557</u>	<u>\$ 13,987</u>	<u>\$ 13,370</u>	<u>\$ 15,052</u>	<u>\$ 12,752</u>	<u>\$ 15,356</u>
All other governmental funds										
Reserved for:										
Prepaid items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds (deficits)	-	-	-	-	-	-	8,430	8,929	7,270	5,334
Nonspendable*	9	7	8	4	2	4	-	-	-	-
Restricted	7,997	9,486	11,872	12,360	16,295	9,724	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	34	52	192	110	370	521	-	-	-	-
Unassigned	(747)	(845)	(687)	(1,648)	(1,431)	(2,616)	-	-	-	-
Capital projects funds (deficits)	-	-	-	-	-	-	5,378	35,028	60	(63)
Nonspendable*	-	-	-	-	-	-	-	-	-	-
Restricted	226	270	60	155	108	61	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	59	53	-	-	-	-	-	-	-	-
Unassigned	(7)	(236)	-	-	(1)	(792)	-	-	-	-
Debt Service Assigned	202	99	98		242	236	493	2,129	1,792	445
Total all other governmental funds	<u>\$ 7,773</u>	<u>\$ 8,886</u>	<u>\$ 11,543</u>	<u>\$ 10,981</u>	<u>\$ 15,585</u>	<u>\$ 7,138</u>	<u>\$ 14,301</u>	<u>\$ 46,086</u>	<u>\$ 9,122</u>	<u>\$ 5,716</u>

\*Due to the implementation of GASB 54 in FY 2011 categories regarding fund balances have been redefined. See Note 1 pages 29-36 for further explanation of categories. See Note 2 page 36 for purpose details.  
SOURCE: Comprehensive Annual Financial Reports for the relevant year.

Santa Cruz County  
Changes in Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(Amounts in Thousands)  
(Modified Accrual Basis of Accounting)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenues:</b>										
Taxes	\$ 19,991	\$ 19,198	\$ 19,189	\$ 18,026	\$ 18,573	\$ 19,181	\$ 18,752	\$ 19,195	\$ 13,889	\$ 13,709
Intergovernmental	23,599	22,022	20,926	20,929	22,283	21,173	18,986	21,884	26,115	30,736
Licenses and permits	409	384	324	214	293	318	380	459	927	1,156
Charges for services	1,169	1,519	1,676	1,620	1,625	1,751	1,702	1,961	1,991	1,952
Fines and forfeits	1,050	1,197	1,278	2,464	2,092	1,466	2,056	1,273	933	1,207
Investment earnings	59	14	130	98	68	206	730	(384)	771	884
Rents	39	42	37	45	33	59	42	21	52	44
Contributions	-	-	-	-	-	-	-	-	-	-
Miscellaneous	342	337	817	357	497	688	712	520	705	285
Total revenues	<u>46,658</u>	<u>44,713</u>	<u>44,377</u>	<u>43,753</u>	<u>45,464</u>	<u>44,842</u>	<u>43,360</u>	<u>44,929</u>	<u>45,383</u>	<u>49,973</u>
<b>Expenditures:</b>										
Current:										
General government	15,091	13,379	13,840	13,605	13,885	14,807	12,843	12,856	13,564	15,512
Public safety	14,208	13,582	15,096	19,435	16,355	20,821	13,093	13,562	14,506	10,189
Highways and streets	4,543	6,816	4,872	3,707	3,607	3,068	3,020	4,187	3,836	10,818
Health, welfare and sanitation	4,710	4,625	4,738	4,230	4,425	3,790	3,823	4,027	4,543	4,723
Education and economic opportunity	2,779	3,132	2,421	2,404	3,331	4,572	6,308	4,886	4,732	5,275
Recreation	167	438	148	122	122	99	183	300	425	327
Capital outlay	-	-	-	-	-	-	29,818	22,249	3,985	2,683
Debt service:										
Principal	3,776	2,421	2,332	2,224	2,133	1,935	3,359	270	218	91
Interest and other charges	3,049	2,809	2,900	2,983	2,965	2,767	4,220	1,976	63	52
Total expenditures	<u>48,323</u>	<u>47,202</u>	<u>46,347</u>	<u>48,710</u>	<u>46,823</u>	<u>51,859</u>	<u>76,667</u>	<u>64,313</u>	<u>45,872</u>	<u>49,670</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,665)</u>	<u>(2,489)</u>	<u>(1,970)</u>	<u>(4,957)</u>	<u>(1,359)</u>	<u>(7,017)</u>	<u>(33,307)</u>	<u>(19,384)</u>	<u>(489)</u>	<u>303</u>
<b>Other financing sources (uses):</b>										
Pledged revenue refunding obligations proceeds	9,997	-	-	-	-	-	-	-	-	-
Payment to debt refinancing escrow agent	(9,798)	-	-	-	-	-	-	-	-	-
Loan proceeds (net of discounts)	-	-	-	-	9,300	-	-	59,172	-	-
Proceeds from sales of capital assets	-	-	134	-	-	11	-	11	-	-
Capital lease agreements	93	-	-	326	224	473	-	64	532	740
Transfers in	5,982	5,187	7,077	3,759	6,962	5,488	5,654	3,876	5,691	3,273
Transfers out	(5,832)	(5,189)	(7,132)	(3,781)	(6,980)	(5,500)	(5,654)	(3,876)	(5,691)	(3,296)
Proceeds from long-term notes	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>442</u>	<u>(2)</u>	<u>79</u>	<u>304</u>	<u>9,506</u>	<u>472</u>	<u>-</u>	<u>59,247</u>	<u>532</u>	<u>717</u>
<b>Net change in fund balances</b>	<u>\$ (1,223)</u>	<u>\$ (2,491)</u>	<u>\$ (1,891)</u>	<u>\$ (4,653)</u>	<u>\$ 8,147</u>	<u>\$ (6,545)</u>	<u>\$ (33,307)</u>	<u>\$ 39,863</u>	<u>\$ 43</u>	<u>\$ 1,020</u>
Debt service as a percentage of noncapital expenditures	14.12%	11.08%	11.29%	10.69%	10.89%	9.07%	16.18%	5.34%	0.67%	0.30%

SOURCE: Comprehensive Annual Financial Reports for the relevant year

Santa Cruz County  
General Government Revenues By Source  
Last Ten Fiscal Years

Fiscal Year	Taxes	Intergov- ernmental Revenues	Licenses and Permits	Charges for Services	Fines and Forfeits	Investment Earnings	Rents	Contributions and Miscellaneous	Total
2006-07 <sup>(1)</sup>	13,708,503	30,736,174	1,155,737	1,951,691	1,207,025	884,162	44,100	285,400	49,972,792
2007-08 <sup>(1)</sup>	13,889,123	26,114,526	927,316	1,990,784	932,840	770,585	52,000	704,489	45,381,663
2008-09 <sup>(1)</sup>	19,195,260	21,883,830	459,139	1,961,489	1,272,710	(384,314)	20,800	520,359	44,929,273
2009-10 <sup>(1)</sup>	18,751,562	18,986,451	379,875	1,702,014	2,055,828	729,567	42,000	712,482	43,359,779
2010-11 <sup>(1)</sup>	19,180,849	21,173,272	318,010	1,750,998	1,466,191	205,553	58,620	688,527	44,842,020
2011-12 <sup>(1)</sup>	18,572,950	22,282,885	293,019	1,624,831	2,091,593	67,877	33,391	497,579	45,464,125
2012-13 <sup>(1)</sup>	18,026,015	20,929,331	213,610	1,619,670	2,463,908	98,235	44,964	357,090	43,752,823
2013-14 <sup>(1)</sup>	19,188,991	20,925,579	324,466	1,675,691	1,277,530	130,325	37,437	816,763	44,376,782
2014-15 <sup>(1)</sup>	19,198,139	22,021,951	383,509	1,519,051	1,196,855	13,667	42,437	336,976	44,712,585
2015-16 <sup>(1)</sup>	19,990,913	23,598,765	408,765	1,169,039	1,049,694	59,353	39,177	341,966	46,657,672

NOTES:

<sup>(1)</sup> Includes the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Fund.

SOURCE: Basic financial statements.

Santa Cruz County  
General Government Revenues By Source  
(As a Percentage of Total)  
Last Ten Fiscal Years

Fiscal Year	Taxes	Intergov- ernmental Revenues	Licenses and Permits	Charges for Services	Fines and Forfeits	Investment Earnings	Rents	Contributions and Miscellaneous	Total
2006-07 <sup>(1)</sup>	27.43	61.50	2.31	3.91	2.42	1.77	0.09	0.57	100.00
2007-08 <sup>(1)</sup>	30.61	57.54	2.04	4.39	2.06	1.70	0.11	1.55	100.00
2008-09 <sup>(1)</sup>	42.72	48.71	1.02	4.37	2.83	(0.86)	0.05	1.16	100.00
2009-10 <sup>(1)</sup>	43.24	43.79	0.88	3.93	4.74	1.68	0.10	1.64	100.00
2010-11 <sup>(1)</sup>	42.77	47.22	0.71	3.90	3.27	0.46	0.13	1.54	100.00
2011-12 <sup>(1)</sup>	40.85	49.01	0.65	3.57	4.60	0.15	0.07	1.10	100.00
2012-13 <sup>(1)</sup>	41.20	47.84	0.49	3.70	5.63	0.22	0.10	0.82	100.00
2013-14 <sup>(1)</sup>	43.24	47.16	0.73	3.78	2.88	0.29	0.08	1.84	100.00
2014-15 <sup>(1)</sup>	42.94	49.25	0.86	3.40	2.68	0.03	0.09	0.75	100.00
2015-16 <sup>(1)</sup>	42.85	50.58	0.88	2.50	2.25	0.13	0.08	0.73	100.00

NOTES:

<sup>(1)</sup> Includes the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Fund.

SOURCE: Basic financial statements.

Santa Cruz County  
General Government Expenditures By Function  
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Highways and Streets	Health, Welfare and Sanitation	Education and Economic Opportunity	Recreation	Debt Service	Total
2006-07 <sup>(1)</sup>	15,512,469	10,188,891	10,818,202	4,723,017	5,275,053	326,817	143,102	46,987,551
2007-08 <sup>(1)</sup>	13,563,616	14,505,806	3,836,048	4,542,542	4,732,069	425,060	280,656	41,885,797
2008-09 <sup>(1)</sup>	12,856,447	13,562,453	4,186,599	4,026,549	4,885,684	300,356	2,245,343	42,063,431
2009-10 <sup>(1)</sup>	12,843,364	13,092,708	3,019,812	3,823,227	6,307,752	182,985	7,578,475	46,848,323
2010-11 <sup>(1)</sup>	14,807,146	20,820,966	3,067,846	3,790,279	4,572,614	98,941	4,701,642	51,859,434
2011-12 <sup>(1)</sup>	13,884,751	16,355,330	3,607,007	4,425,594	3,330,380	121,848	5,097,891	46,822,801
2012-13 <sup>(1)</sup>	13,604,846	19,433,945	3,706,853	4,230,295	2,404,393	122,428	5,207,220	48,709,980
2013-14 <sup>(1)</sup>	13,840,300	15,096,016	4,871,659	4,737,804	2,421,005	147,906	5,231,833	46,346,523
2014-15 <sup>(1)</sup>	13,378,702	13,581,726	6,816,505	4,624,765	3,131,769	437,707	5,230,166	47,201,340
2015-16 <sup>(1)</sup>	15,091,368	14,207,884	4,543,361	4,710,248	2,779,419	166,627	6,824,548	48,323,455

NOTES:

- <sup>(1)</sup> Includes the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Fund. Expenditures reported as capital outlay are not included.

SOURCE: Basic financial statements.



Santa Cruz County  
General Government Expenditures By Function  
(As a Percentage of Total)  
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Highways and Streets	Health, Welfare and Sanitation	Education and Economic Opportunity	Recreation	Debt Service	Total
2006-07 <sup>(1)</sup>	33.01	21.69	23.02	10.05	11.23	0.70	0.30	100.00
2007-08 <sup>(1)</sup>	32.38	34.63	9.16	10.84	11.30	1.02	0.67	100.00
2008-09 <sup>(1)</sup>	30.57	32.24	9.95	9.57	11.62	0.71	5.34	100.00
2009-10 <sup>(1)</sup>	27.41	27.95	6.45	8.16	13.46	0.39	16.18	100.00
2010-11 <sup>(1)</sup>	28.55	40.14	5.92	7.31	8.82	0.19	9.07	100.00
2011-12 <sup>(1)</sup>	29.66	34.93	7.70	9.45	7.11	0.26	10.89	100.00
2012-13 <sup>(1)</sup>	27.93	39.90	7.61	8.68	4.94	0.25	10.69	100.00
2013-14 <sup>(1)</sup>	28.34	28.77	14.44	9.80	6.63	0.93	11.08	100.00
2014-15 <sup>(1)</sup>	28.36	28.00	14.39	9.81	6.64	0.93	11.87	100.00
2015-16 <sup>(1)</sup>	31.23	29.40	9.40	9.75	5.75	0.34	14.13	100.00

NOTES:

- <sup>(1)</sup> Includes the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Fund. Expenditures reported as capital outlay are not included.

SOURCE: Basic financial statements.

## **REVENUE CAPACITY:**

Revenue capacity information is intended to assist users' understanding and assessment of the factors affecting a government's ability to generate own-source revenues. Intergovernmental Agreements and Property Taxes are the largest revenue sources for Santa Cruz County. Intergovernmental contributors include Federal and State Government Entities, Local Municipalities, and School Districts. Property Taxes are based on the annual assessment of property by Santa Cruz County's Assessor or the Arizona Department of Revenue.

Santa Cruz County  
Taxable Assessed Value and Estimated Actual Value of Property  
Last Ten Fiscal Years  
(Amounts in Thousands)

Fiscal Year	Commercial Property	Residential Property	Vacant Land	Other	Taxable Net Assessed Value	Total Direct Tax Rate	Estimated Limited Value	Assessed Value as a Percentage of Limited Value
06-07	111,208	126,820	41,918	209	280,155	4.0165	2,176,915	12.87%
07-08	120,000	147,112	45,386	233	312,731	3.8924	2,469,255	12.66%
08-09	123,958	174,659	53,806	263	352,686	3.7170	2,848,115	12.38%
09-10	129,492	197,372	62,795	284	389,943	3.5747	3,192,880	12.21%
10-11	103,762	242,772	69,570	366	416,470	3.4858	3,433,258	12.13%
11-12	95,038	190,399	72,600	229	358,266	3.4858	3,279,301	10.93%
12-13	93,281	176,954	73,525	317	344,077	3.4858	3,154,273	10.91%
13-14	87,089	160,104	65,464	297	312,954	4.2058	2,904,354	10.78%
14-15	87,926	146,635	59,364	278	294,203	4.4765	2,770,291	10.62%
15-16	86,930	144,969	55,977	263	288,139	4.6703	2,758,579	10.45%

SOURCES: Annual Budget, Abstract of the Assessment Roll published by Arizona Department of Revenue obtained through Assessor's Office.

Santa Cruz County  
Property Tax Rates—Direct and Overlapping Governments  
Last Ten Fiscal Years  
(Per \$100 of Assessed Value)

Fiscal Year	Santa Cruz County				Fire Districts				State of Arizona	Education Assistance
	County-Wide	Flood Control District	Fire District	Debt Service	Tubac	Rio Rico	Nogales Suburban	Sonoita Elgin		
2006-07	3.3050	0.6115	0.1000	0.0000	2.6400	2.7500	3.2500	0.0000	1.7394	0.0000
2007-08	3.1809	0.6115	0.1000	0.0000	2.6398	2.7485	3.2500	1.4990	1.6020	0.0000
2008-09	3.0142	0.6228	0.1000	0.0000	2.6389	2.9228	3.2500	1.5105	1.4622	0.0000
2009-10	2.8956	0.5791	0.1000	0.0000	3.3719	2.9986	3.2500	1.4182	1.3726	0.3306
2010-11	2.8215	0.5643	0.1000	0.0000	3.1392	2.9925	3.2500	1.4210	1.4797	0.3564
2011-12	2.8215	0.5643	0.1000	0.0000	3.2066	3.3320	3.2500	1.5200	1.7682	0.4259
2012-13	2.8215	0.5643	0.1000	0.0000	3.2583	3.6475	3.2500	1.6500	1.9585	0.4717
2013-14	3.4215	0.6843	0.1000	0.0000	3.2902	3.7517	3.2500	1.9800	2.1265	0.5123
2014-15	3.6471	0.7294	0.1000	0.0000	3.4000	3.7769	3.2500	2.1000	2.1123	0.5089
2015-16	3.8086	0.7617	0.1000	0.0000	3.4302	3.8295	3.2500	2.1200	2.0977	0.5054

SOURCE: Annual budgets.

Santa Cruz County  
Property Tax Rates—Direct and Overlapping Governments—  
School Districts  
Last Ten Fiscal Years  
(Per \$100 of Assessed Value)

Fiscal Year	Patagonia Union High School #20	Elementary Schools			Santa Cruz Valley Unified #35	Nogales Unified #1
		Patagonia #6	Sonoita #25	Santa Cruz #28		
2006-07	3.0535	4.4570	4.8545	7.4907	6.5803	7.3749
2007-08	2.4882	3.6476	4.6478	7.3503	6.8060	7.3555
2008-09	2.1217	3.3947	3.9152	7.1079	6.7135	6.4868
2009-10	2.1612	3.9584	4.9136	6.9068	6.7609	4.3349
2010-11	2.1566	3.1159	4.4055	5.0505	6.7557	4.4026
2011-12	2.2687	3.1483	4.0675	4.9061	6.7550	4.6789
2012-13	2.2503	3.1298	4.0675	4.5000	6.7238	5.1559
2013-14	2.1957	3.0708	4.0668	4.5000	6.2765	5.6064
2014-15	2.2462	3.6141	4.0605	5.5846	5.7221	5.8757
2015-16	2.3710	3.8950	4.0502	5.5846	5.7194	6.5549

SOURCE: Annual budgets.

Santa Cruz County  
Principal Property Taxpayers  
Last Ten Years  
(Amounts in Thousands)

Taxpayer	2016			2015			2014			2013			2012		
	Net Assessed Value	Rank	Percent of Total Net Assessed Secondary Value	Net Assessed Value	Rank	Percent of Total Net Assessed Secondary Value	Net Assessed Value	Rank	Percent of Total Net Assessed Secondary Value	Net Assessed Value	Rank	Percent of Total Net Assessed Secondary Value	Net Assessed Value	Rank	Percent of Total Net Assessed Secondary Value
Unisource Energy Corporation *							16,987.00	1	5.00%	16,670.00	1	4.44%	15,062.00	1	3.77%
Qwest Corporation *							1,929.00	5	0.57%	2,112.00	7	0.56%	2,979.00	3	0.75%
Wal-Mart Stores, Inc.	2,100,793.00	3	0.65%	2,234,889.00	3	0.69%	2,546.00	3	0.75%	2,270.00	5	0.60%	2,519.00	5	0.63%
Delta Properties LLP	4,724,880.00	1	1.46%	5,989,208.00	1	1.85%	5,770.00	2	1.70%	6,178.00	2	1.64%	5,197.00	2	1.30%
Union Pacific Railroad							2,498.00	4	0.73%	2,040.00	8	0.54%	1,926.00	7	0.48%
Mariposa Shopping Center LP *	2,196,930.00	2	0.68%	2,505,520.00	2	0.77%	1,745.00	6	0.51%	2,326.00	4	0.62%	1,832.00	9	0.46%
Tubac Management Co, LLC	1,384,996.00	7	0.43%	1,553,280.00	4	0.48%	1,744.00	7	0.51%	1,679.00	9	0.45%	1,859.00	8	0.47%
Nogales Plaza Shopping Center LP	1,455,934.00	4	0.45%	1,275,811.00	7	0.39%									
SOAC Properties Corporation	1,452,978.00	5	0.45%	1,542,782.00	5	0.48%	1,578.00	8	0.46%						
136 Vatore LLC										2,591.00	3	0.69%	2,126.00	6	0.53%
Rio Rico Properties										2,245.00	6	0.60%	1,591.00	10	0.40%
Crisantes Properties, LLC	1,448,922.00	6	0.45%	1,468,050.00	6	0.45%	1,433.00	10	0.42%	1,609.00	10	0.43%			
Rio Rico Utilities							1,462.00	9	0.43%						
Title Security Agency of Arizona													2,695.00	4	0.67%
Home Depot USA Inc.				1,007,670.00	8	0.31%									
Loma Linda Mall LLC				925,079.00	9	0.29%									
Rio Rico Pacific				886,138.00	10	0.27%									
HD Development of Maryland Inc.	989,395.00	8	0.31%												
Alta Real Estate, LLC	964,482.00	9	0.30%												
Palita Properties, LLC	828,341.00	10	0.26%												
Total	<u>\$ 17,547,651.00</u>		5.44%	<u>\$ 19,388,427.00</u>		5.99%	<u>\$ 37,692.00</u>		11.08%	<u>\$ 39,720.00</u>		10.57%	<u>\$ 37,786.00</u>		9.46%

\*Name Changed  
Source: Santa Cruz County Assessor's Office

\*Name Changed  
SOURCE: Arizona Department of Revenue, Central Information Services

Santa Cruz County  
Principal Property Taxpayers  
Last Ten Years  
(Amounts in Thousands)

Taxpayer	2011			2010			2009			2008			2007		
	Net Assessed Value	Rank	Percent of Total Net Assessed Secondary Value	Net Assessed Value	Rank	Percent of Total Net Assessed Secondary Value	Net Assessed Value	Rank	Percent of Total Net Assessed Secondary Value	Net Assessed Value	Rank	Percent of Total Net Assessed Secondary Value	Net Assessed Value	Rank	Percent of Total Net Assessed Secondary Value
City of Nogales				2,945.00	4	0.65%	2,767.00	5	0.74%						
Unisource Energy Corporation *	13,935.00	1	3.15%	14,303.00	1	3.17%	14,580.00	1	3.91%						
Qwest Corporation *	2,897.00	3	0.65%	3,230.00	3	0.72%	4,403.00	3	1.18%	15,211.00	1	4.45%	13,790.00	1	4.69%
Wal-Mart Stores, Inc.	2,554.00	6	0.58%	2,660.00	6	0.59%	3,225.00	4	0.86%	4,467.00	3	1.31%	5,356.00	4	1.82%
Delta Properties LLP	5,697.00	2	1.29%	4,374.00	2	0.97%	4,583.00	2	1.23%	3,824.00	5	1.12%	7,768.00	2	2.64%
Union Pacific Railroad	1,710.00	10	0.39%						-	5,756.00	2	1.68%	6,034.00	3	2.05%
Mariposa Shopping Center LP *	1,947.00	8	0.44%	2,119.00	8	0.47%	2,624.00	8	0.70%	-		-	-		-
Tubac Management Co, LLC	1,902.00	9	0.43%				2,137.00	9	0.57%	3,956.00	4	1.16%	3,586.00	7	1.22%
Nogales Plaza Shopping Center LP				1,966.00	10	0.44%	2,060.00	10	0.55%	2,633.00	9	0.77%	4,373.00	5	1.49%
Vatere LLC	2,611.00	5	0.59%	2,630.00	7	0.58%	2,694.00	6	0.72%	2,182.00	10	0.64%			
Rio Rico Properties	2,116.00	7	0.48%	2,023.00	9	0.45%									
Loma Linda Mall LLC *										3,143.00	6	0.92%			
Tucson Electric Power Co															
Edwards/PCF-Nogales LLC										2,827.00	8	0.83%			
Lawyers Title Agency of AZ, LLC							2,687.00	7	0.72%						
Rio Rico Utilities													4,084.00	6	1.39%
Title Security Agency of Arizona	2,695.00	4	0.61%	2,687.00	5	0.60%							3,195.00	9	1.09%
Mayer Alberto Family Limited															
Newhall Nogales General Printshop										2,938.00	7	0.86%			
Omega Nogales Property*													3,307.00	8	1.12%
Royal Sterilization Systems													2,343.00	10	0.80%
Total	<u>\$ 38,064.00</u>		8.60%	<u>\$ 36,250.00</u>		8.04%	<u>\$ 41,760.00</u>		10.45%	<u>\$ 46,937.00</u>		13.74%	<u>\$ 53,836.00</u>		18.31%

\*Name Changed  
Source: Santa Cruz County Assessor's Office

Santa Cruz County  
Property Tax Levies and Collections  
Last Ten Years

Fiscal Year	Primary Property Taxes	Secondary Property Total	Total Property Tax Levy	Property Taxes Collected			Percent of Levy	Subsequent Taxes Collected	Total Tax Collections To Date	Percent of Levy	Outstanding Delinquent Taxes Receivable <sup>(1)</sup>
				Within Fiscal Year of Levy							
				Primary	Secondary	Total					
2006-07	9,259,136	1,918,450	11,177,586	8,623,111	1,889,201	10,512,312	94.05	735,289	11,247,601	100.63	1,739,046
2007-08	9,947,132	2,242,325	12,189,457	9,497,528	2,171,670	11,669,198	95.73	320,894	11,990,092	98.36	1,887,672
2008-09	10,630,673	2,653,693	13,284,366	10,280,858	2,726,901	13,007,759	97.92	61,724	13,069,483	98.38	1,341,685
2009-10	11,291,178	2,868,608	14,159,786	10,976,580	2,677,899	13,654,479	96.43	758,807 <sup>(2)</sup>	14,413,286	101.79	1,762,137
2010-11	11,609,650	2,759,623	14,369,273	10,779,893	2,622,616	13,402,509	93.27	1,013,143 <sup>(3)</sup>	14,415,652	100.32	1,798,561
2011-12	10,795,615	2,489,025	13,284,640	11,027,773	2,196,355	13,224,128	99.54	1,525,502 <sup>(4)</sup>	14,749,630	111.03	1,853,248
2012-13	10,425,390	2,329,282	12,754,672	10,424,958	2,399,481	12,824,439	100.55	849,087 <sup>(5)</sup>	13,673,526	107.20	1,620,796
2013-14	11,576,873	2,473,562	14,050,435	10,103,854	2,329,991	12,433,845	88.49	240,177 <sup>(6)</sup>	12,674,022	90.20	1,652,912
2014-15	11,707,247	2,472,680	14,179,927	11,116,222	2,396,504	13,512,726	95.29	34,655 <sup>(7)</sup>	13,547,381	95.54	1,538,693
2015-16	12,087,325	2,494,180	14,581,505	11,420,682	2,412,240	13,832,922	94.87	31,329 <sup>(8)</sup>	13,864,251	95.08	1,317,553

NOTES:

<sup>(1)</sup> Amount was obtained from applicable years' financial statements and represents primary and secondary county tax levies receivable, net of uncollectible as of fiscal year-end.

<sup>(2)</sup> Subsequent Taxes Collected as of March 21, 2011.

<sup>(3)</sup> Subsequent Taxes Collected as of January 25, 2012

<sup>(4)</sup> Subsequent Taxes Collected as of March 13, 2013

<sup>(5)</sup> Subsequent Taxes Collected as of March 3, 2014

<sup>(6)</sup> Subsequent Taxes Collected as of September 30, 2014

<sup>(7)</sup> Subsequent Taxes Collected as of September 15, 2015

<sup>(8)</sup> Subsequent Taxes Collected as of September 26, 2016

Source: Annual Budgets



Santa Cruz County  
Assessed and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years  
(Amounts in Thousands)

<b>Fiscal Year</b>	<b>Net Assessed Value</b>	<b>Estimated Actual Value</b>	<b>Ratio of Net Assessed to Estimated Actual Value</b>
2006-07 Primary	280,155	2,176,915	12.87
2006-07 Secondary	294,247	2,283,668	12.88
2007-08 Primary	312,714	2,469,255	12.66
2007-08 Secondary	341,684	2,692,936	12.69
2008-09 Primary	352,686	2,848,115	12.38
2008-09 Secondary	404,366	3,266,623	12.38
2009-10 Primary	389,943	3,192,880	12.21
2009-10 Secondary	450,859	3,676,653	12.26
2010-11 Primary	411,476	3,433,258	11.99
2010-11 Secondary	442,665	3,667,071	12.07
2011-12 Primary	382,516	3,279,301	11.66
2011-12 Secondary	399,532	3,402,767	11.74
2012-13 Primary	369,498	3,154,273	11.71
2012-13 Secondary	375,670	3,199,700	11.74
2013-14 Primary	338,357	2,904,354	11.65
2013-14 Secondary	339,878	2,918,828	11.64
2014-15 Primary	320,999	2,770,291	11.59
2014-15 Secondary	323,844	2,794,839	11.59
2015-16 Primary	317,371	2,758,579	11.50
2015-16 Secondary	322,650	2,808,000	11.49

SOURCE: Tax Certification reports from Arizona Department of Revenue, Division of Property and Special Taxes, obtained from the Assessor's Office.

## **DEBT CAPACITY:**

Debt capacity information is intended to assist users' understanding and assessment of a government's debt burden and ability to issue debt. Understanding debt capacity allows users to assess an entity's economic condition.

Santa Cruz County  
Ratios of Outstanding Debt by Type  
To Personal Income and Per Capita  
Last Ten Years  
(Dollar Amounts in Thousands)

Fiscal Year	Governmental Activities			Business-Type Activities Capital Leases	Total Primary Government	Personal Income	Percentage of Personal Income	Population	Debt Per Capita
	Pledged Revenue Obligations	Capital Leases	Long-Term Loans Payable						
2006-2007	-	673	742	421	1,836	1,083,783	.17%	42,692	43
2007-2008	-	1,012	718	334	2,064	1,141,556	.18%	43,133	48
2008-2009	-	1,524	59,855	216	61,595	1,137,477 <sup>(1)</sup>	5.42%	43,771	1,407
2009-2010	-	1,230	56,790	117	58,137	1,194,102 <sup>(1)</sup>	4.87%	47,420	1,226
2010-2011	-	1,313	55,245	6	56,564	1,159,970 <sup>(1)</sup>	4.88%	47,539	1,189
2011-2012	-	1,159	62,790	-	63,949	1,201,845 <sup>(1)</sup>	5.32%	48,724	1,312
2012-2013	-	1,261	60,790	-	62,051	1,220,160 <sup>(1)</sup>	5.09%	49,200	1,261
2013-2014	-	1,009	58,710	-	59,719	1,289,709 <sup>(1)</sup>	4.63%	49,816	1,199
2014-2015	-	748	56,550	675	57,973	1,358,316 <sup>(1)</sup>	4.27%	50,495	1,148
2015-2016	9,989	581	44,225	718	55,513	1,418,082 <sup>(1)</sup>	3.91%	50,999	1,089

NOTE:

<sup>(1)</sup> Projected Estimate

SOURCE: Basic Financial Statements

Santa Cruz County  
 Computation of Direct and Overlapping Debt  
 Governmental Activities, Debt Outstanding  
 June 30, 2016  
 (Amounts in Thousands)

<b><u>Governmental Unit</u></b>	<b>Net Debt Outstanding</b>	<b>Percent Applicable to Santa Cruz</b>	<b>Amount Applicable to Santa Cruz</b>
<b>Other Debt</b>			
Santa Cruz County – Governmental Capital Lease	581	100	581
Santa Cruz County – Governmental Loans Payable	44,225	100	44,225
Santa Cruz County – Governmental Pledged Revenue Obligations	9,989	100	9,989

NOTE: Overlapping governments are those that coincide with the geographic boundaries of the County. All overlapping governments are 100% within the County's boundaries. This schedule estimates the portion of the outstanding debt borne by the residents and businesses of Santa Cruz County. When considering the County's ability to issue and repay long-term debt, the process should recognize the entire debt burden by the residents and businesses therein. However, this does not imply that every taxpayer is a resident of each government and therefore is responsible for the repayment of debt of each overlapping government.

SOURCE: Report of Indebtedness – published by Arizona Department of Revenue.

Santa Cruz County  
Legal Debt Margin  
Last Ten Years  
(Dollar Amounts in Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Assessed Value</b>	\$294,247	\$341,684	\$404,366	\$450,859	\$442,665	\$399,532	\$375,670	\$339,878	\$323,844	\$322,650
<b>Legal Debt Margin</b>										
Debt Limit (15% of assessed value)	44,137	51,253	60,655	67,629	66,400	59,930	56,351	50,982	48,577	48,398
Debt applicable to limit:										
General obligation bonds	-	-	-	-	-	-	-	-	-	-
Less: Net Position reserved for repayment of general obligation bonds	<u>(445)</u>	<u>(1,792)</u>	<u>(2,129)</u>	<u>(493)</u>	<u>(236)</u>	<u>(242)</u>	<u>(553)</u>	<u>(98)</u>	<u>(99)</u>	<u>(202)</u>
Total net debt applicable to the limit	<u>(445)</u>	<u>(1,792)</u>	<u>(2,129)</u>	<u>(493)</u>	<u>(236)</u>	<u>(242)</u>	<u>(553)</u>	<u>(98)</u>	<u>(99)</u>	<u>(202)</u>
Legal Debt Limit Margin	<u>(445)</u>	<u>(1,792)</u>	<u>(2,129)</u>	<u>(493)</u>	<u>(236)</u>	<u>(242)</u>	<u>(553)</u>	<u>(98)</u>	<u>(99)</u>	<u>(202)</u>
Total net debt applicable to the limit as a percentage of debt limit	(1.01)%	(3.50)%	(3.51)%	(0.73)%	(0.36)%	(0.40)%	(0.98)%	(0.19)%	(0.20)%	(0.42)%

SOURCE: Basic Financial Statements

Santa Cruz County  
Pledged Revenue Coverage  
Last Ten Fiscal Years

**Long Term Loan (Court and Judicial Facility: 2008-1 Project and Flood Control 2012 Series)  
and Pledged Revenue Obligations**

Fiscal Year	Revenues <sup>(1)</sup>	Debt Service		Coverage
		Principal	Interest	
2007*				
2008*				
2009	\$4,088,435		\$ 351,086	11.65
2010	3,297,621	\$ 530,000	1,111,013	2.01
2011	4,843,455	270,000	726,675	4.86
2012	4,124,254	435,000	881,663	3.13
2013	4,792,800	630,000	1,054,014	2.85
2014	5,110,986	655,000	1,029,048	3.03
2015	4,926,041	680,000	1,003,097	2.93
2016	5,274,692	710,000	784,859	3.53

**Long Term Loan (Jail District Detention Facility: 2008-2 Project)**

Fiscal Year	Jail District Revenues <sup>(2)</sup>	Less: Expenditures	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007*						
2008*						
2009	\$7,576,248	\$4,228,719	\$3,347,529		\$ 918,961	3.64
2010	9,833,114	3,315,668	6,517,446	\$2,535,000	3,039,978	1.17
2011	7,301,354	4,465,324	2,836,030	1,275,000	1,972,431	.87
2012	6,056,500	5,062,557	993,943	1,320,000	1,927,806	.31
2013	6,273,665	5,542,070	731,595	1,370,000	1,878,306	.23
2014	7,093,279	5,211,356	1,881,923	1,425,000	1,823,506	.58
2015	6,129,524	4,286,321	1,843,203	1,480,000	1,766,507	.57
2016	6,247,859	4,431,585	1,816,274	1,540,000	1,707,306	.56

SOURCE: Basic financial statements and debt retirement schedules.

\* The County did not have any outstanding debt with pledged revenues during the fiscal year.

(1) Includes excise tax revenues and state shared revenues, net of statutory claims.

(2) Includes Jail District excise tax revenues plus beginning fund balance and transfers in. Fund Balance represents unexpended pledged revenues and transfers in represents maintenance of effort payments made by the County.

## **DEMOGRAPHIC AND ECONOMIC INFORMATION:**

Demographic and economic information provides users an understanding of certain aspects of the environment and conditions in which a government operates. It provides comparative financial statement data over time and across governments.

This information helps readers assess a government's condition by providing knowledge on community expansion, population, changes in personal income, and unemployment. This data is useful to readers who assess economic condition.

Santa Cruz County  
Demographic Statistics-Economic Indicators  
Last Ten Years

Year	Population	Per Capita Income	Personal Income	School Enrollment	Civilian Labor Force	Unemployment Rate
2007	42,692	25,386	1,083,783	11,183 <sup>(2)</sup>	16,100	6.7
2008	43,133	26,466	1,141,556	11,267 <sup>(3)</sup>	18,300	7.9
2009	43,771	25,987 <sup>(1)</sup>	1,137,477 <sup>(1)</sup>	10,611 <sup>(4)</sup>	18,150	14.2
2010	47,420	25,181 <sup>(1)</sup>	1,194,102 <sup>(1)</sup>	11,246 <sup>(5)</sup>	17,950	15.6
2011	47,539	24,400 <sup>(1)</sup>	1,159,970 <sup>(1)</sup>	11,028 <sup>(6)</sup>	18,975	16.5
2012	48,724	24,666 <sup>(1)</sup>	1,201,845 <sup>(1)</sup>	10,502 <sup>(7)</sup>	18,352	18.3
2013	49,200	24,800 <sup>(1)</sup>	1,220,160 <sup>(1)</sup>	10,719 <sup>(8)</sup>	17,917	17.3
2014	49,819	25,890 <sup>(1)</sup>	1,289,709 <sup>(1)</sup>	11,009 <sup>(9)</sup>	17,328	15.2
2015	50,495	26,900 <sup>(1)</sup>	1,358,316 <sup>(1)</sup>	10,885 <sup>(10)</sup>	19,907	11.0
2016	50,999	27,806 <sup>(1)</sup>	1,418,082 <sup>(1)</sup>	10,830 <sup>(11)</sup>	19,700	10.5

NOTES:

- <sup>(1)</sup> Projected Estimate.
- <sup>(2)</sup> School enrollment as of September 27, 2006.
- <sup>(3)</sup> School enrollment as of November 26, 2007.
- <sup>(4)</sup> School enrollment as of January 20, 2009.
- <sup>(5)</sup> School enrollment as of April 30, 2010.
- <sup>(6)</sup> School enrollment as of February 28, 2011.
- <sup>(7)</sup> School enrollment as of June 30, 2012.
- <sup>(8)</sup> School enrollment as of June 30, 2013.
- <sup>(9)</sup> School enrollment as of September 30, 2014.
- <sup>(10)</sup> School enrollment as of September 30, 2015.
- <sup>(11)</sup> School enrollment as of September 30, 2016.

SOURCES: Annual reports of the Superintendent of Public Instruction; Bureau of Economic Analysis—United States Department of Commerce; Arizona Economic indicators Fall Edition, published by the University of Arizona



Santa Cruz County  
Principal Employers  
Last Ten Years

Employer	2016			2015			2014			2013			2012		
	Employees	Rank	Percent of Total Work Force	Employees	Rank	Percent of Total Work Force	Employees	Rank	Percent of Total Work Force	Employees	Rank	Percent of Total Work Force	Employees	Rank	Percent of Total Work Force
Nogales Unified School District #1	567	2	2.9%	563	2	2.8%	567	2	3.3%	603	2	3.4%	562	2	3.1%
US Border Patrol	651	1	3.3%	670	1	3.4%	716	1	4.1%	735	1	4.1%	751	1	4.1%
Super Wal-Mart	398	4	2.0%	430	4	2.2%	421	4	2.4%	487	3	2.7%	466	4	2.5%
US Customs and Border Protection	440	3	2.2%	457	3	2.3%	490	3	2.8%	470	4	2.6%	482	3	2.6%
Santa Cruz County	331	6	1.7%	309	6	1.6%	400	6	2.3%	411	5	2.3%	419	6	2.3%
Santa Cruz Valley Unified School District #35	389	5	2.0%	386	5	1.9%	434	5	2.5%	401	6	2.2%	430	5	2.3%
City of Nogales	300	7	1.5%	269	7	1.4%	295	7	1.7%	288	7	1.6%	275	7	1.5%
Carondelet Health Network - Holy Cross Hospital	170	10	0.9%	178	10	0.9%	172	10	1.0%	217	9	1.2%	175	9	1.0%
Mariposa Community Health Center, Inc.	262	8	1.3%	248	8	1.2%	242	8	1.4%	237	8	1.3%	228	8	1.2%
Tubac Golf Resort	176	9	0.9%	190	9	1.0%	192	9	0.0%	N/A	N/A	N/A	N/A	N/A	N/A
Total	3,684		18.7%	3,700		18.6%	3,929		21.5%	3,849		21.4%	3,788		20.6%
Total Work Force	19,700			19,907			17,328			17,917			18,352		

Employer	2011			2010			2009			2008			2007		
	Employees	Rank	Percent of Total Work Force	Employees	Rank	Percent of Total Work Force	Employees	Rank	Percent of Total Work Force	Employees	Rank	Percent of Total Work Force	Employees	Rank	Percent of Total Work Force
Nogales Unified School District #1	591	1	3.1%	683	2	3.8%	620	1	3.4%	700	1	3.8%	695	2	4.3%
US Border Patrol	N/A	N/A	N/A	737	1	4.1%	N/A	N/A	N/A	638	2	3.5%	975	1	6.1%
Super Wal-Mart	412	4	2.2%	500	4	2.8%	530	3	2.9%	600	3	3.3%	644	3	4.0%
US Customs and Border Protection	440	2	2.3%	390	5	2.2%	N/A	N/A	N/A	425	5	2.3%	359	6	2.2%
Santa Cruz County	373	5	2.0%	387	6	2.2%	406	4	2.2%	390	6	2.1%	418	5	2.6%
Santa Cruz Valley Unified School District #35	430	3	2.3%	584	3	3.3%	608	2	3.3%	450	4	2.5%	430	4	2.7%
City of Nogales	280	6	1.5%	327	7	1.8%	316	5	1.7%	309	7	1.7%	307	7	1.9%
Carondelet Health Network - Holy Cross Hospital	206	8	1.1%	206	9	1.1%	245	6	1.3%	264	8	1.4%	242	8	1.5%
Mariposa Community Health Center, Inc.	233	7	1.2%	209	8	1.2%	215	7	1.2%	198	10	1.1%	198	9	1.2%
Tubac Golf Resort	170	9	0.9%	160	10	0.9%	N/A	N/A	N/A	200	9	1.1%	180	10	1.1%
Canchola Group				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	3,135		16.5%	4,183		23.3%	2,940		16.0%	4,174		22.8%	4,448		27.6%
Total Work Force	18,975			17,950			18,300			18,300			16,100		

Sources: www.azstarnet.com/sn/star200; phone call & e-mail surveys to local employees

Sources: www.azstarnet.com/sn/star200; www.cochise.edu/cer; phone call & e-mail surveys to local employees

Santa Cruz County  
Employment Statistics  
Last Ten Years

Type of Employment	2016		2015		2014		2013		2012	
	Employees	Percent of Total	Employees	Percent of Total	Employees	Percent of Total	Employees	Percent of Total	Employees	Percent of Total
Goods-Producing	704	5.30%	700	5.27%	600	4.52%	625	5.03%	650	4.91%
Trade, Transportation, and Utilities	5,618	42.31%	5,950	44.82%	5,550	41.81%	5,300	42.66%	5,825	44.13%
Other Private Service-Producing	3,196	24.07%	3,025	22.79%	2,925	22.03%	2,600	20.92%	2,675	20.27%
Federal Government	1,623	12.22%	1,650	12.43%	1,750	13.18%	1,800	14.49%	1,825	13.83%
State Government	<u>2,137</u>	<u>16.10%</u>	<u>1,950</u>	<u>14.69%</u>	<u>2,075</u>	<u>16.09%</u>	<u>2,100</u>	<u>16.90%</u>	<u>2,225</u>	<u>16.86%</u>
	<u>13,278</u>	<u>100%</u>	<u>13,275</u>	<u>100%</u>	<u>12,900</u>	<u>100%</u>	<u>12,425</u>	<u>100%</u>	<u>13,200</u>	<u>100%</u>

Type of Employment	2011		2010		2009		2008		2007	
	Employees	Percent of Total	Employees	Percent of Total	Employees	Percent of Total	Employees	Percent of Total	Employees	Percent of Total
Goods-Producing	750	5.86%	825	6.8%	900	7.1%	950	6.5%	1,100	8.2%
Trade, Transportation, and Utilities	4,950	38.67%	4,850	39.9%	5,375	42.6%	6,250	42.8%	4,925	36.5%
Other Private Service-Producing	3,100	24.22%	2,800	23.0%	2,750	21.8%	3,700	25.4%	4,075	30.2%
Federal Government	1,725	13.48%	1,600	13.2%	1,575	12.5%	1,525	10.4%	1,400	10.4%
State Government	<u>2,275</u>	<u>17.77%</u>	<u>2,075</u>	<u>17.1%</u>	<u>2,025</u>	<u>16.0%</u>	<u>2,175</u>	<u>14.9%</u>	<u>1,975</u>	<u>14.7%</u>
	<u>12,800</u>	<u>100%</u>	<u>12,150</u>	<u>100.0%</u>	<u>12,625</u>	<u>100.0%</u>	<u>14,600</u>	<u>100.0%</u>	<u>13,475</u>	<u>100.0%</u>

Sources: Arizona Economic Indicators Fall Edition, published by the University of Arizona-Economic and Business Research [www.workforce.az.gov/currentemployment-statistics](http://www.workforce.az.gov/currentemployment-statistics)

Santa Cruz County  
Demographic Statistics-  
Sales, Construction, and Bank Deposits  
Last Ten Years  
(Dollar Amounts in Thousands)

Year	Sales <sup>(1)</sup>		Construction Awards	Number of Dwelling Units Awarded	Bank Deposits
	Construction	Retail Trade			
2007	120,801	533,154	109,653	764	794,000
2008	103,134	507,324	60,056	567	753,000
2009	128,347	411,854	30,439	395	775,352
2010	62,274	404,372	27,614	394	835,032
2011	54,042	301,465	21,834	283	843,570
2012	83,200	299,091	31,354	314	871,385
2013	61,454	303,458	12,602	259	908,522
2014	58,457	323,635	28,540	278	753,881
2015	41,929	323,169	38,758	388	847,350
2016	33,807	340,372	36,358	436	918,691

NOTE:

<sup>(1)</sup> Information reported for fiscal years ended June 30.

SOURCES: Arizona Department of Revenue Annual Report.  
Report of building or zoning permits issued and local public construction.  
Federal Deposit Insurance Corporation Web site.

## **OPERATING INFORMATION:**

Operating information provides contextual information about a government's operations and resources. Examples of operating information include basic information on the capital resources used during government operations; and service information that helps evaluate the entity's size. This allows users to understand and assess a government's economic condition when using financial information.

Santa Cruz County  
Employees by Function  
Last Ten Years

151	Governmental Activities							Business-Type	Total Employees in all Functions		
	Fiscal Year	General Government	Public Safety	Highways and Streets	Health and Welfare	Recreation	Education and Economic Opportunity	Total		Activities	
										Sanitation Landfill Enterprise	
	06-07	195.25	110	40.25	21	7	26.5	400		18	418
	07-08	184	111	38	20	6	19	378		12	390
	08-09	155	135	40	20	6	21	377		13	390
	09-10	184	104	36	19	1	31	375		12	387
	10-11	168	125	36	16	1	16	362		11	373
	11-12	182	136	31	17	1	16	383		13	396
	12-13	164	136	28	18	1	16	363		14	377
13-14	165	119	30	16	1	16	347	10	357		
14-15	162	114	27	17	1	18	339	9	348		
15-16	162	102	27	18	1	15	325				

SOURCE: Santa Cruz County: Salary Vacation & Comp-Time Report

Santa Cruz County  
Operating Indicators  
Last Ten Fiscal Years

<b>YEAR OF INCORPORATION:</b>	1899
<b>FORM OF GOVERNMENT:</b>	Body political county of State of Arizona Pursuant to Arizona Revised Statutes
<b>AREA:</b>	1,246 Square miles

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>MILES OF STREETS</b>										
Paved	430.00	405.47	405.47	425.38	425.00	425.38	425.38	422.16	412.32	408.43
Unpaved	389.00	331.52	331.52	316.64	316.00	316.64	316.64	292.84	317.67	321.91
<b>REGISTERED VOTERS</b>										
Democrat	24,866	26,784	26,023	25,023	23,296	23,607	22,246	23,205	24,132	22,146
Democrat	51.89%	47.86%	49.32%	53.90%	50.81%	51.37%	52.63%	53.35%	54.93%	54.87%
Republican	16.84%	15.56%	15.99%	17.64%	16.96%	16.98%	17.38%	18.39%	19.06%	19.49%
<b>NUMBER OF JUDICIAL COURTS</b>										
Superior Court Department	1	1	1	1	1	1	1	1	1	1
Justice of Peace Courts	2	2	2	2	2	2	2	2	2	2
<b>FLOOD PROTECTION</b>										
Flood control district	1	1	1	1	1	1	1	1	1	1
Number of employees	7	6	6	6	8	9	8	9	9	9
<b>SHERIFF PROTECTION</b>										
Number of stations	4	4	3	3	3	1	1	4	4	4
Number of employees	77	91	96	119	114	104	119	90	81	79
Major crimes	170	206	76	207	271	285	460	586	418	430
Vehicular patrol units	33	33	16	25	56	25	25	32	27	27
<b>SANITARY LANDFILLS</b>										
Number of landfills	1	1	2	2	2	2	2	2	2	2
<b>NUMBER OF PARKS</b>										
Neighborhood parks	8	8	8	8	8	8	8	8	8	8

SOURCE: Santa Cruz County Departments: Public Works, Records, Court Administration, Flood Control District, Sheriff, Landfill Enterprise, Recreation

Santa Cruz County  
Capital Assets Used in the Operation of Governmental Funds  
Last Ten Fiscal Years  
(Amounts in Thousands)

	2016	2015	2014	2013	2012*
<b>Governmental funds capital assets</b>					
Infrastructure	\$81,390	\$81,457	\$ 79,346	\$ 79,271	\$ 75,593
Land	22,347	22,343	22,343	22,343	22,343
Buildings	74,594	73,963	73,963	73,963	73,881
Improvements other than buildings	6,326	3,802	3,267	3,206	3,195
Construction equipment and vehicles	11,791	10,661	9,636	9,760	9,922
Furniture and equipment	11,113	11,251	11,097	11,452	10,728
Construction in progress	1,547	1,316	2,664	3,969	3,688
Total governmental funds capital assets	<u>\$209,108</u>	<u>\$204,793</u>	<u>\$ 202,316</u>	<u>\$ 203,964</u>	<u>\$ 199,350</u>

**Investments in governmental funds  
capital assets by source**

General Fund	\$ 19,147	\$ 18,720	\$ 18,148	\$ 18,589	\$ 18,267
Special Revenue Funds*	131,594	129,474	127,566	130,599	124,519
Capital Projects Funds	58,079	56,598	56,599	56,637	56,564
Capital Contributions	288	1	3	-	-
Total governmental funds capital assets	<u>\$209,108</u>	<u>\$204,793</u>	<u>\$ 202,316</u>	<u>\$ 205,825</u>	<u>\$ 199,350</u>

	2011	2010	2009	2008	2007
<b>Governmental funds capital assets</b>					
Infrastructure	\$ 70,992	\$ 70,712	\$ 70,463	\$ 70,356	\$ 67,645
Land	22,151	22,151	22,151	22,151	22,145
Buildings	73,098	12,396	12,010	12,010	11,992
Improvements other than buildings	3,177	3,176	3,175	3,037	2,962
Construction equipment and vehicles	10,450	10,065	9,805	9,799	8,870
Furniture and equipment	10,532	8,037	6,261	5,941	5,227
Construction in progress	3,607	58,122	29,779	6,796	4,590
Total governmental funds capital assets	<u>\$ 194,007</u>	<u>\$ 184,659</u>	<u>\$ 153,644</u>	<u>\$ 130,090</u>	<u>\$ 123,431</u>

**Investments in governmental funds  
capital assets by source**

General Fund	\$ 18,984	\$ 19,080	\$ 18,939	\$ 14,402	\$ 13,692
Special Revenue Funds	119,176	115,898	114,782	95,843	89,903
Capital Projects Funds	55,847	49,681	19,923	19,845	19,836
Capital Contributions	-	-	-	-	-
Total governmental funds capital assets	<u>\$ 194,007</u>	<u>\$ 184,659</u>	<u>\$ 153,644</u>	<u>\$ 130,090</u>	<u>\$ 123,431</u>

SOURCE: Comprehensive Annual Financial Reports for the relevant year

\*Amounts restated: GASB 34 Infrastructure in 2006 and beginning balance for infrastructure and land in 2012.