

SANTA CRUZ COUNTY, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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Santa Cruz County
 Comprehensive Annual Financial Report
 Fiscal Year Ended June 30, 2017

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ADMINISTRATIVE SERVICES SANTA CRUZ COUNTY

Mauricio A. Chavez, CMPI
Director

March 23, 2018

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, 2017. 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.

Profile of Santa Cruz County

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 20th 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.

Economic Condition and Outlook

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.

Major Initiatives

County Staff attended FEMA Training in Maryland to focus on new perspectives and tools that will serve the community in event of a disaster. The training spent at the National Training Facility in Emmitsburg, Maryland was a great learning experience for the participants from the County, but it was also a tremendous opportunity for team building and networking with key members of participating agencies.

The Public Works Department working in conjunction with the Santa Cruz Valley Unified 35 School District completed the installation of crosswalks on Avenida Coatimundi in Rio Rico. These link the pathway on the south side of Coatimundi to the neighborhoods and the middle school. Also, the Public Works Department completed a chip seal project in Rio Rico funded with federal Congestion Mitigation Air Quality (CMAQ) funds. The Arizona Department of Transportation administered the project which was completed at a cost of \$437,455. Seven miles of road in southeast Rio Rico was treated with a double application of chip seal.

The County was awarded over \$1.3 million in Community Development Block Grant funds for the Nogalitos project in Nogales. This joint City-County flood control project was named the number one priority by the City. It involves construction of a storm water detention basin and reconstruction of several streets in the Nogalitos Neighborhood.

The County Information Technology Department has been moving forward with major server improvements. The main Information Technology upgrades that happened during fiscal year 2017 revolved around our server infrastructure. We consolidated more than 50 servers and replaced them with one large and highly redundant server platform that is capable of running all systems. This consolidation resulted in a much more available and responsive system that use 85 percent less electricity. As we continue to evolve and further improve our IT infrastructure, the next year's focus will be on the disaster recovery plan.

Animal Care and Control received a Grant from the Arizona Companion Animal Spay and Neuter Committee in the amount of \$10,000. Funded through the sale of Pet Friendly-themed license plates, this grant was used to offset half of the cost to sterilize an owned dog or cat and adopted dogs or cats at the shelter. These funds help in the fight against pet homelessness and over population and further the goal of decreasing the number of animals surrendered at the shelter.

The County geographic information system (GIS) project continues 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.

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 transient apron repaving project at the Nogales International Airport was completed in FY17. In partnership with the Federal Aviation Administration and the Aeronautics Division of the State Department of Transportation, the project's budget was just over \$1.8 million of which the County's share was approximately 4.47%.

Financial Management and Information

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.

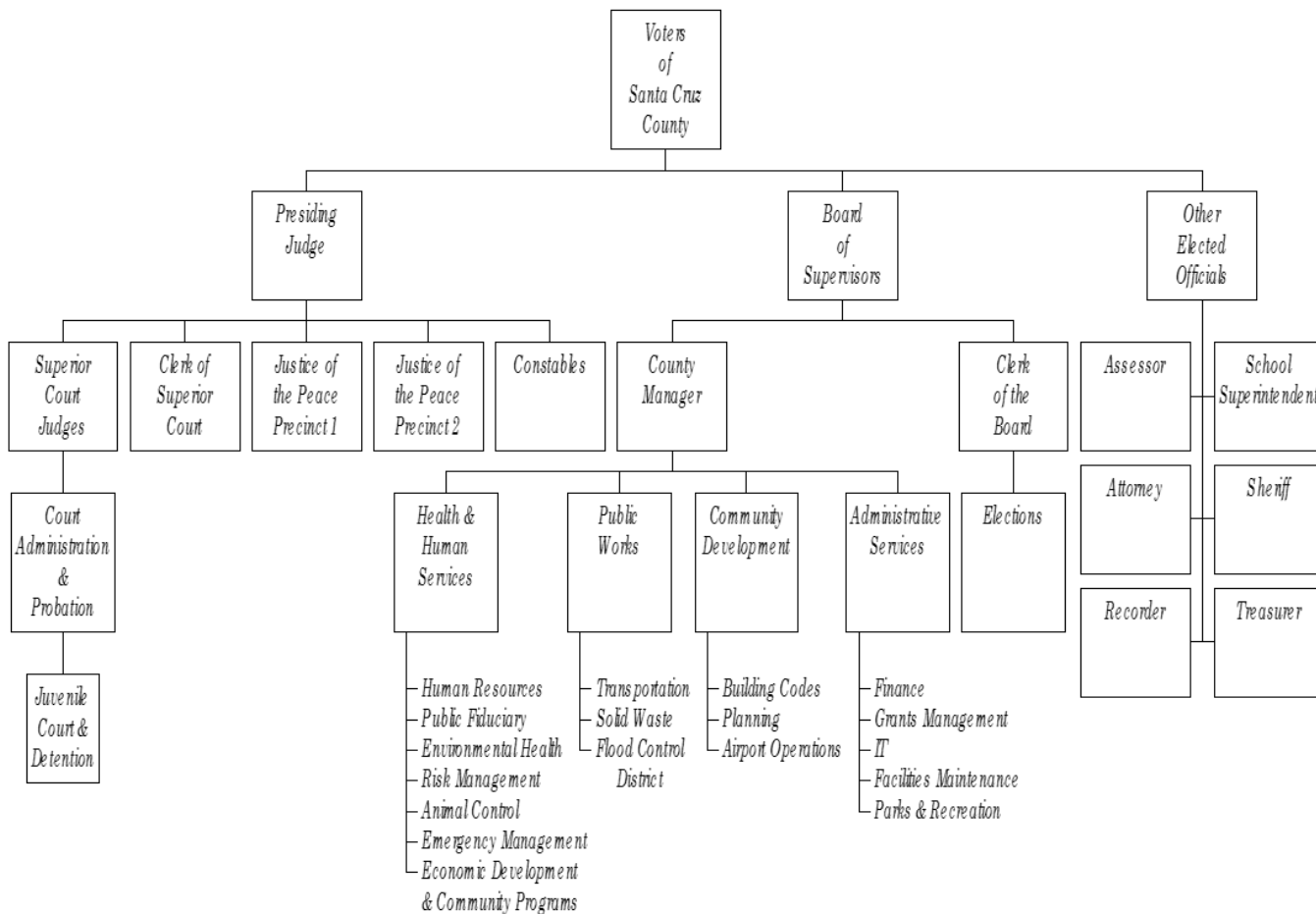
Acknowledgements

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,

Mauricio A. Chavez
Administrative Services Director

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

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2017, 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 described in note 2, the County restated beginning net position and fund balances of its financial statements for the year ended June 30, 2017, to correct misstatements in its previously issued financial statements. 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 78, schedule of the County's proportionate share of the net pension liability—cost-sharing pension plans on page 80, schedule of changes in the County's net pension liability and related ratios—agent pension plans on pages 81 through 82, schedule of county pension contributions on pages 83 through 84, 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 23, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's 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 23, 2018

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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, 2017, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by \$55,059,473 (net position). Of this amount, \$70.5 million is the net investment in capital assets (e.g., land, buildings, improvements, construction equipment and vehicles, furniture and equipment, infrastructure and construction in progress); \$13.3 million is restricted for specific purposes (restricted net position); and \$(28.7) 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 \$4,390,231.
- At June 30, 2017, total assets were \$152,301,648 compared to \$154,215,642, the restated balance at June 30, 2016. This is a \$1,913,994 or 1.2 percent decrease over the prior fiscal year.
- At June 30, 2017, total liabilities were \$104,546,622 compared to \$99,440,240 at June 30, 2016. This is a \$5,106,382 or 5.1 percent increase over the prior fiscal year.
- At June 30, 2017, total deferred outflows related to refunding debts were \$2,026,553 compared to \$887,483 at June 30, 2016. This is a \$1,139,070 or 128.4 percent increase over the prior fiscal year.
- At June 30, 2017, total deferred outflows related to pensions were \$9,049,921 compared to \$6,385,287 at June 30, 2016. This is a \$2,664,634 or 41.7 percent increase over the prior fiscal year.
- At June 30, 2017, total deferred inflows related to pensions were \$3,772,027 compared to \$2,598,468 at June 30, 2016. This is a \$1,173,559 or 45.2 percent increase over the prior fiscal year.
- At June 30, 2017, the governmental funds reported combined fund balances of \$19,767,311 or a decrease in fund balance of \$79,790, in comparison with the prior year's restated balance of \$19,847,101.
- At June 30, 2017, \$10,592,081 or 53.6 percent of governmental fund balances were restricted, \$347,606 or 1.8 percent were assigned, \$8,778,364 or 44.4 percent were unassigned, and \$49,260 or 0.2 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.

Santa Cruz County Management's Discussion and Analysis

- At June 30, 2017, unassigned fund balance for the general fund was \$9,222,167, approximately 41 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.

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

Santa Cruz County Management's Discussion and Analysis

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.

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, 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, 2017, compared to the prior year. Current and other assets and unrestricted deficit were restated for fiscal year 2017, and as a result, these amounts will not agree to the prior-year audited financial statements. Additional information on restated balances for fiscal year 2016 can be found in Note 2 on page 37.

Statement of Net Position
June 30, 2017 and 2016 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	Restated 2016	2017	2016	2017	Restated 2016
Current and other assets	\$ 24,518	\$ 23,531	\$ 2,636	\$ 1,583	\$ 27,154	\$ 25,114
Capital assets	<u>120,701</u>	<u>124,268</u>	<u>4,446</u>	<u>4,833</u>	<u>125,147</u>	<u>129,101</u>
Total assets	<u>145,219</u>	<u>147,799</u>	<u>7,082</u>	<u>6,416</u>	<u>152,301</u>	<u>154,215</u>
Deferred outflows of resources	<u>10,991</u>	<u>7,209</u>	<u>85</u>	<u>64</u>	<u>11,076</u>	<u>7,273</u>
Total deferred outflows of resources	<u>10,991</u>	<u>7,209</u>	<u>85</u>	<u>64</u>	<u>11,076</u>	<u>7,273</u>
Current and other liabilities	3,084	1,916	58	165	3,142	2,081
Long-term liabilities	<u>98,076</u>	<u>94,108</u>	<u>3,328</u>	<u>3,252</u>	<u>101,404</u>	<u>97,360</u>
Total liabilities	<u>101,160</u>	<u>96,024</u>	<u>3,386</u>	<u>3,417</u>	<u>104,546</u>	<u>99,441</u>
Deferred inflows of resources	<u>3,689</u>	<u>2,522</u>	<u>83</u>	<u>76</u>	<u>3,772</u>	<u>2,598</u>
Total deferred inflows of resources	<u>3,689</u>	<u>2,522</u>	<u>83</u>	<u>76</u>	<u>3,772</u>	<u>2,598</u>
Net Position						
Net investment in capital assets	66,653	69,644	3,829	4,115	70,482	73,759
Restricted net position	13,255	9,756	-	-	13,255	9,756
Unrestricted net position (deficit)	<u>(28,547)</u>	<u>(22,937)</u>	<u>(130)</u>	<u>(1,128)</u>	<u>(28,677)</u>	<u>(24,065)</u>
Total net position	<u>\$ 51,361</u>	<u>\$ 56,463</u>	<u>\$ 3,699</u>	<u>\$ 2,987</u>	<u>\$ 55,060</u>	<u>\$ 59,450</u>

At June 30, 2017, the County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by almost \$55.1 million (net position).

The largest portion (\$70.5 million or 128 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

Santa Cruz County Management's Discussion and Analysis

capital assets themselves will not be used to liquidate these liabilities. Restricted net position (\$13.3 million or 24.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance (\$28.7 million or negative 52.1 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 deferred outflows and inflows of resources and current and other liabilities that changed significantly over the prior year:

- Deferred outflows related to refunding debts – the \$1.1 million or 128.4 percent increase was largely due to an issuance of series 2017 pledged revenue refunding obligations to advance-refunded higher-interest rates of \$32 million of the GADA 2008-2 long-term loan.
- Deferred outflows/inflows related to pensions – the increase in deferred outflows of \$2.6 million or 41.7 percent and in deferred inflows of \$1.2 million or 45.2 were due to changes in actuarial estimates related to the net pension liability for the retirement plans that the County contributes to for its employees.
- Current and other liabilities – the \$1.2 million or 61 percent net increase consists of an increase of \$934 thousand in accounts payable and an increase of \$234 thousand in accrued payroll and employee benefits. These increases were as a result of additional purchases of goods and services and additional payroll days accrued at year-end.

The following provides an explanation of business-type activities current and other assets that changed significantly over the prior year:

Current and other assets – the \$1.1 million or 66.6 percent net increase consists of an increase of \$1.2 million in cash and investments and a decrease of \$119 thousand in accounts receivable. The net increase was largely due to an increase of \$264 thousand in operating revenues, a decrease of \$470 thousand in operating expenses and transfers out, and a decrease of \$281 thousand in purchases of capital assets.

Changes in Net position

The following table reflects the condensed Statement of Activities of the County for the year 2017 compared to the prior year. Sales taxes and state shared revenues for fiscal year 2016 were restated, and as a result these amounts will not agree to the prior-year audited financial statements. Additional information on restated balances for fiscal year 2016 can be found in Note 2 on page 37.

Santa Cruz County Management's Discussion and Analysis

Changes in Net Position
For the Years Ended June 30, 2017 and 2016 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	Restated 2016	2017	2016	2017	Restated 2016
Revenues:						
Program revenues:						
Charges for services	\$ 2,662	\$ 2,628	\$2,326	\$2,062	\$ 4,988	\$ 4,690
Operating grants and contributions	8,781	9,079	-	-	8,781	9,079
Capital grants and contributions	5,114	5,810	-	-	5,114	5,810
General revenues:						
Property taxes	13,915	14,496	-	-	13,915	14,496
County excise tax	5,147	5,304	-	-	5,147	5,304
Share of state sales taxes	4,755	5,028	-	-	4,755	5,028
Share of state overweight permits	833	802	-	-	833	802
State appropriations	550	550	-	-	550	550
Payments in lieu of taxes	1,080	1,073	-	-	1,080	1,073
VLT unrestricted	1,716	1,649	-	-	1,716	1,649
Grants and contributions not restricted to specific programs	63	433	-	-	63	433
Investment earnings	80	59	7	3	87	62
Miscellaneous	354	378	-	-	354	378
Gain on sale of capital assets	-	315	-	17	-	332
Capital contribution	-	256	-	-	-	256
Transfers	-	150	-	(150)	-	-
Total revenues	<u>45,050</u>	<u>48,010</u>	<u>2,333</u>	<u>1,932</u>	<u>47,383</u>	<u>49,942</u>
Expenses:						
General government	17,992	16,403	-	-	17,992	16,403
Public safety	15,862	14,854	-	-	15,862	14,854
Highways and streets	5,848	5,966	-	-	5,848	5,966
Health, welfare and sanitation	4,926	4,621	-	-	4,926	4,621
Education and economic opportunity	2,168	2,909	-	-	2,168	2,909
Recreation	267	202	-	-	267	202
Interest on long-term debt	3,089	3,141	-	-	3,089	3,141
Landfill	-	-	1,621	1,941	1,621	1,941
Total expenses	<u>50,152</u>	<u>48,096</u>	<u>1,621</u>	<u>1,941</u>	<u>51,773</u>	<u>50,037</u>
Changes in net position	(5,102)	(86)	712	(9)	(4,390)	(95)
Net position—beginning	<u>56,463</u>	<u>56,549</u>	<u>2,987</u>	<u>2,996</u>	<u>59,450</u>	<u>59,545</u>
Net position—ending	<u>\$51,361</u>	<u>\$56,463</u>	<u>\$3,699</u>	<u>\$2,987</u>	<u>\$55,060</u>	<u>\$59,450</u>

Overall, the County's governmental revenues decreased by almost \$2.9 million or 6.2 percent and expenses increased by \$2.1 million or 4.3 percent. The following provides an explanation of governmental activities revenues and expenses that changed significantly over the prior year:

Santa Cruz County Management's Discussion and Analysis

Capital grants and contributions – the \$696 thousand or 12 percent net decrease was primarily due to a decrease of \$1.1 million of federal and state grants received for the airport apron construction project which was completed in fiscal year 2017 and an increase of \$423 thousand of highway user revenues.

General government and public safety expenses – the \$1.6 million or 9.7 percent increase in general government expenses and \$1.0 million or 6.8 percent increase in public safety expenses was due to the refunding of PSPRS and EORP members of the Hall & Parker lawsuits. The County purchased required IT hardware and software and filled needed vacant positions.

Education and economic opportunity expenses – the \$741 thousand or 25.5 percent decrease was largely due to a substantial decrease in federal land payments.

Overall, the County's business-type operating revenues increased by \$264 thousand or 12.8 percent and operating expenses decreased by \$320 thousand or 16.5 percent. The following provides an explanation of business-type activities revenues and expenses that changed significantly over the prior year:

Landfill charges for services – the \$264 thousand or 12.8 percent increase was primarily due to additional services provided in the current year than the prior year.

Landfill operating expenses – The \$320 thousand or 16.5 percent net decrease was largely due to the upgrade of the landfill scale, software, and the installation of cameras to help secure the landfill and its revenues in fiscal year 2016.

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, 2017, the County's governmental funds reported combined fund balances of \$19,767,311, a decrease of \$79,790 in comparison with the restated prior year's balance. Of the combined fund balances, \$8,778,364 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 \$9,269,677. Unassigned fund balance represents 41 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 general government and public safety expenditures in the General Fund increased by \$1.3 million or 10.9 percent and \$839 thousand or 18.7 percent, respectively, and were primarily due to the refunding of PSPRS and EORP members of the Hall & Parker lawsuits and the purchase of IT hardware and software.

The intergovernmental revenues in the Jail District Fund decreased by \$419 thousand or 24.6 percent due mainly to a decrease in intergovernmental agreements signed with other governmental agencies to house inmates.

The fines and forfeitures revenue in the Criminal Justice Enhancement Fund increased by \$149 thousand or 61.4 percent due largely to an increase in the seizure of assets under the Anti-Racketeering program.

The highways and streets expenditures in the Road fund decreased by \$485 thousand or 10.9 percent due primarily to the Public Works Department completed several large projects in the previous two fiscal years.

General Fund Budgetary Highlights

General Fund actual expenditures were approximately \$6.5 million under the adopted budget and actual revenues were more than estimated revenues by \$817 thousand. 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 \$95,312 due largely to unexpected increases in indigent costs for legal fees, autopsies, and advertising. The Constable #1, Information Technology, Justice Court #1 and #2, and Recorder exceeded their budget by \$4,742, \$207,996, \$117,145, \$12,749 and \$9,416, respectively, due largely to an unbudgeted refunding expenditure resulting from the Hall & Parker PSPRS and EORP member lawsuits. 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.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2017, amounted to \$125.1 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 decrease of \$1.5 million which was solely related to the airport apron construction project completed in fiscal year 2017. The total project of \$1.8 million was transferred to infrastructure and \$362 thousand was incurred in fiscal year 2017.
- Buildings decreased by \$1.8 million and Improvements other than buildings decreased by \$514 thousand solely due to accumulated depreciation added during the fiscal year.

Santa Cruz County Management's Discussion and Analysis

- Construction equipment and vehicles decreased by \$484 thousand primarily due to the accumulated depreciation of \$962 thousand added during the fiscal year and the new purchased equipment of \$478 thousand. In addition, \$278 thousand fully depreciated construction equipment and vehicles were deleted during the fiscal year.
- Furniture and equipment decreased by \$71 thousand largely due to the accumulated depreciation of \$474 thousand added during the fiscal year and the new purchased equipment of \$403 thousand.
- Infrastructure increased by \$447 thousand mainly due to the completion of the airport apron construction project of \$1.8 million and the accumulated depreciation of \$1.4 million added during the fiscal year.

Capital Assets (Net of Depreciation) (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 22,347	\$ 22,347	\$ 230	\$ 230	\$ 22,577	\$ 22,577
Buildings	57,374	59,222	105	112	57,479	59,334
Improvements other than buildings	4,047	4,420	3,080	3,221	7,127	7,641
Construction equipment and vehicles	2,604	2,861	985	1,212	3,589	4,073
Furniture and equipment	747	806	46	58	793	864
Construction in progress	70	1,547	-	-	70	1,547
Infrastructure	<u>33,512</u>	<u>33,065</u>	<u>-</u>	<u>-</u>	<u>33,512</u>	<u>33,065</u>
Totals	<u>\$120,701</u>	<u>\$124,268</u>	<u>\$4,446</u>	<u>\$4,833</u>	<u>\$125,147</u>	<u>\$129,101</u>

Additional information on the County's capital assets can be found in Note 6 of the Notes to Financial Statements on pages 41-42 of this report.

Long-Term Debt

At June 30, 2017, the County had total long-term debt outstanding of \$101,404,505. This amount includes pledged revenue obligations of \$43.8 million, long-term notes of \$9.8 million, net pension liabilities of \$41.9 million, compensated absences payable of \$2.5 million, landfill closure and postclosure care costs payable of \$2.1 million, capital leases payable of \$1 million, and claims and judgments payable of \$258 thousand.

Additional information on the County's long-term debt can be found in Note 7 of the Notes to Financial Statements on pages 43-47 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 US President's immigration and trade policies, 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.
- Our largest industry is retail trade, unfortunately we had many businesses close during FY17; a trend we anticipate will continue in FY 18. The produce industry continues to be a major contributor to the regions' economy, but its unpredictability is well known. In an effort to reduce transportation costs and expedite produce deliveries, Hidalgo, Texas overtook Nogales as the southern border's number one port of entry for fresh produce. This has led into the continued shift of produce firms to that region, negatively impacting our employment base and economy. The Mariposa Port of Entry (POE) has not performed as promised to speed up entry into the U.S. primarily due to staffing shortages in US Customs and Border Protection.
- Despite border security and immigration policy dominating discussions on the national level, pedestrian border crossings at the Nogales POE increased 9% in 2017 compared to last year, however vehicular passengers decreased slightly. The crime level in Mexico increased this year compared to previous years, this trend may continue mainly due to the President's approach to immigration reform and border security.
- Construction of new commercial warehouse buildings started after years of inactivity, however 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, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current assets:			
Cash and investments	\$ 19,187,886	\$2,482,449	\$ 21,670,335
Property taxes receivable (net of allowance)	1,169,024		1,169,024
Due from other governmental units	3,951,926	2,935	3,954,861
Accounts receivable	159,735	151,044	310,779
Prepaid items	49,260		49,260
Noncurrent assets:			
Capital assets:			
Nondepreciable	22,417,559	229,996	22,647,555
Depreciable (net)	<u>98,283,548</u>	<u>4,216,286</u>	<u>102,499,834</u>
Total assets	<u>145,218,938</u>	<u>7,082,710</u>	<u>152,301,648</u>
Deferred Outflows of Resources			
Deferred outflows related to refunding debts	2,026,553		2,026,553
Deferred outflows related to pensions	<u>8,964,509</u>	<u>85,412</u>	<u>9,049,921</u>
Total deferred outflows of resources	<u>10,991,062</u>	<u>85,412</u>	<u>11,076,474</u>
Liabilities			
Accounts payable	2,186,207	48,023	2,234,230
Due to other governments	4,610		4,610
Accrued payroll and employee benefits	892,882	10,395	903,277
Noncurrent liabilities:			
Due within 1 year	4,114,668	118,709	4,233,377
Due in more than 1 year	<u>93,961,766</u>	<u>3,209,362</u>	<u>97,171,128</u>
Total liabilities	<u>101,160,133</u>	<u>3,386,489</u>	<u>104,546,622</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	<u>3,689,048</u>	<u>82,979</u>	<u>3,772,027</u>
Total deferred inflows of resources	<u>3,689,048</u>	<u>82,979</u>	<u>3,772,027</u>
Net Position			
Net investment in capital assets	66,653,450	3,828,807	70,482,257
Restricted for:			
Capital projects	269,229		269,229
Education	742,864		742,864
Flood control	2,416,340		2,416,340
Health	95,058		95,058
Judicial activities	2,572,778		2,572,778
Law enforcement	723,236		723,236
Social services	189,900		189,900
Highways and streets	3,721,739		3,721,739
Debt service	2,026,553		2,026,553
Other purposes	497,241		497,241
Unrestricted (deficit)	<u>(28,547,569)</u>	<u>(130,153)</u>	<u>(28,677,722)</u>
Total net position	<u>\$ 51,360,819</u>	<u>\$ 3,698,654</u>	<u>\$ 55,059,473</u>

See accompanying notes to financial statements.

Santa Cruz County
Statement of Activities
Year Ended June 30, 2017

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	\$ 17,992,175	\$ 2,146,063	\$ 1,646,743	\$ 345,586	\$ (13,853,783)		\$ (13,853,783)
Public safety	15,861,749	243,492	4,310,479		(11,307,778)		(11,307,778)
Highways and streets	5,848,245			4,768,504	(1,079,741)		(1,079,741)
Health, welfare and sanitation	4,925,526	178,465	1,042,470		(3,704,591)		(3,704,591)
Education and economic opportunity	2,168,022	85,390	1,781,356		(301,276)		(301,276)
Recreation	267,497	8,827			(258,670)		(258,670)
Interest on long-term debt	3,088,946				(3,088,946)		(3,088,946)
Total governmental activities	<u>50,152,160</u>	<u>2,662,237</u>	<u>8,781,048</u>	<u>5,114,090</u>	<u>(33,594,785)</u>		<u>(33,594,785)</u>
Business-type activities:							
Landfill	<u>1,620,845</u>	<u>2,325,583</u>				<u>704,738</u>	<u>704,738</u>
Total business-type activities	<u>1,620,845</u>	<u>2,325,583</u>				<u>704,738</u>	<u>704,738</u>
Total primary government	<u>\$ 51,773,005</u>	<u>\$ 4,987,820</u>	<u>\$ 8,781,048</u>	<u>\$ 5,114,090</u>	<u>\$ (33,594,785)</u>	<u>\$ 704,738</u>	<u>\$ (32,890,047)</u>
General revenues:							
Taxes							
Property taxes, levied for general purpose					11,846,752		11,846,752
Property taxes, levied for flood control district					2,067,982		2,067,982
County excise tax for general purpose					2,577,757		2,577,757
County excise tax for jail district					2,569,619		2,569,619
Share of state sales taxes					4,755,562		4,755,562
Share of state vehicle license tax					1,715,606		1,715,606
Share of state overweight permits					833,531		833,531
State appropriations					550,050		550,050
Payments in lieu of taxes					1,080,113		1,080,113
Grants and contributions not restricted to specific programs					62,752		62,752
Investment earnings					79,618	6,806	86,424
Miscellaneous					<u>353,668</u>		<u>353,668</u>
Total general revenues					<u>28,493,010</u>	<u>6,806</u>	<u>28,499,816</u>
Changes in net position					(5,101,775)	711,544	(4,390,231)
Net position—July 1, 2016, as restated					<u>56,462,594</u>	<u>2,987,110</u>	<u>59,449,704</u>
Net position—June 30, 2017					<u>\$ 51,360,819</u>	<u>\$ 3,698,654</u>	<u>\$ 55,059,473</u>

See accompanying notes to financial statements.

Santa Cruz County
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Jail District Fund	Criminal Justice Enhancement Fund
Assets			
Cash and investments	\$ 8,098,388	\$ 221	\$ 1,391,612
Property taxes receivable (net of allowances for uncollectibles)	985,828		
Due from other governmental units	1,505,867	584,443	556,402
Due from other funds	1,045,924		
Accounts receivable	89,137	1,104	10,588
Prepaid items	47,510		1,750
Total assets	\$ 11,772,654	\$ 585,768	\$ 1,960,352
Liabilities			
Accounts payable	\$ 1,086,978	\$ 116,455	\$ 44,479
Due to other governments			
Accrued payroll and employee benefits	513,617	141,240	53,025
Due to other funds		250,000	349,166
Total liabilities	1,600,595	507,695	446,670
Deferred Inflows of Resources			
Unavailable revenue—property taxes	896,868		
Unavailable revenue—intergovernmental	5,514		265,757
Unavailable revenue—miscellaneous			
Total deferred inflows of resources	902,382		265,757
Fund balances			
Nonspendable	47,510		1,750
Restricted		78,073	1,381,978
Assigned			
Unassigned	9,222,167		(135,803)
Total fund balances	9,269,677	78,073	1,247,925
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,772,654	\$ 585,768	\$ 1,960,352

See accompanying notes to financial statements.

<u>Road Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 3,820,596	\$ 5,877,069	\$ 19,187,886
	183,196	1,169,024
464,571	840,643	3,951,926
		1,045,924
6,278	52,628	159,735
		49,260
<u>\$ 4,291,445</u>	<u>\$ 6,953,536</u>	<u>\$ 25,563,755</u>
\$ 514,080	\$ 424,215	\$ 2,186,207
	4,610	4,610
55,626	129,374	892,882
	446,758	1,045,924
<u>569,706</u>	<u>1,004,957</u>	<u>4,129,623</u>
	165,541	1,062,409
	330,075	601,346
	3,066	3,066
	<u>498,682</u>	<u>1,666,821</u>
		49,260
3,721,739	5,410,291	10,592,081
	347,606	347,606
	(308,000)	8,778,364
<u>3,721,739</u>	<u>5,449,897</u>	<u>19,767,311</u>
<u>\$ 4,291,445</u>	<u>\$ 6,953,536</u>	<u>\$ 25,563,755</u>

Santa Cruz County
 Reconciliation of the Governmental Funds Balance Sheet
 to the Government-wide Statement of Net Position
 June 30, 2017

Fund balances—total governmental funds	\$ 19,767,311
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 \$210,095,850 and the accumulated depreciation is \$89,394,743	120,701,107
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds	1,666,821
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	\$ (38,970,000)
Pledged revenue obligations premium payable	(4,807,419)
Long-term loans payable	(9,845,000)
Compensated absences payable	(2,432,047)
Obligations under capital leases	(425,238)
Net pension liabilities	(41,338,821)
Estimated liabilities for claims and judgments	<u>(257,909)</u>
	(98,076,434)
Deferred outflows of resources related to long-term debts are applicable to future reporting periods and, therefore, are not reported in the funds	2,026,553
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds	<u>5,275,461</u>
Net position of governmental activities	<u>\$ 51,360,819</u>

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, 2017

	General Fund	Jail District Fund	Criminal Justice Enhancement Fund
Revenues:			
Taxes	\$ 14,533,918	\$ 2,569,619	
Intergovernmental	8,768,042	1,284,586	\$ 1,323,203
Licenses and permits	348,423		
Charges for services	552,493	4,433	93,960
Fines and forfeits	668,751		391,019
Investment earnings	53,087	1,756	764
Rents	41,546		
Miscellaneous	139,985	647	1,505
Total revenues	25,106,245	3,861,041	1,810,451
Expenditures:			
Current:			
General government	13,604,022		916,444
Public safety	5,315,085	4,300,600	741,176
Highways and streets			
Health, welfare and sanitation	2,938,388	270,467	
Education and economic opportunity	320,947		
Recreation	223,449		
Debt service:			
Principal retirement	94,133	1,600,000	
Interest and fiscal charges	2,424	2,271,799	
Total expenditures	22,498,448	8,442,866	1,657,620
Excess (deficiency) of revenues over expenditures	2,607,797	(4,581,825)	152,831
Other financing sources (uses):			
Pledged revenue refunding obligations proceeds		33,850,502	
Payment to debt refinancing escrow agent		(33,224,353)	
Transfers in	2,221	3,564,580	126,990
Transfers out	(5,205,085)		
Total other financing sources (uses)	(5,202,864)	4,190,729	126,990
Net change in fund balances	(2,595,067)	(391,096)	279,821
Fund balances, beginning of year, as restated	11,864,744	469,169	968,104
Fund balances, end of year	\$ 9,269,677	\$ 78,073	\$ 1,247,925

See accompanying notes to financial statements.

<u>Road Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
	\$ 2,089,394	\$ 19,192,931
\$ 5,581,468	5,234,626	22,191,925
		348,423
	492,218	1,143,104
	111,776	1,171,546
10,085	13,926	79,618
		41,546
<u>100,981</u>	<u>66,383</u>	<u>309,501</u>
<u>5,692,534</u>	<u>8,008,323</u>	<u>44,478,594</u>
	652,382	15,172,848
	2,884,408	13,241,269
3,952,178		3,952,178
	1,782,041	4,990,896
	1,681,248	2,002,195
		223,449
17,496	818,967	2,530,596
<u>2,349</u>	<u>794,530</u>	<u>3,071,102</u>
<u>3,972,023</u>	<u>8,613,576</u>	<u>45,184,533</u>
1,720,511	(605,253)	(705,939)
		33,850,502
		(33,224,353)
7,500	1,626,605	5,327,896
	(122,811)	(5,327,896)
<u>7,500</u>	<u>1,503,794</u>	<u>626,149</u>
1,728,011	898,541	(79,790)
<u>1,993,728</u>	<u>4,551,356</u>	<u>19,847,101</u>
<u>\$ 3,721,739</u>	<u>\$ 5,449,897</u>	<u>\$ 19,767,311</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, 2017

Net change in fund balances—total governmental funds		\$ (79,790)
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	\$ 1,223,029	
Less: current-year depreciation	<u>(4,810,960)</u>	(3,587,931)
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	(33,850,502)	
Refunding pledged revenue obligations premium amortized	22,439	
Deferred outflows related to refunding pledged revenue obligations amortized	(40,283)	
Principal repaid, including amounts paid to refunding escrow agent	<u>35,754,949</u>	1,886,603
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	(123,016)	
Increase in estimated liabilities for claims and judgments	<u>(182,909)</u>	(305,925)
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	2,422,532	
Pension expense	<u>(6,009,055)</u>	(3,586,523)
Collections of revenues in the governmental funds exceeded revenues reported in the Statement of Activities		
Property tax revenues	(130,821)	
Intergovernmental	(251,793)	
Charges for services	(836)	
Miscellaneous revenue	<u>(445)</u>	(383,895)
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	20,684	
Intergovernmental	931,936	
Miscellaneous revenue	<u>3,066</u>	<u>955,686</u>
Change in net position of governmental activities		\$ <u>(5,101,775)</u>

Santa Cruz County
Statement of Net Position
Propriety Funds
June 30, 2017

	Business-Type Activities - Enterprise Fund <u>Landfill</u>
Assets	
Current assets:	
Cash and investments	\$ 2,482,449
Due from other governmental units	2,935
Accounts receivable	<u>151,044</u>
Total current assets	<u>2,636,428</u>
Noncurrent assets:	
Capital assets	
Nondepreciable	229,996
Depreciable (net)	<u>4,216,286</u>
Total noncurrent assets	<u>4,446,282</u>
Total assets	<u>7,082,710</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions	<u>85,412</u>
Total deferred outflows of resources	<u>85,412</u>
Liabilities	
Current liabilities:	
Accounts payable	48,023
Accrued payroll and employee benefits	10,395
Obligations under capital leases—current portion	103,798
Compensated absences payable—current portion	<u>14,911</u>
Total current liabilities	<u>177,127</u>
Noncurrent liabilities:	
Landfill closure and postclosure care costs payable	2,111,455
Obligations under capital leases	513,677
Compensated absences payable	15,427
Net pension liability	<u>568,803</u>
Total noncurrent liabilities	<u>3,209,362</u>
Total liabilities	<u>3,386,489</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions	<u>82,979</u>
Total deferred inflows of resources	<u>82,979</u>
Net Position	
Net investment in capital assets	3,828,807
Unrestricted (deficit)	<u>(130,153)</u>
Total net position	<u><u>\$ 3,698,654</u></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, 2017

	Business-Type Activities— Enterprise Fund Landfill
Operating revenues:	
Landfill fees	\$ 2,324,884
Other	699
Total operating revenues	2,325,583
 Operating expenses:	
Personal services	299,647
Professional services	264,382
Supplies	29,131
Utilities	29,190
Repairs and maintenance	288,654
Insurance	3,952
Landfill closure and postclosure care costs	181,750
Depreciation	386,806
Other	114,355
Total operating expenses	1,597,867
 Operating income	727,716
 Nonoperating revenues (expenses):	
Investment earnings	6,806
Interest expense on capital leases	(22,978)
Total nonoperating revenues (expenses)	(16,172)
 Increase in net position	711,544
 Net position, July 1, 2016	2,987,110
 Net position, June 30, 2017	\$ 3,698,654

See accompanying notes to financial statements.

Santa Cruz County
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017

	Business-Type Activities— Enterprise Fund Landfill
Cash flows from operating activities	
Receipts from customers	\$ 2,444,193
Payments to suppliers and providers of goods and services	(829,933)
Payments to employees	(320,435)
Net cash provided by operating activities	1,293,825
Cash flows from capital and related financing activities	
Purchases of capital assets	(4,705)
Principal paid on capital leases	(100,579)
Interest paid on capital leases	(22,978)
Net cash used for capital and related financing activities	(128,262)
Cash flows from investing activities	
Interest received on investments	6,806
Net cash provided by investing activities	6,806
Net increase in cash and cash equivalents	1,172,369
Cash and cash equivalents, July 1, 2016	1,310,080
Cash and cash equivalents, June 30, 2017	\$ 2,482,449
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 727,716
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	386,806
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Due from other governmental units	(208)
Accounts receivable	118,818
Prepaid items	307
Deferred outflows related to pensions	(21,651)
Accounts payable	(100,576)
Compensated absences payable	(1,142)
Accrued payroll and employee benefits	(14,117)
Landfill closure and postclosure care costs payable	181,750
Deferred inflows related to pensions	6,658
Net pension liability	9,464
Net cash provided by operating activities	\$ 1,293,825

See accompanying notes to financial statements.

Santa Cruz County
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and investments	\$ 29,138,478	\$ 1,887,350
Total assets	<u>\$ 29,138,478</u>	<u>\$ 1,887,350</u>
Liabilities		
Due to other governmental units		\$ 251,500
Deposits held for others		<u>1,635,850</u>
Total Liabilities		<u>\$ 1,887,350</u>
Net Position		
Held in trust for investment trust participants	<u>\$ 29,138,478</u>	

See accompanying notes to financial statements.

Santa Cruz County
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2017

	<u>Investment Trust Funds</u>
Additions	
Contributions from participants	\$ 101,967,842
Investment earnings	<u>26,700</u>
Total additions	<u>101,994,542</u>
 Deductions	
Distributions to participants	<u>101,156,337</u>
Total deductions	<u>101,156,337</u>
Changes in net position	838,205
Net position, July 1, 2016	<u>28,300,273</u>
Net position, June 30, 2017	<u><u>\$ 29,138,478</u></u>

See accompanying notes to financial statements.

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Santa Cruz County
Notes to Financial Statements
June 30, 2017

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).

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.

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.

Santa Cruz County
Notes to Financial Statements
June 30, 2017

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 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:

Santa Cruz County
Notes to Financial Statements
June 30, 2017

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 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.

Santa Cruz County
Notes to Financial Statements
June 30, 2017

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.

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:

Santa Cruz County
Notes to Financial Statements
June 30, 2017

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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.

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.

Santa Cruz County
Notes to Financial Statements
June 30, 2017

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.

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

Santa Cruz County
Notes to Financial Statements
June 30, 2017

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 – Corrections of Misstatement—Prior Period Adjustments

Net position as of July 1, 2016, on the Statement of Activities and fund balance of General Fund and Jail District Fund as of July 1, 2016, on the Statement of Revenues, Expenditures, and Changes in Fund Balance have been restated for the corrections of the following accounting errors.

Government-wide statements

	Governmental Activities
Net position as of June 30, 2016, as previously reported	\$55,497,992
Correction of county sales tax revenue recognition	417,684
Correction of state shared sales tax revenue recognition	<u>546,918</u>
Net position as of July 1, 2016, as restated	<u>\$56,462,594</u>

Fund-based statements

	General Fund	Jail District Fund
Fund balance as of June 30, 2016, as previously reported	\$11,108,886	\$260,425
Correction of county sales tax revenue recognition	208,940	208,744
Correction of state shared sales tax revenue recognition	<u>546,918</u>	<u> </u>
Fund Balance as of July 1, 2016, as restated	<u>\$11,864,744</u>	<u>\$469,169</u>

Note 3 – Stewardship, Compliance, and Accountability

Deficit fund balances—At June 30, 2017, the following nonmajor funds reported deficits in fund balance:

Fund	Deficit
Governmental funds:	
Other governmental	
Special Revenue	
WIOA	\$81,005
Health Services	119,617
Capital Projects	
Airport	284
Other	20,567

Santa Cruz County
Notes to Financial Statements
June 30, 2017

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.

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, 2017, the carrying amount of the County's deposits was \$21,481,987, and the bank balance was \$22,275,802. Of the bank balance, \$1,809 was uninsured and

Santa Cruz County
Notes to Financial Statements
June 30, 2017

uncollateralized. The County does not have a formal policy related to custodial credit risk for deposits.

Investments—The County's investments at June 30, 2017, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	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)
Investments by fair value level				
U.S. Treasury securities	\$ 100,000	\$ 100,000		
Money market mutual funds	<u>16,689,269</u>	<u>16,689,269</u>		
Total investments by fair value level	\$16,789,269	<u>\$16,789,269</u>		
External investment pools measured at fair value				
State Treasurer's investment pool 5	\$14,416,767			
State Treasurer's investment pool 7	<u>3,052</u>			
Total investments measured at fair value		<u>\$31,209,088</u>		

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. 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, 2017, 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
Money market mutual fund	Aaa-mf	Moody's	16,689,269
State Treasurer's investment pool 5	AAAf/S1+	Standard and Poor's	14,416,767
State Treasurer's investment pool 7	Unrated	Not applicable	<u>3,052</u>
			<u>\$31,209,088</u>

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.

Santa Cruz County
Notes to Financial Statements
June 30, 2017

Interest rate risk—The County does not have a formal investment policy with respect to interest rate risk. At June 30, 2017, the County had the following investments in debt securities:

Investment Type	Amount	Weighted Average Maturity (In Years)
U.S. Treasury securities	\$ 100,000	3.63
Money market mutual fund	16,689,269	0.00
State Treasurer's investment pool 5	14,416,767	0.09
State Treasurer's investment pool 7	<u>3,052</u>	0.20
	<u>\$31,209,088</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	21,481,987
Amount of investments	<u>31,209,088</u>
Total	<u>\$52,696,163</u>

Statement of Net Position:

	Governmental Activities	Business- Type Activities	Investment Trust Funds	Agency Funds	Total
Cash and investments	<u>\$19,187,886</u>	<u>\$2,482,449</u>	<u>\$29,138,478</u>	<u>\$1,887,350</u>	<u>\$52,696,163</u>

Note 5 – Due From Other Governmental Units

Amounts due from other governmental units at June 30, 2017, for the County's individual major funds and nonmajor funds in the aggregate are shown as follows:

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	\$ 445,824	\$445,762					\$ 891,586
State shared sales tax	816,783						816,783
State vehicle license tax	69,854						69,854
State shared overweight permits				\$ 64,706			64,706
Highway user revenue				399,865			399,865
Federal and state reimbursement grants	86,839	132,288	\$555,755		\$840,572		1,615,454
Miscellaneous	<u>86,567</u>	<u>6,393</u>	<u>647</u>		<u>71</u>	<u>\$2,935</u>	<u>96,613</u>
	<u>\$1,505,867</u>	<u>\$584,443</u>	<u>\$556,402</u>	<u>\$464,571</u>	<u>\$840,643</u>	<u>\$2,935</u>	<u>\$3,954,861</u>

Santa Cruz County
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Note 6 – Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Primary Government			Balance June 30, 2017
	Balance July 1, 2016	Increases	Decreases	
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 22,347,201			\$ 22,347,201
Construction in progress	<u>1,546,756</u>	\$ 362,207	\$1,838,605	<u>70,358</u>
Total capital assets not being depreciated	<u>23,893,957</u>	<u>362,207</u>	<u>1,838,605</u>	<u>22,417,559</u>
Capital assets being depreciated:				
Buildings	74,594,594			74,594,594
Improvements other than buildings	6,326,271			6,326,271
Construction equipment and vehicles	11,790,961	478,243	254,632	12,014,572
Furniture and equipment	11,112,537	403,263	1,458	11,514,342
Infrastructure	<u>81,389,907</u>	<u>1,838,605</u>		<u>83,228,512</u>
Total capital assets being depreciated	<u>185,214,270</u>	<u>2,720,111</u>	<u>256,090</u>	<u>187,678,291</u>
Less accumulated depreciation for:				
Buildings	15,372,443	1,848,432		17,220,875
Improvements other than buildings	1,906,004	373,530		2,279,534
Construction equipment and vehicles	8,930,011	735,434	254,632	9,410,813
Furniture and equipment	10,306,788	462,095	1,458	10,767,425
Infrastructure	<u>48,324,627</u>	<u>1,391,469</u>		<u>49,716,096</u>
Total accumulated depreciation	<u>84,839,873</u>	<u>4,810,960</u>	<u>256,090</u>	<u>89,394,743</u>
Total capital assets being depreciated, net	<u>100,374,397</u>	<u>(2,090,849)</u>		<u>98,283,548</u>
Governmental activities capital assets, net	<u>\$124,268,354</u>	<u>\$(1,728,642)</u>	<u>\$1,838,605</u>	<u>\$120,701,107</u>

Santa Cruz County
Notes to Financial Statements
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	Primary Government			
	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 229,996	\$ _____	\$ _____	\$ 229,996
Total capital assets not being depreciated	229,996	_____	_____	229,996
Capital assets being depreciated:				
Buildings	246,067			246,067
Improvements other than buildings	4,383,102			4,383,102
Construction equipment and vehicles	2,643,600		23,462	2,620,138
Furniture and equipment	64,163	_____	_____	64,163
Total capital assets being depreciated	7,336,932	_____	23,462	7,313,470
Less accumulated depreciation for:				
Buildings	134,529	6,156		140,685
Improvements other than buildings	1,162,378	140,722		1,303,100
Construction equipment and vehicles	1,431,120	227,096	23,462	1,634,754
Furniture and equipment	5,813	12,832	_____	18,645
Total accumulated depreciation	2,733,840	386,806	23,462	3,097,184
Total capital assets being depreciated, net	4,603,092	(386,806)	_____	4,216,286
Business-type activities capital assets, net	\$ 4,833,088	\$ (386,806)	\$ _____	\$ 4,446,282
Depreciation expense was charged to functions as follows:				
Governmental activities:				
General government			\$ 958,541	
Public safety			1,781,508	
Highways and streets			1,939,741	
Health, welfare and sanitation			51,211	
Education and economic opportunity			34,912	
Recreation			45,047	
Total governmental activities depreciation expense			\$4,810,960	
Business-type activities:				
Landfill			\$ 386,806	
Total business-type activities depreciation expense			\$ 386,806	

Santa Cruz County
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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, 2017:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Due within 1 year</u>
Governmental activities					
Pledged revenue obligations payable	\$ 9,495,000	\$29,515,000	\$ 40,000	\$38,970,000	\$1,685,000
Pledged revenue obligations premium payable	494,356	4,335,502	22,439	4,807,419	332,118
Long-term loans payable	44,225,000		34,380,000	9,845,000	765,000
Obligations under capital leases	580,834		155,596	425,238	62,729
Net pension liabilities	36,928,701	4,410,120		41,338,821	
Compensated absences payable	2,309,031	1,148,076	1,025,060	2,432,047	1,086,912
Estimated liabilities for claims and judgments	75,000	480,715	297,806	257,909	182,909
Total governmental activities long-term liabilities	<u>\$94,107,922</u>	<u>\$39,889,413</u>	<u>\$35,920,901</u>	<u>\$98,076,434</u>	<u>\$4,114,668</u>
Business-type activities					
Obligations under capital leases	\$ 718,054		\$ 100,579	\$ 617,475	\$ 103,798
Net pension liabilities	559,339	\$ 9,464		568,803	
Compensated absences payable	44,455	17,524	31,641	30,338	14,911
Landfill closure and postclosure care costs payable	1,929,705	181,750		2,111,455	
Total business-type activities long-term liabilities	<u>\$ 3,251,553</u>	<u>\$ 208,738</u>	<u>\$ 132,220</u>	<u>\$ 3,328,071</u>	<u>\$ 118,709</u>

Pledged revenue refunding obligations payable—The County has issued pledged revenue refunding obligations that are generally callable with interest payable semiannually. The Series 2017 pledged revenue refunding obligations of \$29,515,000 were issued to refund the outstanding principal balance of \$32,045,000 relating to the Greater Arizona Development Authority (GADA) loan for the 2008-2 project. 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 GADA loan for the 2008-1 project.

Pledged revenue obligations payable at June 30, 2017, were as follows:

Description	Original Amount Issued	Interest Rates	Maturities	Outstanding Principal June 30, 2017
Santa Cruz Pledged Revenue Refunding Obligations, Series 2017	\$29,515,000	2%-5%	2018-2031	\$29,515,000
Santa Cruz Pledged Revenue Refunding Obligations, Series 2016	\$9,495,000	3%-4%	2018-2038	9,455,000
				<u>\$38,970,000</u>

Santa Cruz County
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The following schedule details debt service requirements to maturity for the County's pledged revenue obligations payable at June 30, 2017:

<u>Year Ending June 30</u>	Governmental Activities	
	Principal	Interest
2018	\$ 1,685,000	\$ 1,639,291
2019	1,720,000	1,598,012
2020	1,770,000	1,546,412
2021	1,820,000	1,493,763
2022	1,900,000	1,421,862
2023-2027	11,365,000	5,852,713
2028-2032	13,725,000	2,622,438
2033-2037	4,080,000	575,375
2038	905,000	28,281
Total	<u>\$38,970,000</u>	<u>\$16,778,147</u>

Long-term loans payable—The County's long-term loans payable includes 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 a loan agreement with the Greater Arizona Development Authority (GADA), the 2008-1 project. The purpose of the 2008-1 project loan is to provide funds for the construction of the court and judicial facility. The loan calls for annual principal payments and semi-annual interest payments.

Long-term loans payable at June 30, 2017, were as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding Principal July 1, 2016</u>	<u>Retirements</u>	<u>Outstanding Principal June 30, 2017</u>
2008-1 project	4.125%-5.00%	2018-2026	\$ 4,130,000	\$345,000	\$3,785,000
2012 series	3.82%	2018-2026	6,450,000	390,000	6,060,000
			<u>\$10,580,000</u>	<u>\$735,000</u>	<u>\$9,845,000</u>

The following schedule details debt service requirements to maturity for the County's loans payable at June 30, 2017:

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Notes to Financial Statements
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<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 765,000	\$ 410,717
2019	795,000	380,396
2020	830,000	347,946
2021	860,000	313,588
2022	895,000	277,476
2023-2026	<u>5,700,000</u>	<u>703,722</u>
Total	<u>\$9,845,000</u>	<u>\$2,433,845</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 2017, the County received general excise tax revenues of \$2,577,756 and state shared revenues net of other statutory claims of \$2,684,994 and the total principal and interest payments were \$40,000 and \$349,913 for the revenue refunding obligations, \$345,000 and \$193,025 for the 2008-1 loan and \$390,000 and \$246,390 for the 2012 loan. At June 30, 2017, future debt service requirements through final maturity at July 1, 2038, and July 1, 2026, respectively, totaled \$27,067,563 consisting of total principal and interest remaining to be paid on the revenue refunding obligations and the 2008-1 and 2012 loans of \$19,300,000 and \$7,767,563, respectively. Future principal and interest payments are expected to require 24 percent of pledged excise tax and state shared revenues.

For the series 2017 pledged revenue refunding obligations, the County has pledged the County's Jail District excise tax and the maintenance of effort payments from the County's General Fund toward the debt payments. For fiscal year 2017, the County received Jail District excise tax revenues of \$2,569,619 and made maintenance of effort payments of \$3,564,580. At June 30, 2017, future pledged revenues through final maturity at July 1, 2031, totaled \$40,959,428 consisting of \$29,515,000 for principal and \$11,444,428 for interest. Future principal and interest payments are expected to require 48 percent of pledged County's Jail District excise tax revenue and the maintenance of effort payments from the County's General Fund.

Refunded Partial 2008-2 - Loan Agreement with Greater Arizona Development Authority (GADA)—In June 2017, the County issued pledged revenue refunding obligations, series 2017, with interest rates between 2 percent and 5 percent to advance-refund higher-rates of the 2008-2 loan with interest rates between 4.25 percent and 5.25 percent. The County realized net proceeds of \$33,224,353 after payment of \$626,149 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:

Refunded Partial 2008-1 - Loan Agreement with GADA—The refunded debt had an outstanding balance of \$8,810,000 at June 30, 2017 that is considered defeased and not included in the County's financial statements.

Santa Cruz County
Notes to Financial Statements
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Amount of Pledged Revenue Refunding Obligations, Series 2017 issued	\$29,515,000
Series 2017 net premium	\$ 4,335,502
GADA refunded partial loan agreement, 2008-2 project	\$32,045,000
Reduction in debt service payments	\$ 4,507,334
Economic gain	\$ 3,770,014

Obligations under capital leases—The County has acquired a building, phone and construction 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:

	Governmental Activities	Business-Type Activities
Building	\$1,025,840	
Construction equipment	148,563	\$912,704
Furniture and equipment	549,784	
Less: accumulated depreciation	<u>825,067</u>	<u>287,064</u>
Carrying value	<u>\$ 899,120</u>	<u>\$625,640</u>

The following schedule details debt service requirements to maturity for the County's obligations under capital leases at June 30, 2017:

Year Ending June 30	Governmental Activities	Business-Type Activities
2018	\$ 71,202	\$123,557
2019	71,203	123,557
2020	71,204	123,558
2021	51,358	92,691
2022	51,358	219,599
2023-2025	<u>145,251</u>	
Total minimum lease payments	461,576	682,962
Less amount representing interest	<u>36,338</u>	<u>65,487</u>
Present value of net minimum lease payments	<u>\$425,238</u>	<u>\$617,475</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.

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The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$2,111,455 reported as landfill closure and postclosure care liability at June 30, 2017, represents the cumulative amount reported to date based on the use of 54 percent and 48 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 \$1,937,713 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 2017 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 2032 and Sonoita Elgin Landfill in 2083.

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—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2017, the County paid for compensated absences as follows: 56 percent from the General Fund, 15 percent from the Jail District Fund, 6 percent from the Criminal Justice Enhancement Fund, 5 percent from the Road Fund, 17 percent from the Other Governmental Funds, and 1 percent from the Enterprise Fund.

Claims and judgments—Claims and judgments are generally paid from the fund that accounts for the activity that gave rise to the claim. During fiscal year 2017, the County paid for claims and judgments from the General Fund. At June 30, 2017, the total claims and judgments payable of \$257,909 consists of \$75,000 of deductible reserves on reported claims and \$182,909 of refunds for PSPRS and EORP employee contributions.

Santa Cruz County
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June 30, 2017

Note 8 – Fund Balance Classifications of the Governmental Funds

The fund balance classifications of the governmental funds as of June 30, 2017, 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>
Fund balances:						
Nonspendable:						
Prepaid items	\$ 47,510	\$ _____	\$ 1,750	_____	\$ _____	\$ 49,260
Total nonspendable	<u>47,510</u>	_____	<u>1,750</u>	_____	_____	<u>49,260</u>
Restricted for:						
Capital projects					241,578	241,578
Education					487,719	487,719
Flood control					2,250,799	2,250,799
General government					511,769	511,769
Health					67,790	67,790
Judicial activities			1,200,474		1,195,089	2,395,563
Law enforcement		\$78,073	181,504		377,193	636,770
Social services					149,667	149,667
Streets and highways				\$3,721,739		3,721,739
Other purposes	_____	_____	_____	_____	<u>128,687</u>	<u>128,687</u>
Total restricted	_____	<u>78,073</u>	<u>1,381,978</u>	<u>3,721,739</u>	<u>5,410,291</u>	<u>10,592,081</u>
Assigned to:						
Capital projects					64,747	64,747
Debt service					205,672	205,672
Education					34,882	34,882
Health	_____	_____	_____	_____	<u>42,305</u>	<u>42,305</u>
Total assigned	_____	_____	_____	_____	<u>347,606</u>	<u>347,606</u>
Unassigned:	<u>9,222,167</u>	_____	<u>(135,803)</u>	_____	<u>(308,000)</u>	<u>8,778,364</u>
Total fund balances	<u>\$9,269,677</u>	<u>\$78,073</u>	<u>\$1,247,925</u>	<u>\$3,721,739</u>	<u>\$5,449,897</u>	<u>\$19,767,311</u>

Note 9 – Construction Commitments

At June 30, 2017, the County had a major contractual commitment related to the Rio Rico Drive/Pendleton Drive improvement project. As of June 30, 2017, the County has spent \$70,358 on this project and reported the total amount in construction in progress. An estimated cost to complete this project is approximately \$1.3 million. This project is predominantly financed by federal grant revenues.

Note 10 – 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

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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 entities' employees and their dependents. The County is responsible for paying a premium 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 11 – Pensions and Other Postemployment Benefits

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

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At June 30, 2017, the County reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net pension liabilities	\$41,338,821	\$568,803	\$41,907,624
Deferred outflows of resources	8,964,509	85,412	9,049,921
Deferred inflows of resources	3,689,048	82,979	3,772,027
Pension expense	6,009,055	11,853	6,020,908

The County's accrued payroll and employee benefits includes \$140,406 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2017. Also, the County reported \$2,422,532 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.

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 and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive 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.

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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, 2017, statute required active ASRS members to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 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 9.47 percent (9.17 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.09 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, 2017, were \$1,040,838. The County's OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

ASRS	Health benefit	Long-term
Year ended June 30	supplement fund	disability fund
2017	\$53,520	\$13,461
2016	47,690	11,571
2015	53,141	10,786

During fiscal year 2017, the County paid for ASRS pension and OPEB contributions as follows: 59 percent from the general fund, 9 percent from the Road Fund, 7 percent from the Criminal Justice Enhancement Fund, 4 percent from the Jail District Fund, 19 percent from other governmental funds, and 2 percent from the Landfill Fund.

Pension liability—At June 30, 2017, the County reported a liability of \$16,145,847 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. 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, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

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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, 2016. The County's proportion measured as of June 30, 2016, was 0.100030 percent, which was an increase of 0.000010 from its proportion measured as of June 30, 2015.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2017, the County recognized pension expense for ASRS of \$709,758. At June 30, 2017, 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	\$ 98,117	\$1,110,716
Changes of assumptions or other outputs		854,244
Net difference between projected and actual earnings on pension plan investments	1,749,672	
Changes in proportion and differences between county contributions and proportionate share of contributions	147,719	75,182
County contributions subsequent to the measurement date	<u>1,040,838</u>	
Total	<u>\$3,036,346</u>	<u>\$2,040,142</u>

The \$1,040,838 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, 2018. 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:

Year ending June 30	
2018	\$(712,336)
2019	(535,941)
2020	713,040
2021	490,603

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

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ASRS

Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
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, 2015, 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 8.75 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	Target	Long-Term Expected
Asset Class	Allocation	Arithmetic Real Rate of Return
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	<u>2%</u>	3.84%
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 8.75 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 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

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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	\$20,587,181	\$16,145,847	\$12,584,868

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 nine-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.

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.

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:

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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:	
	Before January 1, 2012	On or after January 1, 2012
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, 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, 2017, the following employees were covered by the agent pension plans' benefit terms:

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	PSPRS Sheriff	CORP Detention
Inactive employees or beneficiaries currently receiving benefits	18	4
Inactive employees entitled to but not yet receiving benefits	10	19
Active employees	<u>29</u>	<u>24</u>
Total	<u>57</u>	<u>47</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, 2017, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Sheriff	CORP Detention	CORP AOC
Active members—Pension			
PSPRS members with an initial membership date on or before July 19, 2011			
July 2016 through March 2017	11.65%	n/a	n/a
April 2017 through June 2017	7.65%	n/a	n/a
PSPRS members with an initial membership date after July 19, 2011, and all CORP members	11.65%	8.41%	8.41%
County			
Pension	42.94%	7.20%	20.08%
Health insurance premium benefit	0.34%	0%	0.80%

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, 2017, were:

	PSPRS Sheriff	CORP Detention
Pension		
Contributions made	\$808,120	\$64,277
Health insurance premium benefit		
Annual OPEB cost	\$ 5,830	\$ 0
Contributions made	5,830	0

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Contributions to the CORP AOC pension plan for the year ended June 30, 2017, were \$291,290. 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:

CORP AOC	Health Insurance
Year ended June 30	Fund
2017	\$11,605
2016	12,985
2015	19,282

During fiscal year 2017, the County paid for PSPRS and CORP pension and OPEB contributions as follows: 62 percent from the General Fund, 25 percent from the Jail District Fund, 3 percent from the Criminal Justice Enhancement Fund, and 10 percent from other governmental funds.

Pension liability—At June 30, 2017, the County reported the following net pension liabilities:

	Net Pension Liability
PSPRS Sheriff	\$9,768,222
CORP Detention	351,116
CORP AOC (County's proportionate share)	3,800,084

The net pension liabilities were measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2016, reflect the following changes of benefit terms and actuarial assumptions.

- 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.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS and CORP plans.

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the County's net pension liabilities as a result of these changes is not known.

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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, 2016
Actuarial cost method	Entry age normal
Investment rate of return	7.50%
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, 2016, 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 PSPRS and CORP pension plan investments was determined to be 7.50 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 arithmetic real rates of return for each major asset class are summarized in the following table:

PSPRS and CORP		
Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
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—At June 30, 2016, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.50 percent, which was a decrease of 0.35 percent from the discount rate used as of June 30, 2015.

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The projection of cash flows used to determine the PSPRS and CORP 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.

Changes in the Net Pension Liability

PSPRS Sheriff	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2016	<u>\$15,216,699</u>	<u>\$6,001,553</u>	<u>\$9,215,146</u>
Changes for the year:			
Service cost	327,050		327,050
Interest on the total pension liability	1,175,348		1,175,348
Changes of benefit terms	208,272		208,272
Differences between expected and actual experience in the measurement of the pension liability	(714,623)		(714,623)
Changes of assumptions or other inputs	589,852		589,852
Contributions—employer		838,463	(838,463)
Contributions—employee		201,552	(201,552)
Net investment income		38,727	(38,727)
Benefit payments, including refunds of employee contributions	(815,276)	(815,276)	
Administrative expense		(5,973)	5,973
Other changes		(39,946)	39,946
Net changes	<u>770,623</u>	<u>217,547</u>	<u>553,076</u>
Balances at June 30, 2017	<u>\$15,987,322</u>	<u>\$6,219,100</u>	<u>\$9,768,222</u>

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CORP	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2016	<u>\$2,453,101</u>	<u>\$2,257,212</u>	<u>\$195,889</u>
Changes for the year:			
Service cost	114,754		114,754
Interest on the total pension liability	188,573		188,573
Changes of benefit terms	2,705		2,705
Differences between expected and actual experience in the measurement of the pension liability	(129,310)		(129,310)
Changes of assumptions or other inputs	99,299		99,299
Contributions—employer		68,260	(68,260)
Contributions—employee		73,036	(73,036)
Net investment income		13,350	(13,350)
Benefit payments, including refunds of employee contributions	(216,541)	(216,541)	
Administrative expense		(2,288)	2,288
Other changes		(31,564)	31,564
Net changes	<u>59,480</u>	<u>(95,747)</u>	<u>155,227</u>
Balances at June 30, 2017	<u>\$2,512,581</u>	<u>\$2,161,465</u>	<u>\$351,116</u>

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, 2016. The County's proportion measured as of June 30, 2016, was 1.3468150 percent, which was a decrease of 0.0503610 from its proportion measured as of June 30, 2015.

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 7.50 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
PSPRS Sheriff			
Net pension liability	\$11,806,040	\$9,768,222	\$8,092,665
CORP Detention			
Net pension liability	\$ 702,814	\$ 351,116	\$ 66,036
CORP AOC			
County's proportionate share of the net pension liability	\$ 4,883,921	\$3,800,084	\$2,904,881

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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, 2017, the County recognized the following pension expense:

	Pension Expense
PSPRS Sheriff	\$1,362,223
CORP Detention	105,303
CORP AOC (County's proportionate share)	513,751

Pension deferred outflows/inflows of resources—At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS Sheriff	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$710,313
Changes of assumptions or other inputs	\$1,046,491	
Net difference between projected and actual earnings on pension plan investments	378,185	
County contributions subsequent to the measurement date	<u>808,120</u>	
Total	<u>\$2,232,796</u>	<u>\$710,313</u>
CORP Detention	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$306,759
Changes of assumptions or other inputs	\$229,560	
Net difference between projected and actual earnings on pension plan investments	137,572	
County contributions subsequent to the measurement date	<u>64,277</u>	
Total	<u>\$431,409</u>	<u>\$306,759</u>

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CORP AOC	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 80,805	\$191,353
Changes of assumptions or other inputs	515,787	
Net difference between projected and actual earnings on pension plan investments	286,972	
Changes in proportion and differences between county contributions and proportionate share of contributions		256,770
County contributions subsequent to the measurement date	<u>291,290</u>	
Total	<u>\$1,174,854</u>	<u>\$448,123</u>

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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PSPRS Sheriff	CORP Detention	CORP AOC
Year ending June 30			
2018	\$359,654	\$ 9,188	\$133,743
2019	192,631	9,191	133,743
2020	88,687	31,644	121,642
2021	73,391	10,491	46,160
2022		(141)	151

Agent plan OPEB actuarial assumptions—The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015, 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.

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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 2017 contribution requirements:

PSPRS and CORP—OPEB Contribution Requirements

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 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	7.85%
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			
2017	\$ 5,830	100%	\$0
2016	551	100	0
2015	28,389	100	0
CORP Detention			
2017	\$ -	100	\$0
2016	-	100	0
2015	6,439	100	0

Agent plan OPEB funded status—The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2017, along with the actuarial assumptions and methods used in those valuations follow.

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	PSPRS Sheriff	CORP Detention
Actuarial value of assets (a)	\$ 472,186	\$207,499
Actuarial accrued liability (b)	457,272	152,115
Unfunded actuarial accrued liability (funding excess) (b) – (a)	(14,914)	(55,384)
Funded ratio (a)/(b)	103.3%	136.40%
Annual covered payroll (c)	\$2,070,674	\$1,005,859
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) – (a) / (c)	(0.72%)	(5.51%)

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, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay closed
Remaining amortization period	19 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	7.40%
Projected salary increases	3.50%–7.50% for PSPRS and 3.50%–6.50% for CORP
Wage growth	3.5% 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.

Benefits provided—The EORP provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability,

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and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

EORP	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 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
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, 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

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unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2017, statute required active EORP members with an initial membership date on or before July 19, 2011, to contribute 13 percent of the members' annual covered payroll for July 2016 through April 2017 and 7 percent of the members' annual covered payroll for April 2017 through June 2017. Statute required active EORP members with an initial membership date after July 19, 2011, to contribute 13 percent of the members' annual covered payroll and the County to contribute 23.5 percent of all active EORP members' annual covered payroll. Also, statute required the County to contribute 12.16 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, 2017, were \$235,389. No OPEB contributions were required or made for the years ended June 30, 2015, 2016, and 2017.

During fiscal year 2017, 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, 2017, 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	\$11,842,355
State's proportionate share of the EORP net pension liability associated with the County	<u>2,445,138</u>
Total	<u>\$14,287,493</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2016, reflects a decrease in the investment rate of return actuarial assumption from 7.85 percent to 7.50 percent.

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, 2016. The County's proportion measured as of June 30, 2016, was 1.2534872 percent, which was an increase of 0.0888361 from its proportion measured as of June 30, 2015.

The collective net pension liability measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the County's proportionate share of the collective net pension liability as a result of these changes is not known.

Santa Cruz County
Notes to Financial Statements
June 30, 2017

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2017, the County recognized pension expense for EORP of \$3,329,873 and revenue of \$652,485 for the County’s proportionate share of the State’s appropriation to EORP and the designated court fees. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$222,700
Changes of assumptions or other inputs	\$1,329,602	
Net difference between projected and actual earnings on pension plan investments	274,327	
Changes in proportion and differences between county contributions and proportionate share of contributions	335,198	43,989
County contributions subsequent to the measurement date	<u>235,389</u>	
Total	<u>\$2,174,516</u>	<u>\$266,689</u>

The \$235,389 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, 2018. 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	
2018	\$1,124,646
2019	393,156
2020	99,685
2021	54,953

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

EORP	
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	7.50%
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

Santa Cruz County
Notes to Financial Statements
June 30, 2017

Actuarial assumptions used in the June 30, 2016, 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 7.50 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 arithmetic real rates of return for each major asset class are summarized in the following table:

EORP Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
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 2016, the discount rate used to measure the EORP total pension liability was 3.68 percent, which was a decrease of 1.18 from the discount rate used as of June 30, 2015. 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 7.50 percent was applied to periods of projected benefit payments through the year ended June 30, 2027. A municipal bond rate of 2.85 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 30, 2016, was applied to periods of projected benefit payments after June 30, 2027.

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 3.68 percent, as well as what

Santa Cruz County
Notes to Financial Statements
June 30, 2017

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 (2.68 percent) or 1 percentage point higher (4.68 percent) than the current rate:

EORP	1% Decrease (2.68%)	Current discount rate (3.68%)	1% Increase (4.68%)
County's proportionate share of the net pension liability	\$13,785,086	\$11,842,355	\$10,220,669

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 who 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, 2017, 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, 2017, the County recognized pension expense of \$5,831. The County's OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

EODCDP	
Year ended June 30	Disability fund
2017	\$122
2016	90
2015	90

Note 12 – Interfund Balances and Activity

Interfund receivables and payables—Interfund balances at June 30, 2017, were as follows:

Santa Cruz County
Notes to Financial Statements
June 30, 2017

Payable from	<u>Payable to General Fund</u>
Jail District Fund	\$ 250,000
Criminal Justice Enhancement Fund	349,166
Nonmajor Governmental Funds	<u>446,758</u>
Total	<u>\$1,045,924</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, 2017, were as follows:

Transfers from	<u>Transfers to</u>					<u>Total</u>
	<u>General Fund</u>	<u>Jail District Fund</u>	<u>Criminal Justice Enhancement Fund</u>	<u>Road Fund</u>	<u>Nonmajor Governmental Funds</u>	
General Fund		\$3,564,580	\$ 20,645		\$1,619,860	\$5,205,085
Nonmajor Governmental Funds	<u>\$2,221</u>	<u> </u>	<u>106,345</u>	<u>\$7,500</u>	<u>6,745</u>	<u>122,811</u>
Total	<u>\$2,221</u>	<u>\$3,564,580</u>	<u>\$126,990</u>	<u>\$7,500</u>	<u>\$1,626,605</u>	<u>\$5,327,896</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 13 – 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.

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.

Santa Cruz County
Notes to Financial Statements
June 30, 2017

The deposits and investments the County holds are included in the County Treasurer's investment pool, except for \$1,373,944 of deposits, \$11,986,892 of investments in the State Treasurer's investment pools 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	\$ 2,432,927	None stated	None stated	\$ 2,432,927
Money Market Mutual Funds	16,689,269	None stated	None stated	16,689,269

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

Statement of Net Position:

Assets	\$ 39,230,239
Liabilities	-
Net position	<u>\$ 39,230,239</u>
Net position held in trust for:	
Internal participants	\$ 9,740,115
External participants	<u>29,490,124</u>
Total net position held in trust	<u>\$ 39,230,239</u>

Statement of Changes in Net Position:

Total additions	\$144,671,843
Total deductions	<u>142,635,367</u>
Net decrease	2,036,476
Net position held in trust:	
July 1, 2016	<u>37,193,763</u>
June 30, 2017	<u>\$ 39,230,239</u>

Note 14 - Subsequent Event

On August 29, 2017, Santa Cruz County issued \$3,675,000 of series 2017 pledged revenue refunding obligations with an interest rate of 2.13 percent and a final maturity date of July 1, 2026. The County has pledged a portion of its general county and state sales tax revenues toward the future payment of debt related to these obligations. The net proceeds will be used for refunding \$3,425,000 aggregate principal amount of the 2008-1 loan agreement with Greater Arizona Development Authority plus accrued interest of \$164,375.

Required Supplementary Information

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Taxes	\$14,200,370	\$14,533,918	\$ 333,548
Intergovernmental	8,112,999	8,768,042	655,043
Licenses and permits	715,000	348,423	(366,577)
Charges for services	642,500	552,493	(90,007)
Fines and forfeits	561,000	668,751	107,751
Investment earnings	18,000	53,087	35,087
Rents	39,000	41,546	2,546
Miscellaneous	-	139,985	139,985
Total revenues	<u>24,288,869</u>	<u>25,106,245</u>	<u>817,376</u>
Expenditures			
Current:			
General government			
Airport	222,220	32,616	189,604
Assessor	859,983	824,001	35,982
Board of Supervisors	5,244,835	3,431,639	1,813,196
Central Permits	160,994	42,260	118,734
Clerk of Superior Court	787,387	748,664	38,723
Constable #1	84,820	89,562	(4,742)
Constable #2	31,182	29,843	1,339
County Attorney	1,389,012	1,484,324	(95,312)
Elections	511,029	330,939	180,090
Finance	2,020,906	418,794	1,602,112
GIS	51,750	37,828	13,922
Grounds and Maintenance	3,344,262	1,602,728	1,741,534
Information Technology	760,677	968,673	(207,996)
Justice Court #1	681,994	799,139	(117,145)
Justice Court #2	225,070	237,819	(12,749)
Planning and Zoning	398,290	259,545	138,745
Recorder	281,791	291,207	(9,416)
Recorder - Election	240,199	141,426	98,773
Superior Court	1,453,335	1,444,917	8,418
Treasurer	531,615	484,654	46,961
Total general government	<u>19,281,351</u>	<u>13,700,578</u>	<u>5,580,773</u>

(Continued)

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2017
(Concluded)

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Public safety			
Adult Probation	\$ 535,680	\$ 437,528	\$ 98,152
Juvenile Probation	52,856	51,000	1,856
Building Codes	202,071	189,004	13,067
Emergency Services	295,385	261,731	33,654
Sheriff	<u>4,437,001</u>	<u>4,375,822</u>	<u>61,179</u>
Total public safety	<u>5,522,993</u>	<u>5,315,085</u>	<u>207,908</u>
Health, welfare and sanitation			
Public Fiduciary	<u>3,267,148</u>	<u>2,938,389</u>	<u>328,759</u>
Total health, welfare and sanitation	<u>3,267,148</u>	<u>2,938,389</u>	<u>328,759</u>
Education and economic opportunity			
School Superintendent	<u>393,359</u>	<u>320,947</u>	<u>72,412</u>
Total education and economic opportunity	<u>393,359</u>	<u>320,947</u>	<u>72,412</u>
Recreation			
Parks	<u>565,687</u>	<u>223,449</u>	<u>342,238</u>
Total recreation	<u>565,687</u>	<u>223,449</u>	<u>342,238</u>
Total expenditures	<u>29,030,538</u>	<u>22,498,448</u>	<u>6,532,090</u>
Excess (deficiency) of revenues over expenditures	(4,741,669)	2,607,797	7,349,466
Other financing sources (uses)			
Transfers in		2,221	2,221
Transfers out	<u>(5,559,279)</u>	<u>(5,205,085)</u>	<u>354,194</u>
Total other financing sources (uses)	<u>(5,559,279)</u>	<u>(5,202,864)</u>	<u>356,415</u>
Net change in fund balance	(10,300,948)	(2,595,067)	7,705,881
Fund balance, July 1, 2016, as restated	<u>10,300,948</u>	<u>11,864,744</u>	<u>1,563,796</u>
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ 9,269,677</u>	<u>\$ 9,269,677</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
Jail District Fund
Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Taxes	\$ 2,400,000	\$2,569,619	\$ 169,619
Intergovernmental	2,058,856	1,284,586	(774,270)
Charges for services		4,433	4,433
Investment earnings		1,756	1,756
Miscellaneous	-	647	647
Total revenues	<u>4,458,856</u>	<u>3,861,041</u>	<u>(597,815)</u>
Expenditures			
Current:			
Public safety			
Juvenile Detention	2,197,579	2,341,240	(143,661)
Sheriff's Office	5,793,457	5,831,159	(37,702)
Health			
Environmental Health	<u>328,108</u>	<u>270,467</u>	<u>57,641</u>
Total expenditures	<u>8,319,144</u>	<u>8,442,866</u>	<u>(123,722)</u>
Excess (deficiency) of revenues over expenditures	(3,860,288)	(4,581,825)	(721,537)
Other financing sources (uses)			
Pledged revenue refunding obligations proceeds		33,850,502	33,850,502
Payment to debt refinancing escrow agent		(33,224,353)	(33,224,353)
Transfers in	<u>3,858,607</u>	<u>3,564,580</u>	<u>(294,027)</u>
Total other financing sources (uses)	<u>3,858,607</u>	<u>4,190,729</u>	<u>332,122</u>
Net change in fund balances	(1,681)	(391,096)	(389,415)
Fund balance, July 1, 2016, as restated	<u>1,681</u>	<u>469,169</u>	<u>467,488</u>
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ 78,073</u>	<u>\$ 78,073</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, 2017

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$1,265,024	\$1,323,203	\$ 58,179
Charges for services	77,800	93,960	16,160
Fines and forfeits	229,785	391,019	161,234
Investment earnings	155	764	609
Miscellaneous	<u>32</u>	<u>1,505</u>	<u>1,473</u>
Total revenues	<u>1,572,796</u>	<u>1,810,451</u>	<u>237,655</u>
Expenditures			
Current:			
General government			
County Attorney	1,093,835	858,692	235,143
Clerk of Superior Court	12,267		12,267
Justice Court	234,638	41,892	192,746
Superior Court	<u>878,568</u>	<u>15,860</u>	<u>862,708</u>
Total general government	<u>2,219,308</u>	<u>916,444</u>	<u>1,302,864</u>
Public safety			
Juvenile Probation	101,014	5,000	96,014
Sheriff's Office	514,726	696,320	(181,594)
Other Agencies	<u>41,627</u>	<u>39,856</u>	<u>1,771</u>
Total public safety	<u>657,367</u>	<u>741,176</u>	<u>(83,809)</u>
Total expenditures	<u>2,876,675</u>	<u>1,657,620</u>	<u>1,219,055</u>
Excess (deficiency) of revenues over expenditures	(1,303,879)	152,831	1,456,710
Other financing sources			
Transfers in	<u>85,061</u>	<u>126,990</u>	<u>41,929</u>
Total other financing sources	<u>85,061</u>	<u>126,990</u>	<u>41,929</u>
Net change in fund balance	(1,218,818)	279,821	1,498,639
Fund balance, July 1, 2016	<u>1,218,818</u>	<u>968,104</u>	<u>(250,714)</u>
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ 1,247,925</u>	<u>\$ 1,247,925</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
 Budgetary Comparison Schedule
 Road Fund
 Year Ended June 30, 2017

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental	\$ 4,800,000	\$ 5,581,468	\$ 781,468
Investment earnings		10,085	10,085
Miscellaneous	<u>50,000</u>	<u>100,981</u>	<u>50,981</u>
Total Revenues	<u>4,850,000</u>	<u>5,692,534</u>	<u>842,534</u>
Expenditures			
Highways and streets	<u>6,538,688</u>	<u>3,972,023</u>	<u>2,566,665</u>
Total expenditures	<u>6,538,688</u>	<u>3,972,023</u>	<u>2,566,665</u>
Excess (deficiency) of revenues over expenditures	(1,688,688)	1,720,511	3,409,199
Other financing sources			
Transfers in	<u>7,500</u>	<u>7,500</u>	<u>-</u>
Total other financing sources	<u>7,500</u>	<u>7,500</u>	<u>-</u>
Net change in fund balance	(1,681,188)	1,728,011	3,409,199
Fund balance, July 1, 2016	<u>1,681,188</u>	<u>1,993,728</u>	<u>312,540</u>
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ 3,721,739</u>	<u>\$ 3,721,739</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
 Required Supplementary Information
 Notes to Budgetary Comparison Schedules
 June 30, 2017

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 – Expenditures in Excess of Appropriations

For the year ended June 30, 2017, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Department/Fund	Excess
Constable #1 – General Fund	\$ 4,742
County Attorney – General Fund	95,312
Information Technology – General Fund	207,996
Justice Court #1 – General Fund	117,145
Justice Court #2 – General Fund	12,749
Recorder – General Fund	9,416
Sheriff's Office:	
Jail District Fund	37,702
Criminal Justice Enhancement Fund	181,594
Total Sheriff's Office	<u>219,296</u>
Juvenile Detention – Jail District Fund	143,661
Emergency Management – Homeland Security Fund	20,942
Superior Court – Juvenile Services Fund	2,861
Health Services Fund	284,382
Flood Control District – Other Capital Projects Fund	20,567
Airport Capital Projects Fund	194,957

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, 2017

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)			2014 through 2008
	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	0.10%	0.10%	0.10%	Information not available
County's proportionate share of the net pension liability	\$ 16,145,847	\$ 15,579,144	\$ 14,450,456	
County's covered payroll	\$ 9,670,325	\$ 9,180,476	\$ 8,829,998	
County's proportionate share of the net pension liability as a percentage of its covered payroll	166.96%	169.70%	163.65%	
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%	

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

	Reporting Fiscal Year (Measurement Date)			2014 through 2008
	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	1.35%	1.40%	1.54%	Information not available
County's proportionate share of the net pension liability	\$ 3,800,084	\$ 3,396,680	\$ 3,453,182	
County's covered payroll	\$ 1,530,360	\$ 1,554,981	\$ 1,656,220	
County's proportionate share of the net pension liability as a percentage of its covered payroll	248.31%	218.44%	208.50%	
Plan fiduciary net position as a percentage of the total pension liability	54.81%	57.89%	58.59%	

Elected Officials Retirement Plan

	Reporting Fiscal Year (Measurement Date)			2014 through 2008
	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	1.25%	1.16%	1.21%	Information not available
County's proportionate share of the net pension liability	\$ 11,842,355	\$ 9,101,181	\$ 8,082,842	
State's proportionate share of the net pension liability associated with the County	<u>2,445,138</u>	<u>2,837,369</u>	<u>2,478,274</u>	
Total	<u>\$ 14,287,493</u>	<u>\$ 11,938,550</u>	<u>\$ 10,561,116</u>	
County's covered payroll	\$ 1,082,951	\$ 953,443	\$ 1,117,166	
County's proportionate share of the net pension liability as a percentage of its covered payroll	1093.53%	954.56%	723.51%	
Plan fiduciary net position as a percentage of the total pension liability	23.42%	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, 2017

PSPRS Sheriff	Reporting Fiscal Year (Measurement Date)			2014 through 2008
	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability				Information not available
Service cost	\$ 327,050	\$ 325,750	\$ 391,688	
Interest on the total pension liability	1,175,348	1,137,080	942,459	
Changes of benefit terms	208,272		355,803	
Differences between expected and actual experience in the measurement of the the pension liability	(714,623)	(182,980)	(152,819)	
Changes of assumptions or other inputs	589,852		1,742,066	
Benefit payments, including refunds of employee contributions	(815,276)	(770,744)	(763,205)	
Net change in total pension liability	770,623	509,106	2,515,992	
Total pension liability—beginning	15,216,699	14,707,593	12,191,601	
Total pension liability—ending (a)	\$ 15,987,322	\$ 15,216,699	\$ 14,707,593	
Plan fiduciary net position				
Contributions—employer	\$ 838,463	\$ 512,953	\$ 519,566	
Contributions—employee	201,552	198,938	197,413	
Net investment income	38,727	213,595	732,556	
Benefit payments, including refunds of employee contributions	(815,276)	(770,744)	(763,205)	
Administrative expense	(5,973)	(5,585)	(5,899)	
Other changes	(39,946)	(120,893)	-	
Net change in plan fiduciary net position	217,547	28,264	680,431	
Plan fiduciary net position—beginning	6,001,553	5,973,289	5,292,858	
Plan fiduciary net position—ending (b)	\$ 6,219,100	\$ 6,001,553	\$ 5,973,289	
County's net pension liability—ending (a) – (b)	\$ 9,768,222	\$ 9,215,146	\$ 8,734,304	
Plan fiduciary net position as a percentage of the total pension liability	38.90%	39.44%	40.61%	
Covered payroll	\$ 1,719,431	\$ 1,752,386	\$ 1,907,364	
County's net pension liability as a percentage of covered payroll	568.11%	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, 2017

CORP Detention

	Reporting Fiscal Year (Measurement Date)			2014 through 2008
	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability				Information not available
Service cost	\$ 114,754	\$ 166,936	\$ 196,551	
Interest on the total pension liability	188,573	191,011	164,952	
Changes of benefit terms	2,705		44,932	
Differences between expected and actual experience in the measurement of the the pension liability	(129,310)	(173,115)	(176,819)	
Changes of assumptions or other inputs	99,299		289,789	
Benefit payments, including refunds of employee contributions	<u>(216,541)</u>	<u>(163,038)</u>	<u>(182,256)</u>	
Net change in total pension liability	59,480	21,794	337,149	
Total pension liability—beginning	<u>2,453,101</u>	<u>2,431,307</u>	<u>2,094,158</u>	
Total pension liability—ending (a)	<u>\$ 2,512,581</u>	<u>\$ 2,453,101</u>	<u>\$ 2,431,307</u>	
Plan fiduciary net position				
Contributions—employer	\$ 68,260	\$ 68,898	\$ 92,945	
Contributions—employee	73,036	83,854	107,243	
Net investment income	13,350	80,723	270,559	
Benefit payments, including refunds of employee contributions	(216,541)	(163,038)	(182,256)	
Administrative expense	(2,288)	(2,361)	(2,128)	
Other changes	<u>(31,564)</u>	<u>(19,426)</u>	<u>(5,345)</u>	
Net change in plan fiduciary net position	(95,747)	48,650	281,018	
Plan fiduciary net position—beginning	<u>2,257,212</u>	<u>2,208,562</u>	<u>1,927,544</u>	
Plan fiduciary net position—ending (b)	<u>\$ 2,161,465</u>	<u>\$ 2,257,212</u>	<u>\$ 2,208,562</u>	
County's net pension liability—ending (a) – (b)	<u>\$ 351,116</u>	<u>\$ 195,889</u>	<u>\$ 222,745</u>	
Plan fiduciary net position as a percentage of the total pension liability	86.03%	92.01%	90.84%	
Covered payroll	\$ 898,399	\$ 990,632	\$ 1,275,200	
County's net pension liability as a percentage of covered payroll	39.08%	19.77%	17.47%	

See accompanying notes to pension plan schedules.

Santa Cruz County
 Required Supplementary Information
 Schedule of County Pension Contributions
 June 30, 2017

Arizona State Retirement System

	Reporting Fiscal Year				
	2017	2016	2015	2014	2013-2008
Statutorily required contribution	\$ 1,040,838	\$ 1,046,432	\$ 997,087	\$941,966	Information not available
County's contributions in relation to the statutorily required contribution	<u>1,040,838</u>	<u>1,046,432</u>	<u>997,087</u>	<u>941,966</u>	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	\$ 9,686,112	\$ 9,670,325	\$ 9,180,476	\$8,829,998	
County's contributions as a percentage of covered payroll	10.75%	10.82%	10.86%	10.67%	

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

	Reporting Fiscal Year				
	2017	2016	2015	2014	2013-2008
Statutorily required contribution	\$ 291,290	\$ 292,758	\$ 231,381	\$239,324	Information not available
County's contributions in relation to the statutorily required contribution	<u>291,290</u>	<u>292,758</u>	<u>231,381</u>	<u>239,324</u>	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	\$ 1,450,648	\$ 1,530,360	\$ 1,554,981	\$1,656,220	
County's contributions as a percentage of covered payroll	20.08%	19.13%	14.88%	14.45%	

Elected Officials Retirement Plan

	Reporting Fiscal Year				
	2017	2016	2015	2014	2013-2008
Statutorily required contribution	\$ 235,389	\$ 238,801	\$ 224,059	\$256,832	Information not available
County's contributions in relation to the statutorily required contribution	<u>235,389</u>	<u>238,801</u>	<u>224,059</u>	<u>256,832</u>	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	\$1,095,293	\$1,082,951	\$953,443	\$1,117,166	
County's contributions as a percentage of covered payroll	21.49%	22.05%	23.50%	22.99%	

PSPRS Sheriff

	Reporting Fiscal Year				
	2017	2016	2015	2014	2013-2008
Actuarially required contribution	\$ 808,120	\$ 764,136	\$ 499,255	\$519,566	Information not available
County's contributions in relation to the actuarially required contribution	<u>808,120</u>	<u>764,136</u>	<u>499,255</u>	<u>519,566</u>	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	\$ 1,880,660	\$ 1,719,431	\$ 1,752,386	\$1,907,364	
County's contributions as a percentage of covered payroll	42.97%	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, 2017

CORP Detention

	Reporting Fiscal Year				
	2017	2016	2015	2014	2013-2008
Actuarially required contribution	\$ 64,277	\$ 70,436	\$ 68,453	\$ 92,945	Information not available
County's contributions in relation to the actuarially required contribution	<u>64,277</u>	<u>70,436</u>	<u>68,453</u>	<u>92,945</u>	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	\$ 892,742	\$ 898,399	\$ 990,632	\$ 1,275,200	
County's contributions as a percentage of covered payroll	7.20%	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, 2017

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 2015 actuarial valuation	21 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)

Note 2 – Factors That Affect Trends

In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the PSPRS, CORP, and CORP-AOC changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases. These changes are included in the PSPRS' and CORP's changes in total pension liability for fiscal year 2015

Santa Cruz County
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2017

(measurement date 2014) in the schedule of changes in the County's net pension liability and related ratios. These changes also increased the PSPRS, CORP, and CORP-AOC's required contributions beginning in fiscal year 2016 in the schedule of county pension contributions.

Santa Cruz County
 Required Supplementary Information
 Schedule of Agent OPEB Plans' Funding Progress
 June 30, 2017

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)
PSPRS Sheriff						
6/30/17	\$ 472,186	\$ 457,272	\$ (14,914)	103.30%	\$ 2,070,674	(0.72)%
6/30/16	452,130	493,534	41,404	91.61%	1,689,307	2.45%
6/30/15	453,219	415,252	(37,967)	109.14%	1,879,141	(2.02)%
CORP Detention						
6/30/17	\$ 207,499	\$ 152,115	\$ (55,384)	136.40%	\$ 1,005,859	(5.51)%
6/30/16	212,579	123,409	(89,170)	172.26%	785,446	(11.4)%
6/30/15	213,138	116,565	(96,573)	182.85%	945,419	(10.2)%

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Combining and Individual
Fund Statements and Schedules

Santa Cruz County
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service</u>	<u>Total Other Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 5,360,462	\$ 306,325	\$ 210,282	\$ 5,877,069
Property taxes (net of allowance for uncollectibles)	183,196			183,196
Due from other governmental units	812,101	28,542		840,643
Accounts receivable	<u>52,628</u>			<u>52,628</u>
Total assets	<u>\$ 6,408,387</u>	<u>\$ 334,867</u>	<u>\$ 210,282</u>	<u>\$ 6,953,536</u>
Liabilities				
Accounts payable	\$ 424,215			\$ 424,215
Accrued payroll and employee benefits	129,374			129,374
Due to other funds	418,216	\$ 28,542		446,758
Due to other governments			<u>\$ 4,610</u>	<u>4,610</u>
Total liabilities	<u>971,805</u>	<u>28,542</u>	<u>4,610</u>	<u>1,004,957</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	165,541			165,541
Unavailable revenue - intergovernmental	302,424	27,651		330,075
Unavailable revenue - miscellaneous	<u>3,066</u>			<u>3,066</u>
Total deferred inflows of resources	<u>471,031</u>	<u>27,651</u>		<u>498,682</u>
Fund Balance				
Fund balance	<u>4,965,551</u>	<u>278,674</u>	<u>205,672</u>	<u>5,449,897</u>
Total fund balance	<u>4,965,551</u>	<u>278,674</u>	<u>205,672</u>	<u>5,449,897</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 6,408,387</u>	 <u>\$ 334,867</u>	 <u>\$ 210,282</u>	 <u>\$ 6,953,536</u>

Santa Cruz County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue Funds	Capital Projects Funds	Debt Service	Total Other Governmental Funds
Revenues				
Taxes	\$ 2,089,394			\$ 2,089,394
Intergovernmental	4,888,530	\$ 346,096		5,234,626
Charges for services	492,218			492,218
Fines and forfeits	111,776			111,776
Investment earnings	12,438	1,099	\$ 389	13,926
Miscellaneous	45,709	20,054	620	66,383
Total revenues	<u>7,640,065</u>	<u>367,249</u>	<u>1,009</u>	<u>8,008,323</u>
Expenditures				
General government	290,625	361,757		652,382
Public safety	2,863,841	20,567		2,884,408
Health, welfare and sanitation	1,782,041			1,782,041
Education and economic opportunity	1,681,248			1,681,248
Debt Service				
Principal retirement	433,967		385,000	818,967
Interest and fiscal charges	253,780		540,750	794,530
Total expenditures	<u>7,305,502</u>	<u>382,324</u>	<u>925,750</u>	<u>8,613,576</u>
Excess (deficiency) of revenues over expenditures	<u>334,563</u>	<u>(15,075)</u>	<u>(924,741)</u>	<u>(605,253)</u>
Other financing sources (uses)				
Transfers in	682,496	16,171	927,938	1,626,605
Transfers out	(122,811)			(122,811)
Total other financing sources (uses)	<u>559,685</u>	<u>16,171</u>	<u>927,938</u>	<u>1,503,794</u>
Net change in fund balance	894,248	1,096	3,197	898,541
Beginning fund balance	<u>4,071,303</u>	<u>277,578</u>	<u>202,475</u>	<u>4,551,356</u>
Ending fund balance	<u>\$ 4,965,551</u>	<u>\$ 278,674</u>	<u>\$ 205,672</u>	<u>\$ 5,449,897</u>

Santa Cruz County
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

	<u>Flood Control</u>	<u>WIOA</u>	<u>Health Services</u>	<u>Juvenile Services</u>
Assets				
Cash and cash equivalents	\$ 2,339,042	\$ 2,117	\$ 51,478	\$ 223,412
Property taxes (net of allowance for uncollectibles)	183,196			
Due from other governmental units		317,103	56,651	241,605
Accounts receivable		7	100	5,189
Total assets	<u>\$ 2,522,238</u>	<u>\$ 319,227</u>	<u>\$ 108,229</u>	<u>\$ 470,206</u>
Liabilities				
Accounts payable	\$ 85,138	\$ 54,294	\$ 124,406	\$ 44,375
Accrued payroll and employee benefits	20,760	20,901	19,521	25,141
Due to other funds		195,146	56,651	154,961
Total liabilities	<u>105,898</u>	<u>270,341</u>	<u>200,578</u>	<u>224,477</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	165,541			
Unavailable revenue - intergovernmental		129,891	27,268	62,803
Unavailable revenue - miscellaneous				
Total deferred inflows of resources	<u>165,541</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance				
Fund balance	<u>2,250,799</u>	<u>(81,005)</u>	<u>(119,617)</u>	<u>182,926</u>
Total fund balance (deficit)	<u>2,250,799</u>	<u>(81,005)</u>	<u>(119,617)</u>	<u>182,926</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,522,238</u>	<u>\$ 189,336</u>	<u>\$ 80,961</u>	<u>\$ 407,403</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>
\$ 716,100	\$ 7	\$ 790,828	\$ 42,627	\$ 1,194,851	\$ 5,360,462
	5,786		55,418	135,538	183,196
9,271	4,590	16,885	184	16,402	812,101
<u>\$ 725,371</u>	<u>\$ 10,383</u>	<u>\$ 807,713</u>	<u>\$ 98,229</u>	<u>\$ 1,346,791</u>	<u>\$ 6,408,387</u>
\$ 49,336		\$ 7,312	\$ 7,650	\$ 51,704	\$ 424,215
23,974		835	13,788	4,454	129,374
	\$ 2,517	3,240		5,701	418,216
<u>73,310</u>	<u>2,517</u>	<u>11,387</u>	<u>21,438</u>	<u>61,859</u>	<u>971,805</u>
					165,541
				82,462	302,424
		3,066			3,066
		3,066		82,462	471,031
652,061	7,866	793,260	76,791	1,202,470	4,965,551
<u>652,061</u>	<u>7,866</u>	<u>793,260</u>	<u>76,791</u>	<u>1,202,470</u>	<u>4,965,551</u>
<u>\$ 725,371</u>	<u>\$ 10,383</u>	<u>\$ 807,713</u>	<u>\$ 98,229</u>	<u>\$ 1,346,791</u>	<u>\$ 6,408,387</u>

Santa Cruz County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2017

	<u>Flood Control</u>	<u>WIOA</u>	<u>Health Services</u>	<u>Juvenile Services</u>
Revenues				
Taxes	\$ 2,089,394			
Intergovernmental		\$ 821,023	\$ 553,241	\$ 1,530,309
Charges for services			128,548	3,889
Fines and forfeits				
Investment earnings	8,656			285
Miscellaneous	2,345	730		16,249
Total revenues	<u>2,100,395</u>	<u>821,753</u>	<u>681,789</u>	<u>1,550,732</u>
Expenditures				
General government				145,002
Public safety	854,959			659,027
Health, welfare and sanitation			1,027,252	
Education and economic opportunity		786,123		676,064
Debt Service				
Principal retirement	390,000	43,967		
Interest and fiscal charges	246,390	7,390		
Total expenditures	<u>1,491,349</u>	<u>837,480</u>	<u>1,027,252</u>	<u>1,480,093</u>
Excess (deficiency) of revenues over expenditures	<u>609,046</u>	<u>(15,727)</u>	<u>(345,463)</u>	<u>70,639</u>
Other financing sources (uses)				
Transfers in		42,934	333,472	4,408
Transfers out		(2,221)		
Total other financing sources (uses)		<u>40,713</u>	<u>333,472</u>	<u>4,408</u>
Net change in fund balance	609,046	24,986	(11,991)	75,047
Beginning fund balance	<u>1,641,753</u>	<u>(105,991)</u>	<u>(107,626)</u>	<u>107,879</u>
Ending fund balance	<u>\$ 2,250,799</u>	<u>\$ (81,005)</u>	<u>\$ (119,617)</u>	<u>\$ 182,926</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>
					\$ 2,089,394
\$ 804,009	\$ 299,195	\$ 38,971	\$ 337,919	\$ 503,863	4,888,530
110,234		73,319	47,676	128,552	492,218
		111,776			111,776
1,274		1,551	34	638	12,438
59		2	10,550	15,774	45,709
<u>915,576</u>	<u>299,195</u>	<u>225,619</u>	<u>396,179</u>	<u>648,827</u>	<u>7,640,065</u>
		92,235		53,388	290,625
884,799	209,631			255,425	2,863,841
			579,292	175,497	1,782,041
				219,061	1,681,248
					433,967
					253,780
<u>884,799</u>	<u>209,631</u>	<u>92,235</u>	<u>579,292</u>	<u>703,371</u>	<u>7,305,502</u>
<u>30,777</u>	<u>89,564</u>	<u>133,384</u>	<u>(183,113)</u>	<u>(54,544)</u>	<u>334,563</u>
1,909	13,191	374	235,215	50,993	682,496
		(106,345)		(14,245)	(122,811)
<u>1,909</u>	<u>13,191</u>	<u>(105,971)</u>	<u>235,215</u>	<u>36,748</u>	<u>559,685</u>
32,686	102,755	27,413	52,102	(17,796)	894,248
<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>\$ 652,061</u>	<u>\$ 7,866</u>	<u>\$ 793,260</u>	<u>\$ 76,791</u>	<u>\$ 1,202,470</u>	<u>\$ 4,965,551</u>

Santa Cruz County
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2017

	<u>Construction</u>	<u>Airport</u>	<u>Other</u>	<u>Total</u>
Assets				
Cash and investments	\$ 299,525	\$ 6,800		\$ 306,325
Due from other governmental units		7,975	\$ 20,567	28,542
Total assets	<u>\$ 299,525</u>	<u>\$ 14,775</u>	<u>20,567</u>	<u>\$ 334,867</u>
Liabilities				
Due to other funds	<u>\$ -</u>	<u>\$ 7,975</u>	<u>\$ 20,567</u>	<u>\$ 28,542</u>
Total liabilities		<u>7,975</u>	<u>20,567</u>	<u>28,542</u>
Deferred Inflows of Resources				
Unavailable revenue - intergovernmental		7,084	20,567	27,651
Total deferred inflows of resources		<u>7,084</u>	<u>20,567</u>	<u>27,651</u>
Fund Balance				
Fund balance	<u>299,525</u>	<u>(284)</u>	<u>(20,567)</u>	<u>278,674</u>
Total fund balance	<u>299,525</u>	<u>(284)</u>	<u>(20,567)</u>	<u>278,674</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 299,525</u>	 <u>\$ 14,775</u>	 <u>\$ 20,567</u>	 <u>\$ 334,867</u>

Santa Cruz County
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances
Nonmajor Capital Projects Funds
Year Ended June 30, 2017

	<u>Construction</u>	<u>Airport</u>	<u>Other</u>	<u>Total</u>
Revenues				
Intergovernmental		\$ 346,096		\$ 346,096
Investment earnings	\$ 1,099			1,099
Miscellaneous	20,054			20,054
Total revenues	<u>21,153</u>	<u>346,096</u>		<u>367,249</u>
Expenditures				
General government		361,757		361,757
Public Safety			\$ 20,567	20,567
Total expenditures		<u>361,757</u>	<u>20,567</u>	<u>382,324</u>
Excess (deficiency) of revenues over expenditures	<u>21,153</u>	<u>(15,661)</u>	<u>(20,567)</u>	<u>(15,075)</u>
Other financing sources				
Transfers in		16,171		16,171
Total other financing sources		<u>16,171</u>		<u>16,171</u>
Net change in fund balance	21,153	510	(20,567)	1,096
Beginning fund balance (deficit)	<u>278,372</u>	<u>(794)</u>		<u>277,578</u>
Ending fund balance (deficit)	<u>\$ 299,525</u>	<u>\$ (284)</u>	<u>\$ (20,567)</u>	<u>\$ 278,674</u>

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

Nonmajor Special Revenue Funds

Santa Cruz County
 Nonmajor Special Revenue Funds
 Flood Control Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Taxes	\$ 2,125,714	\$ 2,089,394	\$ (36,320)
Investment earnings		8,656	8,656
Miscellaneous	<u>-</u>	<u>2,345</u>	<u>2,345</u>
Total revenues	<u>2,125,714</u>	<u>2,100,395</u>	<u>(25,319)</u>
 Expenditures			
Public safety	<u>3,668,731</u>	<u>1,491,349</u>	<u>2,177,382</u>
Total expenditures	<u>3,668,731</u>	<u>1,491,349</u>	<u>2,177,382</u>
 Excess (deficiency) of revenues over expenditures	<u>(1,543,017)</u>	<u>609,046</u>	<u>2,152,063</u>
 Net change in fund balance	(1,543,017)	609,046	2,152,063
 Fund balance, July 1, 2016	<u>1,543,017</u>	<u>1,641,753</u>	<u>98,736</u>
 Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ 2,250,799</u>	<u>\$ 2,250,799</u>

Santa Cruz County
Nonmajor Special Revenue Funds
WIOA Fund
Budgetary Comparison Schedule
Year Ended June 30, 2017

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental	\$ 1,766,793	\$ 821,023	\$ (945,770)
Miscellaneous	<u>-</u>	<u>730</u>	<u>730</u>
Total revenues	<u>1,766,793</u>	<u>821,753</u>	<u>(945,040)</u>
Expenditures			
Education and economic opportunity—Commerce	<u>1,771,933</u>	<u>837,480</u>	<u>934,453</u>
Total expenditures	<u>1,771,933</u>	<u>837,480</u>	<u>934,453</u>
Excess (deficiency) of revenues over expenditures	(5,140)	(15,727)	(10,587)
Other financing sources (uses)			
Transfers in		42,934	42,934
Transfers out	<u>-</u>	<u>(2,221)</u>	<u>(2,221)</u>
Total other financing sources (uses)	<u>-</u>	<u>40,713</u>	<u>40,713</u>
Net change in fund balance	(5,140)	24,986	30,126
Fund balance, July 1, 2016	<u>5,140</u>	<u>(105,991)</u>	<u>(111,131)</u>
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ (81,005)</u>	<u>\$ (81,005)</u>

Santa Cruz County
Nonmajor Special Revenue Funds
Health Services Fund
Budgetary Comparison Schedule
Year Ended June 30, 2017

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 195,666	\$ 553,241	\$ 357,575
Charges for services	<u>117,840</u>	<u>128,548</u>	<u>10,708</u>
Total revenues	<u>313,506</u>	<u>681,789</u>	<u>368,283</u>
Expenditures			
Health, welfare & sanitation	<u>742,870</u>	<u>1,027,252</u>	<u>(284,382)</u>
Total expenditures	<u>742,870</u>	<u>1,027,252</u>	<u>(284,382)</u>
Excess (deficiency) of revenues over expenditures	(429,364)	(345,463)	83,901
Other financing uses			
Transfers in	<u>406,621</u>	<u>333,472</u>	<u>(73,149)</u>
Total other financing sources	<u>406,621</u>	<u>333,472</u>	<u>(73,149)</u>
Net change in fund balance	(22,743)	(11,991)	10,752
Fund balance, July 1, 2016	<u>22,743</u>	<u>(107,626)</u>	<u>(130,369)</u>
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ (119,617)</u>	<u>\$ (119,617)</u>

Santa Cruz County
 Nonmajor Special Revenue Funds
 Juvenile Services Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2017

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 1,579,306	\$ 1,530,309	\$ (48,997)
Charges for service	4,300	3,889	(411)
Investment earnings	107	285	178
Miscellaneous	<u>-</u>	<u>16,249</u>	<u>16,249</u>
Total revenues	<u>1,583,713</u>	<u>1,550,732</u>	<u>(32,981)</u>
Expenditures			
General government			
Superior Court	142,141	145,002	(2,861)
Public safety			
Probation	820,047	659,027	161,020
Education			
School Superintendent	<u>865,216</u>	<u>676,064</u>	<u>189,152</u>
Total expenditures	<u>1,827,404</u>	<u>1,480,093</u>	<u>347,311</u>
Excess (deficiency) of revenues over expenditures	(243,691)	70,639	314,330
Other financing sources			
Transfers in	<u>-</u>	<u>4,408</u>	<u>4,408</u>
Total other financing sources	<u>-</u>	<u>4,408</u>	<u>4,408</u>
Net change in fund balance	(243,691)	75,047	318,738
Fund balance, July 1, 2016	<u>243,691</u>	<u>107,879</u>	<u>(135,812)</u>
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ 182,926</u>	<u>\$ 182,926</u>

Santa Cruz County
 Nonmajor Special Revenue Funds
 Probation Services Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2017

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental	\$ 830,795	\$ 804,009	\$ (26,786)
Charges for service	96,400	110,234	13,834
Investment earnings	315	1,274	959
Miscellaneous	-	59	59
Total revenues	927,510	915,576	(11,934)
Expenditures			
Public safety	1,575,271	884,799	690,472
Total expenditures	1,575,271	884,799	690,472
Excess (deficiency) of revenues over expenditures	(647,761)	30,777	678,538
Other financing sources			
Transfers in	1,909	1,909	-
Total other financing sources	1,909	1,909	-
Net change in fund balance	(645,852)	32,686	678,538
Fund balance, July 1, 2016	645,852	619,375	(26,477)
Fund balance, June 30, 2017	\$ -	\$ 652,061	\$ 652,061

Santa Cruz County
Nonmajor Special Revenue Funds
Homeland Security Fund
Budgetary Comparison Schedule
Year Ended June 30, 2017

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 205,727	\$ 299,195	\$ 93,468
Total revenues	<u>205,727</u>	<u>299,195</u>	<u>93,468</u>
Expenditures			
Public safety			
Emergency Management	2,110	23,052	(20,942)
Sheriff's Office	<u>206,726</u>	<u>186,579</u>	<u>20,147</u>
Total expenditures	<u>208,836</u>	<u>209,631</u>	<u>(795)</u>
Excess (deficiency) of revenues over expenditures	(3,109)	89,564	92,673
Other financing sources			
Transfers in	<u>-</u>	<u>13,191</u>	<u>13,191</u>
Total other financing sources	<u>-</u>	<u>13,191</u>	<u>13,191</u>
Net change in fund balance	(3,109)	102,755	105,864
Fund balance, July 1, 2016	<u>3,109</u>	<u>(94,889)</u>	<u>(97,998)</u>
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ 7,866</u>	<u>\$ 7,866</u>

Santa Cruz County
 Nonmajor Special Revenue Funds
 Retrieval Conversion Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2017

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 38,972	\$ 38,971	\$ (1)
Charges for services	65,500	73,319	7,819
Fines and forfeits	99,000	111,776	12,776
Investment earnings	30	1,551	1,521
Miscellaneous	<u>-</u>	<u>2</u>	<u>2</u>
Total revenues	<u>203,502</u>	<u>225,619</u>	<u>22,117</u>
Expenditures			
General government	<u>884,092</u>	<u>92,235</u>	<u>791,857</u>
Total expenditures	<u>884,092</u>	<u>92,235</u>	<u>791,857</u>
Excess (deficiency) of revenues over expenditures	(680,590)	133,384	813,974
Other financing sources (uses)			
Transfers in		374	374
Transfers out	<u>(80,000)</u>	<u>(106,345)</u>	<u>(26,345)</u>
Total other financing sources (uses)	<u>(80,000)</u>	<u>(105,971)</u>	<u>(25,971)</u>
Net change in fund balance	(760,590)	27,413	788,003
Fund balance, July 1, 2016	<u>760,590</u>	<u>765,847</u>	<u>5,257</u>
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ 793,260</u>	<u>\$ 793,260</u>

Santa Cruz County
Nonmajor Special Revenue Funds
Animal Control Fund
Budgetary Comparison Schedule
Year Ended June 30, 2017

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental	\$ 273,328	\$ 337,919	\$ 64,591
Charges for services	30,275	47,676	17,401
Investment earnings	-	34	34
Miscellaneous	-	10,550	10,550
Total revenues	303,603	396,179	92,576
Expenditures			
Health, welfare and sanitation	586,558	579,292	7,266
Total expenditures	586,558	579,292	7,266
Excess (deficiency) of revenues over expenditures	(282,955)	(183,113)	99,842
Other financing sources			
Transfers in	243,328	235,215	(8,113)
Total other financing sources	243,328	235,215	(8,113)
Net change in fund balance	(39,627)	52,102	91,729
Fund balance, July 1, 2016	39,627	24,689	(14,938)
Fund balance, June 30, 2017	\$ -	\$ 76,791	\$ 76,791

Santa Cruz County
Nonmajor Special Revenue Funds
Other Special Revenue Funds
Budgetary Comparison Schedule
Year Ended June 30, 2017

	<u>Original and Final Budget Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 862,866	\$ 503,863	\$ (359,003)
Charges for services	78,300	128,552	50,252
Investment earnings	10	638	628
Miscellaneous	<u>30,000</u>	<u>15,774</u>	<u>(14,226)</u>
Total revenues	<u>971,176</u>	<u>648,827</u>	<u>(322,349)</u>
Expenditures			
General government	236,389	53,388	183,001
Public safety	707,924	255,425	452,499
Health, welfare and sanitation	337,689	175,497	162,192
Education and economic opportunity	<u>950,873</u>	<u>219,061</u>	<u>731,812</u>
Total expenditures	<u>2,232,875</u>	<u>703,371</u>	<u>1,529,504</u>
Excess (deficiency) of revenues over expenditures	(1,261,699)	(54,544)	1,207,155
Other financing sources (uses)			
Transfers in	92,315	50,993	(41,322)
Transfers out	<u>(7,500)</u>	<u>(14,245)</u>	<u>(6,745)</u>
Total other financing sources (uses)	<u>84,815</u>	<u>36,748</u>	<u>(48,067)</u>
Net change in fund balance	(1,176,884)	(17,796)	1,159,088
Fund balance, July 1, 2016	<u>1,176,884</u>	<u>1,220,266</u>	<u>43,382</u>
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ 1,202,470</u>	<u>\$ 1,202,470</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, 2017

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Investment earnings	\$ -	\$ 1,099	\$ 1,099
Miscellaneous	-	20,054	20,054
Total revenues	<u>-</u>	<u>21,153</u>	<u>21,153</u>
Expenditures			
General government	53,475	-	53,475
Public safety	219,044	-	219,044
Total expenditures	<u>272,519</u>	<u>-</u>	<u>272,519</u>
Excess (deficiency) of revenues over expenditures	<u>(272,519)</u>	<u>21,153</u>	<u>293,672</u>
Net change in fund balances	(272,519)	21,153	293,672
Fund balance, July 1, 2016	<u>272,519</u>	<u>278,372</u>	<u>5,853</u>
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ 299,525</u>	<u>\$ 299,525</u>

Santa Cruz County
 Budgetary Comparison Schedule
 Capital Projects—Airport Fund
 Year Ended June 30, 2017

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental	\$ 136,500	\$ 346,096	\$ 209,596
Total Revenues	136,500	346,096	209,596
Expenditures			
General government	166,800	361,757	(194,957)
Total expenditures	166,800	361,757	(194,957)
Excess (deficiency) of revenues over expenditures	(30,300)	(15,661)	14,639
Other financing sources			
Transfers in	23,500	16,171	(7,329)
Total other financing sources	23,500	16,171	(7,329)
Net change in fund balance	(6,800)	510	7,310
Fund balance, July 1, 2016	6,800	(794)	(7,594)
Fund balance, June 30, 2017	\$ -	\$ (284)	\$ (284)

Santa Cruz County
 Budgetary Comparison Schedule
 Capital Projects—Other Funds
 Year Ended June 30, 2017

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Public safety	<u>-</u>	<u>20,567</u>	<u>(20,567)</u>
Total expenditures	<u>-</u>	<u>20,567</u>	<u>(20,567)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(20,567)</u>	<u>(20,567)</u>
Net change in fund balance	-	(20,567)	(20,567)
Fund balance, July 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ (20,567)</u>	<u>\$ (20,567)</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, 2017

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Taxes	\$ -	\$ -	\$ -
Investment earnings	-	389	389
Mscellaneous	-	620	620
Total revenues	<u>-</u>	<u>1,009</u>	<u>1,009</u>
Expenditures			
Debt service	<u>1,243,156</u>	<u>925,750</u>	<u>317,406</u>
Total expenditures	<u>1,243,156</u>	<u>925,750</u>	<u>317,406</u>
Excess (deficiency) of revenues over expenditures	(1,243,156)	(924,741)	318,415
Other financing sources			
Transfers in	<u>927,938</u>	<u>927,938</u>	<u>-</u>
Total other financing sources	<u>927,938</u>	<u>927,938</u>	<u>-</u>
Net change in fund balance	(315,218)	3,197	318,415
Fund balance, July 1, 2016	<u>315,218</u>	<u>202,475</u>	<u>(112,743)</u>
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ 205,672</u>	<u>\$ 205,672</u>

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Investment Trust and Agency Funds

Santa Cruz County
Combining Statement of Fiduciary Net Position
Investment Trust Funds
June 30, 2017

	<u>Treasurer's Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total</u>
Assets			
Cash and investments	\$ 29,076,718	\$ 61,760	\$ 29,138,478
Total assets	<u>\$ 29,076,718</u>	<u>\$ 61,760</u>	<u>\$ 29,138,478</u>
Net Position			
Held in trust for investment trust participants	<u>\$ 29,076,718</u>	<u>\$ 61,760</u>	<u>\$ 29,138,478</u>

Santa Cruz County
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2017

	<u>Property Tax Collection</u>	<u>Fire District</u>	<u>Special Purpose</u>	<u>Total</u>
Assets				
Cash and investments	\$ 413,406	\$ -	\$ 1,473,944	\$ 1,887,350
Total assets	<u>\$ 413,406</u>	<u>\$ -</u>	<u>\$ 1,473,944</u>	<u>\$ 1,887,350</u>
Liabilities				
Due to other governmental units	\$ 251,500	\$ -		\$ 251,500
Deposits held for others	<u>161,906</u>	<u></u>	\$ 1,473,944	<u>1,635,850</u>
Total liabilities	<u>\$ 413,406</u>	<u>\$ -</u>	<u>\$ 1,473,944</u>	<u>\$ 1,887,350</u>

Santa Cruz County
Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
Year Ended June 30, 2017

	Treasurer's Investment Pool	Individual Investment Accounts	Total
Additions			
Contributions from participants	\$ 101,967,842		\$ 101,967,842
Investment earnings	<u>25,918</u>	\$ 782	<u>26,700</u>
Total additions	<u>101,993,760</u>	<u>782</u>	<u>101,994,542</u>
Deductions			
Distributions to participants	<u>101,155,962</u>	<u>375</u>	<u>101,156,337</u>
Total deductions	<u>101,155,962</u>	<u>375</u>	<u>101,156,337</u>
Changes in net position	837,798	407	838,205
Net position, July 1, 2016	<u>28,238,920</u>	<u>61,353</u>	<u>28,300,273</u>
Net position, June 30, 2017	<u>\$ 29,076,718</u>	<u>\$ 61,760</u>	<u>\$ 29,138,478</u>

Santa Cruz County
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Property Tax Collection:				
Assets				
Cash and investments	\$ 428,007	\$ 2,087,223	\$ 2,101,824	\$ 413,406
Liabilities				
Due to other governmental units	\$ 156,122	\$ 111,738	\$ 16,360	\$ 251,500
Deposits held for others	271,885	1,975,485	2,085,464	161,906
Total liabilities	<u>\$ 428,007</u>	<u>\$ 2,087,223</u>	<u>\$ 2,101,824</u>	<u>\$ 413,406</u>
Fire District:				
Assets				
Cash and investments	<u>\$ -</u>	<u>\$ 309,835</u>	<u>\$ 309,835</u>	<u>\$ -</u>
Liabilities				
Due to other governmental units	<u>\$ -</u>	<u>\$ 309,835</u>	<u>\$ 309,835</u>	<u>\$ -</u>
Special Purpose:				
Assets				
Cash and investments	<u>\$ 1,726,142</u>	<u>\$ 48,374</u>	<u>\$ 300,572</u>	<u>\$ 1,473,944</u>
Liabilities				
Deposits held for others	<u>\$ 1,726,142</u>	<u>\$ 48,374</u>	<u>\$ 300,572</u>	<u>\$ 1,473,944</u>
Total - All Agency Funds				
Assets				
Cash and investments	<u>\$ 2,154,149</u>	<u>\$ 2,445,432</u>	<u>\$ 2,712,231</u>	<u>\$ 1,887,350</u>
Liabilities				
Due to other governmental units	\$ 156,122	\$ 421,573	\$ 326,195	\$ 251,500
Deposits held for others	<u>1,998,027</u>	<u>2,023,859</u>	<u>2,386,036</u>	<u>1,635,850</u>
Total liabilities	<u>\$ 2,154,149</u>	<u>\$ 2,445,432</u>	<u>\$ 2,712,231</u>	<u>\$ 1,887,350</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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities										
Net investment in capital assets	\$ 66,653	\$ 69,644	\$ 70,340	\$ 70,668	\$ 73,030	\$ 74,702	\$ 75,658	\$ 74,440	\$ 73,420	\$ 74,969
Restricted	13,255	9,756	7,711	9,515	9,190	9,412	10,559	6,012	7,868	8,463
Unrestricted (deficit)	(28,547)	(23,902)	(22,125)	9,783	10,951	11,913	10,801	14,795	14,615	13,109
Total governmental activities net position	<u>51,361</u>	<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>
Business-Type Activities										
Net investment in capital assets	3,829	4,115	4,274	3,660	3,538	3,691	3,393	2,568	2,602	2,710
Unrestricted (deficit)	(130)	(1,128)	(1,278)	(1,182)	(1,356)	(375)	(351)	715	596	(1,560)
Total business-type activities net position (deficit)	<u>3,699</u>	<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>
Primary Government										
Net investment in capital assets	70,482	73,759	74,614	74,328	76,568	78,393	79,051	77,008	76,022	77,679
Restricted	13,255	9,756	7,711	9,515	9,190	9,412	10,559	6,012	7,868	8,463
Unrestricted (deficit)	(28,677)	(25,030)	(23,403)	8,601	9,595	11,538	10,450	15,510	15,211	11,549
Total primary government net position	<u>\$ 55,060</u>	<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>

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities:										
General government	\$ 17,992	\$ 16,403	\$ 16,772	\$ 14,525	\$ 14,184	\$ 14,243	\$ 13,285	\$ 13,542	\$ 13,674	\$ 14,264
Public safety	15,862	14,854	16,431	16,043	15,420	17,894	14,733	12,986	14,631	12,961
Highways and streets	5,848	5,966	7,474	6,972	6,509	4,239	4,570	4,248	4,701	4,928
Health, welfare and sanitation	4,926	4,621	4,633	4,754	4,224	4,518	3,865	3,916	4,149	4,647
Education and economic opportunity	2,168	2,909	3,259	2,454	2,443	3,371	4,589	6,280	4,912	4,758
Recreation	267	202	152	165	139	141	121	208	329	354
Interest on long-term debt	3,089	3,141	2,810	2,899	2,983	2,965	2,767	4,220	1,976	63
Total governmental activities expenses	50,152	48,096	51,531	47,812	45,902	47,371	43,930	45,400	44,372	41,975
Business-type activities:										
Landfill	1,621	1,941	887	1,511	2,432	833	1,261	562	(342)	2,137
Total business-type activities expenses	1,621	1,941	887	1,511	2,432	833	1,261	562	(342)	2,137
Total primary government expenses	51,773	50,037	52,418	49,323	48,334	48,204	45,191	45,962	44,030	44,112
Program Revenues										
Governmental activities:										
Charges for services	2,146	2,161	2,412	2,569	3,201	3,326	3,087	3,532	3,153	3,629
General government	244	244	450	399	920	400	218	395	307	262
Public safety	-	-	-	-	-	-	-	2	7	-
Highways and streets	178	188	156	174	157	185	206	202	218	242
Health, welfare and sanitation	85	26	73	128	13	88	14	1	-	182
Education and economic opportunity	9	9	9	8	6	11	10	6	8	14
Recreation	8,781	9,079	8,993	8,338	9,077	10,777	11,079	9,955	9,305	16,402
Operating grants and contributions*	5,114	5,810	4,747	4,512	3,513	3,447	4,335	3,608	3,963	656
Capital grants and contributions	16,557	17,517	16,840	16,128	16,887	18,234	18,949	17,701	16,961	21,387
Total governmental activities program revenues	2,326	2,062	1,993	1,600	1,269	968	1,001	610	1,683	2,266
Business-type activities:										
Charges for services	-	-	-	94	-	-	-	20	8	-
Landfill	2,326	2,062	1,993	1,694	1,269	968	1,001	630	1,691	2,266
Operating grants and contributions	18,883	19,579	18,833	17,822	18,156	19,202	19,950	18,331	18,652	23,653
Total business-type program revenues	(33,595)	(30,579)	(34,691)	(31,684)	(29,015)	(29,137)	(24,981)	(27,699)	(27,410)	(20,588)
Net (expense) revenue	705	121	1,106	183	(1,163)	135	(260)	68	2,033	129
Total primary government activities net (expense) revenue	(32,890)	(30,458)	(33,585)	(31,501)	(30,178)	(29,002)	(25,241)	(27,631)	(25,377)	(20,459)

(continued)

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General revenues and other changes in net position										
Governmental activities:										
Taxes										
Property taxes	\$ 13,915	\$ 14,495	\$ 14,041	\$ 13,915	\$ 12,650	\$ 13,398	\$ 13,988	\$ 14,187	\$ 12,666	\$ 12,276
County general excise tax	2,578	2,654	2,504	2,685	2,596	2,646	2,571	2,519	2,961	-
County jail excise tax	2,569	2,654	2,504	2,685	2,594	2,642	2,609	2,446	2,951	-
Share of state sales taxes-general government	2,685	2,621	2,421	2,426	2,197	2,018	2,272	779	1,127	8,035
Share of state sales taxes-welfare	2,070	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	1,080	1,073	932	978	980	956	834	324	1,360	578
Vehicle lieu tax unrestricted*	1,716	1,649	1,527	1,466	1,312	1,367	1,343	1,432	1,528	1,592
Share of state lottery/state appropriations	550	550	1,100	-	-	-	-	304	522	-
Share of federal disproportionate revenue	-	-	-	-	-	-	-	-	215	-
Share of state overweight permits	833	802	783	754	702	-	-	-	-	-
Unrestricted grants and contributions	63	433	522	506	592	738	564	791	850	661
Investment earnings (loss)	80	59	14	130	98	68	205	730	(384)	771
Miscellaneous	354	378	377	855	402	531	747	754	531	252
Capital contributions		256	-	29	39	37	33	42	19	-
Transfers		150	(2)	(109)	(22)	(18)	(12)	-	-	-
Gain on sale of capital assets		315	4	134	-	-	9	-	-	-
Loss on disposal		-	-	-	-	(144)	-	-	-	-
Total governmental activities	<u>28,493</u>	<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>
Business-type activities:										
Grants and contributions	-	-	-	-	-	80	-	-	-	-
Investment earnings	7	3	1	4	7	2	6	18	15	90
Gain on sale of capital assets		57								
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers		(190)	2	109	22	18	12	-	-	-
Capital contributions		-	-	-	-	-	-	-	-	-
Total business-type activities	<u>7</u>	<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>
Total primary government	<u>28,500</u>	<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>
Changes in net position										
Governmental activities	(5,102)	(428)	(5,931)	(3,205)	(2,856)	(2,851)	1,771	(495)	(40)	3,577
Business-type activities	712	(9)	1,109	296	(1,134)	235	(242)	86	2,048	219
Total primary government	<u>\$ (4,390)</u>	<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>

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	13,370	15,052	12,752
Nonspendable*	48	46	95	51	49	44	42	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	9,222	11,063	11,125	11,021	13,458	13,513	13,945	-	-	-
Subtotal general fund	<u>\$ 9,270</u>	<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>
All other governmental funds										
Reserved for:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid items	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds (deficits)	-	-	-	-	-	-	-	8,430	8,929	7,270
Nonspendable*	2	9	7	8	4	2	4	-	-	-
Restricted	10,350	7,997	9,486	11,872	12,360	16,295	9,724	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	77	34	52	192	110	370	521	-	-	-
Unassigned	(416)	(747)	(845)	(687)	(1,648)	(1,431)	(2,616)	-	-	-
Capital projects funds (deficits)	-	-	-	-	-	-	-	5,378	35,028	60
Nonspendable*	-	-	-	-	-	-	-	-	-	-
Restricted	241	226	270	60	155	108	61	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	65	59	53	-	-	-	-	-	-	-
Unassigned	(28)	(7)	(236)	-	-	(1)	(792)	-	-	-
Debt Service Assigned	206	202	99	98	-	242	236	493	2,129	1,792
Total all other governmental funds	<u>\$ 10,497</u>	<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>

*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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Taxes	\$ 19,193	\$ 19,991	\$ 19,198	\$ 19,189	\$ 18,026	\$ 18,573	\$ 19,181	\$ 18,752	\$ 19,195	\$ 13,889
Intergovernmental	22,192	23,599	22,022	20,926	20,929	22,283	21,173	18,986	21,884	26,115
Licenses and permits	348	409	384	324	214	293	318	380	459	927
Charges for services	1,143	1,169	1,519	1,676	1,620	1,625	1,751	1,702	1,961	1,991
Fines and forfeits	1,172	1,050	1,197	1,278	2,464	2,092	1,466	2,056	1,273	933
Investment earnings	80	59	14	130	98	68	206	730	(384)	771
Rents	42	39	42	37	45	33	59	42	21	52
Contributions	-	-	-	-	-	-	-	-	-	-
Miscellaneous	309	342	337	817	357	497	688	712	520	705
Total revenues	<u>44,479</u>	<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>
Expenditures:										
Current:										
General government	15,173	15,091	13,379	13,840	13,605	13,885	14,807	12,843	12,856	13,564
Public safety	13,241	14,208	13,582	15,096	19,435	16,355	20,821	13,093	13,562	14,506
Highways and streets	3,952	4,543	6,816	4,872	3,707	3,607	3,068	3,020	4,187	3,836
Health, welfare and sanitation	4,991	4,710	4,625	4,738	4,230	4,425	3,790	3,823	4,027	4,543
Education and economic opportunity	2,002	2,779	3,132	2,421	2,404	3,331	4,572	6,308	4,886	4,732
Recreation	224	167	438	148	122	122	99	183	300	425
Capital outlay	-	-	-	-	-	-	-	29,818	22,249	3,985
Debt service:										
Principal	2,531	3,776	2,421	2,332	2,224	2,133	1,935	3,359	270	218
Interest and other charges	3,071	3,049	2,809	2,900	2,983	2,965	2,767	4,220	1,976	63
Total expenditures	<u>45,185</u>	<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>
Excess (deficiency) of revenues over (under) expenditures	<u>(706)</u>	<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>
Other financing sources (uses):										
Pledged revenue refunding obligations proceeds	33,850	9,997	-	-	-	9,300	-	-	59,172	-
Payment to debt refinancing escrow agent	(33,224)	(9,798)	-	-	-	-	11	-	11	-
Loan proceeds (net of discounts)	-	-	-	134	-	-	-	-	64	532
Proceeds from sales of capital assets	-	93	-	-	326	224	473	-	64	532
Capital lease agreements	-	-	-	-	-	-	-	-	-	-
Transfers in	5,328	5,982	5,187	7,077	3,759	6,962	5,488	5,654	3,876	5,691
Transfers out	(5,328)	(5,832)	(5,189)	(7,132)	(3,781)	(6,980)	(5,500)	(5,654)	(3,876)	(5,691)
Proceeds from long-term notes	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>626</u>	<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>
Net change in fund balances	<u>\$ (80)</u>	<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>
Debt service as a percentage of noncapital expenditures	12.40%	14.12%	11.08%	11.29%	10.69%	10.89%	9.07%	16.18%	5.34%	0.67%

SOURCE: Comprehensive Annual Financial Reports for the relevant year

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

Fiscal Year	Taxes	Intergovernmental Revenues	Licenses and Permits	Charges for Services	Fines and Forfeits	Investment Earnings	Rents	Contributions and Miscellaneous	Total
2007-08 ⁽¹⁾	13,889,123	26,114,526	927,316	1,990,784	932,840	770,585	52,000	704,489	45,381,663
2008-09 ⁽¹⁾	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 ⁽¹⁾	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 ⁽¹⁾	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 ⁽¹⁾	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 ⁽¹⁾	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 ⁽¹⁾	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 ⁽¹⁾	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 ⁽¹⁾	19,990,913	23,598,765	408,765	1,169,039	1,049,694	59,353	39,177	341,966	46,657,672
2016-17 ⁽¹⁾	19,192,931	22,191,925	348,423	1,143,104	1,171,546	79,618	41,546	309,501	44,478,594

NOTES:

⁽¹⁾ 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	Intergovernmental Revenues	Licenses and Permits	Charges for Services	Fines and Forfeits	Investment Earnings	Rents	Contributions and Miscellaneous	Total
2007-08 ⁽¹⁾	30.61	57.54	2.04	4.39	2.06	1.70	0.11	1.55	100.00
2008-09 ⁽¹⁾	42.72	48.71	1.02	4.37	2.83	(0.86)	0.05	1.16	100.00
2009-10 ⁽¹⁾	43.24	43.79	0.88	3.93	4.74	1.68	0.10	1.64	100.00
2010-11 ⁽¹⁾	42.77	47.22	0.71	3.90	3.27	0.46	0.13	1.54	100.00
2011-12 ⁽¹⁾	40.85	49.01	0.65	3.57	4.60	0.15	0.07	1.10	100.00
2012-13 ⁽¹⁾	41.20	47.84	0.49	3.70	5.63	0.22	0.10	0.82	100.00
2013-14 ⁽¹⁾	43.24	47.16	0.73	3.78	2.88	0.29	0.08	1.84	100.00
2014-15 ⁽¹⁾	42.94	49.25	0.86	3.40	2.68	0.03	0.09	0.75	100.00
2015-16 ⁽¹⁾	42.85	50.58	0.88	2.50	2.25	0.13	0.08	0.73	100.00
2016-17 ⁽¹⁾	43.15	49.89	0.79	2.57	2.63	0.18	0.09	0.70	100.00

NOTES:

⁽¹⁾ 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
2007-08 ⁽¹⁾	13,563,616	14,505,806	3,836,048	4,542,542	4,732,069	425,060	280,656	41,885,797
2008-09 ⁽¹⁾	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 ⁽¹⁾	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 ⁽¹⁾	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 ⁽¹⁾	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 ⁽¹⁾	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 ⁽¹⁾	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 ⁽¹⁾	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 ⁽¹⁾	15,091,368	14,207,884	4,543,361	4,710,248	2,779,419	166,627	6,824,548	48,323,455
2016-17 ⁽¹⁾	15,172,848	13,241,269	3,952,178	4,990,896	2,002,195	223,449	5,601,698	45,184,533

NOTES:

- ⁽¹⁾ 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
2007-08 ⁽¹⁾	32.38	34.63	9.16	10.84	11.30	1.02	0.67	100.00
2008-09 ⁽¹⁾	30.57	32.24	9.95	9.57	11.62	0.71	5.34	100.00
2009-10 ⁽¹⁾	27.41	27.95	6.45	8.16	13.46	0.39	16.18	100.00
2010-11 ⁽¹⁾	28.55	40.14	5.92	7.31	8.82	0.19	9.07	100.00
2011-12 ⁽¹⁾	29.66	34.93	7.70	9.45	7.11	0.26	10.89	100.00
2012-13 ⁽¹⁾	27.93	39.90	7.61	8.68	4.94	0.25	10.69	100.00
2013-14 ⁽¹⁾	28.34	28.77	14.44	9.80	6.63	0.93	11.08	100.00
2014-15 ⁽¹⁾	28.36	28.00	14.39	9.81	6.64	0.93	11.87	100.00
2015-16 ⁽¹⁾	31.23	29.40	9.40	9.75	5.75	0.34	14.13	100.00
2016-17 ⁽¹⁾	33.58	29.30	8.75	11.04	4.43	0.50	12.40	100.00

NOTES:

⁽¹⁾ 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
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%
16-17	84,588	149,680	46,268	333	280,869	4.6703	2,746,137	10.23%

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		
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
2016-17	3.8086	0.7617	0.1000	0.0000	3.5101	3.8217	3.2500	2.5000	2.0793	0.5010

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		
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
2016-17	2.6348	4.6495	4.4995	5.5000	3.8639	6.8170

SOURCE: Annual budgets.

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

Taxpayer	2017			2016			2015			2014			2013		
	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 *	19,014	1	5.70%	18,276	1	5.66%	17,956	1	5.54%	16,987	1	5.00%	16,670	1	4.44%
Qwest Corporation *	1,777	8	0.53%	1,892	6	0.59%	1,936	6	0.60%	1,929	5	0.57%	2,112	7	0.56%
Wal-Mart Stores, Inc.	2,152	5	0.64%	2,101	5	0.65%	2,235	5	0.69%	2,546	3	0.75%	2,270	5	0.60%
Delta Properties LLP	5,619	2	1.68%	4,837	2	1.50%	4,800	2	1.48%	5,770	2	1.70%	6,178	2	1.64%
Union Pacific Railroad	3,147	3	0.94%	2,521	3	0.78%	2,454	4	0.76%	2,498	4	0.73%	2,040	8	0.54%
Mariposa Shopping Center LP *	2,062	7	0.62%	2,197	4	0.68%	2,599	3	0.80%	1,745	6	0.51%	2,326	4	0.62%
Tubac Management Co, LLC	1,372	9	0.41%	1,385	10	0.43%	1,555	7	0.48%	1,744	7	0.51%	1,679	9	0.45%
Nogales Plaza Shopping Center LP	1,234	10	0.37%	1,472	8	0.46%	1,276	10	0.39%						
SOAC Properties Corporation	2,095	6	0.63%	1,453	9	0.45%	1,543	8	0.48%	1,578	8	0.46%			
Vatere LLC													2,591	3	0.69%
Rio Rico Properties													2,245	6	0.60%
Crisantes Properties, LLC	2,158	4	0.65%	1,596	7	0.49%	1,468	9	0.45%	1,433	10	0.42%	1,609	10	0.43%
Rio Rico Utilities										1,462	9	0.43%			
Title Security Agency of Arizona															
Home Depot USA Inc.															
Loma Linda Mall LLC															
Rio Rico Pacific															
HD Development of Maryland Inc.															
Alta Real Estate, LLC															
Palita Properties, LLC															
Total	\$ 40,630		12.17%	\$ 37,730		11.69%	\$ 37,822		11.68%	\$ 37,692		11.08%	\$ 39,720		10.57%

*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	2012			2011			2010			2009			2008		
	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															
Unisource Energy Corporation *	15,062	1	3.77%	13,935	1	3.15%	14,303	1	3.17%	14,580	1	3.91%			
Qwest Corporation *	2,979	3	0.75%	2,897	3	0.65%	3,230	3	0.72%	4,403	3	1.18%	15,211	1	4.45%
Wal-Mart Stores, Inc.	2,519	5	0.63%	2,554	6	0.58%	2,660	6	0.59%	3,225	4	0.86%	4,467	3	1.31%
Delta Properties LLP	5,197	2	1.30%	5,697	2	1.29%	4,374	2	0.97%	4,583	2	1.23%	3,824	5	1.12%
Union Pacific Railroad	1,926	7	0.48%	1,710	10	0.39%							5,756	2	1.68%
Mariposa Shopping Center LP *	1,832	9	0.46%	1,947	8	0.44%	2,119	8	0.47%	2,624	8	0.70%	-	-	-
Tubac Management Co, LLC	1,859	8	0.47%	1,902	9	0.43%				2,137	9	0.57%	3,956	4	1.16%
Nogales Plaza Shopping Center LP							1,966	10	0.44%	2,060	10	0.55%	2,633	9	0.77%
Vatere LLC	2,126	6	0.53%	2,611	5	0.59%	2,630	7	0.58%	2,694	6	0.72%	2,182	10	0.64%
Rio Rico Properties	1,591	10	0.40%	2,116	7	0.48%	2,023	9	0.45%						
Loma Linda Mall LLC *													3,143	6	0.92%
Tucson Electric Power Co															
Edwards/PCF-Nogales LLC													2,827	8	0.83%
Lawyers Title Agency of AZ, LLC										2,687	7	0.72%			
Rio Rico Utilities															
Title Security Agency of Arizona	2,695	4	0.67%	2,695	4	0.61%	2,687	5	0.60%						
Mayer Alberto Family Limited															
Newhall Nogales General Printshop															
Omega Nogales Property*													2,938.00	7	0.86%
Royal Sterilization Systems															
Total	\$ 37,786		9.46%	\$ 38,064		8.60%	\$ 38,937		8.64%	\$ 41,760		11.18%	\$ 46,937		13.74%

*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 Within Fiscal Year of Levy		Percent of Levy	Subsequent Taxes Collected	Total Tax Collections To Date	Percent of Levy	Outstanding Delinquent Taxes Receivable ⁽¹⁾
				Primary	Secondary					
2007-08	9,947,132	2,242,325	12,189,457	9,497,528	2,171,670	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	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	96.43	758,807 ⁽²⁾	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	93.27	1,013,143 ⁽³⁾	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	99.54	1,525,502 ⁽⁴⁾	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	100.55	849,087 ⁽⁵⁾	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	88.49	240,177 ⁽⁶⁾	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	95.29	34,655 ⁽⁷⁾	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	94.87	31,329 ⁽⁸⁾	13,864,251	95.08	1,317,553
2016-17	11,800,370	2,435,549	14,235,919	11,883,376	2,459,923	100.75	123,571 ⁽⁹⁾	14,466,870	101.62	1,169,024

NOTES:

- (1) 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.
- (2) Subsequent Taxes Collected as of March 21, 2011.
- (3) Subsequent Taxes Collected as of January 25, 2012
- (4) Subsequent Taxes Collected as of March 13, 2013
- (5) Subsequent Taxes Collected as of March 3, 2014
- (6) Subsequent Taxes Collected as of September 30, 2014
- (7) Subsequent Taxes Collected as of September 15, 2015
- (8) Subsequent Taxes Collected as of September 26, 2016
- (9) Subsequent Taxes Collected as of September 30, 2017

Source: Annual Budgets

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

Fiscal Year	Net Assessed Value	Estimated Actual Value	Ratio of Net Assessed to Estimated Actual Value
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
2016-17 Primary	309,835	2,746,137	11.28
2016-17 Secondary	333,858	2,891,790	11.55

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						
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 ⁽¹⁾	5.42%	43,771	1,407
2009-2010	-	1,230	56,790	117	58,137	1,194,102 ⁽¹⁾	4.87%	47,420	1,226
2010-2011	-	1,313	55,245	6	56,564	1,159,970 ⁽¹⁾	4.88%	47,539	1,189
2011-2012	-	1,159	62,790	-	63,949	1,201,845 ⁽¹⁾	5.32%	48,724	1,312
2012-2013	-	1,261	60,790	-	62,051	1,220,160 ⁽¹⁾	5.09%	49,200	1,261
2013-2014	-	1,009	58,710	-	59,719	1,289,709 ⁽¹⁾	4.63%	49,816	1,199
2014-2015	-	748	56,550	675	57,973	1,358,316 ⁽¹⁾	4.27%	50,495	1,148
2015-2016	9,989	581	44,225	718	55,513	1,418,082 ⁽¹⁾	3.91%	50,999	1,089
2016-2017	43,777	425	9,845	617	54,664	1,500,331 ⁽¹⁾	3.64%	51,728	1,057

NOTE:

⁽¹⁾ Projected Estimate

SOURCE: Basic Financial Statements

Santa Cruz County
 Computation of Direct and Overlapping Debt
 Governmental Activities, Debt Outstanding
 June 30, 2017
 (Amounts in Thousands)

<u>Governmental Unit</u>	Net Debt Outstanding	Percent Applicable to Santa Cruz	Amount Applicable to Santa Cruz
Other Debt			
Santa Cruz County – Governmental Capital Lease	425	100	425
Santa Cruz County – Governmental Loans Payable	9,845	100	9,845
Santa Cruz County – Governmental Pledged Revenue Obligations	43,777	100	43,777

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Assessed Value	\$341,684	\$404,366	\$450,859	\$442,665	\$399,532	\$375,670	\$339,878	\$323,844	\$322,650	\$333,858
Legal Debt Margin Debt Limit (15% of assessed value)	51,253	60,655	67,629	66,400	59,930	56,351	50,982	48,577	48,398	50,079
Debt applicable to limit: General obligation bonds Less: Net Position reserved for repayment of general obligation bonds	-	-	-	-	-	-	-	-	-	-
	<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>	<u>(206)</u>
Total net debt applicable to the limit	<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>	<u>(206)</u>
Legal Debt Limit Margin	<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>	<u>(206)</u>
Total net debt applicable to the limit as a percentage of debt limit	(3.50)%	(3.51)%	(0.73)%	(0.36)%	(0.40)%	(0.98)%	(0.19)%	(0.20)%	(0.42)%	(0.41)%

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 Refunding Obligations, Series 2016**

Fiscal Year	Revenues ⁽¹⁾	Debt Service		Coverage
		Principal	Interest	
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
2017	5,262,751	775,000	789,328	3.36

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

Fiscal Year	Jail District Revenues ⁽²⁾	Less: Expenditures	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2017	6,603,367	4,571,067	2,032,300	1,600,000	1,645,649	.63

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
2008	43,133	26,466	1,141,556	11,267 ⁽²⁾	18,300	7.9
2009	43,771	25,987 ⁽¹⁾	1,137,477 ⁽¹⁾	10,611 ⁽³⁾	18,150	14.2
2010	47,420	25,181 ⁽¹⁾	1,194,102 ⁽¹⁾	11,246 ⁽⁴⁾	17,950	15.6
2011	47,539	24,400 ⁽¹⁾	1,159,970 ⁽¹⁾	11,028 ⁽⁵⁾	18,975	16.5
2012	48,724	24,666 ⁽¹⁾	1,201,845 ⁽¹⁾	10,502 ⁽⁶⁾	18,352	18.3
2013	49,200	24,800 ⁽¹⁾	1,220,160 ⁽¹⁾	10,719 ⁽⁷⁾	17,917	17.3
2014	49,819	25,890 ⁽¹⁾	1,289,709 ⁽¹⁾	11,009 ⁽⁸⁾	17,328	15.2
2015	50,495	26,900 ⁽¹⁾	1,358,316 ⁽¹⁾	10,885 ⁽⁹⁾	19,907	11.0
2016	50,999	27,806 ⁽¹⁾	1,418,082 ⁽¹⁾	10,830 ⁽¹⁰⁾	19,700	10.5
2017	51,728	29,004 ⁽¹⁾	1,500,331 ⁽¹⁾	10,998 ⁽¹¹⁾	19,272	9.7

NOTES:

- ⁽¹⁾ Projected Estimate.
- ⁽²⁾ School enrollment as of November 26, 2007.
- ⁽³⁾ School enrollment as of January 20, 2009.
- ⁽⁴⁾ School enrollment as of April 30, 2010.
- ⁽⁵⁾ School enrollment as of February 28, 2011.
- ⁽⁶⁾ School enrollment as of June 30, 2012.
- ⁽⁷⁾ School enrollment as of June 30, 2013.
- ⁽⁸⁾ School enrollment as of September 30, 2014.
- ⁽⁹⁾ School enrollment as of September 30, 2015.
- ⁽¹⁰⁾ School enrollment as of September 30, 2016.
- ⁽¹¹⁾ School enrollment as of June 30, 2017.

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	2017			2016			2015			2014			2013		
	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	563	3	2.9%	567	2	2.9%	563	2	2.8%	567	2	3.3%	603	2	3.4%
US Border Patrol	623	1	3.2%	651	1	3.3%	670	1	3.4%	716	1	4.1%	735	1	4.1%
Super Wal-Mart	380	6	2.0%	398	4	2.0%	430	4	2.2%	421	4	2.4%	487	3	2.7%
US Customs and Border Protection	616	2	3.2%	440	3	2.2%	457	3	2.3%	490	3	2.8%	470	4	2.6%
Santa Cruz County	412	4	2.1%	331	6	1.7%	309	6	1.6%	400	6	2.3%	411	5	2.3%
Santa Cruz Valley Unified School District #35	383	5	2.0%	389	5	2.0%	386	5	1.9%	434	5	2.5%	401	6	2.2%
City of Nogales	294	7	1.5%	300	7	1.5%	269	7	1.4%	295	7	1.7%	288	7	1.6%
Carondelet Health Network - Holy Cross Hospital	167	10	0.9%	170	10	0.9%	178	10	0.9%	172	10	1.0%	217	9	1.2%
Mariposa Community Health Center, Inc.	288	8	1.5%	262	8	1.3%	248	8	1.2%	242	8	1.4%	237	8	1.3%
Tubac Golf Resort	187	9	1.0%	176	9	0.9%	190	9	1.0%	192	9	0.0%	N/A	N/A	N/A
Total	3,913		20.3%	3,684		18.7%	3,700		18.6%	3,929		21.5%	3,849		21.4%
Total Work Force	19,272			19,700			19,907			17,328			17,917		

Employer	2012			2011			2010			2009			2008		
	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	562	2	3.1%	591	1	3.1%	683	2	3.8%	620	1	3.4%	700	1	3.8%
US Border Patrol	751	1	4.1%	N/A	N/A	N/A	737	1	4.1%	N/A	N/A	N/A	638	2	3.5%
Super Wal-Mart	466	4	2.5%	412	4	2.2%	500	4	2.8%	530	3	2.9%	600	3	3.3%
US Customs and Border Protection	482	3	2.6%	440	2	2.3%	390	5	2.2%	N/A	N/A	N/A	425	5	2.3%
Santa Cruz County	419	6	2.3%	373	5	2.0%	387	6	2.2%	406	4	2.2%	390	6	2.1%
Santa Cruz Valley Unified School District #35	430	5	2.3%	430	3	2.3%	584	3	3.3%	608	2	3.3%	450	4	2.5%
City of Nogales	275	7	1.5%	280	6	1.5%	327	7	1.8%	316	5	1.7%	309	7	1.7%
Carondelet Health Network - Holy Cross Hospital	175	9	1.0%	206	8	1.1%	206	9	1.1%	245	6	1.3%	264	8	1.4%
Mariposa Community Health Center, Inc.	228	8	1.2%	233	7	1.2%	209	8	1.2%	215	7	1.2%	198	10	1.1%
Tubac Golf Resort	N/A	N/A	N/A	170	9	0.9%	160	10	0.9%	N/A	N/A	N/A	200	9	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	N/A	N/A	N/A
Total	3,788		20.6%	3,135		16.5%	4,183		23.3%	2,940		16.0%	4,174		22.8%
Total Work Force	18,352			18,975			17,950			18,300			18,300		

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

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

Santa Cruz County
Employment Statistics
Last Ten Years

Type of Employment	2017		2016		2015		2014		2013	
	Employees	Percent of Total	Employees	Percent of Total	Employees	Percent of Total	Employees	Percent of Total	Employees	Percent of Total
Goods-Producing	793	6.23%	704	5.30%	700	5.27%	600	4.52%	625	5.03%
Trade, Transportation, and Utilities	5,334	41.91%	5,618	42.31%	5,950	44.82%	5,550	41.80%	5,300	42.66%
Other Private Service-Producing	2,945	23.14%	3,196	24.07%	3,025	22.79%	2,925	22.03%	2,600	20.92%
Federal Government	1,569	12.32%	1,623	12.22%	1,650	12.43%	1,750	13.18%	1,800	14.49%
State Government	2,087	16.40%	2,137	16.10%	1,950	14.69%	2,075	16.09%	2,100	16.90%
	<u>12,728</u>	<u>100%</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>

Type of Employment	2012		2011		2010		2009		2008	
	Employees	Percent of Total	Employees	Percent of Total	Employees	Percent of Total	Employees	Percent of Total	Employees	Percent of Total
Goods-Producing	650	4.91%	750	5.86%	825	6.8%	900	7.1%	950	6.5%
Trade, Transportation, and Utilities	5,825	44.13%	4,950	38.67%	4,850	39.9%	5,375	42.6%	6,250	42.8%
Other Private Service-Producing	2,675	20.27%	3,100	24.22%	2,800	23.0%	2,750	21.8%	3,700	25.4%
Federal Government	1,825	13.83%	1,725	13.48%	1,600	13.2%	1,575	12.5%	1,525	10.4%
State Government	2,225	16.86%	2,275	17.77%	2,075	17.1%	2,025	16.0%	2,175	14.9%
	<u>13,200</u>	<u>100%</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>

Sources: Arizona Economic Indicators Fall Edition, published by the University of Arizona-Economic and Business Research 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 ⁽¹⁾		Construction Awards	Number of Dwelling Units Awarded	Bank Deposits
	Construction	Retail Trade			
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
2017	29,427	327,751	26,767	384	862,837

NOTE:

⁽¹⁾ 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

Fiscal Year	Governmental Activities						Business-Type Activities			Total Employees in all Functions
	General Government	Public Safety	Highways and Streets	Health and Welfare	Recreation	Education and Economic Opportunity	Sanitation Landfill	Enterprise	Total	
07-08	184	111	38	20	6	19	12	378	390	
08-09	155	135	40	20	6	21	13	377	390	
09-10	184	104	36	19	1	31	12	375	387	
10-11	168	125	36	16	1	16	11	362	373	
11-12	182	136	31	17	1	16	13	383	396	
12-13	164	136	28	18	1	16	14	363	377	
13-14	165	119	30	16	1	16	10	347	357	
14-15	162	114	27	17	1	18	9	339	348	
15-16	162	102	27	18	1	15	7	325	332	
16-17	176	109	25	16	1	15	5	342	347	

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

Santa Cruz County
Operating Indicators
Last Ten Fiscal Years

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
MILES OF STREETS										
Paved	411.00	430.00	405.47	405.47	425.38	425.00	425.38	425.38	422.16	412.32
Unpaved	312.40	389.00	331.52	331.52	316.64	316.00	316.64	316.64	292.84	317.67
REGISTERED VOTERS										
Democrat	26,805	24,866	26,784	26,023	25,023	23,296	23,607	22,246	23,205	24,132
Republican	50.86%	51.89%	47.86%	49.32%	53.90%	50.81%	51.37%	52.63%	53.35%	54.93%
	16.06%	16.84%	15.56%	15.99%	17.64%	16.96%	16.98%	17.38%	18.39%	19.06%
NUMBER OF JUDICIAL COURTS										
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
FLOOD PROTECTION										
Flood control district	1	1	1	1	1	1	1	1	1	1
Number of employees	10	7	6	6	6	8	9	8	9	9
SHERIFF PROTECTION										
Number of stations	4	4	4	3	3	3	1	1	4	4
Number of employees	111	77	91	96	119	114	104	119	90	81
Major crimes	170	170	206	76	207	271	285	460	586	418
Vehicular patrol units	27	33	33	16	25	56	25	25	32	27
SANITARY LANDFILLS										
Number of landfills	1	1	1	2	2	2	2	2	2	2
NUMBER OF PARKS										
Neighborhood parks	8	8	8	8	8	8	8	8	8	8

SOURCE: Santa Cruz County Departments: Public Works, Recorders, 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)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Governmental funds capital assets					
Infrastructure	\$ 83,229	\$ 81,390	\$ 81,457	\$ 79,346	\$ 79,271
Land	22,347	22,347	22,343	22,343	22,343
Buildings	74,595	74,594	73,963	73,963	73,963
Improvements other than buildings	6,326	6,326	3,802	3,267	3,206
Construction equipment and vehicles	12,015	11,791	10,661	9,636	9,760
Furniture and equipment	11,514	11,113	11,251	11,097	11,452
Construction in progress	70	1,547	1,316	2,664	3,969
Total governmental funds capital assets	<u>\$ 210,096</u>	<u>\$ 209,108</u>	<u>\$ 204,793</u>	<u>\$ 202,316</u>	<u>\$ 203,964</u>
Investments in governmental funds capital assets by source					
General Fund	\$ 19,736	\$ 19,147	\$ 18,720	\$ 18,148	\$ 18,589
Special Revenue Funds*	131,638	131,594	129,474	127,566	130,599
Capital Projects Funds	58,441	58,079	56,598	56,599	56,637
Capital Contributions	281	288	1	3	-
Total governmental funds capital assets	<u>\$ 210,096</u>	<u>\$ 209,108</u>	<u>\$ 204,793</u>	<u>\$ 202,316</u>	<u>\$ 205,825</u>
	<u>2012*</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental funds capital assets					
Infrastructure	\$ 75,593	\$ 70,992	\$ 70,712	\$ 70,463	\$ 70,356
Land	22,343	22,151	22,151	22,151	22,151
Buildings	73,881	73,098	12,396	12,010	12,010
Improvements other than buildings	3,195	3,177	3,176	3,175	3,037
Construction equipment and vehicles	9,922	10,450	10,065	9,805	9,799
Furniture and equipment	10,728	10,532	8,037	6,261	5,941
Construction in progress	3,688	3,607	58,122	29,779	6,796
Total governmental funds capital assets	<u>\$ 199,350</u>	<u>\$ 194,007</u>	<u>\$ 184,659</u>	<u>\$ 153,644</u>	<u>\$ 130,090</u>
Investments in governmental funds capital assets by source					
General Fund	\$ 18,267	\$ 18,984	\$ 19,080	\$ 18,939	\$ 14,402
Special Revenue Funds	124,519	119,176	115,898	114,782	95,843
Capital Projects Funds	56,564	55,847	49,681	19,923	19,845
Capital Contributions	-	-	-	-	-
Total governmental funds capital assets	<u>\$ 199,350</u>	<u>\$ 194,007</u>	<u>\$ 184,659</u>	<u>\$ 153,644</u>	<u>\$ 130,090</u>

SOURCE: Comprehensive Annual Financial Reports for the relevant year
 *Amounts restated: Beginning balance for infrastructure and land in 2012.