

SANTA CRUZ COUNTY, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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Santa Cruz County
 Comprehensive Annual Financial Report
 Fiscal Year Ended June 30, 2018

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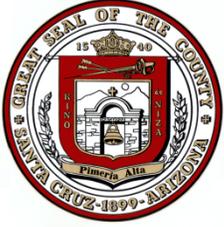
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ADMINISTRATIVE SERVICES SANTA CRUZ COUNTY

Mauricio A. Chavez
Administrative Services Director

March 27, 2019

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, 2018. 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 46,500 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 30,000 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

The Governor declared a State of Emergency in the County over a broken line in the Nogales Wash in late July prompting State resources to assist addressing the situation to reduce, and eliminate the threat to the public.

The County Employee Health Care Coverage extended to include certain facilities in Mexico. County benefitted employees may utilize a Mexico network of hospitals, clinics, doctors, labs, specialists and pharmacies. The new program is a collaboration with International Medical Solutions.

The Board of Supervisors and County Manager attended the NaCo Annual Conference that included topics such as immigration reform, the opioid epidemic, infrastructure, public entity cyber risks and marijuana regulation. The Board of Supervisors and Management staff attended the NaCo Legislative Conference to reach out to members of Congress to relate the current issues and concerns that impact the County. Some of the concerns included CBP port staffing, the International Outfall Interceptor (IOI), Nogales wash and tunnels and infrastructure funding.

The Public Works Department finished the new walking trail in Rio Rico that links Yavapai Drive by the shopping center to the Robert Damon Recreational Complex along Paseo Venado. This approximately 1.6 mile pedestrian path is situated in a County right-of-way and is the latest in projects aimed at keeping our residents active. The department also started work on the Camino Lito Galindo & West Frontage Road intersection improvement project, to add new turn lanes to keep traffic moving and enhance pedestrian safety. The Rio Rico Drive & Pendleton Drive intersection project and Ruby Road over the Potrero Creek Bridge project began the design phase. Construction began for the Pendleton Drive shoulder-widening project. Public Works Department completed chip sealing approximately 10 miles of dirt road in Rio Rico and Sonoita.

The Board of Supervisors accepted a Community Development Block Grant for \$324,000 for the Camino Ramanote and Camino Gilberto drainage project. The project entails construction of a detention basin and channels to convey storm water safely and in a controlled fashion through the neighborhood.

The County's Community Development Block Grant received the previous year awarded the drainage improvement project to a local contractor to build a detention basin and resurface the streets in the Nogalitos neighborhood. The contractor began and completed the project in FY18. The contract was valued at \$1,146,600.

The County Information Technology Department completed the disaster recovery site that serves as a redundant location for backup data and mirrors all of the County information systems. We updated the audio and video systems in the Board of Supervisors chambers as well as added an ADA accessible ramp to the bench. The IT Department issued new computer equipment to several departments. New equipment results in a better working environment and promotes efficiency.

The County received the Gold Level Healthy Arizona Worksite Award. All participated in this program over the years through the onsite screening program, physical activity competitions and healthy eating promotions.

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.

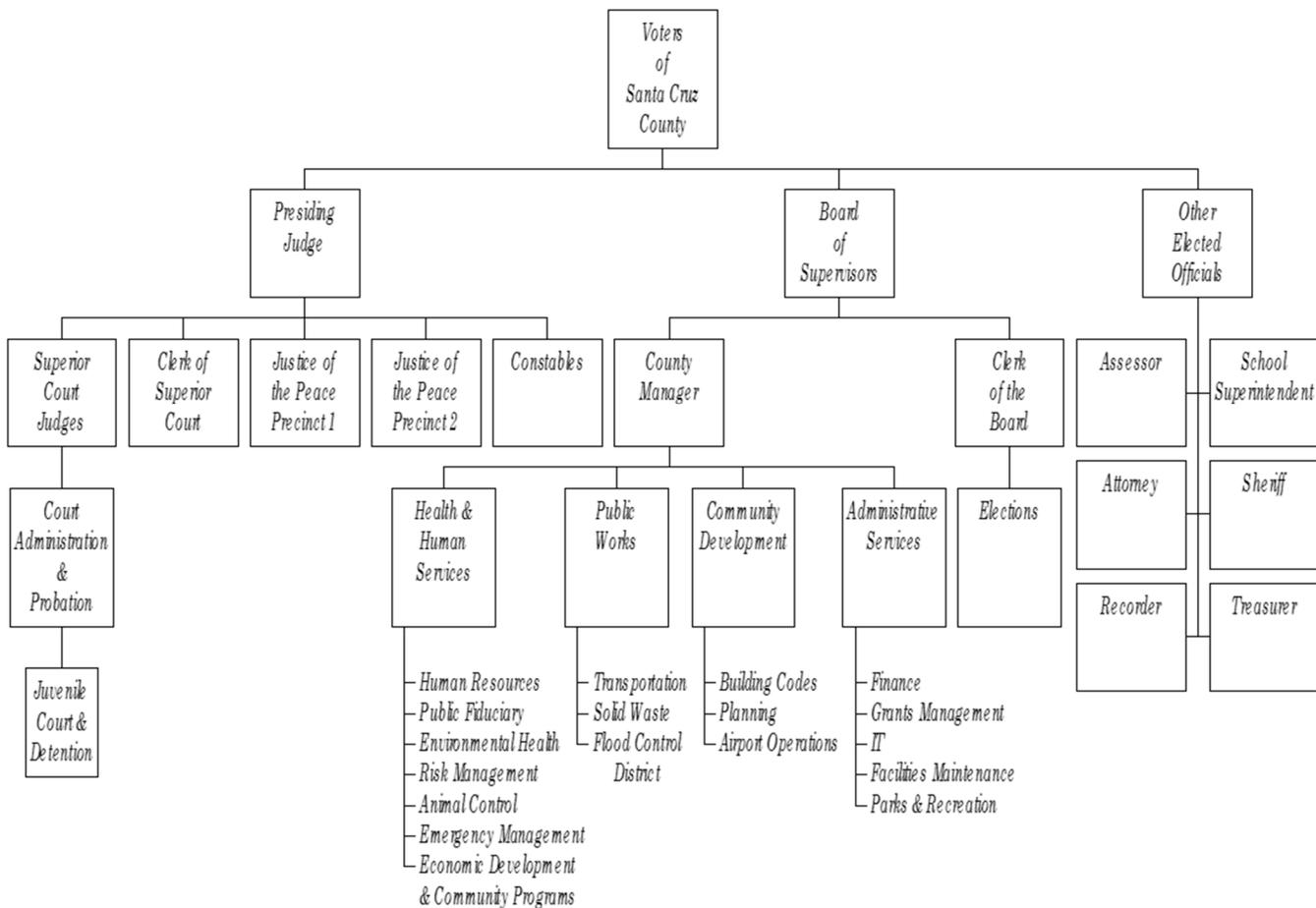
Acknowledgements

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, CMPI
Administrative Services Director

Santa Cruz County Organizational Chart



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Financial Section

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MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2018, 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.

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 70 through 77, schedule of the County's proportionate share of the net pension liability—cost-sharing plans on page 78, schedule of changes in the county's net pension liability and related ratios—agent plans on pages 79 through 80, and schedule of County pension contributions on pages 81 through 82 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 comply with the authorized transportation purposes, insofar as they relate to accounting matters, for Highway User Revenue Fund monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated State transportation revenues it received. 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 authorized transportation purposes referred to above, 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 27, 2019, 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.

Lindsey Perry, CPA, CFE
Auditor General

March 27, 2019

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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.

For the year ended June 30, 2018, the County implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*. Accordingly, the County has restated its net position as of July 1, 2017, for reporting the prior period adjustments as follows:

	Governmental Activities	Business- Type Activities
Net position as previously reported at June 30, 2017	<u>\$51,360,819</u>	<u>\$3,698,654</u>
Prior period adjustment—implementation of GASB 75:		
Net OPEB asset (measurement date as of June 30, 2016)	247,256	
Net OPEB liability (measurement date as of June 30, 2016)	(272,880)	(1,055)
Deferred outflows—county contributions made during fiscal year 2017	<u>88,142</u>	<u>1,097</u>
Total prior period adjustment	<u>62,518</u>	<u>42</u>
 Net position as restated, July 1, 2017	 <u>\$51,423,337</u>	 <u>\$3,698,696</u>

Additional information on restated balances due to OPEB implementation for fiscal year 2017 can be found in Note 2 on page 37.

Financial Highlights

- At June 30, 2018, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by \$49,141,743 (net position). Of this amount, \$70.2 million is the net investment in capital assets (e.g., land, buildings, improvements, construction and vehicles, furniture and equipment, infrastructure and construction in progress); \$15.1 million is restricted for specific purposes (restricted net position); and \$(36.1) 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 \$5,980,290.
- At June 30, 2018, total assets were \$150,728,288 compared to \$152,301,648, at June 30, 2017. This is a \$1,573,360 or 1 percent decrease over the prior fiscal year.
- At June 30, 2018, total liabilities were \$108,235,039 compared to \$104,546,622 at June 30, 2017. This is a \$3,688,417 or 4 percent increase over the prior fiscal year.
- At June 30, 2018, total deferred outflows related to pensions and OPEB were \$7,136,685 compared to \$9,049,921 at June 30, 2017. This is a \$1,913,236 or 21 percent decrease over the prior fiscal year.

Santa Cruz County Management's Discussion and Analysis

- At June 30, 2018, total deferred inflows related to pensions and OPEB were \$2,510,133 compared to \$3,772,027 at June 30, 2017. This is a \$1,261,894 or 33.5 percent decrease over the prior fiscal year.
- At June 30, 2018, the governmental funds reported combined fund balances of \$19,574,056 or a decrease in fund balance of \$193,255, in comparison with the prior year's balance of \$19,767,311.
- At June 30, 2018, \$12,057,664 or 61.6 percent of governmental fund balances were restricted, \$135,634 or 0.7 percent was assigned, \$7,329,946 or 37.4 percent were unassigned, and \$50,812 or 0.3 percent was nonspendable. Restricted fund balances have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations; or by constitutional provisions or enabling legislation. The assigned and unassigned fund balances are considered unrestricted. The unrestricted fund balances are available for spending at the County's discretion. However, the assigned fund balances are designated by management. The nonspendable fund balances include amounts that cannot be spent because they are not in spendable form, such as prepaid items.
- At June 30, 2018, unassigned fund balance for the general fund was \$8,209,168, approximately 36.6 percent of total general fund expenditures. In accordance with Arizona Revised Statutes §42-17151, this entire amount is budgeted to be spent in the next fiscal year.

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*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, highways

Santa Cruz County Management's Discussion and Analysis

and streets, health, welfare and sanitation, education and economic opportunity, and recreation. The County has one business-type activity, which is the County Landfill.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. The blended component units included in the County's basic financial statements are the Santa Cruz County Flood Control District and the Santa Cruz County Jail District.

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

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three classifications: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

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 five 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, Flood Control District, Road, and Homeland Security 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.

Santa Cruz County Management's Discussion and Analysis

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 31-68 of this report.

Required supplementary information presents budgetary comparison schedules for the General, Jail District, Flood Control District, Road, and Homeland Security funds of the County. It also includes pension plan schedules. Required supplementary information can be found on pages 70-84 of this report.

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, 2018, compared to the prior year. *Additional information on the restated balances due to OPEB implementation for fiscal year 2017 can be found in Note 2 on page 37.*

**Statement of Net Position
June 30, 2018 and 2017 (In Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 24,165	\$ 24,518	\$3,960	\$ 2,637	\$ 28,125	\$ 27,155
Capital assets	118,696	120,701	3,907	4,446	122,603	125,147
Total assets	142,861	145,219	7,867	7,083	150,728	152,302
Deferred outflows of resources						
Total deferred outflows of resources	9,085	10,991	73	86	9,158	11,077
Current and other liabilities	2,542	3,084	46	58	2,588	3,142
Long-term liabilities	102,814	98,076	2,833	3,329	105,647	101,405
Total liabilities	105,356	101,160	2,879	3,387	108,235	104,547
Deferred inflows of resources						
Total deferred inflows of resources	2,443	3,689	67	83	2,510	3,772
Net Position						
Net invested in capital assets	66,618	66,653	3,595	3,829	70,213	70,482
Restricted	15,063	13,255			15,063	13,255
Unrestricted	(37,534)	(28,547)	1,399	(130)	(36,135)	(28,677)
Total net position	\$ 44,147	\$ 51,361	\$4,994	\$ 3,699	\$ 49,141	\$ 55,060

Santa Cruz County Management's Discussion and Analysis

At June 30, 2018, the County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$49.1 million (net position).

The largest portion (\$70.2 million or 144 percent) of the County's net position reflects the investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, and construction in progress), less accumulated depreciation and related debt still outstanding used to acquire those assets. The County uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, because the capital assets themselves will not be used to liquidate these liabilities. Restricted net position (\$15.1 million or 31 percent) represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance (\$36.1 million or negative 75 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 related to pensions and OPEB that changed significantly over the prior year:

- As a result of the County's implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*, the County reported the net OPEB asset of \$284,816, net OPEB liability of \$118,326 and deferred outflows and inflows of resources related to OPEB of \$122,961 and \$207,866, respectively.
- As a result of an actuarial valuation of the total pension liability performed as of June 30, 2017 and a measurement date of June 30, 2017, and the implementation of GASB Statement No. 75, deferred outflows and inflows of resources related to pensions and OPEB decreased by \$1.9 million and \$1.2 million, respectively.

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

- The \$1.3 million or 50.2 percent net increase was largely in cash and investments that primarily came from landfill investment earnings and sale of capital assets.

Changes in Net position

The following table reflects the condensed Statement of Activities of the County for the year 2018 compared to the prior year. The beginning net position for fiscal year 2018 was restated due to the provisions of GASB 75. *Additional information on restated balances due to OPEB implementation for fiscal year 2017 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, 2018 and 2017 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 2,961	\$ 2,662	\$ 2,298	\$ 2,326	\$ 5,259	\$ 4,988
Operating grants and contributions	9,959	8,781			9,959	8,781
Capital grants and contributions	6,200	5,114			6,200	5,114
General revenues:						
Property taxes	14,409	13,915			14,409	13,915
County excise tax	5,051	5,147			5,051	5,147
Share of state sales taxes	4,759	4,755			4,759	4,755
Share of state overweight permits	831	833			831	833
State appropriations	550	550			550	550
Payments in lieu of taxes	1,108	1,080			1,108	1,080
VLT unrestricted	1,774	1,716			1,774	1,716
Grants and contributions not restricted to specific programs		63				63
Investment income (loss)	306	80	58	7	364	87
Miscellaneous	284	354			284	354
Gain on sale/trade-in of capital assets			50		50	-
Total revenues	<u>48,192</u>	<u>45,050</u>	<u>2,406</u>	<u>2,333</u>	<u>50,598</u>	<u>47,383</u>
Expenses:						
General government	20,804	17,992			20,804	17,992
Public safety	19,498	15,862			19,498	15,862
Highways and streets	5,686	5,848			5,686	5,848
Health, welfare and sanitation	4,969	4,926	1,111	1,621	6,080	6,547
Education and economic opportunity	2,281	2,168			2,281	2,168
Recreation	263	267			263	267
Interest on long-term debt	1,967	3,089			1,967	3,089
Total expenses	<u>55,468</u>	<u>50,152</u>	<u>1,111</u>	<u>1,621</u>	<u>56,579</u>	<u>51,773</u>
Changes in net position	(7,276)	(5,102)	1,295	712	(5,981)	(4,390)
Net position—beginning (as restated)	<u>51,423</u>	<u>56,463</u>	<u>3,699</u>	<u>2,987</u>	<u>55,122</u>	<u>59,450</u>
Net position—ending	<u>\$ 44,147</u>	<u>\$ 51,361</u>	<u>\$ 4,994</u>	<u>\$ 3,699</u>	<u>\$ 49,141</u>	<u>\$ 55,060</u>

Overall, the County's governmental revenues increased by \$3.1 million or 7 percent and expenses increased by \$5.3 million or 11 percent. The following provides an explanation of governmental activities revenues and expenses that changed significantly over the prior year:

- Operating grants and contributions – The \$1.2 million or 13 percent increase was due to the increase of pension subsidy of \$487 thousand, federal reimbursements of \$386 thousand for housing additional inmates, local government reimbursements of \$175 thousand for a flood control project and federal/state grants of \$142 thousand to enhance border security.

Santa Cruz County Management's Discussion and Analysis

- Capital grants and contributions – The \$1.1 million or 21 percent increase was largely due to the additional federal grants received for the Colonias Nogaitos flood control project in the current year.
- General government expenses – The \$2.8 million or 16 percent increase was primarily due to the increase of pension expense of \$3.1 million.
- Public safety expenses – The \$3.6 million or 23 percent increase was due to the increase of pension expense of \$2 million and the Colonias Nogaitos flood control project of \$1.3 million in the current year.

Overall, the County's business-type revenues increased by \$73 thousand or 3 percent and expenses decreased by \$510 thousand or 31 percent. The following provides an explanation of business-type activities expenses that changed significantly over the prior year:

- Landfill closure and postclosure care costs – The \$373 thousand or 205 percent increase was solely due to the costs estimated by the County's contracted engineering specialist.

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, unrestricted 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, 2018, the County's governmental funds reported combined fund balances of \$19,574,056, a decrease of \$193,255 in comparison with the prior year's balance. Of the combined fund balances, \$7,329,946 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 \$8,209,168. Unassigned fund balance represents 36.6 percent of total General Fund expenditures. This ratio indicates a strong fund balance position in comparison to expenditures.

The following provides an explanation for activities that changed significantly over the prior year within the major funds, as applicable:

Jail District Fund

- Intergovernmental revenue increased by \$385 thousand or 30 percent primarily due to the increase of federal reimbursements of \$386 thousand for housing additional inmates.

Santa Cruz County Management's Discussion and Analysis

- Interest and fiscal charges decreased by \$982 thousand or 43 percent solely due to two factors that occurred in the prior year but not in the current year. The issuance costs of \$626 thousand on the 2017 pledged revenue refunding obligations and higher interest expense of \$356 thousand on the refunded GADA loan for the 2008-2 jail project.

Flood Control District Fund

- Public safety expenditures increased by \$359 thousand or 42 percent largely due to the emergency repair costs for fixing the Manhole 89 sewer pipe.

Road Fund

- Highways and streets expenditures increased \$1.3 million or 32 percent primarily due to more roads maintained than the prior year that resulted in higher architectural and engineering costs and road repair materials.

Homeland Security

- Intergovernmental revenue decreased by \$203 thousand or 68 percent due to the Arizona Department of Homeland withholding reimbursement for grant expenditures while the County undertook corrective actions to address an audit finding.
- Public safety expenditures increased by \$354 thousand or 169 percent due to a funding increase in grants for Emergency Management.

General Fund Budgetary Highlights

General Fund actual expenditures were approximately \$6.2 million under the adopted budget and actual revenues were more than estimated revenues by \$1.2 million. The County conservatively estimated revenues and budgeted the expenditures. The County Attorney department exceeded its budget by \$170,303 largely due to unexpected increases in indigent costs for legal fees, autopsies, and training. The Justice Court #1 exceeded its budget by \$43,205 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, 2018, amounted to \$122.6 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:

- Buildings decreased by \$1.9 million solely due to accumulated depreciation added during the fiscal year.
- Infrastructure had a net decrease of \$78 thousand mainly due to the completion of the Colonias Nogalitos project of \$1.3 million and accumulated depreciation increases of \$1.4 million during the fiscal year.

Santa Cruz County Management's Discussion and Analysis

Capital Assets Net of Depreciation (In Thousands)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Land	\$ 22,347	\$ 22,347	\$ 230	\$ 230	\$ 22,577	\$ 22,577
Buildings	55,525	57,374	99	105	55,624	57,479
Improvements other than buildings	3,705	4,047	2,939	3,080	6,644	7,127
Construction equipment and vehicles	2,519	2,604	606	985	3,125	3,589
Furniture and equipment	1,087	747	33	46	1,120	793
Construction in progress	79	70			79	70
Infrastructure	<u>33,434</u>	<u>33,512</u>			<u>33,434</u>	<u>33,512</u>
Total capital assets, net	<u>\$118,696</u>	<u>\$120,701</u>	<u>\$ 3,907</u>	<u>\$4,446</u>	<u>\$122,603</u>	<u>\$125,147</u>

Additional information on the County's capital assets can be found in Note 5 of the Notes to Financial Statements on pages 40-42 of this report.

Long-Term Debt

At June 30, 2018, the County had total long-term debt outstanding of \$105,647,105. This amount includes pledged revenue obligations of \$45.4 million, long-term notes of \$5.7 million, net pension and OPEB liabilities of \$49 million, compensated absences payable of \$2.2 million, landfill closure and postclosure care costs payable of \$1.9 million, installment purchase contracts of \$985 thousand, capital leases payable of \$365 thousand, and claims and judgments payable of \$75 thousand.

Additional information on the County's long-term debt can be found in Note 6 of the Notes to Financial Statements on pages 42-47 of this report.

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, we had many local and national businesses close during FY18 a trend we anticipate will continue in FY 19. Our County heavily relies on shoppers from Mexico, however due to the border wall issue and placement of barb wire on the existing wall deters many visitors. The

Santa Cruz County Management's Discussion and Analysis

produce industry is 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.

- Due to border security and immigration policy dominating discussions on the national level, pedestrian border crossings at the Nogales POE decreased 22% in 2018 compared to last year, and vehicular passengers decreased by 29%.
- 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, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and investments	\$ 18,497,357	\$3,752,492	\$ 22,249,849
Property taxes receivable (net of allowance)	1,108,672		1,108,672
Due from other governmental units	4,074,469	4,092	4,078,561
Accounts receivable	150,169	202,426	352,595
Prepaid items	50,812		50,812
Noncurrent assets:			
Net pension and other postemployment benefits asset	283,930	886	284,816
Capital assets:			
Nondepreciable	22,426,484	229,996	22,656,480
Depreciable (net)	96,269,386	3,677,117	99,946,503
Total assets	142,861,279	7,867,009	150,728,288
Deferred Outflows of Resources			
Deferred outflows related to debt refunding	2,021,942		2,021,942
Deferred outflows related to pensions and other postemployment benefits	7,063,065	73,620	7,136,685
Total deferred outflows of resources	9,085,007	73,620	9,158,627
Liabilities			
Accounts payable	1,881,027	35,810	1,916,837
Due to other governments	4,610		4,610
Accrued payroll and employee benefits	655,761	10,323	666,084
Noncurrent liabilities:			
Due within 1 year	4,121,724	56,860	4,178,584
Due in more than 1 year	98,692,427	2,776,497	101,468,924
Total liabilities	105,355,549	2,879,490	108,235,039
Deferred Inflows of Resources			
Deferred inflows related to pensions and other postemployment benefits	2,443,120	67,013	2,510,133
Total deferred inflows of resources	2,443,120	67,013	2,510,133
Net Position			
Net investment in capital assets	66,618,277	3,594,866	70,213,143
Restricted for:			
Capital projects	284,496		284,496
Education	867,558		867,558
Flood control	2,965,665		2,965,665
Health	41,573		41,573
Judicial activities	2,759,108		2,759,108
Law enforcement	922,239		922,239
Social services	195,216		195,216
Highways and streets	4,308,768		4,308,768
Debt service	2,021,942		2,021,942
Other purposes	696,904		696,904
Unrestricted (deficit)	(37,534,129)	1,399,260	(36,134,869)
Total net position	\$ 44,147,617	\$ 4,994,126	\$ 49,141,743

See accompanying notes to financial statements.

Santa Cruz County
Statement of Activities
Year Ended June 30, 2018

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	\$ 20,803,587	\$ 2,471,985	\$ 2,099,481	\$ 17,650	\$ (16,214,471)		\$ (16,214,471)
Public safety	19,498,527	176,436	5,021,825	1,371,491	(12,928,775)		(12,928,775)
Highways and streets	5,685,789			4,810,665	(875,124)		(875,124)
Health, welfare and sanitation	4,968,616	222,765	913,154		(3,832,697)		(3,832,697)
Education and economic opportunity	2,281,223	78,287	1,924,789		(278,147)		(278,147)
Recreation	262,990	11,859			(251,131)		(251,131)
Interest on long-term debt	1,966,872				(1,966,872)		(1,966,872)
Total governmental activities	<u>55,467,604</u>	<u>2,961,332</u>	<u>9,959,249</u>	<u>6,199,806</u>	<u>(36,347,217)</u>		<u>(36,347,217)</u>
Business-type activities:							
Landfill	1,111,161	2,297,898				1,186,737	1,186,737
Total business-type activities	<u>1,111,161</u>	<u>2,297,898</u>				<u>1,186,737</u>	<u>1,186,737</u>
Total primary government	<u>\$ 56,578,765</u>	<u>\$ 5,259,230</u>	<u>\$ 9,959,249</u>	<u>\$ 6,199,806</u>	<u>\$ (36,347,217)</u>	<u>\$ 1,186,737</u>	<u>\$ (35,160,480)</u>
General revenues:							
Taxes							
Property taxes, levied for general purpose					12,267,045		12,267,045
Property taxes, levied for flood control district					2,141,366		2,141,366
Property taxes, levied for debt service					150		150
County excise tax for general purpose					2,525,799		2,525,799
County excise tax for jail district					2,525,384		2,525,384
Share of state sales taxes					4,759,246		4,759,246
Share of state vehicle license tax					1,773,598		1,773,598
Share of state overweight permits					830,569		830,569
State appropriations					550,050		550,050
Payments in lieu of taxes					1,107,952		1,107,952
Investment earnings					306,022	58,492	364,514
Miscellaneous					284,316		284,316
Gain on sale/trade-in of capital assets						50,201	50,201
Total general revenues					<u>29,071,497</u>	<u>108,693</u>	<u>29,180,190</u>
Changes in net position					(7,275,720)	1,295,430	(5,980,290)
Net position as restated—July 1, 2017					<u>51,423,337</u>	<u>3,698,696</u>	<u>55,122,033</u>
Net position—June 30, 2018					<u>\$ 44,147,617</u>	<u>\$ 4,994,126</u>	<u>\$ 49,141,743</u>

See accompanying notes to financial statements.

Santa Cruz County
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Jail District Fund	Flood Control District Fund
Assets			
Cash and investments	\$ 5,962,271	\$ 1,220	\$ 2,854,662
Property taxes receivable (net of allowances for uncollectibles)	934,479		174,193
Due from other governmental units	1,414,753	720,005	101,965
Due from other funds	1,744,098		
Accounts receivable	97,380	182	
Prepaid items	44,527		
Total assets	<u>\$ 10,197,508</u>	<u>\$ 721,407</u>	<u>\$ 3,130,820</u>
Liabilities			
Accounts payable	\$ 787,077	\$ 100,056	\$ 73,072
Due to other governments			
Accrued payroll and employee benefits	279,341	135,959	14,840
Due to other funds		516,457	101,965
Total liabilities	<u>1,066,418</u>	<u>752,472</u>	<u>189,877</u>
Deferred Inflows of Resources			
Unavailable revenue–property taxes	832,974		154,230
Unavailable revenue–intergovernmental	42,938		24,722
Unavailable revenue–miscellaneous	1,483		
Total deferred inflows of resources	<u>877,395</u>	<u> </u>	<u>178,952</u>
Fund balances			
Nonspendable	44,527		
Restricted			2,786,713
Assigned			
Unassigned	8,209,168	(31,065)	(24,722)
Total fund balances	<u>8,253,695</u>	<u>(31,065)</u>	<u>2,761,991</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,197,508</u>	<u>\$ 721,407</u>	<u>\$ 3,130,820</u>

See accompanying notes to financial statements.

<u>Road Fund</u>	<u>Homeland Security Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 4,471,206	\$ 3,226	\$ 5,204,772	\$ 18,497,357
461,063	482,039	894,644	1,108,672
133		52,474	4,074,469
		6,285	1,744,098
<u>\$ 4,932,402</u>	<u>\$ 485,265</u>	<u>\$ 6,158,175</u>	<u>\$ 25,625,577</u>
\$ 569,275	\$ 14	\$ 351,533	\$ 1,881,027
		4,610	4,610
54,359	24,583	146,679	655,761
	443,911	681,765	1,744,098
<u>623,634</u>	<u>468,508</u>	<u>1,184,587</u>	<u>4,285,496</u>
			987,204
	476,719	231,256	775,635
		1,703	3,186
	<u>476,719</u>	<u>232,959</u>	<u>1,766,025</u>
		6,285	50,812
4,308,768	1,136	4,961,047	12,057,664
		135,634	135,634
	(461,098)	(362,337)	7,329,946
<u>4,308,768</u>	<u>(459,962)</u>	<u>4,740,629</u>	<u>19,574,056</u>
<u>\$ 4,932,402</u>	<u>\$ 485,265</u>	<u>\$ 6,158,175</u>	<u>\$ 25,625,577</u>

Santa Cruz County
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2018

Fund balances—total governmental funds	\$ 19,574,056
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 \$212,512,472 and the accumulated depreciation is \$93,816,602	118,695,870
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds	1,766,025
Long-term liabilities, such as net pension/OPEB 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	\$ (40,910,000)
Pledged revenue obligations premium payable	(4,475,301)
Long-term loans payable	(5,655,000)
Compensated absences payable	(2,182,394)
Obligations under capital leases	(364,650)
Installment purchase contracts	(672,642)
Net pension and other postemployment benefits liabilities	(48,479,164)
Estimated liabilities for claims and judgments	(75,000)
	(102,814,151)
Deferred outflows of resources related to long-term debt are applicable to future reporting periods and, therefore, are not reported in the funds	2,021,942
Net pension and OPEB assets held in trust for future benefits are not available for County operations and, therefore, are not reported in the funds.	283,930
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>4,619,945</u>
Net position of governmental activities	<u>\$ 44,147,617</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, 2018

	<u>General Fund</u>	<u>Jail District Fund</u>	<u>Flood Control District Fund</u>
Revenues:			
Taxes	\$ 14,856,738	\$ 2,525,384	\$ 2,152,677
Intergovernmental	8,696,258	1,669,542	175,441
Licenses and permits	617,078		
Charges for services	596,741	3,843	
Fines and forfeits	656,446		
Investment earnings	123,807	3,805	33,109
Rents	39,999		
Miscellaneous	37,686	1,033	544
Total revenues	<u>25,624,753</u>	<u>4,203,607</u>	<u>2,361,771</u>
Expenditures:			
Current:			
General government	13,623,310		
Public safety	5,228,729	4,516,698	1,214,212
Highways and streets			
Health, welfare and sanitation	2,992,874	296,700	
Education and economic opportunity	365,795		
Recreation	246,897		
Debt service:			
Principal retirement		1,640,000	405,000
Interest and fiscal charges		1,290,034	231,367
Total expenditures	<u>22,457,605</u>	<u>7,743,432</u>	<u>1,850,579</u>
Excess (deficiency) of revenues over expenditures	3,167,148	(3,539,825)	511,192
Other financing sources (uses):			
Pledged revenue refunding obligations proceeds			
Payment to debt refinancing escrow agent			
Installment purchase contracts	672,642		
Transfers in	6,802	3,430,687	
Transfers out	(4,862,574)		
Total other financing sources (uses)	<u>(4,183,130)</u>	<u>3,430,687</u>	
Net change in fund balances	(1,015,982)	(109,138)	511,192
Fund balances, beginning of year	<u>9,269,677</u>	<u>78,073</u>	<u>2,250,799</u>
Fund balances, end of year	<u>\$ 8,253,695</u>	<u>\$ (31,065)</u>	<u>\$ 2,761,991</u>

See accompanying notes to financial statements.

<u>Road Fund</u>	<u>Homeland Security Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
		\$ 150	\$ 19,534,949
\$ 5,661,626	\$ 96,021	7,567,903	23,866,791
			617,078
		659,856	1,260,440
83,133		427,368	1,083,814
		62,168	306,022
			39,999
76,187		128,747	244,197
<u>5,820,946</u>	<u>96,021</u>	<u>8,846,192</u>	<u>46,953,290</u>
		1,475,770	15,099,080
	563,847	3,973,399	15,496,885
5,221,572			5,221,572
		1,676,643	4,966,217
		1,817,774	2,183,569
			246,897
18,056		497,532	2,560,588
1,789		638,786	2,161,976
<u>5,241,417</u>	<u>563,847</u>	<u>10,079,904</u>	<u>47,936,784</u>
579,529	(467,826)	(1,233,712)	(983,494)
		3,675,000	3,675,000
		(3,557,403)	(3,557,403)
			672,642
7,500		1,542,180	4,987,169
	(2)	(124,593)	(4,987,169)
<u>7,500</u>	<u>(2)</u>	<u>1,535,184</u>	<u>790,239</u>
587,029	(467,828)	301,472	(193,255)
3,721,739	7,866	4,439,157	19,767,311
<u>\$ 4,308,768</u>	<u>\$ (459,962)</u>	<u>\$ 4,740,629</u>	<u>\$ 19,574,056</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
 Governmental Funds
 Year Ended June 30, 2018

Net change in fund balances—total governmental funds \$ (193,255)

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	\$ 2,809,116	
Less: current-year depreciation	<u>(4,814,353)</u>	(2,005,237)

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	(4,347,642)	
Refunding pledged revenue obligations premium amortized	332,118	
Deferred outflows related to refunding pledged revenue obligations amortized	(4,611)	
Principal repaid, including amounts paid to refunding escrow agent	<u>5,985,588</u>	1,965,453

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.

Decrease in compensated absences payable	249,653	
Decrease in estimated liabilities for claims and judgments	<u>182,909</u>	432,562

County pension/OPEB 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/OPEB liability is measured a year before the County's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.

County pension contributions/OPEB contributions	2,309,952	
Pension expense	<u>(11,023,790)</u>	(8,713,838)

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

Property tax revenues	(75,205)	
Intergovernmental	(366,690)	
Miscellaneous revenue	<u>(1,363)</u>	(443,258)

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.

Intergovernmental	1,680,370	
Miscellaneous revenue	<u>1,483</u>	<u>1,681,853</u>

Change in net position of governmental activities **\$ (7,275,720)**

Santa Cruz County
Statement of Net Position
Propriety Funds
June 30, 2018

	Business-Type Activities - Enterprise Fund Landfill
Assets	
Current assets:	
Cash and investments	\$ 3,752,492
Due from other governmental units	4,092
Accounts receivable	<u>202,426</u>
Total current assets	<u>3,959,010</u>
Noncurrent assets:	
Net pension and other postemployment benefits asset	886
Capital assets	
Nondepreciable	229,996
Depreciable (net)	<u>3,677,117</u>
Total noncurrent assets	<u>3,907,999</u>
Total assets	<u>7,867,009</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions and OPEB	<u>73,620</u>
Total deferred outflows of resources	<u>73,620</u>
Total assets and deferred outflows of resources	<u>7,940,629</u>
Liabilities	
Current liabilities:	
Accounts payable	35,810
Accrued payroll and employee benefits	10,323
Installment purchase contracts payable—current portion	41,566
Compensated absences payable—current portion	<u>15,294</u>
Total current liabilities	<u>102,993</u>
Noncurrent liabilities:	
Landfill closure and postclosure care costs payable	1,920,596
Installment purchase contracts payable	270,681
Compensated absences payable	17,440
Net pension and OPEB liabilities	<u>567,780</u>
Total noncurrent liabilities	<u>2,776,497</u>
Total liabilities	<u>2,879,490</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions and OPEB	<u>67,013</u>
Total deferred inflows of resources	<u>67,013</u>
Net Position	
Invested in capital assets, net of related debt	3,594,866
Unrestricted	<u>1,399,260</u>
Total net assets	<u>\$ 4,994,126</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, 2018

	Business-Type Activities— Enterprise Fund Landfill
Operating revenues:	
Landfill fees	\$ 2,296,855
Other	<u>1,043</u>
Total operating revenues	<u>2,297,898</u>
 Operating expenses:	
Personal services	275,634
Professional services	224,725
Supplies	27,235
Utilities	20,789
Repairs and maintenance	256,135
Insurance	3,633
Landfill closure and postclosure care costs	(190,859)
Depreciation	366,234
Other	<u>124,281</u>
Total operating expenses	<u>1,107,807</u>
 Operating income	 <u>1,190,091</u>
 Nonoperating revenues (expenses):	
Investment earnings	58,492
Gain on sale of capital assets	50,201
Interest expense on capital leases	<u>(3,354)</u>
Total nonoperating revenues (expenses)	<u>105,339</u>
 Increase in net position	 1,295,430
 Net position as restated, July 1, 2017	 <u>3,698,696</u>
 Net position, June 30, 2018	 <u>\$ 4,994,126</u>

See accompanying notes to financial statements.

Santa Cruz County
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2018

	Business-Type Activities— Enterprise Fund <u>Landfill</u>
Cash flows from operating activities	
Receipts from customers	\$ 2,245,359
Payments to suppliers and providers of goods and services	(669,011)
Payments to employees	<u>(279,351)</u>
Net cash provided by operating activities	<u>1,296,997</u>
Cash flows from capital and related financing activities	
Principal paid on capital leases	(28,082)
Principal paid on installment purchase contracts	(54,010)
Interest paid on capital leases	<u>(3,354)</u>
Net cash used for capital and related financing activities	<u>(85,446)</u>
Cash flows from investing activities	
Interest received on investments	<u>58,492</u>
Net cash provided by investing activities	<u>58,492</u>
Net increase in cash and cash equivalents	1,270,043
Cash and cash equivalents, July 1, 2017	<u>2,482,449</u>
Cash and cash equivalents, June 30, 2018	<u>\$ 3,752,492</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 1,190,091
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	366,234
Changes in assets and liabilities	
Increase and decrease in:	
Due from other governmental units	(1,157)
Accounts receivable	(51,382)
Deferred outflows related to pensions and OPEB	12,889
Accounts payable	(12,213)
Compensated absences payable	(72)
Accrued payroll and employee benefits	2,396
Landfill closure and postclosure care costs payable	(190,859)
Deferred inflows related to pensions and OPEB	(15,966)
Net pension/OPEB asset	(886)
Net pension/OPEB liability	<u>(2,078)</u>
Net cash provided by operating activities	<u>\$ 1,296,997</u>

Significant non-cash transactions:

During fiscal year 2018, the County traded two Caterpillar equipment (models 2008 953D track loader and 2014 D8T tractor) with a total net book value of \$539,192 and purchased a new 2018 963K Caterpillar track loader costing \$366,257 through an installment purchase contract. The two traded-in Caterpillars had outstanding obligations under capital leases of \$589,393 and were forgiven from the trade in transaction. As a result, the County reported a gain of \$50,201.

See accompanying notes to financial statements.

Santa Cruz County
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and investments	\$ 24,447,208	\$ 1,685,116
Total assets	<u>\$ 24,447,208</u>	<u>\$ 1,685,116</u>
Liabilities		
Due to other governmental units		\$ 578,217
Deposits held for others		<u>1,106,899</u>
Total Liabilities		<u>\$ 1,685,116</u>
Net Position		
Held in trust for investment trust participants	<u>\$ 24,447,208</u>	

See accompanying notes to financial statements.

Santa Cruz County
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2018

	<u>Investment Trust Funds</u>
Additions	
Contributions from participants	\$ 107,161,292
Investment earnings	<u>484,878</u>
Total additions	<u>107,646,170</u>
Deductions	
Distributions to participants	<u>112,337,440</u>
Total deductions	<u>112,337,440</u>
Changes in net position	(4,691,270)
Net position, July 1, 2017	<u>29,138,478</u>
Net position, June 30, 2018	<u><u>\$ 24,447,208</u></u>

See accompanying notes to financial statements.

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Santa Cruz County
Notes to Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies

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

For the year ended June 30, 2018, the County implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB.

A. Reporting Entity

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

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

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

Santa Cruz County
Notes to Financial Statements
June 30, 2018

B. Basis of Presentation

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

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

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

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

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

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

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

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

Santa Cruz County
Notes to Financial Statements
June 30, 2018

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

The County reports the following major governmental funds:

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

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

The *Flood Control Fund* accounts for flood control facilities and regulates floodplains and drainage to prevent flooding of property in Santa Cruz County and is funded by secondary property taxes.

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 *Homeland Security Fund* accounts for the implementation of the National Preparedness System by supporting the building, sustainment, and delivery of core capabilities. These federal grant programs fund a range of preparedness activities, including planning, organization, equipment purchase, training, exercises, and management and administration across all core capabilities and mission areas.

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.

Santa Cruz County
Notes to Financial Statements
June 30, 2018

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.

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, and compensated absences, 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.

Santa Cruz County
Notes to Financial Statements
June 30, 2018

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:

	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.

Santa Cruz County
Notes to Financial Statements
June 30, 2018

H. Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

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.

Santa Cruz County
Notes to Financial Statements
June 30, 2018

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 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 – Change in Accounting Principle

Net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, as amended by GASB Statement No. 85, Omnibus 2017.

	Governmental Activities	Business-Type Activities
Net position as previously reported at June 30, 2017	<u>\$51,360,819</u>	<u>\$3,698,654</u>
Prior period adjustment—implementation of GASB 75:		
Net OPEB asset (measurement date as of June 30, 2016)	247,256	
Net OPEB liability (measurement date as of June 30, 2016)	(272,880)	(1,055)
Deferred outflows—county contributions made during fiscal year 2017	<u>88,142</u>	<u>1,097</u>
Total prior period adjustment	<u>62,518</u>	<u>42</u>
Net position as restated, July 1, 2017	<u>\$51,423,337</u>	<u>\$3,698,696</u>

Santa Cruz County
Notes to Financial Statements
June 30, 2018

Note 3 – 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. Specified 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.

Santa Cruz County
Notes to Financial Statements
June 30, 2018

Deposits—At June 30, 2018, the carrying amount of the County’s deposits was \$37,807,311, and the bank balance was \$37,979,710. The County does not have a formal policy related to custodial credit risk for deposits.

Investments—The County’s investments at June 30, 2018, were as follows:

External investment pools measured at fair value	Amount
State Treasurer’s investment pool 5	\$10,566,684
State Treasurer’s investment pool 7	<u>3,090</u>
Total investments measured at fair value	<u>\$10,569,774</u>

Investments in the State Treasurer’s investment pools 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, 2018, credit risk for the County’s investments was as follows:

Investment Type	Rating	Rating Agency	Amount
State Treasurer’s investment pool 5	AAAf/S1+	Standard and Poor’s	\$10,566,684
State Treasurer’s investment pool 7	Unrated	Not applicable	<u>3,090</u>
			<u>\$10,569,774</u>

Interest rate risk—The County does not have a formal investment policy with respect to interest rate risk. At June 30, 2018, the County had the following investments in debt securities:

Investment Type	Amount	Weighted Average Maturity (In Years)
State Treasurer’s investment pool 5	\$10,566,684	0.08
State Treasurer’s investment pool 7	<u>3,090</u>	0.09
	<u>\$10,569,774</u>	

Santa Cruz County
Notes to Financial Statements
June 30, 2018

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	37,807,311
Amount of investments	<u>10,569,774</u>
Total	<u>\$48,382,173</u>

Statement of Net Position:

	Governmental Activities	Business- Type Activities	Investment Trust Funds	Agency Funds	Total
Cash and investments	<u>\$18,497,357</u>	<u>\$3,752,492</u>	<u>\$24,447,208</u>	<u>\$1,685,116</u>	<u>\$48,382,173</u>

Note 4 – Due From Other Governmental Units

Amounts due from other governmental units at June 30, 2018, for the County's individual major funds and nonmajor funds in the aggregate are shown as follows:

Description	Governmental Activities							Business- Type Activities	Total
	General Fund	Jail District Fund	Flood Control Fund	Road Fund	Homeland Security Fund	Other Governmental Funds	Total		
County half-cent sales tax	\$ 440,582	\$ 440,570							\$ 881,152
State shared sales tax	675,661								675,661
State vehicle license tax	64,896								64,896
State shared overweight permits				\$ 78,225					78,225
Highway user revenue				382,838					382,838
Federal and state reimbursement grants	126,196	238,225			\$ 482,039	\$ 869,429			1,715,889
Miscellaneous	<u>107,418</u>	<u>41,210</u>	<u>101,965</u>			<u>25,215</u>	<u>\$ 4,092</u>		<u>279,900</u>
	<u>\$ 1,414,753</u>	<u>\$ 720,005</u>	<u>\$ 101,965</u>	<u>\$ 461,063</u>	<u>\$ 482,039</u>	<u>\$ 894,644</u>	<u>\$ 4,092</u>		<u>\$4,078,561</u>

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

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	Primary Government			Balance June 30, 2018
	Balance July 1, 2017	Increases	Decreases	
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 22,347,201			\$ 22,347,201
Construction in Progress	70,358	\$ 8,925	\$ -	79,283
Total Capital assets not being depreciated	<u>22,417,559</u>	<u>8,925</u>	<u>-</u>	<u>22,426,484</u>
Capital assets being depreciated:				
Buildings	74,594,594			74,594,594
Improvements other than buildings	6,326,271	21,184		6,347,455
Construction equipment and vehicles	12,014,572	727,965	392,494	12,350,043
Furniture and equipment	11,514,342	703,543		12,217,885
Infrastructure	83,228,512	1,347,499	-	84,576,011
Total capital assets being depreciated	<u>187,678,291</u>	<u>2,800,191</u>	<u>392,494</u>	<u>190,085,988</u>
Less accumulated depreciation for:				
Buildings	17,220,875	1,848,432		19,069,307
Improvements other than buildings	2,279,534	363,382		2,642,916
Construction equipment and vehicles	9,410,813	812,774	392,494	9,831,093
Furniture and equipment	10,767,425	363,520		11,130,945
Infrastructure	49,716,096	1,426,245	-	51,142,341
Total accumulated depreciation	<u>89,394,743</u>	<u>4,814,353</u>	<u>392,494</u>	<u>93,816,602</u>
Total capital assets being depreciated, net	<u>98,283,548</u>	<u>(2,014,162)</u>	<u>-</u>	<u>96,269,386</u>
Governmental activities capital assets, net	<u>\$ 120,701,107</u>	<u>\$ (2,005,237)</u>	<u>\$ -</u>	<u>\$ 118,695,870</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 229,996	\$ -	\$ -	\$ 229,996
Total Capital assets not being depreciated	<u>229,996</u>	<u>-</u>	<u>-</u>	<u>229,996</u>
Capital assets being depreciated:				
Buildings	246,067			246,067
Improvements other than buildings	4,383,102			4,383,102
Construction equipment and vehicles	2,620,138	366,257	912,704	2,073,691
Furniture and equipment	64,163	-	-	64,163
Total capital assets being depreciated	<u>7,313,470</u>	<u>366,257</u>	<u>912,704</u>	<u>6,767,023</u>
Less accumulated depreciation for:				
Buildings	140,685	6,156		146,841
Improvements other than buildings	1,303,100	140,722		1,443,822
Construction equipment and vehicles	1,634,754	206,523	373,512	1,467,765
Furniture and equipment	18,645	12,833	-	31,478
Total accumulated depreciation	<u>3,097,184</u>	<u>366,234</u>	<u>373,512</u>	<u>3,089,906</u>
Total capital assets being depreciated, net	<u>4,216,286</u>	<u>23</u>	<u>539,192</u>	<u>3,677,117</u>
Business-type activities capital assets, net	<u>\$ 4,446,282</u>	<u>\$ 23</u>	<u>\$ 539,192</u>	<u>\$ 3,907,113</u>

Santa Cruz County
Notes to Financial Statements
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Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 980,360
Public safety	1,723,322
Highways and streets	1,965,852
Health, welfare and sanitation	50,981
Education and economic opportunity	46,990
Recreation	46,848
Total governmental activities depreciation expense	<u>\$4,814,353</u>

Business-type activities:

Landfill	\$ 366,234
Total business-type activities depreciation expense	<u>\$ 366,234</u>

Note 6 – Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2018:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>1 Year</u>
Governmental activities					
Pledged revenue obligations payable	\$ 38,970,000	\$ 3,675,000	\$ 1,735,000	\$ 40,910,000	\$2,155,000
Pledged revenue obligations premium payable	4,807,419		332,118	4,475,301	332,118
Long-term loans payable	9,845,000		4,190,000	5,655,000	420,000
Installment purchase contracts		672,642		672,642	158,307
Obligations under capital leases	425,238		60,588	364,650	56,154
Net pension and OPEB liabilities	41,338,821	7,204,045	63,702	48,479,164	
Compensated absences payable	2,432,047	917,580	1,167,233	2,182,394	1,000,145
Estimated liabilities for claims and judgments	257,909	123,578	306,487	75,000	
Total governmental activities long-term liabilities	<u>\$98,076,434</u>	<u>\$12,592,845</u>	<u>\$ 7,855,128</u>	<u>\$ 102,814,151</u>	<u>\$4,121,724</u>
Business-type activities					
Obligations under capital leases	\$ 617,475		\$ 617,475		
Installment purchase contracts		\$ 366,257	54,010	\$ 312,247	\$ 41,566
Net pension and OPEB liabilities	568,803		1,023	567,780	
Compensated absences payable	30,338	14,771	12,375	32,734	15,294
Landfill closure and postclosure care costs payable	2,111,455		190,859	1,920,596	
Total business-type activities long-term liabilities	<u>\$ 3,328,071</u>	<u>\$ 381,028</u>	<u>\$ 875,742</u>	<u>\$ 2,833,357</u>	<u>\$ 56,860</u>

Pledged revenue refunding obligations payable— The County has issued pledged revenue refunding obligations that are generally callable with interest payable semiannually. The Series 2017-2 pledged revenue refunding obligations of \$3,675,000 were issued to refund the remaining outstanding principal balance of \$3,425,000 relating to the Greater Arizona Development Authority (GADA) loan for the 2008-1 project. 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 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.

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Pledged revenue obligations payable at June 30, 2018, were as follows:

Description	Original Amount Issued	Interest Rates	Maturities	Outstanding Principal June 30, 2018
Santa Cruz Pledged Revenue Refunding Obligations, Series 2017-2	\$ 3,675,000	2.13%	2019-2026	\$ 3,625,000
Santa Cruz Pledged Revenue Refunding Obligations, Series 2017	29,515,000	2%-5%	2019-2031	27,875,000
Santa Cruz Pledged Revenue Refunding Obligations, Series 2016	9,495,000	3%-4%	2019-2038	<u>9,410,000</u>
				<u>\$40,910,000</u>

The following schedule details debt service requirements to maturity for the County's pledged revenue obligations payable at June 30, 2018:

Year Ending June 30	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 2,155,000	\$ 1,675,225
2020	2,210,000	1,614,360
2021	2,265,000	1,552,337
2022	2,360,000	1,470,959
2023	2,445,000	1,386,161
2024-2028	13,795,000	5,392,022
2029-2033	11,450,000	1,969,737
2034-2038	<u>4,230,000</u>	<u>427,269</u>
Total	<u>\$40,910,000</u>	<u>\$15,488,070</u>

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

Long-term loans payable at June 30, 2018, were as follows:

Description	Interest Rates	Maturities	Outstanding Principal July 1, 2017	Retirements	Outstanding Principal June 30, 2018
2012 series	3.82%	2019-2026	<u>\$6,060,000</u>	<u>\$405,000</u>	<u>\$5,655,000</u>

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Notes to Financial Statements
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The following schedule details debt service requirements to maturity for the County's loans payable at June 30, 2018:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 420,000	\$ 216,021
2020	440,000	199,977
2021	455,000	183,169
2022	470,000	165,788
2023	490,000	147,834
2024-2026	<u>3,380,000</u>	<u>328,138</u>
Total	<u>\$5,655,000</u>	<u>\$1,240,927</u>

For the series 2016 and 2017-2 pledged revenue refunding obligations 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 loan obtained from the private bank for funding the flood control project. For fiscal year 2018, the County received general excise tax revenues of \$2,525,799 and state shared revenues net of other statutory claims of \$2,645,566. The total principal and interest payments were \$45,000 and \$349,113 for the series 2016 revenue refunding obligations, \$50,000 and \$65,666 for the series 2017-2 revenue refunding obligations, and \$405,000 and \$231,492 for the 2012 loan. At June 30, 2018, future debt service requirements through final maturity at July 1, 2038, and July 1, 2026, respectively, totaled \$25,264,747 consisting of total principal and interest remaining to be paid of \$18,690,000 and \$6,574,747, 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 2018, the County received Jail District excise tax revenues of \$2,525,384 and made maintenance of effort payments of \$3,430,687. At June 30, 2018, future pledged revenues through final maturity at July 1, 2031, totaled \$38,029,250 consisting of \$27,875,000 for principal and \$10,154,250 for interest. Future principal and interest payments are expected to require 49 percent of pledged County's Jail District excise tax revenue and the maintenance of effort payments from the County's General Fund.

Refunded Remaining 2008-1 Loan Agreement with Greater Arizona Development Authority (GADA)—In August 2017, the County issued pledged revenue refunding obligations, series 2017-2, with an interest rate of 2.13 percent to advance-refund higher-rates of the remaining 2008-1 loan with interest rates between 4.375 percent and 5 percent. The County realized net proceeds of \$3,557,403 after payment of \$144,080 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:

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Amount of Pledged Revenue Refunding Obligations,	
Series 2017-2 issued	\$3,675,000
GADA refunded partial loan agreement, 2008-1 project	\$3,425,000
Reduction in debt service payments	\$ 255,213
Economic gain	\$ 232,319

Refunded Partial 2008-1 and 2008-2 Loan Agreements with GADA—The refunded debts had outstanding balances of \$8,810,000 and \$32,045,000, respectively, that are considered defeased and not included in the County's financial statements.

Installment purchase contracts—The County has acquired computer software and hardware equipment, vehicles, and construction equipment under contract agreements at a total purchase price of \$1,038,899. The following schedule details debt service requirements to maturity for the County's installment purchase contracts payable at June 30, 2018:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 158,307	\$ 25,353	\$ 41,566	\$ 13,014
2020	164,698	18,962	43,312	11,269
2021	171,353	12,307	45,131	9,450
2022	178,284	5,376	47,026	7,554
2023			49,002	5,579
2024-2025	-	-	86,210	4,930
Total	<u>\$ 672,642</u>	<u>\$ 61,998</u>	<u>\$ 312,247</u>	<u>\$ 51,796</u>

Obligations under capital leases—The County has acquired a building and construction equipment 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
Building	\$1,025,840
Construction equipment	148,563
Less: accumulated depreciation	<u>357,742</u>
Carrying value	<u>\$ 816,661</u>

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The following schedule details debt service requirements to maturity for the County's obligations under capital leases at June 30, 2018:

Year Ending June 30	<u>Governmental Activities</u>
2019	\$ 64,985
2020	64,986
2021	45,139
2022	45,138
2023	45,139
2024-2025	<u>135,417</u>
Total minimum lease payments	400,804
Less amount representing interest	<u>36,154</u>
Present value of net minimum lease payments	<u>\$364,650</u>

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

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$1,920,596 reported as landfill closure and postclosure care liability at June 30, 2018, represents the cumulative amount reported to date based on the use of 46 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 \$2,191,200 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 2018 and the actual cost may be lower or higher each year due to deflation or inflation, changes in technology, changes in materials or changes in regulations. The County expects to close Rio Rico Sanitary Landfill in 2036 and Sonoita Elgin Landfill in 2084.

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 2018, the County paid for compensated absences as follows: 56 percent from the General Fund, 15 percent from the Jail District Fund, 2 percent from the Flood Control District Fund, 6 percent from the Road Fund, 20 percent from the Other Governmental Funds, and 1 percent from the Landfill Fund.

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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 2018, the County paid for claims and judgments as follows: 98 percent from the General Fund and 2 percent from the Jail District Fund.

Note 7 – Fund Balance Classifications of the Governmental Funds

The fund balance classifications of the governmental funds as of June 30, 2018, were as

	<u>General Fund</u>	<u>Jail District Fund</u>	<u>Flood Control District Fund</u>	<u>Road Fund</u>	<u>Homeland Security Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund balances:							
Nonspendable:							
Prepaid items	\$ 44,527					\$ 6,285	\$ 50,812
Total nonspendable	<u>44,527</u>					<u>6,285</u>	<u>50,812</u>
Restricted for:							
Capital projects						284,321	284,321
Education						813,974	813,974
Flood control			\$2,786,713				2,786,713
General government						545,207	545,207
Health						38,424	38,424
Judicial activities						2,633,185	2,633,185
Law enforcement					\$ 1,136	343,494	344,630
Social services						154,983	154,983
Streets and highways				\$4,308,768			4,308,768
Other purposes						147,459	147,459
Total restricted			<u>2,786,713</u>	<u>4,308,768</u>	<u>1,136</u>	<u>4,961,047</u>	<u>12,057,664</u>
Assigned to:							
Capital projects						73,452	73,452
Debt service						1,484	1,484
Education						18,431	18,431
Health						42,267	42,267
Total assigned						<u>135,634</u>	<u>135,634</u>
Unassigned:	<u>8,209,168</u>	<u>\$(31,065)</u>	<u>(24,722)</u>		<u>(461,098)</u>	<u>(362,337)</u>	<u>7,329,946</u>
Total fund balances	<u>\$8,253,695</u>	<u>\$(31,065)</u>	<u>\$2,761,991</u>	<u>\$4,308,768</u>	<u>\$ (459,962)</u>	<u>\$ 4,740,629</u>	<u>\$19,574,056</u>
follows:							

Note 8 – Construction Commitments

At June 30, 2018, the County had a major contractual commitment related to the Rio Rico Drive/Pendleton street improvement project. As of June 30, 2018, the County has spent

Santa Cruz County
Notes to Financial Statements
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\$79,283 on this project. An estimated cost to complete this project is approximately \$1.3 million. This project is predominantly financed by federal grant revenues.

Note 9 – Risk Management

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

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

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

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

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

Note 10 – Pensions and Other Postemployment Benefits

The County contributes to the pension plans which are component units of the State of Arizona. The County also contributes to various other postemployment benefits (OPEB) plans. At June 30, 2018, the County reported the following aggregate amounts related to pension and OPEB for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business- Type Activities	Total
Net pension and OPEB asset	\$ 283,930	\$ 886	\$ 284,816
Net pension and OPEB liabilities	48,479,164	567,780	49,046,944
Deferred outflows of resources			
Related to pensions and OPEB	7,063,065	73,620	7,136,685
Deferred inflows of resources			
Related to pensions and OPEB	2,443,120	67,013	2,510,133
Pension and OPEB expense	11,023,790	11,707	11,035,497

The County's accrued payroll and employee benefits includes \$2,226 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2018. Also, the County reported \$2,309,952 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

The pension plans are described below and the OPEB plans are not further disclosed because of their relative insignificance to the County's financial statements.

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. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. 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.

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Benefits provided—The ASRS provides retirement 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.

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, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.34 percent for retirement of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 10.9 percent for retirement of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 9.26 percent 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, 2018, were \$1,065,279.

During fiscal year 2018, the County paid for ASRS pension contributions as follows: 60 percent from the general fund, 9 percent from the Road Fund, 4 percent from the Jail District Fund, 3 percent from the Flood Control District Fund, 22 percent from other governmental funds, and 2 percent from the Landfill Fund.

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Pension liability—At June 30, 2018, the County reported a net pension liability of \$16,043,834 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2017. 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, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

The County's proportion of the net 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, 2017. The County's proportion measured as of June 30, 2017, was 0.10299 percent, which was an increase of 0.002960 from its proportion measured as of June 30, 2016.

The net pension liability measured as of June 30, 2018, 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 liability as a result of these changes is not known.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2018, the County recognized pension expense for ASRS of \$688,274. At June 30, 2018, 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		\$ 481,083
Changes of assumptions or other inputs	\$ 696,821	479,739
Net difference between projected and actual earnings on pension plan investments	115,184	
Changes in proportion and differences between county contributions and proportionate share of contributions	354,734	
County contributions subsequent to the measurement date	<u>1,065,279</u>	
Total	<u>\$2,232,018</u>	<u>\$ 960,822</u>

The \$1,065,279 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

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Year ending June 30	
2019	\$(469,130)
2020	817,546
2021	226,556
2022	(369,055)

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

ASRS	
Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
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, 2016, 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 8.7 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASRS		
Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Equity	58%	6.73%
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 8.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from

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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 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	\$20,592,540	\$16,043,834	\$12,243,001

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 and cost sharing multiple-employer defined benefit pension 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. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017 participate in the cost-sharing plan (PSPRS Tier 3 Risk Pool).

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 for county detention officers (agent plan), and a cost-sharing multiple-employer defined benefit pension plan for AOC officers (cost-sharing plan). The PSPRS Board of Trustees and the participating local boards govern CORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

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The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPRS and CORP plans. The report is available on the PSPRS website at www.psprs.com.

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

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, 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%	1.5% to 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. The adjustments are based on inflation for PSPRS and excess investment earnings for CORP. 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, 2018, 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	21	4
Inactive employees entitled to but not yet receiving benefits	10	24
Active employees	<u>32</u>	<u>29</u>
Total	<u>63</u>	<u>57</u>

Contributions—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 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, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member— pension	County— pension
PSPRS Sheriff	7.65 – 11.65%	42.94% – 51.83%
PSPRS Tier 3 Risk Pool	9.94	9.68
CORP Detention	8.41	8.37
CORP AOC	8.41	22.51

Also, statute required the County to contribute at the actuarially determined rate of 36.96 percent of the annual covered payroll of county sheriff employees who were PSPRS Tier 3 Risk Pool members, in addition to the County's required contributions to the PSPRS Tier 3 Risk Pool for these county sheriff employees.

The County's contributions to the pension plans for the year ended June 30, 2018, were:

	PSPRS Tier 3 Risk Pool	PSPRS Sheriff	CORP Detention	CORP AOC
	\$9,242	\$688,335	\$78,492	\$332,077

During fiscal year 2018, the County paid for PSPRS and CORP pension contributions as follows: 60 percent from the General Fund, 25 percent from the Jail District Fund, and 15 percent from other governmental funds.

Pension liability—At June 30, 2018, the County reported the following net pension liabilities:

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	Net Pension Liability
PSPRS Sheriff	\$11,080,784
CORP Detention	441,793
CORP AOC (County's proportionate share)	5,393,615

The net pension liabilities were measured as of June 30, 2017, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for CORP and CORP AOC also reflect changes of benefit terms for a court decision that increased cost-of-living adjustments for retirees who became members before July 20, 2011. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the County's PSPRS net pension liabilities as a result of the refunds is not known.

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

PSPRS and CORP—Pension	
Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5
Price inflation	2.5%
Permanent benefit increase	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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PSPRS and CORP

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Short term investments	2%	0.25%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	<u>16%</u>	7.60%
Total	<u>100%</u>	

Pension discount rates—At June 30, 2017, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.4 percent, which was a decrease of 0.1 percent from the discount rate used as of June 30, 2016. 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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2017	<u>\$15,987,322</u>	<u>\$6,219,100</u>	<u>\$9,768,222</u>
Changes for the year:			
Service cost	470,043		470,043
Interest on the total pension liability	1,175,945		1,175,945
Changes of benefit terms	209,446		209,446
Differences between expected and actual experience in the measurement of the pension liability	786,030		786,030
Changes of assumptions or other inputs	597,037		597,037
Contributions—employer		917,590	(917,590)
Contributions—employee		235,335	(235,335)

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PSPRS Sheriff	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Net investment income		\$ 780,239	\$ (780,239)
Benefit payments, including refunds of employee contributions	\$ (1,086,162)	(1,086,162)	
Administrative expense		(7,304)	7,304
Other changes		79	(79)
Net changes	<u>2,152,339</u>	<u>839,777</u>	<u>1,312,562</u>
Balances at June 30, 2018	<u>\$18,139,661</u>	<u>\$ 7,058,877</u>	<u>\$11,080,784</u>

CORP Detention	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2017	<u>\$2,512,581</u>	<u>\$2,161,465</u>	<u>\$351,116</u>
Changes for the year:			
Service cost	153,896		153,896
Interest on the total pension liability	188,110		188,110
Changes of benefit terms	250,304		250,304
Differences between expected and actual experience in the measurement of the pension liability	(163,018)		(163,018)
Changes of assumptions or other inputs	58,851		58,851
Contributions—employer		66,664	(66,664)
Contributions—employee		77,867	(77,867)
Net investment income		255,586	(255,586)
Benefit payments, including refunds of employee contributions	(162,789)	(162,789)	
Administrative expense		(2,636)	2,636
Other changes		(15)	15
Net changes	<u>325,354</u>	<u>234,677</u>	<u>90,677</u>
Balances at June 30, 2018	<u>\$2,837,935</u>	<u>\$2,396,142</u>	<u>\$441,793</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, 2017. The County's proportion measured as of June 30, 2017, was 1.3443060 percent, which was a decrease of 0.0025090 from its proportion measured as of June 30, 2016.

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 7.4 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 (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

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	1% Decrease (6.4%)	Current discount rate (7.4%)	1% Increase (8.4%)
PSPRS Sheriff			
Net pension liability	\$13,563,642	\$11,080,784	\$9,065,132
CORP Detention			
Net pension liability	\$ 855,850	\$ 441,793	\$ 111,760
CORP AOC			
County's proportionate share of the net pension liability	\$ 6,971,891	\$5,393,615	\$4,117,254

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, 2018, the County recognized the following pension expense:

	Pension Expense
PSPRS Sheriff	\$1,666,935
CORP Detention	321,132
CORP AOC (County's proportionate share)	2,058,985

Pension deferred outflows/inflows of resources—At June 30, 2018, 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	\$ 603,935	\$478,193
Changes of assumptions or other inputs	989,849	
Net difference between projected and actual earnings on pension plan investments	52,519	
County contributions subsequent to the measurement date	<u>688,335</u>	
Total	<u>\$2,334,638</u>	<u>\$478,193</u>

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CORP Detention	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$349,531
Changes of assumptions or other inputs	\$209,297	
Net difference between projected and actual earnings on pension plan investments	34,429	
County contributions subsequent to the measurement date	<u>78,492</u>	
Total	<u>\$322,218</u>	<u>\$349,531</u>

CORP AOC	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 49,388	\$185,243
Changes of assumptions or other inputs	523,685	
Net difference between projected and actual earnings on pension plan investments	63,512	
Changes in proportion and differences between county contributions and proportionate share of contributions		190,065
County contributions subsequent to the measurement date	<u>332,077</u>	
Total	<u>\$968,662</u>	<u>\$375,308</u>

The County also reported deferred outflows of resources for the PSPRS Tier 3 Risk Pool for county pension contribution subsequent to the measurement date of \$9,242.

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, 2019. 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			
2019	\$450,723	\$(32,248)	\$123,548
2020	346,779	(9,794)	111,470
2021	331,483	(30,947)	36,188
2022	39,125	(32,816)	(9,929)

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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 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, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

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%.

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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 unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2018, statute required active EORP members to contribute 7 or 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, 2018, were \$77,033.

During fiscal year 2018, the County paid for EORP pension contributions as follows: 98 percent from the General Fund and 2 percent from the Jail District Fund.

Pension liability—At June 30, 2018, 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	\$15,968,592
State's proportionate share of the EORP net pension liability associated with the County	<u>3,314,207</u>
Total	<u>\$19,282,799</u>

The net pension liability was measured as of June 30, 2017, 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, 2017, reflects changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liability also reflects changes-of-benefit terms for a court decision that increased cost-of-living adjustments for retirees and decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the net pension liability measured as of June 30, 2018, because of refunds of excess member contributions. The change in the County's net pension liability as a result of the refunds is not known.

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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' actual contributions for the year ended June 30, 2017. The County's proportion measured as of June 30, 2017, was 1.3104500 percent, which was an increase of 0.0569628 from its proportion measured as of June 30, 2016.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2018, the County recognized pension expense for EORP of \$6,241,954 and revenue of \$1,139,391 for the County's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2018, 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		\$138,412
Changes of assumptions or other inputs	\$ 623,286	
Net difference between projected and actual earnings on pension plan investments	97,874	
Changes in proportion and differences between county contributions and proportionate share of contributions	348,753	
County contributions subsequent to the measurement date	<u>77,033</u>	
Total	<u>\$1,146,946</u>	<u>\$138,412</u>

The \$77,033 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, 2019. 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	
2019	\$785,279
2020	151,950
2021	25,861
2022	(31,589)

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

EORP

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5%
Price inflation	2.5%
Permanent benefit increase	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

EORP	Target	Long-Term Expected Geometric Real
Asset Class	Allocation	Rate of Return
Short term investments	2%	0.25%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	<u>16%</u>	7.60%
Total	<u>100%</u>	

Discount rate—At June 30, 2017, the discount rate used to measure the EORP total pension liability was 3.91 percent, which was an increase of 0.23 from the discount rate used as of June 30, 2016. 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

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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 7.4 percent was applied to periods of projected benefit payments through the year ended June 30, 2026. A municipal bond rate of 3.56 percent obtained from the Fidelity 20-year Municipal GO AA Index as of June 30, 2017, was applied to periods of projected benefit payments after June 30, 2026.

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 3.91 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.91 percent) or 1 percentage point higher (4.91 percent) than the current rate:

EORP	1% Decrease (2.91%)	Current discount rate (3.91%)	1% Increase (4.91%)
County's proportionate share of the net pension liability	\$18,863,124	\$15,968,592	\$13,607,908

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

EODCRS plan—Elected officials and judges that are not members of EORP or ASRS participate in the EODCRS. The EODCRS is a defined contribution pension plan. The PSPRS Board of Trustees governs the EODCRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3.1. Benefit terms, including contribution requirements, are established by state statute. For the year ended June 30, 2018, 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. For the year ended June 30, 2018, the County recognized pension expense of \$8,424.

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Note 11 – Interfund Balances and Activity

Interfund receivables and payables—Interfund balances at June 30, 2018, were as follows:

	Payable to General Fund
Payable from	
Jail District Fund	\$ 516,457
Flood Control District Fund	101,965
Homeland Security Fund	443,911
Other Governmental Funds	<u>681,765</u>
Total	<u>\$1,744,098</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, 2018, were as follows:

	Transfers to				
	General Fund	Jail District Fund	Road Fund	Other Governmental Funds	Total
Transfers from					
General Fund		\$3,430,687		\$1,431,887	\$4,862,574
Homeland Security Fund	\$ 2				2
Other Governmental Funds	<u>6,800</u>		<u>\$7,500</u>	<u>110,293</u>	<u>124,593</u>
Total	<u>\$6,802</u>	<u>\$3,430,687</u>	<u>\$7,500</u>	<u>\$1,542,180</u>	<u>\$4,987,169</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. The largest transfer made in fiscal year 2018 was \$3,430,687 from the General Fund to the Jail District Fund for the maintenance of effort payment.

Note 12 – County Treasurer’s Investment Pool

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

Santa Cruz County
Notes to Financial Statements
June 30, 2018

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.

Most of the County's deposits, except for \$969,247, and some of the County's investments in the State Treasurer's investment pools, except for \$8,134,834, are included in the County Treasurer's investment pool. 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 3 for disclosure of the County's deposit and investment risks.

Details of the major investment classification follow:

Investment Type	Principal	Interest Rate(s)	Maturities	Fair Value
State Treasurer's investment pool 5	\$2,434,940	None stated	None stated	\$ 2,434,940

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

Statement of Net Position:

Assets	\$ 39,273,004
Liabilities	-
Net position	<u>\$ 39,273,004</u>
Net position held in trust for:	
Internal participants	\$ 14,172,545
External participants	<u>25,100,459</u>
Total net position held in trust	<u>\$ 39,273,004</u>

Statement of Changes in Net Position:

Total additions	\$155,961,896
Total deductions	<u>155,919,131</u>
Net increase	42,765
Net position held in trust:	
July 1, 2017	<u>39,230,239</u>
June 30, 2018	<u>\$ 39,273,004</u>

Required Supplementary Information

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2018

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Taxes	\$ 14,708,404	\$ 14,856,738	\$ 148,334
Intergovernmental	8,287,007	8,696,258	409,251
Licenses and permits	550,500	617,078	66,578
Charges for services	258,500	596,741	338,241
Fines and forfeits	549,500	656,446	106,946
Investment earnings	25,132	123,807	98,675
Rents	39,000	39,999	999
Miscellaneous	25,000	37,686	12,686
Total revenues	<u>24,443,043</u>	<u>25,624,753</u>	<u>1,181,710</u>
Expenditures			
Current:			
General government			
Airport	221,220	29,964	191,256
Assessor	860,971	811,969	49,002
Board of Supervisors	4,400,161	3,024,721	1,375,440
Central Permits	152,852	44,024	108,828
Clerk of Superior Court	823,606	776,908	46,698
Constable #1	85,034	81,934	3,100
Constable #2	31,336	25,968	5,368
County Attorney	1,412,107	1,582,410	(170,303)
Elections	504,793	189,477	315,316
Finance	2,049,136	407,147	1,641,989
GIS	51,750	1,232	50,518
Grounds and Maintenance	2,005,549	1,505,495	500,054
Information Technology	1,175,364	911,580	263,784
Justice Court #1	704,346	747,551	(43,205)
Justice Court #2	238,051	214,758	23,293
Planning and Zoning	388,702	259,866	128,836
Recorder	297,253	255,974	41,279
Recorder - Election	221,161	100,865	120,296
Superior Court	1,501,251	1,483,811	17,440
Treasurer	534,144	495,014	39,130
Total general government	<u>17,658,787</u>	<u>12,950,668</u>	<u>4,708,119</u>

(Continued)

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2018
(Concluded)

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Public safety			
Adult Probation	\$ 546,269	\$ 370,519	\$ 175,750
Juvenile Probation	56,287	51,000	5,287
Building Codes	220,166	193,581	26,585
Emergency Services	337,946	329,722	8,224
Sheriff	4,726,811	4,283,907	442,904
Total public safety	5,887,479	5,228,729	658,750
Health, welfare and sanitation			
Public Fiduciary	3,407,450	2,992,874	414,576
Total health, welfare and sanitation	3,407,450	2,992,874	414,576
Education and economic opportunity			
School Superintendent	418,106	365,795	52,311
Total education and economic opportunity	418,106	365,795	52,311
Recreation			
Parks	566,424	246,897	319,527
Total recreation	566,424	246,897	319,527
Total expenditures	27,938,246	21,784,963	6,153,283
Excess (deficiency) of revenues over expenditures	(3,495,203)	3,839,790	7,334,993
Other financing sources (uses)			
Transfers in		6,802	6,802
Transfers out	(5,638,913)	(4,862,574)	776,339
Total other financing sources (uses)	(5,638,913)	(4,855,772)	783,141
Net change in fund balance	(9,134,116)	(1,015,982)	8,118,134
Fund balance, July 1, 2017	9,134,116	9,269,677	135,561
Fund balance, June 30, 2018	\$ -	\$ 8,253,695	\$ 8,253,695

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
Jail District Fund
Year Ended June 30, 2018

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Taxes	\$ 2,500,000	\$ 2,525,384	\$ 25,384
Intergovernmental	1,403,998	1,669,542	265,544
Charges for services		3,843	3,843
Investment earnings		3,805	3,805
Miscellaneous		1,033	1,033
Total revenues	<u>3,903,998</u>	<u>4,203,607</u>	<u>299,609</u>
Expenditures			
Current:			
Public safety			
Juvenile Detention	2,186,126	2,146,505	39,621
Sheriff's Office	5,379,354	5,300,227	79,127
Health			
Environmental Health	<u>306,106</u>	<u>296,700</u>	<u>9,406</u>
Total expenditures	<u>7,871,586</u>	<u>7,743,432</u>	<u>128,154</u>
Excess (deficiency) of revenues over expenditures	(3,967,588)	(3,539,825)	427,763
Other financing sources (uses)			
Transfers in	<u>3,967,545</u>	<u>3,430,687</u>	<u>(536,858)</u>
Total other financing sources (uses)	<u>3,967,545</u>	<u>3,430,687</u>	<u>(536,858)</u>
Net change in fund balances	(43)	(109,138)	(109,095)
Fund balance, July 1, 2017	<u>43</u>	<u>78,073</u>	<u>78,030</u>
Fund balance, June 30, 2018	<u>\$ -</u>	<u>\$ (31,065)</u>	<u>\$ (31,065)</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
Flood Control Fund
Year Ended June 30, 2018

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Taxes	\$ 2,196,498	\$ 2,152,677	\$ (43,821)
Intergovernmental		175,441	175,441
Investment earnings		33,109	33,109
Miscellaneous	-	544	544
Total revenues	<u>2,196,498</u>	<u>2,361,771</u>	<u>165,273</u>
Expenditures			
Public safety	<u>4,534,341</u>	<u>1,850,579</u>	<u>2,683,762</u>
Total expenditures	<u>4,534,341</u>	<u>1,850,579</u>	<u>2,683,762</u>
Excess (deficiency) of revenues over expenditures	(2,337,843)	511,192	2,849,035
Net change in fund balance	(2,337,843)	511,192	2,849,035
Fund balance, July 1, 2017	<u>2,337,843</u>	<u>2,250,799</u>	<u>(87,044)</u>
Fund balance, June 30, 2018	<u>\$ -</u>	<u>\$ 2,761,991</u>	<u>\$ 2,761,991</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
 Budgetary Comparison Schedule
 Road Fund
 Year Ended June 30, 2018

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental	\$ 5,050,000	\$ 5,661,626	\$ 611,626
Investment earnings		83,133	83,133
Miscellaneous	50,000	76,187	26,187
Total Revenues	5,100,000	5,820,946	720,946
Expenditures			
Highways and streets	8,926,821	5,241,417	3,685,404
Total expenditures	8,926,821	5,241,417	3,685,404
Excess (deficiency) of revenues over expenditures	(3,826,821)	579,529	4,406,350
Other financing sources			
Transfers in	7,500	7,500	
Total other financing sources	7,500	7,500	
Net change in fund balance	(3,819,321)	587,029	4,406,350
Fund balance, July 1, 2017	3,819,321	3,721,739	(97,582)
Fund balance, June 30, 2018	\$ -	\$ 4,308,768	\$ 4,308,768

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
Homeland Security Fund
Year Ended June 30, 2018

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	<u> </u>	\$ 96,021	\$ 96,021
Total revenues	<u> </u>	<u>96,021</u>	<u>96,021</u>
Expenditures			
Public safety			
Emergency Management	6	386,799	(386,793)
Sheriff's Office	<u>1</u>	<u>177,048</u>	<u>(177,047)</u>
Total expenditures	<u>7</u>	<u>563,847</u>	<u>(563,840)</u>
Excess (deficiency) of revenues over expenditures	(7)	(467,826)	(467,819)
Other financing uses			
Transfers out	<u> </u>	<u>(2)</u>	<u>(2)</u>
Total other financing uses	<u> </u>	<u>(2)</u>	<u>(2)</u>
Net change in fund balance	(7)	(467,828)	(467,821)
Fund balance, July 1, 2017	<u>7</u>	<u>7,866</u>	<u>7,859</u>
Fund balance, June 30, 2018	<u>\$ -</u>	<u>\$ (459,962)</u>	<u>\$ (459,962)</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
 Required Supplementary Information
 Notes to Budgetary Comparison Schedules
 June 30, 2018

Note 1 – Budgeting and Budgetary Control

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

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

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

Note 2 – Budgetary Basis of Accounting

The County's budget is prepared on a basis consistent with generally accepted accounting principles; except the present value of net minimum installment purchase contract payments was not budgeted:

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

	General Fund
Excess of revenues over expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balances	\$3,167,148
Present value of net minimum installment purchase contract payments	<u>672,642</u>
Excess of revenues over expenditures from the Budgetary comparison schedules	<u>\$3,839,790</u>

Note 3 – Expenditures in Excess of Appropriations

For the year ended June 30, 2018, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Santa Cruz County
 Required Supplementary Information
 Notes to Budgetary Comparison Schedules
 June 30, 2018

Fund/Department	Excess
County Attorney – General Fund	\$ 170,303
Justice Court #1 – General Fund	43,205
Sheriff's Office – Criminal Justice Enhancement Fund	96,484
Other Agencies – Criminal Justice Enhancement Fund	7,520
Emergency management – Homeland Security Fund	386,793
Sheriff's Office – Homeland Security Fund	177,047
Other Capital Projects Fund	71,099

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, 2018

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)				
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2009
County's proportion of the net pension liability	0.10%	0.10%	0.10%	0.10%	Information not available
County's proportionate share of the net pension liability	\$ 16,043,834	\$ 16,145,847	\$ 15,579,144	\$ 14,450,456	
County's covered payroll	\$ 9,686,112	\$ 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	165.64%	166.96%	169.70%	163.65%	
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%	

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

	Reporting Fiscal Year (Measurement Date)				
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2009
County's proportion of the net pension liability	1.34%	1.35%	1.40%	1.54%	Information not available
County's proportionate share of the net pension liability	\$ 5,393,615	\$ 3,800,084	\$ 3,396,680	\$ 3,453,182	
County's covered payroll	\$ 1,450,648	\$ 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	371.81%	248.31%	218.44%	208.50%	
Plan fiduciary net position as a percentage of the total pension liability	49.21%	54.81%	57.89%	58.59%	

Elected Officials Retirement Plan

	Reporting Fiscal Year (Measurement Date)				
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2009
County's proportion of the net pension liability	1.31%	1.25%	1.16%	1.21%	Information not available
County's proportionate share of the net pension liability	\$ 15,968,592	\$ 11,842,355	\$ 9,101,181	\$ 8,082,842	
State's proportionate share of the net pension liability associated with the County	3,314,207	2,445,138	2,837,369	2,478,274	
Total	<u>\$ 19,282,799</u>	<u>\$ 14,287,493</u>	<u>\$ 11,938,550</u>	<u>\$ 10,561,116</u>	
County's covered payroll	\$ 1,095,293	\$ 1,082,951	\$ 953,443	\$ 1,117,166	
County's proportionate share of the net pension liability as a percentage of its covered payroll	1457.93%	1093.53%	954.56%	723.51%	
Plan fiduciary net position as a percentage of the total pension liability	19.66%	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, 2018

PSPRS Sheriff

**Reporting Fiscal Year
(Measurement Date)**

	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2009
Total pension liability					Information not available
Service cost	\$ 470,043	\$ 327,050	\$ 325,750	\$ 391,688	
Interest on the total pension liability	1,175,945	1,175,348	1,137,080	942,459	
Changes of benefit terms	209,446	208,272		355,803	
Differences between expected and actual experience in the measurement of the the pension liability	786,030	(714,623)	(182,980)	(152,819)	
Changes of assumptions or other inputs	597,037	589,852		1,742,066	
Benefit payments, including refunds of employee contributions	<u>(1,086,162)</u>	<u>(815,276)</u>	<u>(770,744)</u>	<u>(763,205)</u>	
Net change in total pension liability	2,152,339	770,623	509,106	2,515,992	
Total pension liability—beginning	<u>15,987,322</u>	<u>15,216,699</u>	<u>14,707,593</u>	<u>12,191,601</u>	
Total pension liability—ending (a)	<u>\$18,139,661</u>	<u>\$15,987,322</u>	<u>\$15,216,699</u>	<u>\$ 14,707,593</u>	
Plan fiduciary net position					
Contributions—employer	\$ 917,590	\$ 838,463	\$ 512,953	\$ 519,566	
Contributions—employee	235,335	201,552	198,938	197,413	
Net investment income	780,239	38,727	213,595	732,556	
Benefit payments, including refunds of employee contributions	(1,086,162)	(815,276)	(770,744)	(763,205)	
Administrative expense	(7,304)	(5,973)	(5,585)	(5,899)	
Other changes	<u>79</u>	<u>(39,946)</u>	<u>(120,893)</u>	<u></u>	
Net change in plan fiduciary net position	839,777	217,547	28,264	680,431	
Plan fiduciary net position—beginning	<u>6,219,100</u>	<u>6,001,553</u>	<u>5,973,289</u>	<u>5,292,858</u>	
Plan fiduciary net position—ending (b)	<u>\$ 7,058,877</u>	<u>\$ 6,219,100</u>	<u>\$ 6,001,553</u>	<u>\$ 5,973,289</u>	
County's net pension liability—ending (a) – (b)	<u>\$11,080,784</u>	<u>\$ 9,768,222</u>	<u>\$ 9,215,146</u>	<u>\$ 8,734,304</u>	
Plan fiduciary net position as a percentage of the total pension liability	38.91%	38.90%	39.44%	40.61%	
Covered payroll	\$ 1,880,660	\$ 1,719,431	\$ 1,752,386	\$ 1,907,364	
County's net pension liability as a percentage of covered payroll	589.20%	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, 2018

CORP Detention

	Reporting Fiscal Year (Measurement Date)				2014 through 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability					Information not available
Service cost	\$ 153,896	\$ 114,754	\$ 166,936	\$ 196,551	
Interest on the total pension liability	188,110	188,573	191,011	164,952	
Changes of benefit terms	250,304	2,705		44,932	
Differences between expected and actual experience in the measurement of the the pension liability	(163,018)	(129,310)	(173,115)	(176,819)	
Changes of assumptions or other inputs	58,851	99,299		289,789	
Benefit payments, including refunds of employee contributions	<u>(162,789)</u>	<u>(216,541)</u>	<u>(163,038)</u>	<u>(182,256)</u>	
Net change in total pension liability	325,354	59,480	21,794	337,149	
Total pension liability—beginning	<u>2,512,581</u>	<u>2,453,101</u>	<u>2,431,307</u>	<u>2,094,158</u>	
Total pension liability—ending (a)	<u>\$ 2,837,935</u>	<u>\$2,512,581</u>	<u>\$2,453,101</u>	<u>\$2,431,307</u>	
Plan fiduciary net position					
Contributions—employer	\$ 66,664	\$ 68,260	\$ 68,898	\$ 92,945	
Contributions—employee	77,867	73,036	83,854	107,243	
Net investment income	255,586	13,350	80,723	270,559	
Benefit payments, including refunds of employee contributions	(162,789)	(216,541)	(163,038)	(182,256)	
Administrative expense	(2,636)	(2,288)	(2,361)	(2,128)	
Other changes	<u>(15)</u>	<u>(31,564)</u>	<u>(19,426)</u>	<u>(5,345)</u>	
Net change in plan fiduciary net position	234,677	(95,747)	48,650	281,018	
Plan fiduciary net position—beginning	<u>2,161,465</u>	<u>2,257,212</u>	<u>2,208,562</u>	<u>1,927,544</u>	
Plan fiduciary net position—ending (b)	<u>\$ 2,396,142</u>	<u>\$2,161,465</u>	<u>\$2,257,212</u>	<u>\$2,208,562</u>	
County's net pension liability—ending (a) – (b)	<u>\$ 441,793</u>	<u>\$ 351,116</u>	<u>\$ 195,889</u>	<u>\$ 222,745</u>	
Plan fiduciary net position as a percentage of the total pension liability	84.43%	86.03%	92.01%	90.84%	
Covered payroll	\$ 892,742	\$ 898,399	\$ 990,632	\$1,275,200	
County's net pension liability as a percentage of covered payroll	49.49%	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, 2018

Arizona State Retirement System

	Reporting Fiscal Year					
	2018	2017	2016	2015	2014	2013-2009
Statutorily required contribution	\$ 1,065,279	\$ 1,040,838	\$ 1,046,432	\$ 997,087	\$ 941,966	Information not available
County's contributions in relation to the statutorily required contribution	<u>1,065,279</u>	<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>	<u>\$ -</u>	
County's covered payroll	\$ 9,801,915	\$ 9,686,112	\$ 9,670,325	\$ 9,180,476	\$ 8,829,998	
County's contributions as a percentage of covered payroll	10.87%	10.75%	10.82%	10.86%	10.67%	

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

	Reporting Fiscal Year					
	2018	2017	2016	2015	2014	2013-2009
Statutorily required contribution	\$ 332,077	\$ 291,290	\$ 292,758	\$ 231,381	\$ 239,324	Information not available
County's contributions in relation to the statutorily required contribution	<u>332,077</u>	<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>	<u>\$ -</u>	
County's covered payroll	\$ 1,475,242	\$ 1,450,648	\$ 1,530,360	\$ 1,554,981	\$ 1,656,220	
County's contributions as a percentage of covered payroll	22.51%	20.08%	19.13%	14.88%	14.45%	

Elected Officials Retirement Plan

	Reporting Fiscal Year					
	2018	2017	2016	2015	2014	2013-2009
Statutorily required contribution	\$ 372,494	\$ 235,389	\$ 238,801	\$ 224,059	\$ 256,832	Information not available
County's contributions in relation to the statutorily required contribution	<u>77,033</u>	<u>235,389</u>	<u>238,801</u>	<u>224,059</u>	<u>256,832</u>	
County's contribution deficiency (excess)	<u>\$ 295,461</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	\$ 432,522	\$ 1,095,293	\$ 1,082,951	\$ 953,443	\$ 1,117,166	
County's contributions as a percentage of covered payroll	17.81%	21.49%	22.05%	23.50%	22.99%	

PSPRS Sheriff

	Reporting Fiscal Year					
	2018	2017	2016	2015	2014	2013-2009
Actuarially determined contribution	\$ 916,460	\$ 808,120	\$ 764,136	\$ 499,255	\$ 519,566	Information not available
County's contributions in relation to the actuarially determined contribution	<u>688,335</u>	<u>808,120</u>	<u>764,136</u>	<u>499,255</u>	<u>519,566</u>	
County's contribution deficiency (excess)	<u>\$ 228,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	\$ 1,379,092	\$ 1,880,660	\$ 1,719,431	\$ 1,752,386	\$ 1,907,364	
County's contributions as a percentage of covered payroll	49.91%	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, 2018

CORP Detention	Reporting Fiscal Year					
	2018	2017	2016	2015	2014	2013-2009
Actuarially determined contribution	\$ 78,492	\$ 64,277	\$ 70,436	\$ 68,453	\$ 92,945	Information not available
County's contributions in relation to the actuarially determined contribution	<u>78,492</u>	<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>	<u>\$ -</u>	
County's covered payroll	\$ 942,410	\$ 892,742	\$ 898,399	\$ 990,632	\$ 1,275,200	
County's contributions as a percentage of covered payroll	8.33%	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, 2018

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 2016 actuarial valuation	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. 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

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS, CORP, CORP-AOC, and EORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases

Santa Cruz County
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2018

for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS and EORP also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS-, CORP-, and CORP-AOC-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS-, CORP-, and CORP-AOC-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. EORP-required contributions are not based on actuarial valuations, and therefore, these changes did not affect them. Also, the County refunded excess employee contributions to PSPRS and EORP members. PSPRS and EORP allowed the County to reduce its actual employer contributions for the refund amounts. As a result, the County's pension contributions were less than the actuarially or statutorily determined contributions for 2018.

Combining and Individual
Fund Statements and Schedules

Santa Cruz County
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds	Capital Projects Funds	Debt Service	Total Other Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,824,813	\$ 334,727	\$ 45,232	\$ 5,204,772
Due from other governmental units	858,998	35,646		894,644
Accounts receivable	52,474			52,474
Prepaid items	6,285			6,285
Total assets	\$ 5,742,570	\$ 370,373	\$ 45,232	\$ 6,158,175
Liabilities				
Accounts payable	\$ 312,220	\$ 175	\$ 39,138	\$ 351,533
Accrued payroll and employee benefits	146,679			146,679
Due to other funds	669,340	12,425		681,765
Due to other governments			4,610	4,610
Total liabilities	1,128,239	12,600	43,748	1,184,587
Deferred Inflows of Resources				
Unavailable revenue - property taxes				
Unavailable revenue - intergovernmental	231,081	175		231,256
Unavailable revenue - miscellaneous	1,703			1,703
Total deferred inflows of resources	232,784	175		232,959
Fund Balance				
Fund balance	4,381,547	357,598	1,484	4,740,629
Total fund balance	4,381,547	357,598	1,484	4,740,629
Total liabilities, deferred inflows of resources and fund balance	\$ 5,742,570	\$ 370,373	\$ 45,232	\$ 6,158,175

Santa Cruz County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2018

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service</u>	<u>Total Other Governmental Funds</u>
Revenues				
Taxes			\$ 150	\$ 150
Intergovernmental	\$ 6,171,678	\$ 1,396,225		7,567,903
Charges for services	659,856			659,856
Fines and forfeits	427,368			427,368
Investment earnings	58,441	2,945	782	62,168
Miscellaneous	<u>70,742</u>	<u>30,569</u>	<u>27,436</u>	<u>128,747</u>
Total revenues	<u>7,388,085</u>	<u>1,429,739</u>	<u>28,368</u>	<u>8,846,192</u>
Expenditures				
General government	1,475,770			1,475,770
Public safety	2,622,300	1,351,099		3,973,399
Health, welfare and sanitation	1,676,643			1,676,643
Education and economic opportunity	1,817,774			1,817,774
Debt Service				
Principal retirement	42,532		455,000	497,532
Interest and fiscal charges	<u>4,838</u>		<u>633,948</u>	<u>638,786</u>
Total expenditures	<u>7,639,857</u>	<u>1,351,099</u>	<u>1,088,948</u>	<u>10,079,904</u>
Excess (deficiency) of revenues over expenditures	<u>(251,772)</u>	<u>78,640</u>	<u>(1,060,580)</u>	<u>(1,233,712)</u>
Other financing sources (uses)				
Pledged revenue refunding obligations proceeds			3,675,000	3,675,000
Payment to debt refinancing escrow agent			(3,557,403)	(3,557,403)
Transfers in	796,301	7,084	738,795	1,542,180
Transfers out	<u>(117,793)</u>	<u>(6,800)</u>		<u>(124,593)</u>
Total other financing sources (uses)	<u>678,508</u>	<u>284</u>	<u>856,392</u>	<u>1,535,184</u>
Net change in fund balance	426,736	78,924	(204,188)	301,472
Beginning fund balance	<u>3,954,811</u>	<u>278,674</u>	<u>205,672</u>	<u>4,439,157</u>
Ending fund balance	<u>\$ 4,381,547</u>	<u>\$ 357,598</u>	<u>\$ 1,484</u>	<u>\$ 4,740,629</u>

Santa Cruz County
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018

	Criminal Justice Enhancement	WIOA	Health Services	Juvenile Services
Assets				
Cash and cash equivalents	\$ 1,495,452	\$ 35	\$ 35,623	\$ 286,552
Due from other governmental units	227,220	335,762	62,819	129,044
Accounts receivable	20,111	3	5,876	285
Prepaid items	5,250		1,035	
Total assets	\$ 1,748,033	\$ 335,800	\$ 105,353	\$ 415,881
Liabilities				
Accounts payable	\$ 71,864	\$ 85,655	\$ 30,152	\$ 47,772
Accrued payroll and employee benefits	34,716	20,439	19,440	25,250
Due to other funds	209,062	234,811	47,371	124,021
Total liabilities	315,642	340,905	96,963	197,043
Deferred Inflows of Resources				
Unavailable revenue - intergovernmental	171,625	52,384		4,958
Unavailable revenue - miscellaneous				
Total deferred inflows of resources	171,625	52,384	-	4,958
Fund Balance				
Fund balance	1,260,766	(57,489)	8,390	213,880
Total fund balance (deficit)	1,260,766	(57,489)	8,390	213,880
Total liabilities, deferred inflows of resources and fund balance	\$ 1,748,033	\$ 335,800	\$ 105,353	\$ 415,881

<u>Probation Services</u>	<u>Retrieval Conversion</u>	<u>Animal Control</u>	<u>Other Special Revenue Funds</u>	<u>Total</u>
\$ 763,856	\$ 826,564	\$ 45,852	\$ 1,370,879	\$ 4,824,813
	51	49,353	54,749	858,998
6,458	14,350	837	4,554	52,474
<u>770,314</u>	<u>840,965</u>	<u>96,042</u>	<u>1,430,182</u>	<u>5,742,570</u>
\$ 10,925	\$ 15,340	\$ 6,229	\$ 44,283	\$ 312,220
24,787	598	16,621	4,828	146,679
<u>35,712</u>	<u>1,776</u>	<u>47,235</u>	<u>5,064</u>	<u>669,340</u>
	17,714	70,085	54,175	1,128,239
		2,114		231,081
	<u>1,703</u>			<u>1,703</u>
	1,703	<u>2,114</u>	<u>-</u>	<u>232,784</u>
<u>734,602</u>	<u>821,548</u>	<u>23,843</u>	<u>1,376,007</u>	<u>4,381,547</u>
734,602	821,548	23,843	1,376,007	4,381,547
<u>770,314</u>	<u>840,965</u>	<u>96,042</u>	<u>1,430,182</u>	<u>5,742,570</u>

Santa Cruz County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2018

	Criminal Justice Enhancement	WIOA	Health Services	Juvenile Services
Revenues				
Intergovernmental	\$ 1,396,711	\$ 933,067	\$ 564,885	\$ 1,384,406
Charges for services	150,566		160,666	3,950
Fines and forfeits	311,846			
Investment earnings	17,993			3,645
Miscellaneous	<u>2</u>	<u>300</u>		<u>38,718</u>
Total revenues	<u>1,877,118</u>	<u>933,367</u>	<u>725,551</u>	<u>1,430,719</u>
Expenditures				
General government	1,190,509			118,031
Public safety	804,479			663,522
Health, welfare and sanitation			925,912	
Education and economic opportunity		881,985		618,410
Debt Service				
Principal retirement		42,532		
Interest and fiscal charges		<u>4,838</u>		
Total expenditures	<u>1,994,988</u>	<u>929,355</u>	<u>925,912</u>	<u>1,399,963</u>
Excess (deficiency) of revenues over expenditures	<u>(117,870)</u>	<u>4,012</u>	<u>(200,361)</u>	<u>30,756</u>
Other financing sources (uses)				
Transfers in	130,711	19,504	328,368	198
Transfers out				
Total other financing sources (uses)	<u>130,711</u>	<u>19,504</u>	<u>328,368</u>	<u>198</u>
Net change in fund balance	12,841	23,516	128,007	30,954
Beginning fund balance	<u>1,247,925</u>	<u>(81,005)</u>	<u>(119,617)</u>	<u>182,926</u>
Ending fund balance	<u>\$ 1,260,766</u>	<u>\$ (57,489)</u>	<u>\$ 8,390</u>	<u>\$ 213,880</u>

<u>Probation Services</u>	<u>Retrieval Conversion</u>	<u>Animal Control</u>	<u>Other Special Revenue Funds</u>	<u>Total</u>
\$ 799,505	\$ 36,423	\$ 236,175	\$ 820,506	\$ 6,171,678
102,811	75,442	48,758	117,663	659,856
	115,522			427,368
11,524	12,729	798	11,752	58,441
89	7,444	8,000	16,189	70,742
<u>913,929</u>	<u>247,560</u>	<u>293,731</u>	<u>966,110</u>	<u>7,388,085</u>
	113,177		54,053	1,475,770
833,291			321,008	2,622,300
		585,664	165,067	1,676,643
			317,379	1,817,774
				42,532
				4,838
<u>833,291</u>	<u>113,177</u>	<u>585,664</u>	<u>857,507</u>	<u>7,639,857</u>
<u>80,638</u>	<u>134,383</u>	<u>(291,933)</u>	<u>108,603</u>	<u>(251,772)</u>
1,903		238,985	76,632	796,301
	(106,095)		(11,698)	(117,793)
<u>1,903</u>	<u>(106,095)</u>	<u>238,985</u>	<u>64,934</u>	<u>678,508</u>
82,541	28,288	(52,948)	173,537	426,736
<u>652,061</u>	<u>793,260</u>	<u>76,791</u>	<u>1,202,470</u>	<u>3,954,811</u>
<u>\$ 734,602</u>	<u>\$ 821,548</u>	<u>\$ 23,843</u>	<u>\$ 1,376,007</u>	<u>\$ 4,381,547</u>

Santa Cruz County
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2018

	<u>Construction</u>	<u>Airport</u>	<u>Other</u>	<u>Total</u>
Assets				
Cash and investments	\$ 309,993	\$ -	\$ 24,734	\$ 334,727
Due from other governmental units	<u>23,046</u>	<u>-</u>	<u>12,600</u>	<u>35,646</u>
Total assets	<u>\$ 333,039</u>	<u>\$ -</u>	<u>37,334</u>	<u>\$ 370,373</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 175	\$ 175
Due to other funds	<u>-</u>	<u>-</u>	<u>12,425</u>	<u>12,425</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>12,600</u>	<u>12,600</u>
Deferred Inflows of Resources				
Unavailable revenue - intergovernmental	<u>-</u>	<u>-</u>	<u>175</u>	<u>175</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>175</u>	<u>175</u>
Fund Balance				
Fund balance	<u>333,039</u>	<u>-</u>	<u>24,559</u>	<u>357,598</u>
Total fund balance	<u>333,039</u>	<u>-</u>	<u>24,559</u>	<u>357,598</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 333,039</u>	<u>\$ -</u>	<u>\$ 37,334</u>	<u>\$ 370,373</u>

Santa Cruz County
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances
Nonmajor Capital Projects Funds
Year Ended June 30, 2018

	<u>Construction</u>	<u>Airport</u>	<u>Other</u>	<u>Total</u>
Revenues				
Intergovernmental		\$ -	\$ 1,396,225	\$ 1,396,225
Investment earnings	\$ 2,945			2,945
Miscellaneous	30,569			30,569
Total revenues	<u>33,514</u>		<u>1,396,225</u>	<u>1,429,739</u>
Expenditures				
General government				
Public Safety			\$ 1,351,099	1,351,099
Total expenditures			<u>1,351,099</u>	<u>1,351,099</u>
Excess (deficiency) of revenues over expenditures	<u>33,514</u>		<u>45,126</u>	<u>78,640</u>
Other financing sources				
Transfers in		7,084		7,084
Transfers out		(6,800)		(6,800)
Total other financing sources		<u>284</u>		<u>284</u>
Net change in fund balance	33,514	284	45,126	78,924
Beginning fund balance (deficit)	<u>299,525</u>	<u>(284)</u>	<u>(20,567)</u>	<u>278,674</u>
Ending fund balance (deficit)	<u>\$ 333,039</u>	<u>\$ -</u>	<u>\$ 24,559</u>	<u>\$ 357,598</u>

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

Nonmajor Special Revenue Funds

Santa Cruz County
 Nonmajor Special Revenue Funds
 Criminal Justice Enhancement Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2018

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 1,420,428	\$ 1,396,711	\$ (23,717)
Charges for services	64,200	150,566	86,366
Fines and forfeits	345,524	311,846	(33,678)
Investment earnings	10	17,993	17,983
Miscellaneous	<u>151</u>	<u>2</u>	<u>(149)</u>
Total revenues	<u>1,830,313</u>	<u>1,877,118</u>	<u>46,805</u>
Expenditures			
Current:			
General government			
County Attorney	1,289,423	1,086,973	202,450
Clerk of Superior Court	14,186		14,186
Justice Court	257,916	63,808	194,108
Superior Court	<u>944,270</u>	<u>39,728</u>	<u>904,542</u>
Total general government	<u>2,505,795</u>	<u>1,190,509</u>	<u>1,315,286</u>
Public safety			
Juvenile Probation	108,797		108,797
Sheriff's Office	700,475	796,959	(96,484)
Other Agencies	<u>-</u>	<u>7,520</u>	<u>(7,520)</u>
Total public safety	<u>809,272</u>	<u>804,479</u>	<u>4,793</u>
Total expenditures	<u>3,315,067</u>	<u>1,994,988</u>	<u>1,320,079</u>
Excess (deficiency) of revenues over expenditures	<u>(1,484,754)</u>	<u>(117,870)</u>	<u>1,366,884</u>
Other financing sources			
Transfers in	<u>94,148</u>	<u>130,711</u>	<u>36,563</u>
Total other financing sources	<u>94,148</u>	<u>130,711</u>	<u>36,563</u>
Net change in fund balance	(1,390,606)	12,841	1,403,447
Fund balance, July 1, 2017	<u>1,390,606</u>	<u>1,247,925</u>	<u>(142,681)</u>
Fund balance, June 30, 2018	<u>\$ -</u>	<u>\$ 1,260,766</u>	<u>\$ 1,260,766</u>

Santa Cruz County
Nonmajor Special Revenue Funds
WIOA Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental	\$ 1,815,945	\$ 933,067	\$ (882,878)
Miscellaneous	-	300	300
Total revenues	1,815,945	933,367	(882,578)
Expenditures			
Education and economic opportunity—Commerce	1,818,063	929,355	888,708
Total expenditures	1,818,063	929,355	888,708
Excess (deficiency) of revenues over expenditures	(2,118)	4,012	6,130
Other financing sources			
Transfers in	-	19,504	19,504
Total other financing sources	-	19,504	19,504
Net change in fund balance	(2,118)	23,516	25,634
Fund balance, July 1, 2017	2,118	(81,005)	(83,123)
Fund balance, June 30, 2018	\$ -	\$ (57,489)	\$ (57,489)

Santa Cruz County
Nonmajor Special Revenue Funds
Health Services Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 465,490	\$ 564,885	\$ 99,395
Charges for services	118,593	160,666	42,073
Investment earnings	<u>7,500</u>	<u>-</u>	<u>(7,500)</u>
Total revenues	<u>591,583</u>	<u>725,551</u>	<u>133,968</u>
Expenditures			
Health, welfare & sanitation	<u>987,121</u>	<u>925,912</u>	<u>61,209</u>
Total expenditures	<u>987,121</u>	<u>925,912</u>	<u>61,209</u>
Excess (deficiency) of revenues over expenditures	(395,538)	(200,361)	195,177
Other financing uses			
Transfers in	<u>344,061</u>	<u>328,368</u>	<u>(15,693)</u>
Total other financing sources	<u>344,061</u>	<u>328,368</u>	<u>(15,693)</u>
Net change in fund balance	(51,477)	128,007	179,484
Fund balance, July 1, 2017	<u>51,477</u>	<u>(119,617)</u>	<u>(171,094)</u>
Fund balance, June 30, 2018	<u>\$ -</u>	<u>\$ 8,390</u>	<u>\$ 8,390</u>

Santa Cruz County
 Nonmajor Special Revenue Funds
 Juvenile Services Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2018

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 1,418,020	\$ 1,384,406	\$ (33,614)
Charges for service	2,800	3,950	1,150
Investment earnings	112	3,645	3,533
Miscellaneous	<u>-</u>	<u>38,718</u>	<u>38,718</u>
Total revenues	<u>1,420,932</u>	<u>1,430,719</u>	<u>9,787</u>
Expenditures			
General government			
Superior Court	165,798	118,031	47,767
Public safety			
Probation	818,711	663,522	155,189
Education			
School Superintendent	<u>659,814</u>	<u>618,410</u>	<u>41,404</u>
Total expenditures	<u>1,644,323</u>	<u>1,399,963</u>	<u>244,360</u>
Excess (deficiency) of revenues over expenditures	(223,391)	30,756	254,147
Other financing sources			
Transfers in	<u>-</u>	<u>198</u>	<u>198</u>
Total other financing sources	<u>-</u>	<u>198</u>	<u>198</u>
Net change in fund balance	(223,391)	30,954	254,345
Fund balance, July 1, 2017	<u>223,391</u>	<u>182,926</u>	<u>(40,465)</u>
Fund balance, June 30, 2018	<u>\$ -</u>	<u>\$ 213,880</u>	<u>\$ 213,880</u>

Santa Cruz County
 Nonmajor Special Revenue Funds
 Probation Services Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2018

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 787,683	\$ 799,505	\$ 11,822
Charges for service	96,000	102,811	6,811
Investment earnings	705	11,524	10,819
Miscellaneous	<u>-</u>	<u>89</u>	<u>89</u>
Total revenues	<u>884,388</u>	<u>913,929</u>	<u>29,541</u>
Expenditures			
Public safety	<u>1,602,282</u>	<u>833,291</u>	<u>768,991</u>
Total expenditures	<u>1,602,282</u>	<u>833,291</u>	<u>768,991</u>
Excess (deficiency) of revenues over expenditures	(717,894)	80,638	798,532
Other financing sources			
Transfers in	<u>1,903</u>	<u>1,903</u>	<u> </u>
Total other financing sources	<u>1,903</u>	<u>1,903</u>	<u> </u>
Net change in fund balance	(715,991)	82,541	798,532
Fund balance, July 1, 2017	<u>715,991</u>	<u>652,061</u>	<u>(63,930)</u>
Fund balance, June 30, 2018	<u>\$ -</u>	<u>\$ 734,602</u>	<u>\$ 734,602</u>

Santa Cruz County
Nonmajor Special Revenue Funds
Retrieval Conversion Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 36,423	\$ 36,423	
Charges for services	143,000	75,442	\$ (67,558)
Fines and forfeits	13,500	115,522	102,022
Investment earnings	50	12,729	12,679
Miscellaneous	<u>-</u>	<u>7,444</u>	<u>7,444</u>
Total revenues	<u>192,973</u>	<u>247,560</u>	<u>54,587</u>
Expenditures			
General government	<u>903,661</u>	<u>113,177</u>	<u>790,484</u>
Total expenditures	<u>903,661</u>	<u>113,177</u>	<u>790,484</u>
Excess (deficiency) of revenues over expenditures	(710,688)	134,383	845,071
Other financing uses			
Transfers out	<u>(80,000)</u>	<u>(106,095)</u>	<u>(26,095)</u>
Total other financing uses	<u>(80,000)</u>	<u>(106,095)</u>	<u>(26,095)</u>
Net change in fund balance	(790,688)	28,288	818,976
Fund balance, July 1, 2017	<u>790,688</u>	<u>793,260</u>	<u>2,572</u>
Fund balance, June 30, 2018	<u>\$ -</u>	<u>\$ 821,548</u>	<u>\$ 821,548</u>

Santa Cruz County
 Nonmajor Special Revenue Funds
 Animal Control Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2018

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 302,312	\$ 236,175	\$ (66,137)
Charges for services	35,275	48,758	13,483
Investment earnings		798	798
Miscellaneous	<u>10,000</u>	<u>8,000</u>	<u>(2,000)</u>
Total revenues	<u>347,587</u>	<u>293,731</u>	<u>(53,856)</u>
Expenditures			
Current:			
Health, welfare and sanitation	<u>624,721</u>	<u>585,664</u>	<u>39,057</u>
Total expenditures	<u>624,721</u>	<u>585,664</u>	<u>39,057</u>
Excess (deficiency) of revenues over expenditures	(277,134)	(291,933)	(14,799)
Other financing sources			
Transfers in	<u>243,328</u>	<u>238,985</u>	<u>(4,343)</u>
Total other financing sources	<u>243,328</u>	<u>238,985</u>	<u>(4,343)</u>
Net change in fund balance	(33,806)	(52,948)	(19,142)
Fund balance, July 1, 2017	<u>33,806</u>	<u>76,791</u>	<u>42,985</u>
Fund balance, June 30, 2018	<u>\$ -</u>	<u>\$ 23,843</u>	<u>\$ 23,843</u>

Santa Cruz County
Nonmajor Special Revenue Funds
Other Special Revenue Funds
Budgetary Comparison Schedule
Year Ended June 30, 2018

	<u>Original and Final Budget Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 535,923	\$ 820,506	\$ 284,583
Charges for services	58,300	117,663	59,363
Investment earnings	20	11,752	11,732
Miscellaneous	<u>10,000</u>	<u>16,189</u>	<u>6,189</u>
Total revenues	<u>604,243</u>	<u>966,110</u>	<u>361,867</u>
Expenditures			
General government	254,342	54,053	200,289
Public safety	598,953	321,008	277,945
Health, welfare and sanitation	287,868	165,067	122,801
Education and economic opportunity	<u>741,125</u>	<u>317,379</u>	<u>423,746</u>
Total expenditures	<u>1,882,288</u>	<u>857,507</u>	<u>1,024,781</u>
Excess (deficiency) of revenues over expenditures	(1,278,045)	108,603	1,386,648
Other financing sources (uses)			
Transfers in	90,694	76,632	(14,062)
Transfers out	<u>(7,500)</u>	<u>(11,698)</u>	<u>(4,198)</u>
Total other financing sources (uses)	<u>83,194</u>	<u>64,934</u>	<u>(18,260)</u>
Net change in fund balance	(1,194,851)	173,537	1,368,388
Fund balance, July 1, 2017	<u>1,194,851</u>	<u>1,202,470</u>	<u>7,619</u>
Fund balance, June 30, 2018	<u>\$ -</u>	<u>\$ 1,376,007</u>	<u>\$ 1,376,007</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, 2018

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Investment earnings	\$ -	\$ 2,945	\$ 2,945
Miscellaneous	-	<u>30,569</u>	<u>30,569</u>
Total revenues	<u>-</u>	<u>33,514</u>	<u>33,514</u>
Expenditures			
General government	-	-	-
Public safety	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>33,514</u>	<u>33,514</u>
Net change in fund balances	-	33,514	33,514
Fund balance, July 1, 2017	<u>-</u>	<u>299,525</u>	<u>299,525</u>
Fund balance, June 30, 2018	<u>\$ -</u>	<u>\$ 333,039</u>	<u>\$ 333,039</u>

Santa Cruz County
 Budgetary Comparison Schedule
 Capital Projects—Airport Fund
 Year Ended June 30, 2018

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 1,005,383	\$ -	\$ (1,005,383)
Total Revenues	<u>1,005,383</u>	<u>-</u>	<u>(1,005,383)</u>
Expenditures			
General government	1,064,900	-	1,064,900
Total expenditures	<u>1,064,900</u>	<u>-</u>	<u>1,064,900</u>
Excess (deficiency) of revenues over expenditures	(59,517)		59,517
Other financing sources			
Transfers in	-	7,084	7,084
Transfers out	-	(6,800)	(6,800)
Total other financing sources	<u>-</u>	<u>284</u>	<u>284</u>
Net change in fund balance	(59,517)	284	59,801
Fund balance, July 1, 2017	<u>59,517</u>	<u>(284)</u>	<u>(59,801)</u>
Fund balance, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Santa Cruz County
 Budgetary Comparison Schedule
 Capital Projects—Other Funds
 Year Ended June 30, 2018

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental	\$ 1,280,000	\$ 1,396,225	\$ 116,225
Total revenues	1,280,000	1,396,225	116,225
Expenditures			
Public safety	1,280,000	1,351,099	(71,099)
Total expenditures	1,280,000	1,351,099	(71,099)
Excess (deficiency) of revenues over expenditures	-	45,126	45,126
Net change in fund balance		45,126	45,126
Fund balance, July 1, 2017	-	(20,567)	(20,567)
Fund balance, June 30, 2018	\$ -	\$ 24,559	\$ 24,559

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, 2018

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Taxes	\$ -	\$ 150	\$ 150
Investment earnings		782	782
Miscellaneous	-	27,436	27,436
Total revenues	<u>-</u>	<u>28,368</u>	<u>28,368</u>
Expenditures			
Debt service	<u>1,143,587</u>	<u>1,088,948</u>	<u>54,639</u>
Total expenditures	<u>1,143,587</u>	<u>1,088,948</u>	<u>54,639</u>
Excess (deficiency) of revenues over expenditures	(1,143,587)	(1,060,580)	83,007
Other financing sources			
Pledged revenue refunding obligations proceeds		3,675,000	3,675,000
Payment to debt refinancing escrow agent		(3,557,403)	(3,557,403)
Transfers in	<u>933,338</u>	<u>738,795</u>	<u>(194,543)</u>
Total other financing sources	<u>933,338</u>	<u>856,392</u>	<u>(76,946)</u>
Net change in fund balance	(210,249)	(204,188)	6,061
Fund balance, July 1, 2017	<u>210,249</u>	<u>205,672</u>	<u>(4,577)</u>
Fund balance, June 30, 2018	<u>\$ -</u>	<u>\$ 1,484</u>	<u>\$ 1,484</u>

Investment Trust and Agency Funds

Santa Cruz County
Combining Statement of Fiduciary Net Position
Investment Trust Funds
June 30, 2018

	Treasurer's Investment Pool	Individual Investment Accounts	Total
Assets			
Cash and investments	<u>\$ 24,384,590</u>	<u>\$ 62,618</u>	<u>\$ 24,447,208</u>
Total assets	<u>\$ 24,384,590</u>	<u>\$ 62,618</u>	<u>\$ 24,447,208</u>
Net Position			
Held in trust for investment trust participants	<u>\$ 24,384,590</u>	<u>\$ 62,618</u>	<u>\$ 24,447,208</u>

Santa Cruz County
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2018

	<u>Property Tax Collection</u>	<u>Fire District</u>	<u>Special Purpose</u>	<u>Total</u>
Assets				
Cash and investments	\$ 715,869	\$ -	\$ 969,247	\$ 1,685,116
Total assets	<u>\$ 715,869</u>	<u>\$ -</u>	<u>\$ 969,247</u>	<u>\$ 1,685,116</u>
Liabilities				
Due to other governmental units	\$ 578,217	\$ -		\$ 578,217
Deposits held for others	<u>137,652</u>	<u></u>	<u>\$ 969,247</u>	<u>1,106,899</u>
Total liabilities	<u>\$ 715,869</u>	<u>\$ -</u>	<u>\$ 969,247</u>	<u>\$ 1,685,116</u>

Santa Cruz County
Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
Year Ended June 30, 2018

	Treasurer's Investment Pool	Individual Investment Accounts	Total
Additions			
Contributions from participants	\$ 107,161,292		\$ 107,161,292
Investment earnings	<u>484,020</u>	<u>\$ 858</u>	<u>484,878</u>
Total additions	<u>107,645,312</u>	<u>858</u>	<u>107,646,170</u>
Deductions			
Distributions to participants	<u>112,337,440</u>	<u>-</u>	<u>112,337,440</u>
Total deductions	<u>112,337,440</u>	<u>-</u>	<u>112,337,440</u>
Changes in net position	(4,692,128)	858	(4,691,270)
Net position, July 1, 2017	<u>29,076,718</u>	<u>61,760</u>	<u>29,138,478</u>
Net position, June 30, 2018	<u><u>\$ 24,384,590</u></u>	<u><u>\$ 62,618</u></u>	<u><u>\$ 24,447,208</u></u>

Santa Cruz County
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Property Tax Collection:				
Assets				
Cash and investments	\$ 413,406	\$ 2,334,008	\$ 2,031,545	\$ 715,869
Liabilities				
Due to other governmental units	\$ 251,500	\$ 367,798	\$ 41,081	\$ 578,217
Deposits held for others	161,906	1,966,210	1,990,464	137,652
Total liabilities	<u>\$ 413,406</u>	<u>\$ 2,334,008</u>	<u>\$ 2,031,545</u>	<u>\$ 715,869</u>
Fire District:				
Assets				
Cash and investments	\$ -	\$ 318,632	\$ 318,632	\$ -
Liabilities				
Due to other governmental units	\$ -	\$ 318,632	\$ 318,632	\$ -
Special Purpose:				
Assets				
Cash and investments	\$ 1,473,944	\$ 243,353	\$ 748,050	\$ 969,247
Liabilities				
Deposits held for others	\$ 1,473,944	\$ 243,353	\$ 748,050	\$ 969,247
Total - All Agency Funds				
Assets				
Cash and investments	\$ 1,887,350	\$ 2,895,993	\$ 3,098,227	\$ 1,685,116
Liabilities				
Due to other governmental units	\$ 251,500	\$ 686,430	\$ 359,713	\$ 578,217
Deposits held for others	1,635,850	2,209,563	2,738,514	1,106,899
Total liabilities	<u>\$ 1,887,350</u>	<u>\$ 2,895,993</u>	<u>\$ 3,098,227</u>	<u>\$ 1,685,116</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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Activities										
Net investment in capital assets	\$ 66,618	\$ 66,653	\$ 69,644	\$ 70,340	\$ 70,668	\$ 73,030	\$ 74,702	\$ 75,658	\$ 74,440	\$ 73,420
Restricted	15,063	13,255	9,756	7,711	9,515	9,190	9,412	10,559	6,012	7,868
Unrestricted	<u>(37,534)</u>	<u>(28,547)</u>	<u>(23,902)</u>	<u>(22,125)</u>	<u>9,783</u>	<u>10,951</u>	<u>11,913</u>	<u>10,801</u>	<u>14,795</u>	<u>14,615</u>
Total governmental activities net position	<u>44,147</u>	<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>
Business-Type Activities										
Net investment in capital assets	3,595	3,829	4,115	4,274	3,660	3,538	3,691	3,393	2,568	2,602
Unrestricted (deficit)	<u>1,399</u>	<u>(130)</u>	<u>(1,128)</u>	<u>(1,278)</u>	<u>(1,182)</u>	<u>(1,356)</u>	<u>(375)</u>	<u>(351)</u>	<u>715</u>	<u>596</u>
Total business-type activities net position (deficit)	<u>4,994</u>	<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>
Primary Government										
Net investment in capital assets	70,213	70,482	73,759	74,614	74,328	76,568	78,393	79,051	77,008	76,022
Restricted	15,063	13,255	9,756	7,711	9,515	9,190	9,412	10,559	6,012	7,868
Unrestricted	<u>(36,135)</u>	<u>(28,677)</u>	<u>(25,030)</u>	<u>(23,403)</u>	<u>8,601</u>	<u>9,595</u>	<u>11,538</u>	<u>10,450</u>	<u>15,510</u>	<u>15,211</u>
Total primary government net position	<u>\$ 49,141</u>	<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>

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities:										
General government	\$ 20,804	\$ 17,992	\$ 16,403	\$ 16,772	\$ 14,525	\$ 14,184	\$ 14,243	\$ 13,285	\$ 13,542	\$ 13,674
Public safety	19,498	15,862	14,854	16,431	16,043	15,420	17,894	14,733	12,986	14,631
Highways and streets	5,686	5,848	5,966	7,474	6,972	6,509	4,239	4,570	4,248	4,701
Health, welfare and sanitation	4,969	4,926	4,621	4,633	4,754	4,224	4,518	3,865	3,916	4,149
Education and economic opportunity	2,281	2,168	2,909	3,259	2,454	2,443	3,371	4,589	6,280	4,912
Recreation	263	267	202	152	165	139	141	121	208	329
Interest on long-term debt	1,967	3,089	3,141	2,810	2,899	2,983	2,965	2,767	4,220	1,976
Total governmental activities expenses	<u>55,468</u>	<u>50,152</u>	<u>48,096</u>	<u>51,531</u>	<u>47,812</u>	<u>45,902</u>	<u>47,371</u>	<u>43,930</u>	<u>45,400</u>	<u>44,372</u>
Business-type activities:										
Landfill	<u>1,111</u>	<u>1,621</u>	<u>1,941</u>	<u>887</u>	<u>1,511</u>	<u>2,432</u>	<u>833</u>	<u>1,261</u>	<u>562</u>	<u>(342)</u>
Total business-type activities expenses	<u>1,111</u>	<u>1,621</u>	<u>1,941</u>	<u>887</u>	<u>1,511</u>	<u>2,432</u>	<u>833</u>	<u>1,261</u>	<u>562</u>	<u>(342)</u>
Total primary government expenses	<u>56,579</u>	<u>51,773</u>	<u>50,037</u>	<u>52,418</u>	<u>49,323</u>	<u>48,334</u>	<u>48,204</u>	<u>45,191</u>	<u>45,962</u>	<u>44,030</u>
Program Revenues										
Governmental activities:										
Charges for services										
General government	2,472	2,146	2,161	2,412	2,569	3,201	3,326	3,087	3,532	3,153
Public safety	176	244	244	450	399	920	400	218	395	307
Highways and streets	-	-	-	-	-	-	-	-	2	7
Health, welfare and sanitation	223	178	188	156	174	157	185	206	202	218
Education and economic opportunity	78	85	26	73	128	13	88	14	1	-
Recreation	12	9	9	9	8	6	11	10	6	8
Operating grants and contributions*	9,959	8,781	9,079	8,993	8,338	9,077	10,777	11,079	9,955	9,305
Capital grants and contributions	6,200	5,114	5,810	4,747	4,512	3,513	3,447	4,335	3,608	3,963
Total governmental activities program revenues	<u>19,120</u>	<u>16,557</u>	<u>17,517</u>	<u>16,840</u>	<u>16,128</u>	<u>16,887</u>	<u>18,234</u>	<u>18,949</u>	<u>17,701</u>	<u>16,961</u>
Business-type activities:										
Charges for services										
Landfill	2,298	2,326	2,062	1,993	1,600	1,269	968	1,001	610	1,683
Operating grants and contributions	-	-	-	-	94	-	-	-	20	8
Total business-type program revenues	<u>2,298</u>	<u>2,326</u>	<u>2,062</u>	<u>1,993</u>	<u>1,694</u>	<u>1,269</u>	<u>968</u>	<u>1,001</u>	<u>630</u>	<u>1,691</u>
Total primary government program revenues	<u>21,418</u>	<u>18,883</u>	<u>19,579</u>	<u>18,833</u>	<u>17,822</u>	<u>18,156</u>	<u>19,202</u>	<u>19,950</u>	<u>18,331</u>	<u>18,652</u>
Net (expense) revenue										
Governmental activities	(36,348)	(33,595)	(30,579)	(34,691)	(31,684)	(29,015)	(29,137)	(24,981)	(27,699)	(27,410)
Business-type activities	1,187	705	121	1,106	183	(1,163)	135	(260)	68	2,033
Total primary government activities net (expense) revenue	<u>(35,161)</u>	<u>(32,890)</u>	<u>(30,458)</u>	<u>(33,585)</u>	<u>(31,501)</u>	<u>(30,178)</u>	<u>(29,002)</u>	<u>(25,241)</u>	<u>(27,631)</u>	<u>(25,377)</u>

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General revenues and other changes in net position										
Governmental activities:										
Taxes										
Property taxes	\$ 14,408	\$ 13,915	\$ 14,495	\$ 14,041	\$ 13,915	\$ 12,650	\$ 13,398	\$ 13,988	\$ 14,187	\$ 12,666
County general excise tax	2,526	2,578	2,654	2,504	2,685	2,596	2,646	2,571	2,519	2,961
County jail excise tax	2,525	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	2,645	2,685	2,621	2,421	2,426	2,197	2,018	2,272	779	1,127
Share of state sales taxes-welfare	2,114	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	1,108	1,080	1,073	932	978	980	956	834	324	1,360
Vehicle lieu tax unrestricted*	1,774	1,716	1,649	1,527	1,466	1,312	1,367	1,343	1,432	1,528
Share of state lottery revenue	550	550	550	1,100	-	-	-	-	304	522
Share of federal disproportionate revenue	-	-	-	-	-	-	-	-	-	215
Share of state overweight permits	831	833	802	783	754	702	-	-	-	-
Unrestricted grants and contributions		63	433	522	506	592	738	564	791	850
Investment earnings (loss)	306	80	59	14	130	98	68	205	730	(384)
Miscellaneous	284	354	378	377	855	402	531	747	754	531
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>29,071</u>	<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>
Business-type activities:										
Grants and contributions	-	-	-	-	-	-	80	-	-	-
Investment earnings	58	7	3	1	4	7	2	6	18	15
Miscellaneous	50	-	57	-	-	-	-	-	-	-
Transfers	-	-	-	2	109	22	18	12	-	-
Capital contributions	-	-	(190)	-	-	-	-	-	-	-
Total business-type activities	<u>108</u>	<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>
Total primary government	<u>29,179</u>	<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>
Changes in net position										
Governmental activities	(7,277)	(5,102)	(428)	(5,931)	(3,205)	(2,856)	(2,851)	1,771	(495)	(40)
Business-type activities	1,295	712	(9)	1,109	296	(1,134)	235	(242)	86	2,048
Total primary government	<u>\$ (5,982)</u>	<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>

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	13,370	15,052
Nonspendable*	45	48	46	95	51	49	44	42	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	8,209	9,222	11,063	11,125	11,021	13,458	13,513	13,945	-	-
Subtotal general fund	<u>\$ 8,254</u>	<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>
All other governmental funds										
Reserved for:										
Prepaid items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds (deficits)	-	-	-	-	-	-	-	-	8,430	8,929
Nonspendable*	6	2	9	7	8	4	2	4	-	-
Restricted	11,773	10,350	7,997	9,486	11,872	12,360	16,295	9,724	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	61	77	34	52	192	110	370	521	-	-
Unassigned	(879)	(416)	(747)	(845)	(687)	(1,648)	(1,431)	(2,616)	-	-
Capital projects funds (deficits)	-	-	-	-	-	-	-	-	5,378	35,028
Nonspendable*	-	-	-	-	-	-	-	-	-	-
Restricted	284	241	226	270	60	155	108	61	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	73	65	59	53	-	-	-	-	-	-
Unassigned	-	(28)	(7)	(236)	-	-	(1)	(792)	-	-
Debt Service Assigned	1	206	202	99	98	-	242	236	493	2,129
Total all other governmental funds	<u>\$ 11,319</u>	<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>

*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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Taxes	\$ 19,535	\$ 19,193	\$ 19,991	\$ 19,198	\$ 19,189	\$ 18,026	\$ 18,573	\$ 19,181	\$ 18,752	\$ 19,195
Intergovernmental	23,867	22,192	23,599	22,022	20,926	20,929	22,283	21,173	18,986	21,884
Licenses and permits	617	348	409	384	324	214	293	318	380	459
Charges for services	1,260	1,143	1,169	1,519	1,676	1,620	1,625	1,751	1,702	1,961
Fines and forfeits	1,084	1,172	1,050	1,197	1,278	2,464	2,092	1,466	2,056	1,273
Investment earnings	306	80	59	14	130	98	68	206	730	(384)
Rents	40	42	39	42	37	45	33	59	42	21
Contributions		-	-	-	-	-	-	-	-	-
Miscellaneous	244	309	342	337	817	357	497	688	712	520
Total revenues	<u>46,953</u>	<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>
Expenditures:										
Current:										
General government	15,099	15,173	15,091	13,379	13,840	13,605	13,885	14,807	12,843	12,856
Public safety	15,497	13,241	14,208	13,582	15,096	19,435	16,355	20,821	13,093	13,562
Highways and streets	5,221	3,952	4,543	6,816	4,872	3,707	3,607	3,068	3,020	4,187
Health, welfare and sanitation	4,966	4,991	4,710	4,625	4,738	4,230	4,425	3,790	3,823	4,027
Education and economic opportunity	2,183	2,002	2,779	3,132	2,421	2,404	3,331	4,572	6,308	4,886
Recreation	247	224	167	438	148	122	122	99	183	300
Capital outlay			-	-	-	-	-	-	29,818	22,249
Debt service:										
Principal	2,561	2,531	3,776	2,421	2,332	2,224	2,133	1,935	3,359	270
Interest and other charges	2,162	3,071	3,049	2,809	2,900	2,983	2,965	2,767	4,220	1,976
Total expenditures	<u>47,936</u>	<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>
Excess (deficiency) of revenues over (under) expenditures	<u>(983)</u>	<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>
Other financing sources (uses):										
Pledged revenue refunding obligations proceeds	3,675	33,850	9,997							
Payment to debt refinancing escrow agent	(3,557)	(33,224)	(9,798)							
Loan proceeds (net of discounts)	-	-	-	-	-	-	9,300	-	-	59,172
Proceeds from sales of capital assets	-	-	-	-	134	-	-	11	-	11
Capital lease agreements/installment purchase contracts	672		93			326	224	473		64
Transfers in	4,987	5,328	5,982	5,187	7,077	3,759	6,962	5,488	5,654	3,876
Transfers out	(4,987)	(5,328)	(5,832)	(5,189)	(7,132)	(3,781)	(6,980)	(5,500)	(5,654)	(3,876)
Proceeds from long-term notes	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>790</u>	<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>
Net change in fund balances	<u>\$ (193)</u>	<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>
Debt service as a percentage of noncapital expenditures	9.85%	12.40%	14.12%	11.08%	11.29%	10.69%	10.89%	9.07%	16.18%	5.34%

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
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
2017-18 ⁽¹⁾	19,534,949	23,866,791	617,078	1,260,440	1,083,814	306,022	39,999	244,197	46,953,290

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
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
2017-18 ⁽¹⁾	41.61	50.83	1.31	2.68	2.31	0.65	0.09	0.52	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
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
2017-18 ⁽¹⁾	15,099,080	15,496,885	5,221,572	4,966,217	2,183,569	246,897	4,722,564	47,936,784

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
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	6.64	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	0.5	12.4	100.00
2017-18 ⁽¹⁾	31.5	32.33	10.89	10.36	4.56	0.52	9.84	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
08-09	123,958	174,659	53,806	263	352,686	3.717	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%
17-18	87,135	153,817	46,468	348	287,768	4.6978	2,805,576	10.26%

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 Values)

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		
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
2017-18	3.8315	0.7663	0.1000	0.0000	3.5000	3.7215	3.2500	2.6500	2.0234	0.4875

SOURCES: Annual budgets.

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

Fiscal Year	Patagonia Union High School	Elementary Schools			Santa Cruz Valley Unified #35	Nogales Unified #1
		Patagonia #6	Sonoita #25	Santa Cruz #28		
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
2017-18	2.5559	4.4603	4.6316	7.5051	4.3818	5.9517

SOURCES: Annual budgets.

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

Taxpayer	2018			2017			2016			2015			2014		
	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 *	17,937	1	5.63%	19,014	1	5.70%	18,276	1	5.66%	17,956	1	5.54%	16,987	1	5.00%
Qwest Corporation *	1,785	8	0.56%	1,777	8	0.53%	1,892	6	0.59%	1,936	6	0.60%	1,929	5	0.57%
Wal-Mart Stores, Inc.	2,341	5	0.73%	2,152	5	0.64%	2,101	5	0.65%	2,235	5	0.69%	2,546	3	0.75%
Delta Properties LLP	8,142	2	2.56%	5,619	2	1.68%	4,837	2	1.50%	4,800	2	1.48%	5,770	2	1.70%
Union Pacific Railroad	3,262	3	1.02%	3,147	3	0.94%	2,521	3	0.78%	2,454	4	0.76%	2,498	4	0.73%
Mariposa Shopping Center LP *	2,210	7	0.69%	2,062	7	0.62%	2,197	4	0.68%	2,599	3	0.80%	1,745	6	0.51%
Tubac Management Co, LLC	1,487	8	0.47%	1,372	9	0.41%	1,385	10	0.43%	1,555	7	0.48%	1,744	7	0.51%
Nogales Plaza Shopping Center LP	1,341	10	0.42%	1,234	10	0.37%	1,472	8	0.46%	1,276	10	0.39%			
SOAC Properties Corporation	2,307	6	0.72%	2,095	6	0.63%	1,453	9	0.45%	1,543	8	0.48%	1,578	8	0.46%
Vatere LLC	-	-	-												
Rio Rico Properties	-	-	-												
Crisantes Properties, LLC	2,478	4	0.78%	2,158	4	0.65%	1,596	7	0.49%	1,468	9	0.45%	1,433	10	0.42%
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	43,290		13.58%	40,630		12.17%	37,730		11.69%	37,822		11.68%	37,692		11.08%

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*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	2013			2012			2011			2010			2009		
	Net Assessed Value	Rank	Percent of Total Net Assessed Secondary Value	Net Assessed Value	Rank	Percent of Total Net Assessed Secondary Value	Net Assessed Value	Rank	Percent of Total Net Assessed Secondary Value	Net Assessed Value	Rank	Percent of Total Net Assessed Secondary Value	Net Assessed Value	Rank	Percent of Total Net Assessed Secondary Value
City of Nogales										2,945	4	0.65%	2,767	5	0.74%
Unisource Energy Corporation *	16,670	1	4.44%	15,062	1	3.77%	13,935	1	3.15%	14,303	1	3.17%	14,580	1	3.91%
Qwest Corporation *	2,112	7	0.56%	2,979	3	0.75%	2,897	3	0.65%	3,230	3	0.72%	4,403	3	1.18%
Wal-Mart Stores, Inc.	2,270	5	0.60%	2,519	5	0.63%	2,554	6	0.58%	2,660	6	0.59%	3,225	4	0.86%
Delta Properties LLP	6,178	2	1.64%	5,197	2	1.30%	5,697	2	1.29%	4,374	2	0.97%	4,583	2	1.23%
Union Pacific Railroad	2,040	8	0.54%	1,926	7	0.48%	1,710	10	0.39%						-
Mariposa Shopping Center LP *	2,326	4	0.62%	1,832	9	0.46%	1,947	8	0.44%	2,119	8	0.47%	2,624	8	0.70%
Tubac Management Co, LLC	1,679	9	0.45%	1,859	8	0.47%	1,902	9	0.43%				2,137	9	0.57%
Nogales Plaza Shopping Center LP										1,966	10	0.44%	2,060	10	0.55%
Vatere LLC				2,126	6	0.53%	2,611	5	0.59%	2,630	7	0.58%	2,694	6	0.72%
Rio Rico Properties	2,591	3	0.69%	1,591	10	0.40%	2,116	7	0.48%	2,023	9	0.45%			
Loma Linda Mall LLC *	2,245	6	0.60%												
Tucson Electric Power Co	1,609	10	0.43%												
Edwards/PCF-Nogales LLC															
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*															
Royal Sterilization Systems															
Total	<u>39,720</u>		<u>10.57%</u>	<u>37,786</u>		<u>9.46%</u>	<u>38,064</u>		<u>8.61%</u>	<u>38,937</u>		<u>8.64%</u>	<u>41,760</u>		<u>11.18%</u>

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*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 if Levy			Percent of Levy	Subsequent Taxes Collected	Total Tax Collections To Date	Percent of Levy	Outstanding Delinquent Taxes Receivable ⁽¹⁾
				Primary	Secondary	Total					
2008-09	10,630,673	2,653,693	13,284,366	10,280,858	2,726,901	13,007,759	97.92	61,724	13,069,483	98.38	1,341,685
2009-10	11,291,178	2,868,608	14,159,786	10,976,580	2,677,899	13,654,479	96.43	758,807 ⁽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	13,402,509	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	13,224,128	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	12,824,439	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	12,433,845	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	13,512,726	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	13,832,922	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	14,343,299	100.75	123,571 ⁽⁹⁾	14,466,870	101.62	1,169,024
2017-18	12,208,404	2,515,130	14,723,534	11,492,755	2,373,785	13,866,540	94.18	62,865 ⁽¹⁰⁾	13,929,405	94.61	1,108,672

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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.
- (10) Subsequent Taxes Collected as of September 30, 2018

Source: Annual Budget

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

Fiscal Year	Net Assessed Value	Estimated Actual Value	Ratio of Net Assessed to Estimate Actual Value
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
2017-18 Primary	318,626	2,805,576	11.36
2017-18 Secondary	344,939	2,976,561	11.59

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
Ratio 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		Total Primary Government	Personal Income	Percentage of Personal Income	Population	Debt Per Capita
	Pledged Revenue Obligations	Capital Leases & Installment Purchase Contracts	Long-Term Loans Payable	Capital Leases & Installment Purchase Contracts						
2008-2009	-	1,524	59,855	216	61,595	1,137,477	5.42%	43,771	1,407	
2009-2010	-	1,230	56,790	117	58,137	1,194,102	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	
2017-2018	45,385	1037	5,655	312	52,389	1,635,361 ⁽¹⁾	3.20%	52,455	0.999	

SOURCE: Basic Financial Statements
Demographic Statistics-Economic Indicators
⁽¹⁾ Projected Estimate

Santa Cruz County
 Computation of Direct and Overlapping Debt
 Governmental Activities, Debt Outstanding
 June 30, 2018
 (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	1,037	100	1,037
Santa Cruz County - Loans Payable	5,655	100	5,655
Santa Cruz County – Governmental Pledged Revenue Obligations	45,385	100	45,385

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assessed Value	\$ 404,366	\$ 450,859	\$ 442,665	\$ 399,532	\$ 375,670	\$ 339,878	\$ 323,844	\$ 322,650	\$ 333,858	\$ 344,939
Legal Debt Margin										
Debt Limit (15% of assessed value)	60,655	67,629	66,400	59,930	56,351	50,982	48,577	48,398	50,079	51,741
Debt applicable to limit: General obligation bonds	-	-	-	-	-	-	-	-	-	-
Less: Net Position reserved for repayment of general obligation bonds	<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>	<u>(1)</u>
Total net debt applicable to the limit	<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>	<u>(1)</u>
Legal Debt Limit Margin	<u><u>(2,129)</u></u>	<u><u>(493)</u></u>	<u><u>(236)</u></u>	<u><u>(242)</u></u>	<u><u>553</u></u>	<u><u>(98)</u></u>	<u><u>(99)</u></u>	<u><u>(202)</u></u>	<u><u>(206)</u></u>	<u><u>(1)</u></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)%	0.00%

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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 Series 2016 and Series 2017 Courthouse Pledged Revenue Refunding Obligations**

Fiscal Year	Revenues ⁽¹⁾	Debt Service		Coverage
		Principal	Interest	
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	280,000	881,663	3.55
2013	4,792,800	295,000	1,054,014	3.55
2014	5,110,986	305,000	1,029,048	3.83
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
2018	5,171,365	860,000	653,464	3.42

**Long Term Loan (Jail District Detention Facility: 2008-2 Project)
and Series 2017 Pledged Revenue Refunding Obligations**

Fiscal Year	Jail District Revenues ⁽²⁾	Less: Expenditures	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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	0.87
2012	6,056,500	5,062,557	993,943	1,320,000	1,927,806	0.31
2013	6,273,665	5,542,070	731,595	1,370,000	1,878,306	0.23
2014	7,093,279	5,211,356	1,881,923	1,425,000	1,823,506	0.58
2015	6,129,524	4,286,321	1,843,203	1,480,000	1,766,506	0.57
2016	6,247,859	4,431,585	1,816,274	1,540,000	1,707,306	0.56
2017	6,603,367	4,571,067	2,032,300	1,600,000	1,645,649	0.63
2018	6,034,144	4,813,398	1,220,746	1,640,000	1,290,178	0.42

SOURCES: Basic financial statements and debt retirement schedules.

⁽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
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
2018	52,455	31,176 ⁽¹⁾	1,635,361 ⁽¹⁾	11,397 ⁽¹¹⁾	18,779	8.5

NOTES:

⁽¹⁾ Projected estimate.

⁽²⁾ School enrollment as of January 20, 2009.

⁽³⁾ School enrollment as of April 30, 2010.

⁽⁴⁾ School enrollment as of February 28, 2011.

⁽⁵⁾ School enrollment as of June 30, 2012.

⁽⁶⁾ School enrollment as of June 30, 2013.

⁽⁷⁾ School enrollment as of September 30, 2014.

⁽⁸⁾ School enrollment as of September 30, 2015.

⁽⁹⁾ School enrollment as of September 30, 2016.

⁽¹⁰⁾ School enrollment as of June 30, 2017.

⁽¹¹⁾ School enrollment as of September 30, 2018.

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 University of Arizona

Santa Cruz County
Principal Employers
Last Ten Years
June 30, 2018

Employer	2018			2017			2016			2015			2014		
	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	559	1	3.0%	563	3	2.9%	567	2	2.9%	563	2	2.8%	567	2	3.3%
US Border Patrol			0.0%	623	1	3.2%	651	1	3.3%	670	1	3.4%	716	1	4.1%
Super Wal-Mart	384	4	2.0%	380	6	2.0%	398	4	2.0%	430	4	2.2%	421	4	2.4%
US Customs and Border Protection			0.0%	616	2	3.2%	440	3	2.2%	457	3	2.3%	490	3	2.8%
Santa Cruz County	394	3	2.1%	412	4	2.1%	331	6	1.7%	309	6	1.6%	400	6	2.3%
Santa Cruz Valley Unified School District #35	401	2	2.1%	383	5	2.0%	389	5	2.0%	386	5	1.9%	434	5	2.5%
City of Nogales	296	6	1.6%	294	7	1.5%	300	7	1.5%	269	7	1.4%	295	7	1.7%
Carondelet Health Network - Holy Cross Hospital	174	8	0.9%	167	10	0.9%	170	10	0.9%	178	10	0.9%	172	10	1.0%
Mariposa Community Health Center, Inc.	298	5	1.6%	288	8	1.5%	262	8	1.3%	248	8	1.2%	242	8	1.4%
Tubac Golf Resort	199	7	1.1%	187	9	1.0%	176	9	0.9%	190	9	1.0%	192	9	1.1%
Total	2,705		14.4%	3,913		20.3%	3,684		18.7%	3,700		18.7%	3,929		22.6%
Total Work Force	18,779			19,272			19,700			19,907			17,328		

Employer	2013			2012			2011			2010			2009		
	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	603	2	3.4%	562	2	3.1%	591	1	3.1%	683	2	3.8%	620	1	3.4%
US Border Patrol	735	1	4.1%	751	1	4.1%				737	1	4.1%			
Super Wal-Mart	487	3	2.7%	466	4	2.5%	412	4	2.2%	500	4	2.8%	530	3	2.9%
US Customs and Border Protection	470	4	2.6%	482	3	2.6%	440	2	2.3%	390	5	2.2%			
Santa Cruz County	411	5	2.3%	419	6	2.3%	373	5	2.0%	387	6	2.2%	406	4	2.2%
Santa Cruz Valley Unified School District #35	401	6	2.2%	430	5	2.3%	430	3	2.3%	584	3	3.3%	608	2	3.3%
City of Nogales	288	7	1.6%	275	7	1.5%	280	6	1.5%	327	7	1.8%	316	5	1.7%
Carondelet Health Network - Holy Cross Hospital	217	9	1.2%	175	9	1.0%	206	8	1.1%	206	9	1.1%	245	6	1.3%
Mariposa Community Health Center, Inc.	237	8	1.3%	228	8	1.2%	233	7	1.2%	209	8	1.2%	215	7	1.2%
Tubac Golf Resort	N/A	N/A	N/A				170	9	0.9%	160	10	0.9%			
Total	3,849		21.4%	3,788		20.6%	3,135		16.6%	4,183		23.4%	2,940		16.0%
Total Work Force	17,917			18,352			18,975			17,950			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/cer; phone call & e-mail surveys to local employees

Santa Cruz County
Employment Statistics
Last Ten Years
June 30, 2018

Type of Employment	2018		2017		2016		2015		2014	
	Employees	Percent of Total								
Goods-Producing	675	5.32%	793	6.23%	704	5.30%	700	5.27%	600	4.65%
Trade, Transportation, and Utilities	5,575	43.90%	5,334	41.91%	5,618	42.31%	5,950	44.82%	5,550	43.02%
Other Private Service-Producing	2,925	23.03%	2,945	23.14%	3,196	24.07%	3,025	22.79%	2,925	22.67%
Federal Government	1,550	12.20%	1,569	12.32%	1,623	12.22%	1,650	12.43%	1,750	13.57%
State Government	1,975	15.55%	2,087	16.40%	2,137	16.09%	1,950	14.69%	2,075	16.09%
	<u>12,700</u>	<u>100%</u>	<u>12,728</u>	<u>100%</u>	<u>13,278</u>	<u>100.0%</u>	<u>13,275</u>	<u>100.0%</u>	<u>12,900</u>	<u>100.0%</u>

Type of Employment	2013		2012		2011		2010		2009	
	Employees	Percent of Total								
Goods-Producing	625	5.03%	650	4.91%	750	5.86%	825	6.8%	900	7.1%
Trade, Transportation, and Utilities	5,300	42.66%	5,825	44.13%	4,950	38.67%	4,850	39.9%	5,375	42.6%
Other Private Service-Producing	2,600	20.92%	2,675	20.27%	3,100	24.22%	2,800	23.0%	2,750	21.8%
Federal Government	1,800	14.49%	1,825	13.83%	1,725	13.48%	1,600	13.2%	1,575	12.5%
State Government	2,100	16.90%	2,225	16.86%	2,275	17.77%	2,075	17.10%	2,025	16.00%
	<u>12,425</u>	<u>100.0%</u>	<u>13,200</u>	<u>100.0%</u>	<u>12,800</u>	<u>100.0%</u>	<u>12,150</u>	<u>100.0%</u>	<u>12,625</u>	<u>100.0%</u>

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			
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	862,637
2018	34,990	319,906	59,249	377	866,395

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
 June 30, 2018

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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	Total	Sanitation Landfill Enterprise	
08-09	155	135	40	20	6	21	377	13	390
09-10	184	104	36	19	1	31	375	12	387
10-11	168	125	36	16	1	16	362	11	373
11-12	182	136	31	17	1	16	383	13	396
12-13	164	136	28	18	1	16	363	14	377
13-14	165	119	30	16	1	16	347	10	357
14-15	162	114	27	17	1	18	339	9	348
15-16	162	102	27	18	1	15	325	7	332
16-17	176	109	25	16	1	15	342	5	347
17-18	172	105	23	19	1	16	336	5	341

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

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	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
MILES OF STREETS										
Paved	428.00	411.00	430.00	405.47	405.47	425.38	425.00	425.38	425.38	422.16
Unpaved	390.00	312.40	389.00	331.52	331.52	316.64	316.00	316.64	316.64	292.84
REGISTERED VOTERS										
Democrat	51.11%	50.86%	51.89%	47.86%	49.32%	53.90%	50.81%	51.37%	52.63%	53.35%
Republican	16.62%	16.06%	16.84%	15.56%	15.99%	17.64%	16.96%	16.98%	17.38%	18.39%
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	4	10	7	6	6	6	8	9	8	9
SHERIFF PROTECTION										
Number of stations	4	4	4	4	3	3	3	1	1	4
Number of employees	81	111	77	91	96	119	114	104	119	90
Major crimes	134	170	170	206	76	207	271	285	460	586
Vehicular patrol units	36	27	33	33	16	25	56	25	25	32
SANITARY LANDFILLS										
Number of landfills	1	1	1	1	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, Records, Court Administration, Flood Control District, Sheriff, Landfill Enterprise, Recreation

Santa Cruz County
 Capital Assets Used in the Operation of Governmental Funds
 Last Ten Fiscal Years
 June 30, 2018
 (Amounts in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental funds capital assets					
Infrastructure	\$ 84,576	\$ 83,229	\$ 81,390	\$ 81,457	\$ 79,346
Land	22,347	22,347	22,347	22,343	22,343
Buildings	74,595	74,595	74,594	73,963	73,963
Improvements other than buildings	6,347	6,326	6,326	3,802	3,267
Construction equipment and vehicles	12,350	12,015	11,791	10,661	9,636
Furniture and equipment	12,218	11,514	11,113	11,251	11,097
Construction in progress	79	70	1,547	1,263	2,664
Total governmental funds capital assets	<u>\$ 212,512</u>	<u>\$ 210,096</u>	<u>\$ 209,108</u>	<u>\$ 204,740</u>	<u>\$ 202,316</u>

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Investments in governmental funds capital assets by source					
General Fund	\$ 19,990	\$ 19,736	\$ 19,147	\$ 18,720	\$ 18,148
Special Revenue Funds*	132,471	131,638	131,594	129,474	127,566
Capital Projects Funds	59,789	58,441	58,079	56,598	56,599
Capital Contributions	262	281	288	1	3
Total governmental funds capital assets	<u>\$ 212,512</u>	<u>\$ 210,096</u>	<u>\$ 209,108</u>	<u>\$ 204,793</u>	<u>\$ 202,316</u>

	<u>2013</u>	<u>2012*</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Governmental funds capital assets					
Infrastructure	\$ 79,271	\$ 75,593	\$ 70,992	\$ 70,712	\$ 70,463
Land	22,343	22,343	22,151	22,151	22,151
Buildings	73,963	73,881	73,098	12,396	12,010
Improvements other than buildings	3,206	3,195	3,177	3,176	3,175
Construction equipment and vehicles	9,760	9,922	10,450	10,065	9,805
Furniture and equipment	11,452	10,728	10,532	8,037	6,261
Construction in progress	3,969	3,688	3,607	58,122	29,779
Total governmental funds capital assets	<u>\$ 203,964</u>	<u>\$ 199,350</u>	<u>\$ 194,007</u>	<u>\$ 184,659</u>	<u>\$ 153,644</u>

	<u>2013</u>	<u>2012*</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Investments in governmental funds capital assets by source					
General Fund	\$ 18,589	\$ 18,267	\$ 18,984	\$ 19,080	\$ 18,939
Special Revenue Funds	128,738	124,519	119,176	115,898	114,782
Capital Projects Funds	56,637	56,564	55,847	49,681	19,923
Total governmental funds capital assets	<u>\$ 203,964</u>	<u>\$ 199,350</u>	<u>\$ 194,007</u>	<u>\$ 184,659</u>	<u>\$ 153,644</u>

SOURCE: Comprehensive Annual Financial Reports for the relevant year

*Amounts restated: Beginning balance for infrastructure and land in 2012.