NEW ISSUE – FULL BOOK–ENTRY **RATING: S&P: "AA"**
See "RATING"

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

$7,480,000
2019 Certificates of Participation
(Jail Facility Project)
Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof In
Lease Payments to be Made by
SAN BENITO COUNTY
As the Rental for Certain Leased Property Pursuant to a
Lease Agreement with the
SAN BENITO COUNTY FINANCING CORPORATION

Dated: Date of Delivery **Due: October 1, as shown below**

Certificates. The Certificates of Participation evidence and represent direct, undivided fractional interests of the Owners thereof in the Lease Payments (which include principal and interest components) to be made by San Benito County, (the "County"), for the right to the use of certain real property and improvements thereon (the "Leased Property") within the County pursuant to that certain Lease Agreement, dated as of March 1, 2019 (the "Lease Agreement"), by and between the County, as lessee, and the San Benito County Financing Corporation (the "Corporation") as lessor. The Certificates are being executed and delivered to provide funds for the acquisition of land and the improvement of capital facilities of the County and to pay certain costs incurred in connection with execution and delivery of the Certificates.

Payment Terms. The Certificates will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Purchasers of the Certificates will not receive certificates representing their interests in the Certificates. Payments of the principal of and interest on the Certificates will be made to DTC, which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Certificates. Interest on the Certificates is payable on April 1 and October 1, commencing October 1, 2019 (each, an "Interest Payment Date"). See "THE CERTIFICATES– General Provisions."

Prepayment Prior to Maturity. The Certificates are subject to prepayment prior to their maturity as more fully described in this Official Statement. See "THE CERTIFICATES– Prepayment."

Security for the Certificates. The County has covenanted in the Lease Agreement to make the Lease Payments for the Leased Property as provided for therein, to include all such Lease Payments in each of its budgets and to make the necessary annual appropriations for all such Lease Payments. *The Lease Payments, however, are subject to abatement under certain circumstances, as described herein. Neither the Corporation nor the County is establishing a reserve fund for the Certificates.*

The Certificates will be initially delivered only in book-entry form, registered to Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the Certificates. Interest and principal represented by the Certificates are payable by Wells Fargo Bank, N.A., as Trustee, to DTC, which remits such payments to its Participants for subsequent distribution to the beneficial owners of the Certificates. See "THE CERTIFICATES – Book-Entry Only System" and "– General."

The Certificates are subject to prepayment prior to maturity as described herein. See "THE CERTIFICATES – Prepayment."

The obligation of the County to make the Lease Payments does not constitute a debt of the County or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State of California is obligated to levy or pledge any form of taxation or for which the County or the State of California has levied or pledged any form of taxation.

MATURITY SCHEDULE
(see inside cover)

THIS COVER PAGE CONTAINS INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT A SUMMARY OF THE SECURITY OR TERMS OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SECTION ENTITLED "RISK FACTORS," FOR A DISCUSSION OF CERTAIN FACTORS WHICH SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH IN THIS OFFICIAL STATEMENT, IN CONSIDERING THE INVESTMENT QUALITY OF THE CERTIFICATES. CAPITALIZED TERMS USED ON THIS COVER PAGE AND NOT OTHERWISE DEFINED SHALL HAVE THE MEANINGS SET FORTH IN THE TRUST AGREEMENT AND/OR LEASE AGREEMENT.

The Certificates will be offered when, as and if issued and accepted by the Underwriter, subject to approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the County. Certain matters will be passed upon for the County by the Office of County Counsel. It is anticipated that the Certificates, in book entry only form, will be available for delivery through the facilities of DTC on or about March 5, 2019.

The date of this Official Statement is: February 14, 2019.

MATURITY SCHEDULE

BASE CUSIP†: 796532

$4,480,000 Serial Certificates

Maturity (October 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2019	$110,000	5.000%	1.430%	102.026%	BA6
2020	135,000	5.000	1.450	105.497	BB4
2021	140,000	5.000	1.480	108.850	BC2
2022	145,000	5.000	1.530	112.017	BD0
2023	155,000	5.000	1.570	115.074	BE8
2024	165,000	5.000	1.630	117.880	BF5
2025	170,000	5.000	1.710	120.368	BG3
2026	180,000	5.000	1.800	122.556	BH1
2027	190,000	5.000	1.900	124.414	BJ7
2028	200,000	5.000	2.000	126.015	BK4
2029	210,000	5.000	2.120	124.830 [C]	BL2
2030	220,000	4.000	2.360	113.976 [C]	BM0
2031	225,000	4.000	2.500	112.697 [C]	BN8
2034	250,000	3.000	3.080	99.014	BR9
2035	260,000	3.000	3.150	98.073	BS7
2036	265,000	3.000	3.200	97.326	BT5
2037	275,000	3.125	3.280	97.855	BU2
2038	285,000	3.250	3.350	98.571	BV0
2039	290,000	3.250	3.420	97.501	BW8
2040	300,000	3.375	3.460	98.713	BX6
2041	310,000	3.375	3.500	98.058	BY4

$480,000 – 3.000% Term Certificates Due October 1, 2033; Yield: 3.030%; Price: 99.647%
CUSIP: BQ1

$660,000 – 3.500% Term Certificates Due October 1, 2043; Yield: 3.580%; Price: 98.697%
CUSIP: CA5

$705,000 – 3.500% Term Certificates Due October 1, 2045; Yield: 3.620%; Price: 97.960%
CUSIP: CC1

$1,155,000 – 3.500% Term Certificates Due October 1, 2048; Yield: 3.650%; Price: 97.298%
CUSIP: CF4

C: Priced to the optional par call date of October 1, 2028.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright © 2019 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. None of the Corporation, the County, or the Underwriter takes any responsibility for the accuracy of such numbers.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Certificates referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the Corporation, the County or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the Corporation or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Corporation, the County or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the Corporation, the County and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the County or the Corporation, in any press release and in any oral statement made with the approval of an authorized officer of the County or the Corporation, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements." Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Corporation, the County or any other entity described or referenced herein since the date hereof.

Stabilization of and Changes to Offering Prices. The Underwriter may overallot or take other steps that stabilize or maintain the market prices of the Certificates at levels above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Certificates to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Official Statement Speaks Only as of its Date. The information and expressions of opinions in this Official Statement are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the County or the Corporation since the date hereof.

Document Summaries. All summaries of the Trust Agreement, the Lease Agreement (as such terms are defined in this Official Statement) or other documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

No Registration or Qualification. THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE CERTIFICATES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

SAN BENITO COUNTY

SAN BENITO COUNTY
BOARD OF SUPERVISORS

Mark Medina, District 1
Anthony Botelho, District 2
Peter Hernandez, District 3
Jim Gillio, District 4
Jaime De La Cruz, District 5

COUNTY OFFICIALS

Ray Espinosa, *County Administrative Officer*
Melinda Casillas, *Treasurer-Tax Collector-Public Administrator*
Joe Paul Gonzalez, *County Clerk-Auditor-Recorder*
Tom Slavich, *Assessor*
Barbara Thompson, Esq., *County Counsel*

SAN BENITO COUNTY FINANCING CORPORATION

Mark Medina, *President*
Jaime De La Cruz, *Vice President*
Melinda Casillas, *Secretary-Treasurer*

SPECIAL COUNSEL and DISCLOSURE COUNSEL
Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR
KNN Public Finance, LLC
Oakland, California

TRUSTEE

Wells Fargo Bank, N.A.
Los Angeles, California

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OFFICIAL STATEMENT

$7,480,000
SAN BENITO COUNTY
2019 Certificates of Participation
(Jail Facility Project)

Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof In Lease Payments to be Made by San Benito County As the Rental for Certain Leased Property Pursuant to a Lease Agreement with the San Benito County Financing Corporation

This Official Statement (which includes the cover page and Appendices hereto) (the "**Official Statement**") provides certain information concerning the execution, sale and delivery of the San Benito County Financing Corporation 2019 Certificates of Participation (Jail Facility Project) (the "**Certificates**").

INTRODUCTION

This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement. Definitions of certain terms used in this Official Statement are set forth in "APPENDIX A – Summary of Principal Legal Documents".

Issuance of Certificates. The Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of March 1, 2019 (the "**Trust Agreement**"), by and among Wells Fargo Bank, N.A. as trustee (the "**Trustee**"), the San Benito County Financing Corporation (the "**Corporation**") and San Benito County (the "**County**"). The Certificates are being executed and delivered in denominations of $5,000 or any integral multiple thereof. Interest will accrue on the principal components of each Certificate at the applicable interest rate (as set forth on the cover hereof) from the Dated Date until its date of maturity or prior prepayment, with interest becoming payable on each April 1 and October 1, commencing October 1, 2019. The Certificates are subject to prepayment as described herein. See "THE CERTIFICATES – Prepayment."

Use of Proceeds. The net proceeds of the sale of the Certificates will be used (i) to provide for the financing of a portion of the cost of improving the real property located at 710 Flynn Road in Hollister, to be used as a future County jail and (ii) to pay certain costs incurred in connection with the execution and delivery of the Certificates.

Ownership of Certificates. The Certificates evidence and represent the direct, undivided fractional interests of the registered owners (the "**Owners**") thereof in lease payments (the "**Lease Payments**") to be made by the County for the right to the use of certain capital facilities (the "**Leased Property**"), pursuant to a Lease Agreement, dated as of March 1, 2019 (the "**Lease Agreement**"), by and between the Corporation, as sublessor, and the County, as sublessee. In order to facilitate the transfer contemplated by the Lease Agreement, the County will lease the Leased Property to the Corporation pursuant to a Site Lease, dated as of March 1, 2019 (the "**Site Lease**"), by and between the County, as lessor and the Corporation, as lessee.

Lease Payments. The County covenants under the Lease Agreement to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in the operating budget for each fiscal year and to make the necessary annual appropriations therefor, subject to abatement as described herein.

Lease Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the County's right to use and occupancy of the Leased Property or any portion thereof. Abatement of Lease Payments under the Lease Agreement, to the extent payment is not made from alternative sources as described herein, would result in all Certificate Owners receiving less than the full amount of principal and interest represented by the Certificates. To the extent proceeds of an eminent domain or insurance award, are available to pay Lease Payments, or to the extent that moneys are available in the Lease Payment Fund, Lease Payments (or a portion thereof) may be made during periods of abatement.

No Reserve Fund. No debt service reserve fund will be established for the Certificates.

LIMITED OBLIGATION. THE OBLIGATION OF THE COUNTY TO MAKE THE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE COUNTY OR THE STATE OF CALIFORNIA (THE "**STATE**") OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE COUNTY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Risk Factors. Investment in the Certificates has certain risks arising from circumstances which could have an adverse impact on the ability of the County to pay the Lease Payments. See "RISK FACTORS" herein.

Miscellaneous. There follows in this Official Statement, which includes the cover page and Appendices hereto, a brief description of the Certificates, the County, the Trust Agreement, the Site Lease, the Lease Agreement and other documents, risk factors and certain other information relevant to the issuance of the Certificates. All references herein to the Trust Agreement, Lease Agreement and other documents, agreements and statutes referred to herein, and the description of the Certificates included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by reference to each such document or statute. A summary of certain provisions of the Trust Agreement and Lease Agreement is included in APPENDIX A. A recent financial statement of the County is included in APPENDIX C. The information set forth herein and in the Appendices hereto has been furnished by the County and includes information which has been obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Trust Agreement or the Lease Agreement shall have the meanings set forth therein, some of which are summarized in "APPENDIX A – Summary of Principal Legal Documents."

The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including table of receipts from tax increment revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial or other affairs of the County. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

THE FINANCING PLAN

The Project

The net proceeds of the sale of the Certificates will be used (i) to provide funds financing a portion of the cost of improving the real property located at 710 Flynn Road in Hollister, to be used as a future County jail (the "**Project**") and (ii) to pay certain costs incurred in connection with the execution and delivery of the Certificates. The remainder of the Project is expected to be financed through a combination of County funds on hand and funds from the State through the Public Safety and Offender Rehabilitation Services Act of 2007.

Estimated Sources and Uses of Funds

The Trustee will receive the proceeds from the sale of the Certificates, upon delivery of the Certificates to the purchasers thereof, and will use such proceeds, exclusive of accrued interest, as set forth in the following table.

SOURCES:	
Par Amount of Certificates	$7,480,000.00
Plus: Net Original Issue Premium	279,887.05
Total Sources:	$7,759,887.05
USES:	
Deposit to Project Fund	$7,500,000.00
Deposit to Costs of Issuance Fund [(1)]	175,209.34
Underwriter's Discount	84,677.71
Total Uses:	$7,759,887.05

[(1)] Represents funds to be used to pay Costs of Issuance, which include legal fees, printing costs, rating agency fees, trustee's fees, title insurance costs and other miscellaneous expenses.

THE LEASED PROPERTY

Under the Lease Agreement, the County leases the Leased Property from the Corporation. The Leased Property is the approximately 42,000-square foot County sheriff administration building, which was constructed in 1995 and is located at 2301 Technology Parkway, Hollister, California. The Leased Property may be substituted or removed by the County upon satisfaction of certain conditions set forth in the Lease Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Substitution or Removal of Leased Property" below.

THE CERTIFICATES

General

The Certificates evidence and represent direct, undivided fractional interest of the Owners thereof in the principal and interest components of Lease Payments to be made by the County pursuant to the Lease Agreement.

The Certificates will be executed and delivered in principal amounts of $5,000 or integral multiples thereof. Interest represented by each Certificate will accrue on the principal components represented by such Certificate at the applicable interest rate from the Dated Date until its date of maturity or prior prepayment, with interest becoming payable on each April 1 and October 1 (each, an "**Interest Payment Date**"), commencing October 1, 2019.

Each Certificate will be dated as of the Closing Date and interest represented thereby will be payable from the Interest Payment Date next preceding the date of execution thereof, (a) unless it is executed following a Record Date and on or before the next succeeding Interest Payment Date, in which event interest represented thereby will be payable from such Interest Payment Date, or (b) unless it is executed on or before the first Record Date, in which event interest represented thereby will be payable from the Closing Date; *provided, however*, that if, as of the date of any Certificate, interest represented by such Certificate is in default, interest represented thereby shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to such Certificate. Interest evidenced by each Certificate will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Registration, Transfers and Exchanges

The Certificates will be executed and delivered as fully registered Certificates, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"), and will be available to actual purchasers of the Certificates (the "**Beneficial Owners**") in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined herein). Beneficial Owners will not be entitled to receive physical delivery of the Certificates. In the event that the book-entry-only system is no longer used with respect to the Certificates, the Certificates will be registered and transferred in accordance with the Trust Agreement. See "– Book-Entry Only System" below.

Prepayment

Optional Prepayment. The Certificates maturing on or before October 1, 2028 are not subject to optional prepayment prior to their respective stated maturities. The Certificates maturing on or after October 1, 2029, are subject to prepayment prior to their respective stated maturities, at the option of the County, in whole, or in part among such maturities as are designated by the County in integral multiples of $5,000, on any date on or after October 1, 2028, from prepayments of the Lease Payments made pursuant to the Lease Agreement, at a prepayment price equal to the principal amount of the Certificates or portions thereof to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Special Mandatory Prepayment From Insurance or Condemnation Proceeds. The Certificates are also subject to mandatory prepayment on any date, in whole or in part, from the Net Proceeds of insurance or eminent domain proceedings credited towards the prepayment of the Lease Payments pursuant to the Lease Agreement, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment.

Mandatory Sinking Fund Prepayment. The Certificates maturing on October 1 in each of the years 2033, 2043, 2045 and 2048 (collectively, the "**Term Certificates**"), are subject to mandatory sinking fund prepayment prior to their respective stated maturities, in the amounts and years set forth below, at the prepayment price equal to the principal amount thereof to be prepaid, together with accrued interest to the date fixed for prepayment.

Mandatory Sinking Fund Prepayment of
Term Certificates Maturing
October 1, 2033

Sinking Fund Prepayment Date (October 1)	Principal Amount To Be Prepaid
2032	$235,000
2033 (maturity)	245,000

Mandatory Sinking Fund Prepayment of
Term Certificates Maturing
October 1, 2043

Sinking Fund Prepayment Date (October 1)	Principal Amount To Be Prepaid
2042	$325,000
2043 (maturity)	335,000

Mandatory Sinking Fund Prepayment of
Term Certificates Maturing
October 1, 2045

Sinking Fund Prepayment Date (October 1)	Principal Amount To Be Prepaid
2044	$345,000
2045 (maturity)	360,000

Mandatory Sinking Fund Prepayment of
Term Certificates Maturing
October 1, 2048

Sinking Fund Prepayment Date (October 1)	Principal Amount To Be Prepaid
2046	$370,000
2047	385,000
2048 (maturity)	400,000

Notice of Prepayment. Notice of prepayment will be mailed by the Trustee, first class, postage prepaid, not more than 60 days and not less than 20 days before any prepayment date, to the respective registered Owners of any Certificates designated for prepayment at their addresses appearing on the registration books maintained by the Trustee and to one or more Securities Depositories and the Municipal Securities Rulemaking Board. Neither the failure to receive any notice nor any defect therein will affect the proceedings for such prepayment.

Selection of Certificates for Prepayment. Whenever provision is made in the Trust Agreement for the prepayment of less than all of the Certificates of a single maturity or series, the Trustee will select the Certificates to be prepaid from all Certificates of that maturity or series to be prepaid by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, Certificates will be deemed to be comprised of $5,000 portions and each portion will be subject to prepayment as if such portion were a separate Certificate.

Effect of Prepayment. If notice of prepayment has been duly given and money for the payment of the prepayment price of the Certificates called for prepayment has been duly provided, such Certificates so called will cease to be entitled to any benefit under the Trust Agreement other than the right to receive payment of the prepayment price, and no interest will accrue thereon from and after the prepayment date specified in such notice.

Rescission of Prepayment. The Corporation has the right to rescind any notice of optional prepayment of Certificates by written notice to the Trustee on or prior to the date fixed for prepayment. Any notice of prepayment shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default. The Corporation and the Trustee have no liability to the Certificate Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent under the Trust Agreement.

Book-Entry Only System

*The information in this section concerning The Depository Trust Company ("**DTC**"), New York, New York, and DTC's book-entry system has been obtained from DTC and the County takes no responsibility for the completeness or accuracy thereof. The County cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange*

Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company, New York, NY, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Security ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose

accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Prepayment notices shall be sent to DTC. If less than all of the Certificates within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered.

In the event that the book-entry system is discontinued as described above, the requirements of the Trust Agreement will apply. The foregoing information concerning DTC and

DTC's book-entry system has been provided by DTC, and neither the County nor the Corporation take any responsibility for the accuracy thereof.

Neither the County or the Underwriter can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Certificates paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the County or the Underwriter is responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Certificates or an error or delay relating thereto.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

Discontinuance of DTC Service. In the event that (a) DTC determines not to continue to act as securities depository for the Certificates, or (b) the County determines to remove DTC from its functions as a depository, DTC's role as securities depository for the Certificates and use of the book-entry system will be discontinued. If the County fails to select a qualified securities depository to replace DTC, the County will cause the Trustee to execute and deliver new Certificates in fully registered form in such denominations numbered in the manner determined by the Trustee and registered in the names of such persons as are requested by the Beneficial Owners thereof. Upon such registration, such persons in whose names the Certificates are registered will become the registered Owners of the Certificates for all purposes.

Transfer and Exchange of Certificates. The following provisions regarding the exchange and transfer of the Certificates apply only during any period in which the Certificates are not subject to DTC's book-entry system. While the Certificates are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

The registration of any Certificate may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation at the Corporate Trust Office of the Trustee in St. Paul, Minnesota, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for registration of transfer, the Trustee shall execute, authenticate and deliver a new Certificate or Certificates of the same maturity and aggregate principal amount, in any authorized denominations.

Certificates may be exchanged at the Corporate Trust Office of the Trustee, for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. The County shall pay any costs of the Trustee incurred in connection with such exchange, except that the Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

LEASE PAYMENT SCHEDULE

Following is the annual schedule of Lease Payments due with respect to the Certificates (assuming no optional prepayment of the Certificates).

Payment Date*	Principal Component	Interest Component	Total Lease Payment
10/1/2019	$110,000	$161,091.28	$271,091.28
4/1/2020		138,009.38	138,009.38
10/1/2020	135,000	138,009.38	273,009.38
4/1/2021		134,634.38	134,634.38
10/1/2021	140,000	134,634.38	274,634.38
4/1/2022		131,134.38	131,134.38
10/1/2022	145,000	131,134.38	276,134.38
4/1/2023		127,509.38	127,509.38
10/1/2023	155,000	127,509.38	282,509.38
4/1/2024		123,634.38	123,634.38
10/1/2024	165,000	123,634.38	288,634.38
4/1/2025		119,509.38	119,509.38
10/1/2025	170,000	119,509.38	289,509.38
4/1/2026		115,259.38	115,259.38
10/1/2026	180,000	115,259.38	295,259.38
4/1/2027		110,759.38	110,759.38
10/1/2027	190,000	110,759.38	300,759.38
4/1/2028		106,009.38	106,009.38
10/1/2028	200,000	106,009.38	306,009.38
4/1/2029		101,009.38	101,009.38
10/1/2029	210,000	101,009.38	311,009.38
4/1/2030		95,759.38	95,759.38
10/1/2030	220,000	95,759.38	315,759.38
4/1/2031		91,359.38	91,359.38
10/1/2031	225,000	91,359.38	316,359.38
4/1/2032		86,859.38	86,859.38
10/1/2032	235,000	86,859.38	321,859.38
4/1/2033		83,334.38	83,334.38
10/1/2033	245,000	83,334.38	328,334.38
4/1/2034		79,659.38	79,659.38
10/1/2034	250,000	79,659.38	329,659.38
4/1/2035		75,909.38	75,909.38
10/1/2035	260,000	75,909.38	335,909.38
4/1/2036		72,009.38	72,009.38
10/1/2036	265,000	72,009.38	337,009.38
4/1/2037		68,034.38	68,034.38
10/1/2037	275,000	68,034.38	343,034.38
4/1/2038		63,737.50	63,737.50
10/1/2038	285,000	63,737.50	348,737.50
4/1/2039		59,106.25	59,106.25
10/1/2039	290,000	59,106.25	349,106.25
4/1/2040		54,393.75	54,393.75
10/1/2040	300,000	54,393.75	354,393.75
4/1/2041		49,331.25	49,331.25
10/1/2041	310,000	49,331.25	359,331.25

Payment Date*	Principal Component	Interest Component	Total Lease Payment
4/1/2042		44,100.00	44,100.00
10/1/2042	325,000	44,100.00	369,100.00
4/1/2043		38,412.50	38,412.50
10/1/2043	335,000	38,412.50	373,412.50
4/1/2044		32,550.00	32,550.00
10/1/2044	345,000	32,550.00	377,550.00
4/1/2045		26,512.50	26,512.50
10/1/2045	360,000	26,512.50	386,512.50
4/1/2046		20,212.50	20,212.50
10/1/2046	370,000	20,212.50	390,212.50
4/1/2047		13,737.50	13,737.50
10/1/2047	385,000	13,737.50	398,737.50
4/1/2048		7,000.00	7,000.00
10/1/2048	400,000	7,000.00	407,000.00
Total:	$7,480,000	$4,700,066.46	$12,180,066.46

* Lease Payments are payable 15 calendar days before the Interest Payment Dates shown above.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Nature of the Certificates

Each Certificate evidences and represents a direct, undivided fractional interest in the principal component of the Lease Payments due under the Lease Agreement on the payment date or prepayment date of such Certificate, and the interest component of all Lease Payments (based on the stated interest rate with respect to such Certificate) to accrue from the Dated Date, to its payment date or prepayment date, as the case may be.

The Trustee and the Corporation will enter into an Assignment Agreement, dated as of March 1, 2019 (the "**Assignment Agreement**"), pursuant to which the Corporation, pursuant to the Assignment Agreement, will assign to the Trustee for the benefit of the Owners of the Certificates, substantially all of the Corporation's right, title and interest in and to the Lease Agreement, including, without limitation, its right to receive Lease Payments to be paid by the County. The County will pay Lease Payments directly to the Trustee, as assignee of the Corporation.

Lease Payments

For the right to the use and occupancy of the Leased Property, the Lease Agreement requires the County to make Lease Payments. Scheduled Lease Payments relating to the Certificates are set forth above under the heading "LEASE PAYMENT SCHEDULE." Under the Lease Agreement, the County's leasehold interest is subject to certain Permitted Encumbrances, including the security interest granted to Banc of America Public Capital Corp. in certain solar energy equipment located on the Leased Property. Prior to the execution and delivery of the Certificates, the Corporation will execute a Waiver of Interests waiving any interest in the solar energy equipment located on the Leased Property. See "THE COUNTY AND COUNTY FINANCIAL INFORMATION – Outstanding General Fund Debt and Lease Obligations."

THE OBLIGATION OF THE COUNTY TO MAKE THE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE COUNTY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE COUNTY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Additional Payments

The County is obligated under the Lease Agreement to pay when due, during the term of the Lease Agreement, in addition to the Lease Payments, all costs and expenses incurred by the Corporation to comply with the provisions of the Trust Agreement, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), indemnification and annual compensation due to the Trustee and all of its reasonable costs payable as a result of the performance of and compliance with its duties under the Trust Agreement, and all costs and expenses of attorneys, auditors, engineers and accountants (the "**Additional Payments**"). Such costs and expenses shall be payable as additional amounts of rental in consideration of the right of the County to the use and occupancy of the Leased Property. Amounts payable to holders of the Certificates are not derived from Additional Payments.

Covenant to Appropriate Funds for Lease Payments or Additional Payments

The County has covenanted in the Lease Agreement to take such action as may be necessary to include all Lease Payments in each of its annual budgets and to make the necessary annual appropriations for all such Lease Payments.

Abatement

Lease Payments are to be paid by the County in each rental period for and in consideration of the right to use and occupy the Leased Property during each such period. The amount of Lease Payments shall be abated during any period in which by reason of damage or destruction (other than by eminent domain which is otherwise provided for) there is substantial interference with the use and occupancy by the County of the Leased Property or any portion thereof. The amount of the Lease Payments under such circumstances shall not be less than the amount of the unpaid Lease Payments required to pay principal and interest with respect to the Certificates, as scheduled, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Leased Property not damaged or destroyed, based upon the opinion of an MAI appraiser with expertise in valuing such properties or other appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the County has waived any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments under the Lease Agreement to the extent that the proceeds of hazard insurance, eminent domain awards, or rental interruption insurance are available to pay Lease Payments which would otherwise be abated.

No Reserve Fund

No debt service reserve fund has been established with respect to the Certificates. See "RISK FACTORS – No Debt Service Reserve Fund."

Action on Default

Should the County default under the Lease Agreement, the Trustee, as assignee of the Corporation under the Lease Agreement, may exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; provided, however, that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there is no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. The Corporation and the Trustee (as assignee of the Corporation) may terminate the Lease Agreement and re-lease all or any portion of the Leased Property. See "RISK FACTORS – Limited Recourse on Default" herein.

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Corporation) contained in the Lease Agreement and the Trust Agreement, see "APPENDIX A – Summary of Principal Legal Documents" herein.

Insurance

The County agrees in the Lease Agreement that for the term of such Lease Agreement it will maintain insurance with respect to the Leased Property against the risks and in the amounts described in the following paragraphs.

Public Liability and Property Damage Insurance. The County is obligated under the Lease Agreement to maintain or cause to be maintained, throughout the term of the Lease Agreement a standard comprehensive general insurance policy or policies in protection of the Corporation, County, and their respective members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Said policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the County deems adequate and prudent. Such liability insurance may be maintained as self-insurance or as part of or in conjunction with any other liability insurance coverage carried by the County. The net proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the proceeds of such insurance shall have been paid. **The County is under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake or flood.**

Fire and Extended Coverage Insurance. The County is obligated under the Lease Agreement to procure and maintain, or cause to be procured and maintained, throughout the term of the Lease Agreement, insurance against loss or damage to any structures constituting any part of the Leased Property by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall include earthquake coverage only if such coverage is available at reasonable cost from reputable insurers in the reasonable determination of the County, whose determination is final and conclusive. Such insurance shall be in an amount equal to the lesser of one hundred percent of the replacement cost of the structures located on the Leased Property or the outstanding principal amount of the Certificates of Participation. If the County elects to provide property and casualty insurance in an amount that is equal to the par amount of the Certificates but less than the replacement cost of the structures located on the Leased Property, the net proceeds of such casualty insurance must be paid to the Trustee and applied to the prepayment of the Certificates in accordance with the Trust Agreement, unless such net proceeds, together with any additional funds deposited with the Trustee, are sufficient to fully rebuild or repair the Leased Property. Full payment of insurance net proceeds up to the required policy dollar limit in connection with damage to the Leased Property shall, under no circumstances, be contingent on the degree of damage sustained at other facilities owned or leased by the County. Such insurance may be maintained as self-insurance or as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the County.

Self-Insurance. The County has been self-insured for workers' compensation and general liability since 1993. The current self-insured level is $300,000 per claim for workers' compensation and $1,000,000 per incident for general liability. The County participates in the California State Association of Counties (CSAC) - Excess Insurance Program for excess insurance up to a maximum of $25 million for liability insurance and the statutory limit for worker's compensation insurance.

Rental Interruption Insurance. The Lease Agreement requires the County to procure and maintain throughout the term of the Lease Agreement, rental interruption or use and possession insurance to cover loss, total or partial, of the use of any structures constituting any part of the Leased Property as a result of any of the hazards covered in the insurance required by the Lease Agreement in an amount at least equal to Lease Payments due during a 24-month period. The net proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Payment Fund, and shall be credited towards the payment of the Lease Payments as the

same become due and payable. The County may not satisfy the requirement for rental interruption or use and occupancy insurance by self-insurance.

Title Insurance. The County is obligated under the Lease Agreement to obtain a California Land Title Association form of title insurance policy which insures the leasehold estate created under the Lease Agreement, subject only to Permitted Encumbrances, in an amount equal to the principal amount of the Certificates.

Net Proceeds; Form of Insurance. All proceeds of such insurance must be payable to the Trustee as and to the extent required under the Lease Agreement. All policies of insurance required by the Lease Agreement must be in form satisfactory to the Trustee. All such policies must provide that the Trustee shall be given thirty days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee will not be responsible for the sufficiency of any required insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee. The County will cause to be delivered to the Trustee annually a certificate of the County that the insurance policies required by the Lease Agreement are in full force and effect.

Substitution or Removal of Leased Property

Pursuant to the Lease Agreement, the County has the options listed below with respect to substitution or removal of the Leased Property.

Substitution of Leased Property. The County has the option at any time and from time to time during the Term of the Lease Agreement to substitute other land, facilities, improvements or other property (a "**Substitute Property**") for the Leased Property or any portion thereof (a "**Former Property**"), provided that the County shall satisfy all of the following requirements:

(a) No event of default has occurred and is continuing under the Lease Agreement; and;

(b) The County shall take all actions and shall execute all documents required to subject such Substitute Property to the terms and provisions of the Lease Agreement, including the filing with the Corporation and the Trustee an amended exhibit thereto which adds a description of such Substitute Property and deletes the description of such Former Property, and including the recordation of the Lease Agreement or a memorandum thereof with respect to such Substitute Property in the office of the San Benito County Clerk-Recorder;

(c) The County shall certify in writing to the Corporation and the Trustee that the value of such Substitute Property is at least equal to the value of such Former Property, and that the combined fair market rental value of such Substitute Property and the portion of the Leased Property remaining after the removal of the Former Property is at least equal to the combined fair market rental value of the Leased Property;

(d) The County shall cause to be filed with the Trustee an opinion of Special Counsel substantially to the effect that such substitution will not affect the obligation of the County to continue to pay Lease Payments in the amounts and at the times and in the manner required by the Lease Agreement;

(e) With respect to the Substitute Leased Property, evidence of ownership of, or, at the option of the County, insurance naming the Trustee as the insured and insuring, the fee or leasehold estate of the County in such Substitute Leased Property subject only

to such exception as do not substantially interfere with the County's right to use and occupy such Substitute Leased Property and as will not result in an abatement of Lease Payments payable by the County under the Lease Agreement;

Upon the satisfaction of all such conditions precedent, the term of the Lease Agreement will thereupon cease with respect to the Former Property and shall be continued with respect to the Substitute Property, and all references in the Lease Agreement to the Former Property shall apply with full force and effect to the Substitute Property. The County shall not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such substitution.

Removal of Leased Property. Under the Lease Agreement, the County has the option at any time and from time to time during the term of the Lease Agreement to remove any property from the description of the Leased Property, provided that the County shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such removal:

(i) No event of default has occurred and is continuing under the Lease Agreement;

(ii) the County shall certify in writing to the Corporation and the Trustee that the fair market value of the Leased Property which will remain following such removal is not less than the aggregate principal amount of the Outstanding Certificates; and

(iii) the County shall obtain and cause to be filed with the Trustee and the Corporation an opinion of Special Counsel stating that such removal does not cause interest with respect to the Certificates to become includable in the gross income of the Certificate Owners for federal income tax purposes.

See "RISK FACTORS – Substitution and Removal of the Leased Property" for a discussion of certain risk factors related to the County's right to substitution and removal of the Leased Property.

THE CORPORATION

The Corporation is a nonprofit public benefit corporation duly organized and existing under the laws of the State. The Corporation was established for the purpose of facilitating the financing of public projects in the County. The Board of Directors of the Corporation is composed of the sitting members of the Board of Supervisors of the County.

THE COUNTY AND COUNTY FINANCIAL INFORMATION

County Government

The City of Hollister is the seat of the County. The County is a general law county divided into five supervisorial districts on the basis of registered voters and population. The five members of the County Board of Supervisors (the "**Board of Supervisors**") are elected to four-year terms in staggered years. Also elected are the Assessor-Recorder-County Clerk, Auditor-Controller, District Attorney/Public Administrator, Sheriff/Coroner and the Treasurer-Tax Collector. A County Administrative Officer appointed by the Board of Supervisors runs the day-to-day business affairs of the County. The current Board of Supervisors and the expiration date of their respective terms of office are shown in the following table.

San Benito County
Board of Supervisors

Member	Area	Term Expires
Mark Medina	District 1	January 2021
Anthony Botelho	District 2	January 2021
Peter Hernandez	District 3	January 2023
Jim Gillio	District 4	January 2023
Jaime De La Cruz	District 5	January 2021

The following are brief resumes of key County managers.

Ray Espinosa, County Administrative Officer. Raymond Espinosa has served as the County of San Benito County Administrative Officer (CAO) since November of 2012. Mr. Espinosa is appointed to this position by the Board of Supervisors. Under policy direction from the Board of Supervisors, Mr. Espinosa is responsible for development and maintenance of the County's budget and administrative coordination for all County departments and programs. Along with his strong leadership, he is responsible for implementing policies set by the Board of Supervisors and overseeing and supporting all major county functions, operations, and services consisting of over 30 departments. In addition to managing County affairs, Mr. Espinosa also serves on the Board of Directors for Monterey Bay Community Powers, Director of Technology, Director of Internal Services, Director of Labor Relations, Director of Emergency Services, a member of the Community Corrections Partnership Committee, Gang Prevention Management Committee, Fire Protection Committee, Intergovernmental Committee, County of San Benito GIS Steering Committee, County of San Benito Audit Committee, County of San Benito Facilities Committee, to name a few of his roles. Prior to becoming the CAO, Mr. Espinosa worked in technology industry for 28 years. Mr. Espinosa began his career in information technology industry with enterprise leader International Business Machines (IBM) in 1984, and transitioned to the public sector working for the County of San Benito Information Technology Department in 2008. Ray has a degree in Management Public Administration. He has also attended the Weldon Cooper Center for Public Service at the University of Virginia. Mr. Espinosa was born and raised in San Jose, California and moved to the County in the late 1980s. He has lived in four of the five districts giving him great understanding of the County.

Melinda Casillas, Treasurer-Tax Collector-Public Administrator. Melinda Casillas is the Treasurer-Tax Collector-Public Administrator for the County and has been a resident of the County for the past 30 years. She received her bachelor's degree in accounting from California State University at Fresno. In 1989, Ms. Casillas began working for the County of San Benito Auditor's office. She worked in the Auditor's office for 12 years, holding the position of Assistant Auditor for seven of those years. She then left the Auditor's office to assist in the accounting

department of her husband's farming business. She also worked for a trucking company in Hollister as the assistant to the controller. Over the years, she assisted the County on various special projects in the Auditor's office and Administration office. In 2013, she returned to the County full time, where she held the position of Budget Officer for five years. In June 2018, she was elected to be the Treasurer-Tax Collector-Public Administrator effective January 2019.

Joe Paul Gonzalez, County Clerk-Auditor-Recorder. Joe Paul Gonzalez was born and raised in San Benito County. After graduating from the San Benito Joint Union High School, Mr. Gonzalez attended Gavilan Community College located in Santa Clara County, earning his Associates of Arts degree in 1977. In that year, Mr. Gonzalez began employment with Leiber & Riksheim LLP, a small CPA firm in Oakland while attending the University of California, Berkeley and the California State University, East Bay. In 1979, Mr. Gonzalez earned a Bachelor's of Science degree in Accounting with honors from the CSUEB School of Business. Shortly after being elected to the City Council of the City of Hollister, the County seat, in 1986, Mr. Gonzalez while sitting on the City's Redevelopment Agency pursued the issuance of Tax Allocation Bonds for the City's Sanitation Plant Development Project. During this period of time, Mr. Gonzalez continued his formal education at San Jose State University earning a Master's of Business Administration degree in 1990. After working with the County's Auditor's Office for several years in increasing professional accounting positions of responsibility, he was first elected Clerk, Auditor and Recorder in 2006. In June 2018, he was elected to his fourth term of the consolidated Office. He is an active member of the California State Association of County Auditors (SACA) serving on the Accounting Standards and Procedures, Policy and Interpretation, and Legislative Committees. He has served as Chair of the Audit Committees for both the California Association of Clerks and Election Officials (CACEO) and the County Recorders Association of California (CRAC).

Barbara Thompson, Esq., County Counsel. Barbara Thompson is currently serving as the San Benito County Counsel. She has been an employee of San Benito County since 2008. Previous to her appointment as County Counsel, she served as Assistant County Administrative Officer (2015-2017), and Assistant County Counsel (2008-2015). Prior to relocating to San Benito County, Barbara Thompson served as legal counsel to Plumas County in the capacity of County Counsel (2004-2008), Interim County Counsel (2003-2004), and Deputy County Counsel (2002-2003). She also had previous experience as a Deputy County Counsel in Kings County and as a contract public defender in Fresno, California. She received her J.D. degree from the University of Southern California in 1998, her M.A. degree from the University of Southern California in 1994, and her bachelor's degree from the University of Redlands in 1989.

County Services

The County provides a wide range of services to its residents, including law enforcement, judicial support, medical and health services, senior citizen assistance, a variety of public assistance programs, library services, and consumer affairs. Other services which are governed by the Board of Supervisors include airport service, parks, road maintenance, and fire protection.

Some municipal services are provided by the County, on a contract basis, to incorporated cities within the County's boundaries. This plan is designed to allow cities to contract for municipal services without incurring the cost of creating numerous city departments and providing related facilities and equipment. Under the plan, the County provides services to a city at the same level as provided in unincorporated areas, or at any higher level the city may choose. Services are provided at cost.

Employees

A summary of County budgeted full-time equivalent positions is set forth below.

San Benito County
Employees
Fiscal Years 2012 to 2019

As of June 30	Budgeted Number of Full-Time Equivalent Employees
2012	440.75
2013	380.30
2014	398.95
2015	419.95
2016	456.20
2017	470.65
2018	511.10
2019	524.10

Source: San Benito County.

Collective Bargaining

A majority of County employees are in four bargaining units. These four units include the Service Employees International Union, the AFL-CIO, CLC, and Local 521, and are collectively organized to represent the San Benito County Employees. The units negotiated a two-year contract in 2017 which is scheduled to expire September 30, 2019.

The County enjoys a successful and positive employee relations program, including successful negotiations of cost effective agreements over the years.

Education

Public instruction in the County is provided by a total of ten school districts, the largest of which, Hollister Elementary School District, has approximately 5,598 students enrolled.

For certain general and demographic information regarding the County, see "APPENDIX B – San Benito County General Demographic Information."

County Finances

The following selected financial information provides a brief overview of the County's finances. This financial information has been extracted from the County's audited financial statements and, in some cases, from unaudited information provided by the County's Auditor-Controller. See "APPENDIX C – Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017."

Accounting Policies and Financial Reporting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity/net

position, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The basis of accounting for all funds is more fully explained in the "Note 1- Summary of Significant Accounting Policies" contained in Appendix C.

The Board of Supervisors of the County employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the Board of Supervisors, at least annually, and at such other times as he or she shall determine, examines the combined financial statements of the County in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the Board of Supervisors and a copy of the financial statements as of the close of the fiscal year is published. The County's Comprehensive Annual Financial Report for Fiscal Year 2016-17 was prepared by CliftonLasonAllen LLP, 925 Highland Pointe Drive, Suite 450, Roseville, California 95678.

General Fund Financial Summary

The audited information contained in the following tables of revenues, expenditures and changes in fund balances, and assets, liabilities and fund equity has been derived from the County's audited financial statements for Fiscal Years 2012-13 through 2016-17.

Set forth below is excerpts from the County's general fund financial statements for Fiscal Years 2012-13 through 2016-17 (audited) as well as the Fiscal Year 2017-18 unaudited actuals.

Table No. 1
SAN BENITO COUNTY
General Fund Revenues, Expenditures and Fund Balances
for Fiscal Years 2012-13 through 2017-18 (Unaudited)

	Fiscal Year 2012-13 (audited)	Fiscal Year 2013-14 (audited)	Fiscal Year 2014-15 (audited)	Fiscal Year 2015-16 (audited)	Fiscal Year 2016-17 (audited)	Fiscal Year 2017-18 (unaudited)
Revenues						
Taxes	$13,865,671	$14,277,919	$ 15,402,019	$15,965,201	$ 17,511,984	$19,792,404
Licenses and permits	874,270	988,892	759,936	1,757,688	1,294,916	1,598,127
Aid from other governments	6,087,409	6,369,394	7,667,639	6,871,155	6,867,855	7,080,331
Use of money or property	236,521	224,861	122,073	242,783	226,788	642,133
Fines, forfeits and penalties	1,172,237	996,960	2,929,293	2,437,425	3,134,899	3,771,952
Charges for services	4,889,588	4,184,099	5,640,054	4,603,211	4,979,369	4,783,506
Miscellaneous revenue	417,058	464,308	807,160	428,857	413,610	764,150
Total Revenues	27,542,754	27,506,433	33,328,174	32,306,320	34,429,421	38,432,603
Expenditures						
General government	3,698,599	2,852,758	5,967,509	4,555,064	4,118,060	5,822,212
Public protection	21,412,203	20,690,629	23,580,844	24,623,181	26,873,672	28,057,189
Public ways and facilities	52,631	-	--	--	--	--
Health and sanitation	--	-	--	--	--	--
Public assistance	184,550	352,043	626,471	667,751	577,047	532,125
Education	812,642	985,158	1,045,146	904,665	991,421	1,050,265
Recreation and cultural services	168,186	125,063	138,010	142,257	162,256	251,366
Capital outlay						
General Government	--	--	101,449	21,066	77,808	48,853
Public Protection	--	--	220,416	840,068	601,798	327,232
Education	--	--	15,500	24,120	21,500	--
Debt Service:						
Principal	361,000	361,000	722,000	--	--	--
Interest and fiscal charges	5,299	2,924	1,877	--	--	--
Total Expenditures	26,695,110	25,369,575	32,419,222	31,778,172	33,423,562	36,089,242
Excess (Deficiency) of Revenues Over (Under) Expenditures	847,645	2,136,858	908,952	528,148	1,005,859	2,343,361
Other Financing Sources (Uses):						
Issuance of Debt	--	--	--	--	--	--
Transfers in	543,859	1,678,977	5,022,739	1,405,877	1,957,068	1,277,106
Transfers out	(718,810)	(544,892)	(588,835)	(609,875)	(1,416,330)	(1,818,790)
Capital Leases	--	--	--	--	25,211	--
Total Other Financing Sources (Uses)	(174,951)	1,134,085	4,433,904	796,002	565,949	(541,684)
Net change in fund balances	672,693	3,270,943	5,342,856	1,324,150	1,571,808	1,801,677
Fund Balance – Beginning of Year	12,564,569	13,237,262	16,508,205	26,013,025	27,337,175	28,908,983
Fund Balance – End of Year	$13,237,262	$16,508,205	$21,851,061	$27,337,175	$28,908,983	$30,710,660

Source: San Benito County Comprehensive Annual Financial Reports (2012-13 through 2016-17). San Benito County (2017-18).

Table No. 2
SAN BENITO COUNTY
General Fund Balance Sheet as of June 30
for Fiscal Years 2012-13 through 2017-18 (Unaudited)

	Fiscal Year 2012-13 (audited)	Fiscal Year 2013-14 (audited)	Fiscal Year 2014-15 (audited)	Fiscal Year 2015-16 (audited)	Fiscal Year 2016-17 (audited)	Fiscal Year 2017-18 (unaudited)
Assets						
Cash and investments						
Held in County Treasury	$11,278,716	$ 14,627,008	$17,654,279	$19,581,840	$ 17,633,318	$18,565,302
Other Bank Accounts	3,551,269	4,238,040	4,886,266	4,984,742	8,678,443	9,318,984
Imprest Cash	1,193	1,193	1,193	1,193	1,193	1,193
Receivables	733,022	609,604	2,357,943	1,818,281	1,048,026	6,874,453
Loan receivable	--	--	--	--	—	--
Due from other funds	2,875,554	3,350,540	5,491,474	5,017,120	1,367,697	5,289,989
Due from other governments	--	--	--	--	1,540,996	54,919
Advances to other funds	--	--	--	--	4,154,714	4,154,714
Inventories and other assets	8,583	166,047	126,980	200,245	188,314	207,380
Total Assets	18,448,317	22,992,432	30,518,135	31,603,421	34,612,701	44,466,934
Liabilities						
Accounts payable and accrued labilities	62,401	3,078,579	5,697,426	1,949,597	2,555,221	1,876,181
Due to other funds	--	--	--	--	--	--
Due to other governments	--	32,421	36,341	105,983	140,838	71,512
Advances from other funds	--	--	--	--	--	--
Deposits from others	2,131,507	1,083,814	505,552	1,397,038	1,369,969	5,647,722
Unearned Revenues	2,129,382	2,186,571	2,275,599	247,980	232,238	251,117
Liability for Unpaid Claims	87,765	102,842	152,156	145,190	285,743	410,352
Total Liabilities	5,211,055	6,484,227	8,667,074	3,845,788	4,584,009	8,256,884
Deferred Inflows of Resources						
Unavailable revenues	--	--	--	420,458	1,119,709	5,499,390
Fund Balances						
Nonspendable	8,583	166,047	126,980	200,245	188,314	207,380
Restricted	--	--	--	2,288,857[(1)]	2,621,709	2,621,709
Committed	--	--	--	--	3,000,000[(1)]	3,000,000
Assigned	1,629,420	--	--	5,861,125[(1)]	7,520,751	8,084,194
Unassigned	11,599,259	16,342,158	21,724,081	18,986,948[(1)]	15,578,209	16,797,377
Total Fund Balances	13,237,262	16,508,205	21,851,061	27,337,175	28,908,983	30,710,660
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$18,448,317	$22,992,432	$30,518,135	$31,603,421	$34,612,701	$44,466,934

(1) In Fiscal Year 2015-16, a reclassification was made to recognize assigned fund balance for risk management. Additionally, a reclassification was made to restricted balance due to revenues restricted by external agencies. In Fiscal Year 2016-17, $3,000,000 in reserves were committed to an IRC 115 Post Employment Benefit Trust.

Source: San Benito County Comprehensive Annual Financial Reports (2012-13 through 2016-17). San Benito County (2017-18).

Summary of Tax Revenue Sources

Table No. 3 below summarizes the County's tax revenue sources over the ten most recent fiscal years.

Table No. 3
SAN BENITO COUNTY
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year ending June 30	Property and Other Tax [1]	Sales & Use Tax	Proposition 172 Sales Tax[2]	Transient Occupancy Tax	Property Transfer Tax	Total
2009	$12,919,608	$1,691,563	$2,352,124	$93,135	$244,583	$17,301,013
2010	11,837,573	1,401,380	2,111,395	82,005	225,373	15,657,726
2011	11,059,988	1,826,788	2,155,222	81,840	219,143	15,342,981
2012	10,885,668	1,856,788	2,366,123	85,478	282,144	15,476,201
2013	11,535,845	1,969,048	2,564,670	92,309	268,469	16,430,341
2014	11,873,362	1,969,050	2,716,623	93,062	342,445	16,994,542
2015	12,512,906	2,000,240	2,909,242	83,105	365,065	17,870,558
2016	11,873,362	1,969,050	2,803,936	93,062	342,445	17,081,855
2017	14,539,987	2,047,933	3,062,166	175,591	597,908	20,423,585
2018	15,588,850	3,907,560	3,238,951	118,602	609,640	23,463,603
Change 2009-2018	21%	131%	38%	27%	149%	36%

(1) Other Taxes include aircraft and racehorse taxes and have been included with Property Taxes.
(2) Proposition 172 Sales Tax has been historically reported by the County under Operating Grants and Expenditure in the Comprehensive Annual Financial Report (CAFR).
Source: San Benito County Auditor-Controller's Office.

Budgetary Process

The County has a history of conservative budgeting, including such practices as saving rather than spending one-time or limited duration revenues, not using local funds to back-fill reductions in state or federal funding for state or federal programs, paying for capital projects out of reserves and a pay-as-you-go basis rather than issuing debt, aggressively paying off unfunded liabilities and maintaining significant fund balances and reserves, particularly in the General Fund, the County's main operating fund. The County views maintaining adequate reserves as important to provide a hedge against economic downturns or other emergencies, to ensure the availability of sufficient cash flow to meet expenditure obligations without the need for short-term borrowing and to provide resources that can be used for one–time needs, such as major capital projects.

The County has adopted budget policies every year since Fiscal Year 2016-17. The budget policies serve as a guide for staff in the development of the annual budget. In the Fiscal Year 2018-19 Adopted Budget, the reserve and contingency policies were as follows:

- Create a General Purpose Reserve Fund of 25% to 50% of General Fund budgeted expenditures, excluding one-time expenditures. This will be adjusted each fiscal year as needed.

- Create a Contingency Plan within the Recommended Budget to address unforeseen expenses or revenue reversals each fiscal year.

- Retain the Rainy Day Reserve of $3,000,000 on deposit with PARS County of San Benito IRC 115 Irrevocable Trust.

- Adopt a Disaster Recovery Reserve of $1,000,000.

The Fiscal Year 2018-19 Adopted Budget includes $1,000,000 in general fund contingencies.

The County is required by California state law to approve a proposed tentative budget no later than June 30 of each year and to adopt a final budget no later than October 2. However, when the state budget is enacted after July 1, the Board of Supervisors may, by resolution, extend the date for a period not to exceed 60 days from the date of the enactment of the state budget or October 2, whichever is later. A public hearing must be conducted to receive comments prior to adoption. From the effective date of the budget, which is adopted and controlled at the departmental level, the amounts stated therein as proposed expenditures become appropriations to the various County departments. However, the legal level of control is at the division level. The Board of Supervisors may amend the budget by minute order resolution during the fiscal year. Department heads, may, upon approval from the County Administrative Officer and County Auditor, make transfers of less than $25,000 from one object or purpose to another within the same budget unit. All other budget amendments, including appropriation increases, contingency transfers, and transfers of appropriations greater than $25,000, must be approved by the Board of Supervisors.

A comprehensive quarterly budget review is presented to the Board of Supervisors to update revenue and expenditure projections throughout each fiscal year. Appropriations are reviewed and transferred to different budget units based on the quarterly budget review, as approved by the Board of Supervisors.

General Fund Reserves

The County's Reserves and Contingency Policies require the County to create a general purpose reserve fund of between 25% and 50% of annual General Fund budgeted expenditures. Table No. 4 below shows a history of General Fund reserves since Fiscal Year 2012-13.

Table No. 4
SAN BENITO COUNTY
Breakdown of General Fund Reserves

Fiscal Year ending June 30	General Fund Reserves (Unassigned)
2013	$11,599,259
2014	16,342,158
2015	21,724,081
2016	18,986,948
2017	15,578,209
2018	16,797,377

Source: San Benito County Auditor-Controller's Office

General Fund reserves increased by 44.8% over the last six fiscal years, as shown above.

Comparison of General Fund Budget to Actual Performance

For purposes of comparison, Table No. 5 summarizes the general fund portion of the County's adopted budgets and actual data for Fiscal Years 2016-17 and 2017-18.

Appropriations Limit

Section 7910 of the Government Code of the State of California requires the County to adopt a formal appropriations limit for each fiscal year. The County's budgeted appropriations limit for Fiscal Year 2018-19 is $36,618,633. Based on this, the appropriations limit is not expected to have any impact on the ability of the County to continue to budget and appropriate the Lease Payments as required by the Lease Agreement.

Table No. 5
SAN BENITO COUNTY
General Fund - Comparison of Budgeted and Actual Revenues, Expenditures and Fund Balances
For Fiscal Years 2016-17 and 2017-18

	Final Budget 2016-17 (unaudited)[1]	Actual 2016-17[1]	Final Budget 2017-18 (unaudited)[1]	Actual 2017-18 (unaudited)[1]
Revenues:				
Taxes	$15,952,500	$17,511,984	$16,788,153	$19,792,404
Licenses and permits	1,463,400	1,294,916	1,576,650	1,598,127
Fines and forfeits	1,116,913	3,134,899	1,078,560	3,771,952
Revenue from use of money & propert	95,000	226,788	141,000	642,133
Aid from other governments	8,346,085	6,867,855	6,787,945	7,080,331
Charges for current services	10,312,846	4,979,369	10,840	4,783,506
Other revenues	950,511	413,610	1,243,173	764,150
Total Revenues	38,237,255	34,429,421	38,455,523	38,432,603
Expenditures and Transfers:				
General government	9,284,184	4,195,868	8,841,623	5,871,065
Public protection	29,549,484	27,475,470	28,016,633	28,384,421
Public assistance	247,502	577,047	523,384	532,125
Education	1,021,691	1,012,921	1,054,491	1,050,265
Parks and recreation	171,760	162,256	136,533	251,366
Total Expenditures	40,338,621	33,423,562	38,572,664	36,089,242
Excess of Revenue Over (Under) Expenditures	(2,101,366)	1,005,859	(117,141)	2,343,361
Other Financing Sources (Uses)				
Operating transfers in	4,517,789	1,957,068	2,580,512	1,277,106
Operating transfers out	(1,894,091)	(1,416,330)	(9,885,189)	(1,818,790)[2]
Capital Leases	--	25,211	--	--
Total Other Financing Sources (Uses)	2,623,698	565,949	(7,304,677)	(541,864)
Net change in fund balance	522,332	1,571,808	(7,421,818)	1,801,677
Beginning Fund Balance	23,423,320	27,337,175	28,908,983	28,908,983
Ending Fund Balance	$23,945,652	$28,908,983	$21,487,165	$30,710,660

(1) Presented in pre-GASB 54 format for comparative purposes.
(2) Operating transfers out were budgeted to include a transfer from General Fund to Capital Outlay Fund for state funding reimbursement of the jail expansion project. State funding was deposited directly or accrued into the Capital Outlay Fund; thus no transfer from General Fund actually occurred in Fiscal Year 2017-18.
Source: San Benito County Auditor-Controller's Office.

Property Taxes

The County assesses property values and collects and distributes secured and unsecured property taxes to the County, cities, school districts and other special districts within the County area. For information on property assessed valuations generally, see "CONSITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" below. California law exempts $7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State.

Property Assessment Appeals

An assessee of locally-assessed or state-assessed property may contest the taxable value enrolled by the county assessor or by the State Board of Equalization ("**SBE**"), respectively.

The assessee of SBE-assessed property or locally-assessed personal property, the valuation of which are subject to annual reappraisal, actually contests the determination of the full cash value of property when filing an assessment appeal. Because of the limitations to the determination of the full cash value of locally-assessed real property by Article XIIIA, an assessee of locally assessed real property generally contests the original determination of the base assessment value of the parcel, i.e. the value assigned after a change of ownership or completion of new construction. In addition, the assessee of locally-assessed real property may contest the current assessment value (the base assessment value plus the compounded annual inflation factor) when specified conditions have caused the full cash value to drop below the current assessment value.

At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sale transaction or the recently completed improvement. A base assessment appeal has significant future revenue impact because a reduced base year assessment will then reduce the compounded value of the property prospectively. Except for the two percent inflation factor allowable under Article XIIIA, the value of the property cannot be increased until a change of ownership occurs or additional improvements are added.

Pursuant to Section 51(b) of the Revenue and Taxation Code, the assessor may place a value on the tax roll lower than the compounded base assessment value, if the full cash value of real property has been reduced by damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in the value. Reductions in value pursuant to Section 51(b), commonly referred to as “Proposition 8” appeals, can be achieved either by formal appeal or administratively by assessor staff appraising the property. A reduced full cash value placed on the tax roll does not change the base assessment value. The future impact of a parcel subject to a Proposition 8 appeal is dependent upon a change in the conditions which caused the drop in value. In fiscal years subsequent to a successful Proposition 8 appeal, the assessor may determine that the value of the property has increased as a result of corrective actions or improved market conditions and enroll a value on the tax roll up to the parcel’s compounded base assessment value.

The assessed valuation of property within the County, excluding exempt property, for the last twelve years is shown in Table No. 6, followed by recent Proposition 8 declines in assessed value in Table No. 7.

Table No. 6
SAN BENITO COUNTY
Assessed Valuation
Fiscal Years 2008 through 2019

Fiscal Year	Assessed Valuation Secured Roll	Assessed Valuation Unsecured Roll	Total Assessed Valuation	Percent Change in Total Assessed Valuation	Delinquency Rate
2007-08	$6,573,600,000	$216,000,000	$6,886,000,000	6.25%	8%
2008-09	6,446,350,000	252,700,000	6,804,400,000	-1.21%	8%
2009-10	5,903,394,723	264,930,002	6,276,894,040	-7.75%	6%
2010-11	5,600,541,901	254,491,194	5,964,127,340	-4.98%	5%
2011-12	5,461,504,206	262,487,036	5,838,039,283	-2.11%	3%
2012-13	5,357,365,596	281,740,623	5,759,350,504	-1.35%	3%
2013-14	5,662,509,723	323,416,336	6,112,525,127	6.13%	2%
2014-15	6,104,579,833	362,445,671	6,596,832,721	7.92%	1%
2015-16	6,522,863,660	360,571,186	7,025,356,835	6.50%	1%
2016-17	6,970,102,291	417,586,973	7,535,153,694	7.26%	1%
2017-18	7,540,336,228	416,732,649	8,115,728,002	7.70%	N/A
2018-19[(1)]	8,119,329,009	435,612,757	8,735,658,900	7.64%	N/A

(1) As of January 1, 2018.
Source: San Benito County Auditor-Controller's Office.

Table No. 7
SAN BENITO COUNTY
Proposition 8 Declines in Local Assessed Valuation
Fiscal Years 2014 through 2018

Fiscal Year	Total AV[1]	Assessments Subject to Prop 8	% Total
2013-2014	$6,112,525,000	$1,700,585,626	27.8%
2014-2015	$6,596,833,000	$1,473,148,292	22.3%
2015-2016	$7,025,357,000	$1,174,104,441	16.7%
2016-2017	$7,535,153,000	$1,000,740,699	13.3%
2017-2018	$8,115,727,000	$867,352,751	10.7%

(1) Rounded to nearest thousand.
Source: San Benito County Assessor's Office.

Tax Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real property and personal property which is situated in the County as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change occurs or the construction is completed. The current year property tax rate is applied to the reassessed value, and the taxes are then adjusted by a proration factor that reflects the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing state-assessed property and real property having a tax lien which is sufficient, in the opinion of the County assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll".

Property taxes on the secured roll are levied on January 1 and are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid, become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments, plus a $10.00 penalty is added to the second installment. Property on the secured roll with respect to which taxes are delinquent is declared tax-defaulted on July 1 of the following fiscal year. Such property may thereafter be redeemed by payment of the penalty of 1.5% per month to the time of redemption, together with the defaulted taxes, delinquent penalties, costs and a redemption fee. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to auction sale by the County Treasurer-Tax Collector.

Property taxes on the unsecured roll are levied January 1 and are billed in mid-July and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The following table shows a 5-year delinquency history for property taxes collected by the County on the secured roll as of June 30, 2018.

Table No. 8
SAN BENITO COUNTY
Property Tax Delinquencies- Secured Roll
Fiscal Years 2014 through 2018

Fiscal Year Ended June 30,	Uncollected within the Fiscal Year of the Levy		Amount of Total Cumulative Uncollected Taxes
	Amount	First year Delinquencies	
2014	$906,252	1.33%	$2,984,670
2015	963,882	1.32%	2,629,368
2016	1,070,599	1.34%	2,213,435
2017	1,148,190	1.34%	2,248,594
2018	1,459,339	1.52%	2,455,598

Source: San Benito County, Auditor-Controller's Office.

County Tax Loss Reserve Fund ("Teeter Plan")

Beginning in Fiscal Year 1978-79, Article XIIIA of the State Constitution and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior voted debt, and prescribed how levies on countywide property values are to be shared with local taxing entities within each county.

The Board of Supervisors of the County adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**") on October 12, 1993, as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Ad Valorem property taxes are collected by the County and distributed pursuant to the Teeter Plan. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The County was required to create a tax loss reserve fund under one of two alternate methods: (1) one percent of the total amount of taxes levied on the secured roll for the year or (2) twenty-five percent of the total delinquent secured taxes as calculated at the end of the fiscal year. Currently, the County uses approximately 1% of the total amount of taxes levied on secured taxes to establish its tax losses reserve. The requirement for Fiscal Year 2017-18 is $961,034.

Upon implementation of the Teeter Plan, the County used its portion of the first year buyout to fund the Tax Losses Reserve Fund. For Fiscal Years 2013-14 through 2017-18, the County's General Fund benefited by approximately $8 million dollars in one-time monies that were generated from the surplus in the Tax Losses Reserve Fund.

Largest Taxpayers

The ten largest taxpayers within the County, as shown on the 2017-18 Secured Tax Roll, and the amount of their respective property tax levy for all taxing jurisdictions within the County are shown below. These top 10 taxpayers account for approximately 5% of the property taxes levied within the County. Total 1% property taxes levied on the Secured Tax Roll for Fiscal Year 2017-18 is $96,019,684.

Table No. 9
SAN BENITO COUNTY
Top Ten Secured Taxpayers Based on Assessed Valuation
Fiscal Year 2017-18

Taxpayer Name	Type of Business	Net Assessed Value	Property Tax Amount	% of Total Sec. A.V.(1)
Pacific Gas & Electric Co.	Utilities	$129,384,240	$1,357,329.50	1.72%
Natural Selection Foods, LLC	Agriculture	82,780,778	915,803.58	1.10%
Granite Rock Co.	Construction	77,526,072	861,101.92	1.03%
McCormick Selph, Inc.	Explosives Mfg.	30,069,385	340,570.08	0.40%
Stone Canyon Ranch, LLC	Real Estate	28,248,908	310,539.58	0.37%
Award Homes, Inc.	Real Estate	21,166,965	298,279.20	0.28%
9351 Fairview, LLC	Agriculture	24,816,532	281,180.28	0.33%
Clearist Park, Inc.	Real Estate	18,000,000	247,568.64	0.24%
Northpointe Associates, LLC	Engineering	20,179,042	236,579.46	0.27%
Delicato Vineyards	Wine	19,481,817	214,296.02	0.26%

(1) Property Tax includes all ad valorem assessments in addition to the 1% tax.
Source: San Benito County, Auditor-Controller's Office.

Sales and Use Taxes

General sales and use taxes contributed $2,047,933 to General Fund revenues in the Fiscal Year 2016-17, equating to approximately 6% of total General Fund revenues for that fiscal year. A sales tax is imposed on retail sales or consumption of personal property. The basic sales tax rate is established by the State Legislature, and local overrides may be approved by voters. The current sales tax rate in the County is 7.25%.

Outstanding General Fund Debt and Lease Obligations

The County currently has outstanding lease obligations described below. The County has never defaulted on the payment of principal of or interest on any of its indebtedness. The County has complied with all significant bond covenants relating to reserve and sinking fund requirements, proofs of insurance, and budgeted revenues and maintenance costs.

Equipment Lease/Purchase Agreement. The County entered into an Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp. on August 3, 2018 (the "**Solar Lease**"). Under the terms of the Solar Lease, the County leased certain solar panels and related equipment, which have been placed on various County-owned buildings, including the Leased Property. Subject to nonappropriation by the County, the Solar Lease requires semi-annual payments by the County through August 2038 in the total aggregate principal amount of $8,175,000. Under the Solar Lease, the County granted to Banc of America Public Capital Corp. a security interest in the equipment that is the subject of the Solar Lease but not in the underlying real property on which such equipment is located, which includes the Leased Property. Prior to the execution and delivery of the Certificates, the Corporation will execute a Waiver of Interests waiving any interest in the solar energy equipment located on the Leased Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Lease Payments."

Lease Obligations

Operating Leases. The County rents various office space and equipment for normal operations. All of these leases contain options to renew the lease at the end of the lease terms. Remaining noncancelable, subject to nonappropriation, minimum future payments on these leases are as follows:

June 30	Total
2019	$1,013,900
2020	847,070
2021	666,376
2022	582,562
2023-2037	552,476
Total Minimum Rental Payments	$3,662,394

Total rent expenditures for the Fiscal Year ended June 30, 2018 was $1,092,411, of which $80,877 was recorded in the General Fund.

Capital Lease Obligations. The County has entered into capital lease arrangements under which the related equipment will become the property of the County when all terms of the agreement are met. The following schedule presents future minimum capital lease payments, payable by the General Fund and other major and non-major special revenue funds:

	Governmental Activities	
June 30	Principal	Interest
2019	$31,213	$2,519
2020	25,108	1,252
2021	10,056	394
2022	4,353	106
Total value of minimum lease payments	$70,730	$4,271

Pension Benefits

Pension Plans. This caption contains certain information relating to California Public Employees' Retirement System ("**CalPERS**"). The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The County has not independently verified the information provided by CalPERS and makes no representations and expresses no opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference in this Official Statement. None of the Corporation, County or Underwriter can guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Implementation of GASB Nos. 68 and 71. In June 2012 and November 2013, the Governmental Accounting Standards Board issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* ("**GASB Statement No. 68**") and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* ("**GASB Statement No. 71**"), respectively. The primary objective of GASB Statement No. 68, as amended, is to improve accounting and financial reporting by state and local governments for pensions and improve

information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

GASB Statement No. 68, as amended, revised the accounting treatment of defined benefit pension plans, changing the way expenses and liabilities are calculated and how state and local government employers report those expenses and liabilities in their financial statements. Major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (previously, such unfunded liabilities were typically included as notes to the government's financial statements); (ii) pension expense incorporates more rapid recognition of actuarial experience and investment returns and is no longer based on the employer's actual contribution amounts; (iii) lower actuarial discount rates that are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities that are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns to will be recognized over a closed five-year smoothing period. The reporting requirements took effect in Fiscal Year 2014-15. Based on the adoption of the new accounting standards, beginning with the Fiscal Year 2014-15 actuarial valuation, the annual required contribution and the annual pension expense will be different. GASB Statement No. 68, as amended, changes the reporting and disclosure requirements for financial statement accounting purposes, but it does not change the County's pension plan funding obligations and, therefore, had no effect on the County's General Fund.

Information shown in this section that has been sourced from a CalPERS Actuarial Valuation Report has not been prepared in accordance with GASB Statement No. 68, as amended.

Plan Description. All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by CalPERS. The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The County sponsors 3 rate plans (one miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and County resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

The County contributes to the California Public Employees Retirement System ("**CalPERS**"), a cost-sharing multiple-employer defined benefit pension plan, for its miscellaneous and safety employees. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and County ordinance. Copies of CalPERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

At the valuation date of June 30, 2017, the following employees were covered by the benefit terms:

	Miscellaneous	Safety
Active Employees	386	58
Inactive employees or beneficiaries currently receiving benefits	482	88
Inactive employees entitled to but not yet receiving benefits	505	71
Total	1,373	217

The provisions and benefits of each plan that were in effect at June 30, 2017, are summarized as follows:

Miscellaneous Plan	
Hire Date	Prior to January 1, 2013
Benefit Formula	2.0% @ 55
Benefit Vesting Schedule	5 years of service
Benefit Payments	Monthly for life
Retirement Age	50-55
Monthly Benefits, as a % of eligible comp	2.000% to 2.418%
Required Employee Contribution Rates	7.000%
Required Employer Contributions Rates	18.638%

Safety Plan	
Hire Date	Prior to January 1, 2013
Benefit	3.0% @ 55
Benefit Vesting Schedule	5 years of service
Benefit Payments	Monthly for life
Retirement Age	50
Monthly Benefits, as a % of eligible comp	3.000%
Required Employee Contribution Rates	9.000%
Required Employer Contributions Rates	22.175%

The County is required to contribute at an actuarially determined rate of annual covered payroll, plus a fixed payment of unfunded liability. The actuarially determined rates and amounts for each plan for the fiscal years ended June 30, 2020 and June 30, 2021, are as follows:

County's Required Employer Contribution Rate

	Fiscal Year 2019-20		Fiscal Year 2020-21	
	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
Miscellaneous Plan	8.758%	$3,307,040	9.400%	$3,604,000
PEPRA Safety County Peace Office Plan	13.786	19,312	13.900	21,000
Safety-Police Plan	20.603	$1,663,979	21.800	1,733,000

Source: CalPERS Actuarial Reports dated June 30, 2017.

For the year ended June 30, 2018, the County recognized pension expense in the amounts of $5,909,376 and $2,796,921 for the miscellaneous and safety plans, respectively.

Funded Status. The following table sets forth the schedule of funding for the County's Plans for the fiscal years ended June 30, 2014, 2015, 2016, and 2017. As of the June 30, 2016 valuation date, the aggregate Unfunded Liability of all of the Plans totaled $60.1 million, and the aggregate funded ratio was 70.4%.

Miscellaneous Plan

Valuation Date (June 30)	Present Value of Projected Benefits	Entry Age Normal Accrued Liability	Plan's Market Value of Assets	Unfunded Accrued Liability	Funded Ratio[(1)]
2014	$154,843,735	$134,791,463	$104,421,487	$30,369,976	77.5%
2015	162,375,981	140,643,317	104,465,094	36,178,223	74.3
2016	171,198,445	147,753,132	103,143,501	44,609,631	69.8
2017	182,743,526	156,284,625	112,748,140	43,536,485	72.1

(1) Based on the market value of assets.
Source: CalPERS Actuarial Report Dated June 2017.

PEPRA Safety County Peace Officer Plan

Valuation Date (June 30)	Present Value of Projected Benefits	Entry Age Normal Accrued Liability	Plan's Market Value of Assets	Unfunded Accrued Liability	Funded Ratio[(1)]
2014	$1,888,824	$68,583	$76,330	$(7,747)	111.3%
2015	2,035,202	172,092	165,795	6,297	96.3
2016	3,542,529	368,439	329,823	38,616	89.5
2017	4,701,785	678,588	638,287	40,301	94.1

(1) Based on the market value of assets.
Source: CalPERS Actuarial Report Dated June 2017.

Safety Plan

Valuation Date (June 30)	Present Value of Projected Benefits	Entry Age Normal Accrued Liability	Plan's Market Value of Assets	Unfunded Accrued Liability	Funded Ratio[(1)]
2014	$61,313,672	$50,401,586	$39,536,404	$10,865,182	78.4%
2015	64,732,069	53,593,669	40,666,296	12,927,373	75.9
2016	69,641,328	57,732,657	41,512,114	16,220,543	71.9
2017	74,845,674	62,854,580	46,951,094	15,883,486	74.7

(1) Based on the market value of assets.
Source: CalPERS Actuarial Report Dated June 2017.

See "APPENDIX C – Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2017 – Note 12 – Pension Plans" for additional information on the County's pension plan obligations.

Recent Actions Taken by CalPERS. At its April 17, 2013, meeting, CalPERS' Board of Administration (the "**Board of Administration**") approved a recommendation to change the CalPERS amortization and smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy that spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. As a result, CalPERS now employs an amortization and smoothing policy that will pay for all gains and losses over a 30-year period with a five-year ramp-up, and five-year ramp-down, period. The new amortization and

smoothing policy was used for the first time in the June 30, 2013 actuarial valuations in setting employer contribution rates for Fiscal Year 2015-16. On February 13, 2018, the Board of Administration voted to shorten the period over which CalPERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019 actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain 5-year ramp-up and ramp-down periods will be eliminated.

On February 18, 2014, the Board of Administration approved new demographic actuarial assumptions based on a 2013 study of recent experience. The largest impact, applying to all benefit groups, is a new 20-year mortality projection reflecting longer life expectancies and that longevity will continue to increase. Because retirement benefits will be paid out for more years, the cost of those benefits will increase as a result. The Board of Administration also assumed earlier retirements for Police 3%@50, Fire 3%@55, and Miscellaneous 2.7%@55 and 3%@60, which will increase costs for those groups. As a result of these changes, rates increased beginning in Fiscal Year 2016-17 (based on the June 30, 2014 valuation) with full impact in Fiscal Year 2020-21.

On November 18, 2015, the Board of Administration adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. The policy establishes a mechanism to reduce the discount rate by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the existing discount rate, currently 7.375%, by at least four percentage points. CalPERS staff modeling anticipates the policy will result in a lowering of the discount rate to 6.5% in about 21 years, improve funding levels gradually over time and cut risk in the pension system by lowering the volatility of investment returns. More information about the funding risk mitigation policy can be accessed through CalPERS' web site at the following website address: https://www.calpers.ca.gov/page/newsroom/calpers-news/2015/adopts-funding-risk-mitigation-policy. This policy is in suspense until the discount rate is fully reduced to 7.000% as described below. *The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the County and is not incorporated in this Official Statement by reference.*

On December 21, 2016, the Board of Administration voted to lower its discount rate to 7.0% over the next three years according to the following schedule.

Fiscal Year	Discount Rate
2018-19	7.375%
2019-20	7.250
2020-21	7.000

For public agencies like the County, the discount rate of 7.375% became effective on July 1, 2018. Lowering the discount rate means employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Public Employees' Pension Reform Act will also see their contribution rates rise. The three-year reduction of the discount rate will result in average employer rate increases of about 1 percent to 3 percent of normal cost as a percent of payroll for most miscellaneous retirement plans, and a 2 percent to 5 percent increase for most safety plans. Additionally, many CalPERS employers will see a 30 to 40 percent increase in their current unfunded accrued liability payments. These payments are made to

amortize unfunded liabilities over 20 years to bring the pension fund to a fully funded status over the long-term.

No assurance can be given that the Board of Administration will not make further changes to the methods used to determine pension liability of CalPERS members, including the County.

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were derived from the June 30, 2013 funding valuation report. The actuarial methods and assumptions used to determine the contributions are as follows:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry - Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increases	3.3% to 14.2% (1)
Investment Rate of Return	7.50% (2)
Mortality	--(3)

(1) Varies depending on age, service and type of employment.
(2) Net of pension plan investment and administrative expenses, including inflation.
(3) Derived using CalPERS' Membership Data for all funds.
Source: County of San Benito Comprehensive Annual Financial Report for Fiscal Year 2016-17.

Three-Year Trend Information for the County's Defined Benefit Plans (in thousands)

Fiscal Year Ended	Employer Normal Cost (projected) Miscellaneous	Employer Payment of Unfunded Liability Miscellaneous	Employer Normal Cost (projected) Safety	Employer Payment of Unfunded Liability Safety
6/30/2017	$1,574,734	$2,139,925	$886,055	$1,152,383
6/30/2018	1,677,701	2,435,098	932,981	1,292,129
6/30/2019	1,817,690	2,854,118	1,037,862	1,487,818

The table below shows the actuarial accrued liability, market value of assets, the funded ratio and annual covered payroll for the County's defined benefit pension plans as of June 30, 2016.

	Miscellaneous	Safety
Accrued Liability (AL)	$147,753,132	$57,732,657
Market Value of Assets (MVA)	$103,143,501	$41,512,114
Unfunded Accrued Liability (UAL)	$44,609,631	$16,220,543
Funded Ratio	69.8%	71.9%
Annual Covered Payroll	$20,337,999	$4,907,717

A Schedule of Funding for the Risk Pool's actuarial value of assets, accrued liability, their relationship, and the relationship of the UAAL to payroll for the risk pool to which this plan belongs can be obtained from CalPERS, P.O. Box 942709, Sacramento, CA 94229-2709.

Other Post-Employment Benefits

The Government Accounting Standards Board (GASB) issued "Statement 45", which requires states and local governments to report the unfunded accrued liability of non-pension retiree benefits – called Other Post-Employment Benefits ("**OPEB**") - on those governments' financial statements. Prior to the adoption of this rule, state and local governments typically accounted for OPEB costs on a pay-as-you-go basis. Governments are not obligated to pre-fund these liabilities, but only to report them on their financial statements should they choose not to prefund.

Plan Description. The County of San Benito Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the County. The Plan provides healthcare insurance benefits to eligible retirees. The County has been under contract with CalPERS for medical plan coverage since 1993 for their employees, as provided by the Public Employee's Medical and Hospital and Car Act ("**PEMHCA**").

The County provides postemployment health care benefits, in accordance with the health care regulations of the Public Employees Retirement System, to all employees, their spouses, and eligible dependents, who retire through CalPERS from the County on or after attaining age 50 with at least five years of service. As of Fiscal Year 2017-18, 233 retirees meet the eligibility requirements.

The actuarially determined contribution ("**ADC**") is an amount actuarially determined in accordance with the parameters of and in conformity with Actuarial Standards of Practice. The ADC is a target or recommended contribution to a defined benefit contribution to a defined benefit OPEB plan. The County's ADC for the June 30, 2017 valuation date was $2,218,061.

In the July 1, 2015 actuarial valuation, the entry age normal level percent of pay actuarial cost method was used. The actuarial assumptions included a 7.28% investment rate of return (net of administrative expenses), which is the expected long-term investment return on CERBT investments, and an annual health care minimum cost trend of 7.5%. The UAAL is being amortized over a 30 year period using the level percentage of pay method on an open basis. The remaining amortization period at June 30, 2017 was 29 years.

The contribution requirements for plan members and the County are established and may be amended by the County. The County prefunds the plan through the California Employers' Retiree Benefit Trust (CERBT) through its ADC each year.

CERBT is a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 and established to pre-fund retiree healthcare benefits. CERBT assets as of June 30, 2016 are $22,332,198. CERBT issues a publicly available financial report including GASB 43 disclosure information in aggregate with the other CERBT participating employers. That report may be obtained by contacting CalPERS.

The funded status of the plan, based on an actuarial valuation as of July 1, 2017, the date of the latest actuarial valuation, is as follows:

Total OPEB Liability (TOL)	$27,710,625
Fiduciary Net Position (FNP)	21,335,848
Net OPEB Liability (NOL)	$6,374,777
Funded Status (FNP/TOL)	77%

At June 30, 2018, the Market Value of Plan Assets had increased to $23,002,699 due to additional quarterly contributions and investment earnings.

Long-Term Liabilities

The County's compensated absences, the amount of time employees have earned and retained for vacation and comp time that is payable to them at some time in the future, was a total of $2.9 million. This is a decrease of $428,000 from the previous year for all employees. As employees sever their relations with County employment either by retirement or termination, all or a portion of their accumulated compensated absences become due and payable to them.

The County has entered into certain capital lease arrangements under which the related equipment will become the property of the County when all terms of the agreement are met. At the end of the fiscal year. capital lease obligations totaled $105,000.

The County's liability for unpaid claims associated to workers compensation, property loss, and other types of loss, increased by $905,000 during the fiscal year.

Direct and Overlapping Debt

Contained within the County are overlapping local agencies providing public services which have issued general obligation Certificates and other types of indebtedness. Direct and overlapping bonded indebtedness is shown in the following table.

Table No. 10
SAN BENITO COUNTY
Statement of Direct and Overlapping Debt As of June 30, 2018

2018-19 Assessed Valuation: $8,609,129,211 (includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 1/1/19
Gavilan Community College District	24.533%	$ 21,769,358
Other Community College Districts	0.009 – 0.493	875,861
Aromas-San Juan Joint Unified School District	73.218	9,955,375
Coalinga-Huron Joint Unified School District	0.048	24,936
South Monterey Joint Union High School District	1.136	28,286
San Benito Joint Union High School District	99.416	98,114,501
Hollister School District	100.000	40,325,000
North County Joint Union School District	95.390	2,565,901
San Benito Healthcare District	100.000	27,705,000
1915 Act Bonds	100.000	1,165,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$202,529,218
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
San Benito County Certificates of Participation	**100.000 %**	**$ --**[1]
Gavilan Joint Community College District Certificates of Participation	24.533	3,390,583
San Benito Joint Union High School District General Fund Obligations	99.416	2,875,551
Other School District Certificates of Participation	Various	118,175
Coalinga Regional Medical Center Certificates of Participation	0.048	2,042
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$6,386,351
OVERLPAPPING TAX INCREMENT DEBT (Successor Agency):		$30,285,000
COMBINED TOTAL DEBT		$239,200,569[2]

Ratios to 2018-19 Assessed Valuation:
- Total Overlapping Tax and Assessment Debt 2.35%
- Combined Total Debt.....2.78%

Ratio to Redevelopment Successor Agency Incremental Valuation ($1,433,831,488):
- Total Overlapping Tax Increment Debt 2.11%

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.
Source: California Municipal Statistics Inc.

Investment of County Funds

State law requires that all moneys of the County, school districts, and certain special districts be held in the County Treasury by the Treasurer. The Treasurer has authority to implement and oversee the investment of such funds in the County Investment Pool (the "**Pool**") in accordance with section 53600 et seq. of the California Government Code. The Treasurer-Tax Collector accepts funds only from agencies located within the County. The moneys on deposit are predominantly derived from local government revenues consisting of property taxes, State and federal funding and other fees and charges. Each depositor is assigned a distinct fund number within the County General Ledger. Cash represented by fund balances is commingled in the portfolio; no funds are segregated for separate investment.

Authorized investments are required to match the general categories established by Sections 53601 et seq., 53635 et seq., and 16429.1 et seq. of the California Government Code; including financial futures and financial options contracts in any of the specified categories as established by California Government Code Section 53601.1.

Decisions on the investment of funds in the Pool are made by the Treasurer in accordance with established policy guidelines. In the County, investment decisions are governed by California Government Code Sections 53601 and 53635, et seq., which govern legal investments by local agencies in the State, and by a more restrictive investment policy (the "**Investment Policy**") proposed by the Treasurer and monitored by the Treasury Oversight Committee on an annual basis. The Investment Policy sets forth the manner in which the Pool is to be invested. The duty of the Treasurer is to safeguard all public funds which by law are managed by the Treasurer. The Pool must maintain sufficient cash to meet the disbursement needs of all participating agency depositors. Prudence must be used in obtaining a competitive yield while maintaining the value and availability of the cash involved. The Investment Policy is more restrictive than State law in regard to types of securities authorized for investment.

The Investment Policy allows for purchase of a variety of securities with limitations as to exposure, maturity and rating, varying with each type of security. The composition of the portfolio will change over time as old investments mature or are sold, and as new investments are made. The market value of certain types of securities fluctuate, but the County does not anticipate that it will realize any losses with respect to any such investments since the County intends to hold such investments until their maturity.

The following table reflects certain limited information with respect to the County Pool for the month ending on June 30, 2017. As described above, a wide range of investments is authorized under state law. The value of the various investments in the County Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the County Pool will not vary significantly from the values described below. In addition, the values specified in the following tables were based upon estimates of market values provided to the County by a third party. Accordingly, there can be no assurance that if these securities had been sold on the date indicated, the County Pool necessarily would have received the values specified. The County expects that the County Pool is sufficiently liquid to cover all anticipated cash flow needs for the Pool participants for at least the next six months, with, as of September 30, 2018, approximately 42% of the portfolio maturing within 55 days.

Instruments in any one issuer that represent 5% or more the County's investments as of June 30, 2018, are as follows (excluding investment pools and debt explicitly guaranteed by the U.S. government):

San Benito County Investment Pool Information
As of June 30, 2018

Issuer	Issuer Type	Fair Value Holdings	Percentage Holdings
Credit Agricole CIB NY YCD	Certificate of Deposit	$7,251,015	4.00%
Credit Suisse NY YCD	Certificate of Deposit	9,002,880	4.96%
Credit Suisse NY YCD	Certificate of Deposit	5,001,600	2.76%
Mizuho BK LTD	Certificate of Deposit	11,002,970	6.07%
National BK of Canada YCD	Certificate of Deposit	7,002,310	3.86%
Standard Chartered BK NY	Certificate of Deposit	12,002,412	6.62%
Svenska Handelsbanken NY	Certificate of Deposit	9,002,160	4.96%
Anglesea CP	Commercial Paper	10,000,000	5.51%
Mitsubishi UFJ BK NY	Commercial Paper	6,965,700	3.84%
Starbird Funding CP	Commercial Paper	9,970,500	5.50%
Victory Receivables	Commercial Paper	9,979,400	5.50%
CAMP	Government Sponsored	13,740,749	7.58%
LAIF	Government Sponsored	10,000,000	5.51%
Australia NZ BK MTN	Medium Term Note	9,351,785	5.16%
Bk Tokyo-Mitsubishi UFJ	Medium Term Note	10,989,440	6.06%
Commonwealth BK	Medium Term Note	8,374,738	4.62%
HSBC Bank USA FR	Medium Term Note	7,012,390	3.87%
National Australia BK	Medium Term Note	5,067,650	2.79%
UBS AG London Var. Corp	Medium Term Note	10,010,700	5.52%
Wells Fargo FR Bank Note	Medium Term Note	9,440,984	5.21%

The Investment Policy may be changed at any time at the discretion of the Board of Supervisors (subject to the state law provisions relating to authorized investments) and as the California Government Code is amended. There can be no assurance that State law and/or the Investment Policy will not be amended in the future to allow investments that are currently prohibited, or that the stated objectives of the County with respect to investments will not change.

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.

The County is a member of a joint powers agency ("**JPA**"), Trindel Insurance Fund, which self-insures losses up to $300,000 for Workers Compensation, up to $100,000 for all risk liability, $20,000 for auto liability, and $25,000 for property, per occurrence. The liability rests with the County. Trindel Insurance Fund is classified as a claims-servicing or account pool, wherein the County retains the risk of loss and is considered self-insured with regard to liability coverage.

The County also belongs to another larger JPA called the California State Association of Counties Excess Insurance Authority ("**CSACEIA**"). CSACEIA, along with other commercial carriers, increases the coverage for general liability to $25 million. Also, CSACEIA, with other commercial carriers, covers replacement cost on property to $600 million with a $25,000 deductible for real property and a $20,000 deductible for vehicles. Trindel covers all but $1,000 of these deductibles, per occurrence.

The actuarial expected claims liability at fiscal year-end, projected with a 50% confidence level, at June 30, 2017 is $3,638,598.

Fiscal Year	Beginning Fiscal Year Liability	Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2015-16	$2,518,418	$1,093,732	$(871,358)	$2,740,792
2016-17	2,740,792	2,612,266	(1,714,460)	3,638,598

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating purchase of the Certificates. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Certificates. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations – Security for the Certificates

The obligation of the County to make the Lease Payments does not constitute a debt of the County or the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated, subject to abatement, under the Lease Agreement to pay the Lease Payments from any source of legally available funds. The County has covenanted in the Lease Agreement that it will take such action as may be necessary to include all rental payments due under the Lease Agreement in its annual budgets and to make necessary annual appropriations for all such rental payments. The County is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments.

The County has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Lease Payments may be decreased. In the event the County's revenue sources are less than its total obligations, the County could choose to fund other activities before making Lease Payments and other payments due under the Lease Agreement.

The County's ability to collect, budget and appropriate various revenues is subject to current and future State laws and constitutional provisions, and it is possible that the interpretation and application of these provisions could result in an inability of the County to pay the Lease Payments when due. See "RISK FACTORS" and "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

Eminent Domain

If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property or any part thereof is taken temporarily, under the power of eminent domain, (1) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking, and (2) there will be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the County and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Property.

Abatement

The Lease Agreement provides that the amount of Lease Payments will be subject to abatement during any period in which by reason of damage or destruction there is substantial

interference with the use and occupancy by the County of the Leased Property. The amount of such abatement will be agreed upon by the County and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement will continue in full force and effect and the County, in the Lease Agreement, waives any right to terminate the Lease Agreement by virtue of any such damage and destruction.

However, there will be no abatement of Lease Payments to the extent that the proceeds of an eminent domain or insurance award are available to pay Lease Payments, or to the extent that moneys are available in the Lease Payment Fund, it being declared in the Lease Payment Fund that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

No Debt Service Reserve Fund

Neither the Corporation nor the County will fund a debt service reserve fund for the Certificates.

Limited Recourse on Default; No Acceleration

If the County defaults on its obligation to make Lease Payments, there is no available remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement. The County will only be liable for Lease Payments on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's rental payments.

Limitation on Remedies; Bankruptcy

The rights of the Owners of the Certificates are subject to the limitations on legal remedies against cities and counties in the State, including State constitutional limits on expenditures and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest, by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws affecting the enforcement of creditors' rights, by equitable principles, by the exercise of judicial powers in appropriate cases and by the exercise by the federal and State governments of their sovereign powers. The opinions of counsel, including Special Counsel, delivered in connection with the Certificates will be so qualified. Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the County, there are no involuntary petitions in bankruptcy. Bankruptcy proceedings, if initiated, or the exercise of powers by the federal or state government, could subject the owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy proceedings or otherwise and consequently may entail risk or delay, limitation or modification of their rights.

Natural Disasters

The County, like much of California, is subject to seismic activity that could result in interference with its right to use and possession of the Leased Property. The two faults likely to have the most impact on the County are the West San Benito Fault and Concord-Green Valley Fault Zone. The County is not obligated by the Lease Agreement or otherwise to maintain earthquake insurance with respect to the Leased Property. The occurrence of severe seismic activity in the area of the Leased Property could result in substantial damage and interference

with the County's right to use and occupy all or a portion of the Leased Property, and result in Lease Payments being subject to abatement. See "– Abatement" above.

In recent years, wildfires have caused extensive damage throughout the State. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances, entire neighborhoods have been destroyed. Several fires which occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events. There is a risk of property within the County being destroyed by wildfires and no assurance can be given as to the severity or frequency of wildfires within the County.

Portions of the County have been affected by flooding, including as a result of damage to a levee in 2017. There can be no assurance that flooding will not occur in the future or that the severity of flooding will not be material.

State of California Financial Condition

The financial condition of the State of California has an impact on the level of revenues received by the County. No prediction can be made as to whether the State will encounter budgetary problems in future fiscal years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the County cannot predict the direction or outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including economic downturns, over which the County has no control. There can be no assurance that the State's efforts to balance the State general fund will not materially adversely affect the financial condition of the County.

No Liability of Corporation to the Owners

Except as expressly provided in the Trust Agreement, the Corporation will not have any obligation or liability to the Owners of the Certificates with respect to the payment when due of the Lease Payments by the County, or with respect to the performance by the County of other agreements and covenants required to be performed by it contained in the Lease Agreement or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

Substitution and Removal of the Leased Property

The Lease Agreement permits the County, under certain circumstances described in "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Substitution or Removal of Leased Property", to remove and or substitute all or a portion of the Leased Property so long as the resulting Leased Property has a value at least equal to the then-outstanding principal amount of the Certificates. The Lease Agreement does not require that the Leased Property after the substitution or release have a value equal to the value of the Leased Property prior to such substitution or release. Thus, a portion of the property comprising the Leased Property could be replaced with less valuable property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Certificates, particularly if an event requiring abatement of Lease Payments were to occur subsequent to such substitution or release.

Litigation

The County may be or become a party to litigation that has an impact on the County's General Fund. Although the County maintains certain insurance policies that provide coverage under certain circumstances and with respect to certain types of incidents (see "THE COUNTY AND COUNTY FINANCIAL INFORMATION – Risk Management" for further information), the County cannot predict what types of liabilities may arise in the future and whether these may adversely affect the ability of the County to pay Lease Payments under the Lease Agreement when due. See also "LITIGATION."

State Law Limitations on Appropriations

Article XIIIB of the California Constitution limits the amount that local governments can appropriate annually. The ability of the County to pay Lease Payments and other payments due under the Lease Agreement may be affected if the County should exceed its appropriations limit. The State may increase the appropriation limit of cities in the State by decreasing the State's own appropriation limit. The County does not anticipate exceeding its appropriations limit. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIB of the State Constitution" below.

Property Tax Allocation by the State; Changes in Law

The responsibility for allocating general property taxes was assigned to the State by Proposition 13, which stated that property taxes were to be allocated "according to law." The formula for such allocation was contained in Assembly Bill 8 ("**AB 8**"), adopted in 1978, which allocates property taxes among cities, counties, and school districts. The formulas contained in AB 8 were designed to allocate property taxes in proportion to the share of property taxes received by a local entity prior to Proposition 13. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIIA of the State Constitution."

Beginning in its Fiscal Year 1992-93, in response to its own budgetary shortfalls, the State began to permanently redirect billions of dollars of property taxes Statewide from cities, counties, and certain special districts to schools and community college districts. These redirected funds reduced the State's funding obligation for K-14 school districts by a commensurate amount. In response, Proposition 1A of 2004, approved by State voters in November 2004 and generally effective in Fiscal Year 2006-07, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain limitations. However, pursuant to Proposition 1A and beginning in Fiscal Year 2008-09, the State could, upon gubernatorial proclamation of fiscal hardship and following approval of two–thirds of both houses of the legislature, and it did, shift to schools and community colleges up to 8% of local government ad valorem property tax revenues, which amount must be repaid, with interest, within three years. The State could also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. In November 2010, State voters approved Proposition 22, which amends the State's constitution to eliminate the State's authority to temporarily shift additional ad valorem property taxes from cities, counties and special districts to schools, among other things. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 22." The state last passed a redirection or property tax shift applicable to fiscal years 2004-05 and 2005-06.

No assurance can be given that the State, the County or the County electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State in a manner that could result in a reduction of the County's property

tax allocations or its other revenues and therefore a reduction of the funds legally available to the County to pay Lease Payments and other payments due under the Lease Agreement.

Early Prepayment Risk

Early payment of the Lease Payments and early prepayment of the Certificates may occur in whole or in part, without premium, from the proceeds of title insurance, on any date, if the Leased Property, or a portion thereof, is lost, destroyed or damaged beyond repair or taken by eminent domain and if the County exercises it right to prepay the Lease Payments in whole or in part pursuant to the provisions of the Lease Agreement and the Trust Agreement. See "THE CERTIFICATES – Prepayment – Special Mandatory Prepayment from Insurance or Condemnation Proceeds."

Loss of Tax-Exemption

The County has covenanted in the Lease Agreement, and the Corporation has covenanted in the Trust Agreement, that each will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Certificates under Section 103 of the Internal Revenue Code of 1986. In the event either the County or the Corporation fails to comply with the foregoing tax covenant, interest on the Certificates may be includable in the gross income of the Owners thereof for federal tax purposes retroactive to the date of issuance. Should such an event of taxability occur, the Certificates would not be subject to a special prepayment and would remain Outstanding until maturity or until prepaid under the prepayment provisions contained in the Trust Agreement. See "TAX MATTERS."

Secondary Market for Certificates

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that any Certificates can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

IRS Audit of Tax-Exempt Issues

The Internal Revenue Service (the "**IRS**") has initiated an expanded program for the auditing of tax-exempt issues, including both random and targeted audits. It is possible that the Certificates will be selected for audit by the IRS. It is also possible that the market value of the Certificates might be affected as a result of such an audit of the Certificates (or by an audit of similar obligations).

STATE BUDGET

Information regarding the State Budget is regularly available at various State-maintained websites. The Fiscal Year 2018-19 State Budget described below may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Additionally, an impartial analysis of the State's Budgets may be posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County, and the County takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2018-19 Adopted State Budget

On June 27, 2018, the Governor signed the fiscal year 2018-19 State budget (the "**2018-19 State Budget**") into law. The 2018-19 State Budget calls for total spending of $199.7 billion, with $138.6 billion in general fund spending. The 2018-19 State Budget provides for $78.4 billion of funding through Proposition 98, the primary source of funding for K-12 school districts and community college districts, an increase of $3.7 billion from the 2017-18 State budget. The 2018-19 State Budget continues to build State reserves, with the rainy-day fund balance projected to grow to $13.8 billion by the end of the budget year, its constitutional maximum. Additionally, the 2018-19 State Budget adds two additional reserves to State law, the Budget Deficit Safety Account and the Safety Net Reserve Fund.

Future State Budgets

Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the County and other cities and counties in the State. The County cannot predict the extent of the budgetary problems the State will encounter in this or in any future Fiscal Year, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the County cannot predict the final outcome of current or future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets are being and will be affected by national and State economic conditions and other factors, including the current economic conditions, over which the County has no control.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

The ability of the County to raise fees, taxes and other revenues is limited. Following is a description of certain constitutional limitations on taxes and appropriations applicable to the County. For a description of other factors relating to the revenues of the County, see "THE COUNTY AND COUNTY FINANCIAL INFORMATION" herein.

Article XIIIA of the State Constitution

Section 1(a) of Article XIIIA of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIIIA), to be collected by counties and apportioned according to law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (1) indebtedness approved by the voters prior to June 1, 1978 or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after June 1, 1978, by two thirds of the votes cast by the voters voting on the Proposition. Section 2 of Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975–76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIIIA provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures that further amended Article XIIIA. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first $1,000,000 of the full cash value of other real property between parents and children, does not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIIIA. This amendment could serve to reduce the property–tax revenues of the County. Other amendments permitted the State Legislature to allow persons over 55 or "severely disabled homeowners" who sell their residences and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence.

In the November 1990 election, the voters approved the amendment of Article XIIIA to permit the State Legislature to exclude from the definition of "newly constructed" the construction or installation of seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIIIA has also been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, provided that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster.

Article XIIB of the State Constitution

Article XIIIB of the State Constitution limits the annual appropriations of the State and of any city, county, school district, special district, authority or other political subdivision of the State to the appropriations limit for the prior fiscal year, as adjusted for changes in the cost of living, population and services for which the fiscal responsibility is shifted to or from the governmental

entity. The "base year" for establishing this appropriations limit is Fiscal Year 1978-79. The appropriations limit may also be adjusted in emergency circumstances, subject to limitations.

Appropriations of an entity of local government subject to Article XIIIB generally include authorizations to expend during a fiscal Year the "proceeds of taxes" levied by or for the entity, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include but are not limited to, all tax revenues, certain State subventions received by the local governmental entity and the proceeds to the local governmental entity from (1) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost of providing the service or regulation) and (2) the investment of tax revenues. Article XIIIB provides that if a governmental entity's revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

Article XIIIB does not limit the appropriation of moneys to pay debt service on indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose, or appropriations for certain other limited purposes. Furthermore, Article XIIIB was amended in 1990 to exclude from the appropriations limit "all qualified capital outlay projects, as defined by the Legislature" from proceeds of taxes. The Legislature has defined "qualified capital outlay project" to mean a fixed asset (including land and construction) with a useful life of 10 or more years and a value which equals or exceeds $100,000. As a result of this amendment, the appropriations to pay the lease payments on the County's long term General Fund lease obligations are generally excluded from the County's appropriations limit.

Articles XIIIC and XIIID of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the County to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two–thirds vote. Further, any general purpose tax the County imposed, extended or increased without voter approval after December 31, l994 may continue to be imposed only if approved by a majority vote in an election that must be held before November 6, 1998. The voter–approval requirements of Article XIIIC reduce the flexibility of the County to raise revenues for the General Fund, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

The County currently imposes the following general taxes: business–operations tax and transient–occupancy tax. Since all of these taxes were imposed before January 1, 1995, and have not been extended or increased since that date, these taxes should be exempt from the requirements of Article XIIIC. Any future increases in these taxes, however, would be subject to the voter requirement of Article XIIIC.

Article XIIID also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments

that exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments confer a "special benefit," as defined in Article XIIID, over and above any general benefits conferred; (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected parties, and (iv) a prohibition against fees and charges used for general governmental services, including police, fire and library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution by expanding the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, for performing investigations, inspections, and audits, for enforcing agricultural marketing orders, and for the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property–related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bears a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

The County does not believe that any material source of its General Fund revenue is subject to challenge under Proposition 218 or Proposition 26.

Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the County will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's General Fund. If such repeal or reduction occurs, the County's operations could be adversely affected.

Proposition 62

At the November 4, 1986, general election, the voters of the State approved Proposition 62, a statutory initiative (1) requiring that any tax imposed by local governmental entities for general governmental purposes be approved by resolution or ordinance adopted by two–thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity; (2) requiring that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two–thirds vote of the voters within that jurisdiction; (3) restricting the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (4) prohibiting the imposition of ad valorem taxes on real property by local governmental entities, except as permitted by Article XIIIA; (5) prohibiting the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (6) requiring that any tax imposed by a local governmental

entity on or after August 1, 1985, be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in Santa Clara City Local Transportation Authority v. Guardino, upheld the constitutionality of the portion of Proposition 62 requiring a two–thirds vote in order for a local government or district to impose a special tax and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The *Guardino* decision did not address whether it should be applied retroactively.

In response to *Guardino*, the California Legislature adopted Assembly Bill 1362, which provided that *Guardino* should apply only prospectively to any tax that was imposed or increased by an ordinance or resolution adopted after December 14, 1995. Assembly Bill 1362 was vetoed by the Governor; hence the application of the *Guardino* decision on a retroactive basis remains unclear.

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative. It is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. However, Proposition 218, as a constitutional amendment, is applicable to charter cities and supersedes many of the provisions of Proposition 62.

Proposition IA

Senate Constitutional Amendment No. 4 was enacted by the Legislature and subsequently approved by the voters as Proposition 1A at the November 2004 election. Among other things, Proposition 1A amended the State Constitution to reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales and vehicle–license fee revenues as of November 3, 2004, and by providing that the State may not reduce any local sales–tax rate, limit existing local government authority to levy a sales–tax rate or change the allocation of local sales–tax revenues, subject to certain exceptions. Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years. This shift of local government property tax can be accomplished if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two–thirds of both houses and certain other conditions are met.

Proposition 22

Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State–mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with Fiscal

Year 1988-89, are allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State–assessed revenue; and (ii) if county–wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or benefit of the excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State–assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Future Initiatives

Article XIIIA, Article XIIIB and Propositions 62, 218, and Proposition 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting the County's revenues or its ability to expend revenues.

CONTINUING DISCLOSURE

The County has covenanted for the benefit of the holders and beneficial owners of the Certificates to provide certain financial information and operating data relating to the County by no later than nine months following the end of the County's fiscal year (which date would be April 1 based upon the County's current fiscal year end of June 30), commencing April 1, 2019 with the report for Fiscal Year 2017-18 (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. The County will file, or cause to be filed, the Annual Report with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below in "APPENDIX E – Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). In the past five years, to its knowledge, the County has at all times complied, with its undertakings pursuant to said Rule.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the Corporation comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Corporation has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of execution and delivery of the Certificates.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Certificate is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Certificates to determine taxable gain upon disposition (including sale, prepayment, or payment on maturity) of such Certificate. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Certificates who purchase the Certificates after the initial offering of a substantial amount of such maturity. Owners of such Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original

issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Certificate (said term being the shorter of the Certificate's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Certificate for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Certificate is amortized each year over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Certificate premium is not deductible for federal income tax purposes. Owners of premium Certificates, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Certificates.

California Tax Status. In the further opinion of Special Counsel, the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to Certificates issued prior to enactment.

The opinions expressed by Special Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Special Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest with respect to the Certificates, or as to the consequences of owning or receiving interest with respect to the Certificates, as of any future date. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates may have federal or state tax consequences other than as described above. Other than as expressly described above, Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Certificates s, the ownership, sale or disposition of the Certificates, or the amount, accrual or receipt of interest with respect to the Certificates.

CERTAIN LEGAL MATTERS

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, substantially in the form of Appendix D hereto, will be made available to purchasers at the time of original delivery of the Certificates, and a copy thereof will accompany each Certificate. Jones Hall is also acting as Disclosure Counsel to the County. Certain legal matters will be passed upon for the Corporation and the County by the County Counsel.

Payment of the fees and expenses of Special Counsel and Disclosure Counsel is contingent upon the execution and delivery of the Certificates.

LITIGATION

There is no litigation pending or, to the County's knowledge, threatened in any way to restrain or enjoin the execution or delivery of the Certificates, the Lease Agreement or the Trust Agreement, to contest the validity of the Certificates, the Lease Agreement or the Trust Agreement, or any proceeding of the County with respect thereto. In the opinion of the County and its counsel, there are no lawsuits or claims pending against the County which will materially affect the County's finances so as to impair its ability to pay Lease Payments when due.

MUNICIPAL ADVISOR

KNN Public Finance, LLC, California, has served as Municipal Advisor to the County with respect to the sale of the Certificates. The Municipal Advisor has assisted in various matters relating to the planning, structuring and sale of the Certificates. The Municipal Advisor has not independently verified any of the data contained in the Official Statement or conducted a detailed investigation of the affairs of the County to determine the accuracy or completeness of the Official Statement.

COMPETITIVE SALE OF CERTIFICATES

The Certificates will be sold pursuant to a competitive auction held on February 14, 2019 pursuant to the terms set forth in the Official Notes of Sale for the Certificates (the "**Official Notice of Sale**").

The Certificates were awarded to Fidelity Capital Markets (the "**Underwriter**") and are being purchased at a purchase price of $7,675,209.34, which represents the aggregate principal component of the Certificates ($7,480,000.00) plus a net original issue premium of $279,887.05, and less an underwriter's discount of $84,677.71.

The Underwriter intends to offer the Certificates to the public at the offering prices set forth on the cover page of this Official Statement. The Underwriter may overallot or take other steps that stabilize or maintain the market prices of the Certificates at levels above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time.

RATING

S&P has assigned its municipal bond rating of "AA" to the Certificates. There is no assurance that any credit rating given to the Certificates will be maintained for any period of time

or that the rating may not be lowered or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates. Such rating reflects only the views of S&P and an explanation of the significance of such rating, and any outlook associated with such rating, may be obtained from S&P.

EXECUTION

The execution and delivery of this Official Statement have been duly authorized by the Board of Supervisors of the County.

SAN BENITO COUNTY

By: /s/ *Ray Espinosa*
Ray Espinosa
County Administrative Officer

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following are brief summaries of the provisions of the Site Lease, the Lease Agreement, the Trust Agreement and the Assignment Agreement. These summaries are not intended to be definitive. Reference is made to the actual documents (copies of which are available from the County) for the complete terms thereof.

DEFINED TERMS

The following terms have the following meanings, notwithstanding that any such terms may be elsewhere defined in this Official Statement. Any terms not expressly defined in this Summary but previously defined in this Official Statement have the respective meanings previously given.

"Assignment Agreement" means the Assignment Agreement, dated as of March 1, 2019, by and between the Corporation, as assignor, and the Trustee as assignee.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income pursuant to Section 103 of the Code.

"Business Day" means a day other than a Saturday, Sunday or legal holiday, on which banking institutions in the State of California, or in any state in which the Office of the Trustee is located, are not closed for corporate trust business.

"Certificates" means the $7,480,000 aggregate principal amount of San Benito County 2019 Certificates of Participation (Jail Facility Project), executed and delivered and at any time Outstanding under the Trust Agreement.

"Closing Date" means March 5, 2019, the day when the Certificates, duly executed by the Trustee, are delivered to the Original Purchaser.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Certificates or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of execution and delivery of the Certificates, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate executed by the County and dated the date of execution and delivery of the Certificates, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Corporation" means the San Benito County Financing Corporation, a nonprofit public benefit corporation organized and existing under the laws of the State of California.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the County or the Corporation relating to the execution and delivery of the

Lease or the execution, sale and delivery of the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (which shall include legal fees and the first annual administration fee of the Trustee), financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

"Cost of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"County Representative" means the Chairman, Vice Chairman, County Executive Officer, Assistant County Executive Officer, the Auditor-Controller, the Treasurer-Tax Collector, or any other person authorized by resolution of the Board of Supervisors of the County to act on behalf of the County under or with respect to the Trust Agreement.

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to the Trust Agreement.

"Depository System Participant" means any participant in the Depository's book-entry system.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Event of Default" means an event of default under the Lease, as defined in Section 8.1 thereof.

"Federal Securities" means any of the following which at the time of investment are legal investments under the laws of the State of California for the funds purported to be invested therein: (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America); and (b) obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully guaranteed by the United States of America.

"Fiscal Year" means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period by the County as its fiscal year pursuant to written notice filed with the Trustee.

*"*Information Services*"* means the Municipal Securities Rulemaking Board Electronic Municipal Market Access (EMMA) system accessible at the emma.msrb.org website; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the County may designate in a written request delivered to the Trustee.

"Insurance and Condemnation Fund" means the fund by that name to be established and held by the Trustee pursuant to the Trust Agreement.

"Interest Payment Date" means, with respect to any Certificate, October 1, 2019, and the first day of each April 1 and October 1 thereafter to and including the date of maturity or prepayment of such Certificate.

"Lease Agreement" means the Lease Agreement, dated as of March 1, 2019, by and between the Corporation as lessor and the County as lessee, as originally executed or as thereafter amended pursuant to any duly authorized and executed amendments thereto.

"Leased Property" means the land, including the improvements situated thereon, all as more particularly described in the Site Lease.

"Lease Payment Date" means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month immediately preceding such Interest Payment Date.

"Lease Payment Fund" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"Lease Payments" means all payments required to be paid by the County pursuant to the Lease Agreement, including any prepayment thereof.

"Moody's" means Moody's Investors Service, or its successors and assigns.

"Net Proceeds" means any insurance proceeds or eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Leased Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

"Nominee" means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository.

"Outstanding", when used as of any particular time with respect to Certificates, means (subject to the provisions of Section 13.05 of the Trust Agreement) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except (a) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (b) Certificates for the payment or prepayment of which funds or Federal Securities in a sufficient amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or prepayment date of such Certificates), provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in Section 3.03 of the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and (c) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to Section 2.09 of the Trust Agreement.

"Owner", when used with respect to a Certificate, means the person in whose name the ownership of such Certificate shall be registered on the Registration Books.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Permitted Encumbrances" means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the County may permit to remain

unpaid pursuant to Article V; (b) the Site Lease, this Lease, the Assignment Agreement and any other agreement or document contemplated hereunder to be recorded against the Leased Property; (c) the various encumbrances, leases and other items shown of record against the Leased Property in the Preliminary Report of Stewart Title Guaranty dated December 24, 2018, including without limitation the Financing Statement executed by the County to Banc of America Public Capital Corp recorded August 7, 2018, and the Waiver of Interests dated as of March 1, 2019, executed by the County, the Corporation and the Trustee, and recorded against the Leased Property concurrently with the Lease Agreement; (d) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the County certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

"Permitted Investments" means the following, but only to the extent that the same are acquired at Fair Market Value (provided, that the Trustee shall have no duty to investigate the Fair Market Value of any Permitted Investments):

(a) Federal Securities;

(b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: (i) Export-Import Bank; (ii) Farm Credit System Financial Assistance Corporation, (iii) Farmers Home Administration; (iv) General Services Administration; (v) U.S. Maritime Administration; (vi) Small Business Administration; (vii) Government National Mortgage Association (GNMA); (viii) U.S. Department of Housing & Urban Development (PHAs); (ix) Federal Housing Administration and (x) Federal Financing Bank;

(c) direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations rated on the date of purchase "Aaa" by Moody's and "AAA" by S&P issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC); senior debt obligations of other government-sponsored agencies; obligations of the Resolution Funding Corporation (REFCORP); senior debt obligations of the Federal Home Loan Bank System;

(d) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing no more than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank;

(e) commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P, and which matures not more than 270 days after the date of purchase;

(f) investments in a money market fund rated at the time of purchase "Aaam" or "AAAm-G" or better by S&P, including any such money market fund from which the Trustee or its affiliates receive fees for services to such fund;

(g) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based upon an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's and S&P or any successors thereto; or (ii)(A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) general obligations of States with a rating at the time of purchase of at least "A2/A" or higher by both Moody's and S&P; and

(i) the Local Agency Investment Fund maintained by the State of California.

"Project Fund" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"Record Date" means the close of business on the 15th day of the month preceding each Interest Payment Date, whether or not such 15th day is a Business Day.

"Registration Books" means the records maintained by the Trustee pursuant to the Trust Agreement for registration of the ownership and transfer of ownership of the Certificates.

"Securities Depositories" means The Depository Trust Company, 711 Stewart Avenue, Garden County, New York 11530, Fax-(516) 227-4039; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the County may designate in a written request of the County delivered to the Trustee.

"Site Lease" means the Site Lease, dated as of March 1, 2019, by and between the County, as lessor, and the Corporation, as lessee, as originally executed or as thereafter amended pursuant to any duly authorized and executed amendments thereto.

"Site Lease Payment" means the amount of $7,480,000, which is payable by the Corporation to the County on the Closing Date as rental for the Leased Property pursuant to the Site Lease.

"Trust Agreement" means the Trust Agreement, dated as of March 1, 2019, by and among, the County, the Corporation and the Trustee.

"Trustee" means Wells Fargo Bank, N.A., or any successor thereto acting as Trustee pursuant to the Trust Agreement.

SITE LEASE

Under the Site Lease, the County leases the Leased Property to the Corporation, to enable the Corporation to sublease the Leased Property back to the County under the Lease Agreement. The term of the Site Lease is coterminous with the term of the Lease Agreement.

LEASE AGREEMENT

Lease of the Leased Property; Term

The Corporation leases the Leased Property to the County pursuant to the Lease Agreement. The Lease Agreement commences on the Closing Date and terminates on October 1, 2048, or such earlier or later date on which the Trust Agreement is discharged pursuant to its terms, except under certain circumstances such as the taking of all or any portion of the Leased Property in eminent domain proceedings, except that in no event shall the term of the Lease Agreement extend beyond October 1, 2058.

Lease Payments; Abatement

The County agrees to pay semiannual Lease Payments, subject to abatement as described below, as the rental for the use and occupancy of the Leased Property. On each Lease Payment Date, the County is obligated to deposit with the Trustee the full amount of the Lease Payments coming due and payable on the next Interest Payment Date, to the extent required to be paid by the County under the Lease Agreement. Any amount on deposit in the Lease Payment Fund on any Lease Payment Date is required to be credited towards the payment then required to be deposited by the County with the Trustee.

The County agrees to take such actions as may be necessary to include all Lease Payments required to be paid by it under the Lease Agreement in its annual budgets and to appropriate such Lease Payments in each Fiscal Year during the term of the Lease Agreement. The County agrees to file with the Trustee annually a certificate stating that all Lease Payments due in any Fiscal Year have been included in the final budget for such Fiscal Year. In addition, the County has agreed to pay compensation due to the Trustee and all costs and expenses of auditors, engineers and accountants, and costs of issuance to the extent not paid out of Certificate proceeds.

The Lease Payments will be abated under the Lease Agreement during any period in which due to damage or destruction of the Leased Property in whole or in part, or due to taking in eminent domain proceedings of the Leased Property in whole or in part, there is substantial interference with the County's use and occupancy of all or any portion thereof. The parties to the Lease have agreed that the amount of Lease Payments under such circumstances shall not be less than the amount of the Lease Payments required to pay principal and interest with respect to the Certificates, as scheduled, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Leased Property not damaged or destroyed, based on the opinion of an MAI appraiser with expertise in valuing such properties or other appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the County waives any right to

terminate the Lease Agreement by virtue of any such damage and destruction. There is to be no abatement of Lease Payments to the extent that the net proceeds of hazard insurance and rental interruption insurance are available to pay Lease Payments. In the event of such abatement, the County will have no obligation to pay abated Lease Payments and there is no remedy available to Certificate owners arising from such abatement.

Title

At all times during the term of the Lease Agreement, the County will hold title to the Leased Property, and the Corporation will have a leasehold estate in the Leased Property, subject to the Permitted Encumbrances. Upon the payment in full of all Lease Payments, or upon the deposit by the County of security for such Lease Payments as provided in the Lease Agreement, the leasehold estate of the Corporation in and to the Leased Property will be terminated.

Maintenance, Utilities, Taxes and Modifications

The County, at its own expense, has agreed to maintain or cause to be maintained the Leased Property in good repair; the Corporation has no responsibility for such maintenance. The County is also obligated to pay all taxes and assessments charged to the Leased Property. The County has the right under the Lease Agreement to remodel the Leased Property and to make additions, modifications and improvements to the Leased Property, provided that any such additions, modifications and improvements to the Leased Property are of a value which is not substantially less than such value of the Leased Property immediately prior to making such additions, modifications and improvements. The County will not permit any mechanic's or other lien to be established or to remain against the Leased Property, except that the County has the right in good faith to contest any such lien.

Option to Prepay

The County may exercise its option to prepay the principal component of the Lease Payments, in whole or in part, on any date on or after October 1, 2028, by paying a prepayment price equal to the aggregate or a portion of the unpaid principal components of the remaining Lease Payments, together with the interest component of the Lease Payment required to be paid on such date, and premium due in connection with the prepayment of the Certificates, if any, as set forth elsewhere in this Official Statement. The County shall notify the Corporation and the Trustee as to which of the Lease Payments it wishes to prepay. Such prepayment price shall be deposited by the Trustee in the Lease Payment Fund to be applied to the prepayment of the Certificates pursuant to the Trust Agreement. The County shall give the Trustee notice of its intention to exercise its option not less than 30 days in advance of the date of exercise. In the event the Lease Payments have been fully paid, and the County prepays the entire unpaid principal component of the Lease Payments in whole, the County will be deemed to have purchased the Leased Property and title to the Leased Property shall thereupon vest in the County, free and clear of any encumbrance created by the Lease Agreement.

Additionally, the County may on any date secure the payment of the Lease Payments in whole or in part by depositing with the Trustee an amount of cash which, together with other available amounts on deposit in the funds and accounts established under the Trust Agreement, is either (a) sufficient to pay such Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in the

Lease Agreement, or (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay such Lease Payments when due, as the County shall instruct at the time of said deposit. In the event of such a security deposit with respect to all unpaid Lease Payments, (a) the Term of the Lease Agreement shall continue, (b) all obligations of the County under the Lease Agreement, and all security provided by the Lease Agreement for said obligations, shall thereupon cease and terminate, excepting only the obligation of the County to make, or cause to be made all of the Lease Payments from such security deposit, and (c) title to the Leased Property shall vest in the County on the date of said deposit automatically and without further action by the County or the Corporation.

Assignment; Subleases

The Corporation has assigned certain of its rights under the Lease Agreement to the Trustee pursuant to the Assignment Agreement. The County may not assign any of its rights in the Lease Agreement, and may sublease all or a portion of the Leased Property only under the conditions contained in the Lease Agreement, including the condition that such sublease not cause the interest component of the Lease Payments to become subject to federal or State of California personal income taxes.

Amendment of Lease

The Corporation and the County may at any time amend or modify any of the provisions of the Lease Agreement, without the consent of the Trustee or any of the Certificate Owners, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the County contained in the Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the County;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained therein, or in any other respect whatsoever as the Corporation and the County may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments do not materially adversely affect the interests of the Owners of the Certificates;

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest represented by any of the Certificates under the Code, in the opinion of Bond Counsel;

(iv) to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or in connection with any substitution of the Leased Property as described above; or

(v) to obligate the County to pay additional amounts of rental for the use and occupancy of the Leased Property, provided that (1) such additional

amounts of rental do not cause the total rental payments made by the County under the Lease Agreement to exceed the fair rental value of the Leased Property, as set forth in a certificate of the County filed with the Trustee and the Corporation, (2) the County has obtained and filed with the Trustee and the Corporation an appraisal of the Leased Property showing that the estimated fair market value thereof is not less than the aggregate unpaid principal components of the Lease Payments and the aggregate principal components of such additional amounts of rental, and (3) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which will be applied to finance the construction or acquisition of land, facilities or other improvements which are authorized under applicable California law.

Events of Default

Each of the following constitutes an event of default under the Lease Agreement:

(a) Failure by the County to pay any Lease Payment or other payment required to be paid under the Lease Agreement at the time specified herein.

(b) Failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clause (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Corporation or the Trustee; *provided, however*, that if in the reasonable opinion of the County the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if the County commences to cure such failure within such 30 day period and thereafter diligently and in good faith cures such failure in a reasonable period of time.

(c) Certain events relating to the insolvency or bankruptcy of the County.

Remedies on Default

Whenever any Event of Default shall have happened and be continuing, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to the Lease; *provided, however*, that notwithstanding anything in the Lease or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable or to re-lease the Leased Property to any party other than the County. The provisions of the Lease and the duties of the County and of its board, officers or employees shall be enforceable by the Corporation or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Corporation and its assignee shall have the right to bring the following actions:

(1) Accounting. By action or suit in equity to require the County and its board, officers and employees and its assigns to account as the trustee of an express trust.

(2) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Corporation or its assignee.

(3) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Corporation's or its assignee's rights against the County (and its board, officers and employees) and to compel the County to perform and carry out its duties and obligations under the law and its covenants and agreements with the Corporation as provided herein.

TRUST AGREEMENT

Trustee

The Trustee is appointed pursuant to the Trust Agreement and is authorized to prepare, execute and deliver the Certificates thereunder, and to act as a depository of amounts held thereunder. The Trustee is required to make deposits into and withdrawals from funds, and invest amounts held under the Trust Agreement in accordance with the County's instructions.

Funds

The Trust Agreement creates the Lease Payment Fund, the Project Fund and the Insurance and Condemnation Fund to be held in trust by the Trustee.

Lease Payment Fund. There will be deposited in the Lease Payment Fund, when received by the Trustee, all Lease Payments and prepayments thereof. Moneys on deposit in the Lease Payment Fund will be used to pay principal and interest represented by the Certificates. Any earnings on investment of moneys in the Lease Payment Fund will remain therein and will be credited towards payment of the next Lease Payments. Any surplus remaining in the Lease Payment Fund after the payment of all Certificates, or provision for their payment has been made, will be paid to the County.

Project Fund. The Trustee shall establish a special fund designated as the "Project Fund" which fund shall be kept separate and apart from all other funds and moneys held by the Trustee. The amounts in the fund shall be disbursed solely as provided in the Trust Agreement.

Insurance and Condemnation Fund; Application of Net Proceeds of Insurance and Eminent Domain. Any Net Proceeds of insurance or condemnation awards with respect to the Leased Property will be deposited in the Insurance and Condemnation Fund. In the event of an insurance award, the Net Proceeds on deposit in the Insurance and Condemnation Fund will be used, as directed by the County, either (a) to replace, repair, restore, modify or improve the Leased Property if the County determines that such is economically feasible or in the best interests of the County, or (b) to the extent not so used, to prepay the Lease Payments allocable to the Leased Property and thereby prepay Certificates. In the event of an eminent domain award with respect to the Leased Property, the Net Proceeds on deposit in the Insurance and Condemnation Fund will be used as directed by the County, as follows: (a) if the County determines that such eminent domain proceedings have not materially affected the interest of the County in the Leased Property or its ability to make payments under the Lease Agreement, such proceeds will be used either for repair, replacement or rehabilitation of the

Leased Property, or credited towards the allocable Lease Payments next coming due and payable; or (b) if the County determines otherwise, and in any event if all of the Leased Property is taken in eminent domain proceedings, such proceeds will be used to prepay the Lease Payments and Certificates.

Investment of Funds; Valuation of Investments

The Trustee is required to invest and reinvest all moneys held under the Trust Agreement, in Permitted Investments maturing not later than the date moneys are expected to be required for expenditure. All income or profit on any investments of funds held by the Trustee under the Trust Agreement will be deposited in the respective funds from which such investments were made.

Remedies Upon Event of Default

Upon the occurrence of an event of default by the County under the Lease Agreement the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, the Trustee shall, exercise any and all remedies available at law or pursuant to the Lease Agreement; *provided*, however, that notwithstanding anything in the Trust Agreement or in the Lease Agreement to the contrary, there shall be no right under any circumstances to accelerate the maturities of the Certificates or otherwise to declare any Lease Payment not then in default to be immediately due and payable. The Trustee is granted the power to control the proceedings in the event of a default, for the equal benefit of the Certificate Owners, and no Certificate Owner has the right to institute any suit, action or proceeding at law or in equity, unless (a) such Owner has previously notified the Trustee of the occurrence of an event of default, (b) the Owners of a majority in aggregate principal amount of the outstanding Certificates have requested the Trustee in writing to exercise its powers, (c) said Owners have tendered the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in complying with such request, and (d) the Trustee has failed to comply with such request for 60 days after receipt of such request and tender of such indemnity.

Any amounts collected by the Trustee in an event of default are required to be applied first to the payment of the fees and expenses of the Trustee incurred in connection with such event of default and second to the payment of principal and interest represented by the Certificates (including interest on overdue installments of interest at the net effective rate of interest per annum then represented by the outstanding Certificates, but only to the extent funds are available for such purpose after payment of all other overdue amounts), ratably if necessary. Upon an event of default, the Trustee has a first lien on the amounts held under the Trust Agreement for its fees, charges and expenses.

Amendment of Trust Agreement

The Trust Agreement may be amended by agreement among the parties thereto without the consent of the Owners of the Certificates, but only (a) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power reserved to the Corporation or the County, (b) to cure, correct or supplement any ambiguous or defective provision in accordance with the original intention of the Corporation and the County, (c) in any respect whatsoever in regard to questions arising thereunder, as the County and the Corporation may deem necessary or desirable and which shall not, in the opinion of Bond Counsel, materially adversely affect the interests of the Owners of the Certificates, (d) to

correct any incorrect property description, (e) to facilitate any amendment to the Lease Agreement which is permitted to be made thereto as described above, or (f) if and to the extent permitted in the opinion of Bond Counsel filed with the Trustee, the County and the Corporation, to delete or modify any of the provisions thereof relating to the exclusion from gross income for federal income tax purposes of interest represented by the Certificates. Any other amendment requires the approval of the Owners of a majority in aggregate principal amount of the Certificates then outstanding, provided that no such amendment may (a) extend the maturity or time of interest payment, or reduce the interest rate, amount of principal or premium payable on, any Certificate without such Owner's consent; (b) reduce the percentage of Owners of Certificates required to consent to any amendment or modification; or (c) modify any of the Trustee's rights or obligations without its consent.

Defeasance

Upon payment of the outstanding Certificates in whole, or upon the deposit of cash or non-callable Federal Securities with the Trustee sufficient with other available funds to retire the obligations represented by such Certificates at or before maturity, all rights thereunder of the Owners of such Certificates and all obligations of the Corporation, the Trustee and the County with respect to the Certificates ceases and terminates, except only the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the County from funds so deposited, all sums represented thereby when due.

ASSIGNMENT AGREEMENT

The Corporation and the Trustee will enter into the Assignment Agreement under which the Corporation assigns and sets over to the Trustee, for the benefit of the Owners of the Certificates, all of the Corporation's rights under the Lease Agreement (subject to certain exceptions), including the right of the Corporation to receive and collect Lease Payments, its right to receive and collect proceeds of condemnation and insurance awards and the right to exercise rights and remedies of the Corporation in the Lease Agreement to enforce payments of amounts thereunder. The Trustee accepts such assignment for the purpose of securing such payments due to and rights of the Owners of the Certificates, subject to the provisions of the Trust Agreement.

APPENDIX B

SAN BENITO COUNTY

GENERAL DEMOGRAPHIC INFORMATION

General and Location

San Benito County (the "County"), located in Northern California about 130 miles southeast of San Francisco, was created from parts of Monterey County in 1874. The County encompasses an area of approximately 1,390 square miles, shares a northern border with Santa Clara County, shares eastern borders with Merced and Fresno Counties, as well as a western border with Monterey County. The topography is marked by the Pinnacles National Park, which covers about 41 square miles of land, as well as mountain ranges such as the Diablo, Gabilan, Las Aguilas, and Santa Cruz mountains.

Population

As of January 1, 2018, the County's population was approximately 57,088, which represents a 0.36% increase above the January 1, 2017 population estimate of 56,879. The historic population estimates for the County and cities within the County as of January 1 of the years 2014 through 2018 are listed below.

SAN BENITO COUNTY
Population Estimates
As of January 1

Area	2014	2015	2016	2017	2018
Hollister	35,905	36,137	36,297	36,458	36,703
San Juan Bautista	1,863	1,877	1,879	1,891	1,873
Unincorporated	18,451	18,438	18,448	18,530	18,512
Incorporated	37,768	38,014	38,176	38,349	38,576
Total County	56,219	56,452	56,624	56,879	57,088

Source: California State Department of Finance.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the County, the State and the United States for the period 2015 through 2019.

SAN BENITO COUNTY
Effective Buying Income
2015 through 2019

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2015	San Benito County	1,211,128	55,182
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2016	San Benito County	1,332,148	59,860
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	San Benito County	1,391,147	62,230
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	San Benito County	1,528,355	67,136
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	San Benito County	1,589,576	69,217
	California	1,183,264,399	62,637
	United States	9,017,967,5639	52,841

Source: The Nielsen Company (US), Inc for years 2015 through 2018; Claritas, LLC for 2019.

Commercial Activity

Total taxable sales during the first three quarters of calendar year 2017 in the County were reported to be $580,301,954 a 16.67% increase over the total taxable sales of $497,383,662 reported during the first three quarters of calendar year 2016. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County is presented in the following table. Annual figures are not yet available for 2017 or 2018.

SAN BENITO COUNTY
Taxable Transactions
(Figures in Thousands)

	Retail Stores		Total All Outlets	
	Numbers of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2012	786	308,777	1,199	530,017
2013	844	329,051	1,260	560,238
2014	888	338,945	1,313	560,376
2015[(1)]	557	357,217	1,446	607,831
2016	965	387,569	1,541	664,452

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: California State Board of Equalization

Building and Construction

Provided below are the building permits and valuations for the County for calendar years 2013 through 2017.

SAN BENITO COUNTY
TOTAL BUILDING PERMIT VALUATIONS
(VALUATIONS IN THOUSANDS)

	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	$32,574.5	$20,711.8	$66,826.5	$117,407.4	$147,085.0
New Multi-family	0.0	0.0	4,246.5	9,554.8	323.5
Res. Alterations/Additions	3,019.5	3,245.3	3,089.0	7,779.2	4,267.2
Total Residential	35,594.0	23,957.1	74,162.0	134,741.4	151,675.7
New Commercial	4,763.9	7,030.2	19,214.6	5,499.7	2,082.3
New Industrial	42.0	0.0	6,800.0	4,988.4	0.0
New Other	2,623.5	8,711.4	1,399.7	22,320.4	1,511.1
Com. Alterations/Additions	3,200.0	6,311.7	18,397.2	4,804.7	14,610.7
Total Nonresidential	$10,629.4	$22,053.3	$45,811.5	$37,613.2	$18,204.1
New Dwelling Units					
Single Family	138	78	223	443	586
Multiple Family	0	0	49	99	2
TOTAL	38	78	272	542	588

Source: Construction Industry Research Board, Building Permit Summary

Employment and Industry

The unemployment rate in the San Jose-Sunnyvale-Santa Clara MSA was 2.5 percent in December 2018, up from a revised 2.4 percent in November 2018, and below the year-ago estimate of 2.7 percent. This compares with an unadjusted unemployment rate of 4.1 percent for California and 3.7 percent for the nation during the same period. The unemployment rate was 5.3 percent in San Benito County, and 2.4 percent in Santa Clara County.

The table below provides information about employment rates and employment by industry type for the County for calendar years 2013 through 2017.

SAN BENITO COUNTY
San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area
Employment by Industry
Annual Averages

	2013	2014	2015	2016	2017
Civilian Labor Force	1,000,800	1,021,500	1,039,200	1,053,800	1,071,800
Employment	934,700	967,600	994,800	1,012,900	1,036,300
Unemployment	66,000	53,900	44,300	40,900	35,400
Unemployment Rate	6.6%	5.3%	4.3%	3.9%	3.3%
Wage and Salary Employment: [1]					
Agriculture	5,000	5,300	5,500	6,100	5,800
Mining and Logging	300	300	200	300	200
Construction	37,500	39,700	43,900	48,300	49,800
Manufacturing	158,400	161,700	164,800	166,600	166,700
Wholesale Trade	36,400	37,200	37,200	36,800	35,500
Retail Trade	83,900	85,300	86,600	85,800	86,300
Trans., Warehousing, Utilities	13,800	14,400	14,600	15,500	15,400
Information	58,700	65,700	70,500	75,700	85,100
Financial and Insurance	20,700	20,800	21,100	21,500	21,700
Real Estate, Rental & Leasing	13,000	13,300	13,500	14,200	14,400
Professional and Business Services	190,000	201,800	215,100	223,300	227,600
Educational and Health Services	143,800	150,000	156,300	162,500	168,700
Leisure and Hospitality	87,500	91,900	95,800	99,400	102,300
Other Services	25,400	26,400	26,900	27,600	28,700
Federal Government	9,900	9,900	9,900	10,000	10,100
State Government	6,300	6,400	6,700	6,700	6,800
Local Government	75,600	77,100	76,400	77,400	78,800
Total All Industries [2]	966,200	1,007,100	1,044,900	1,077,500	1,104,000

(1) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) May not add due to rounding.
Source: State of California Employment Development Department.

Major Employers

The table below lists the major employers in the County. Major employers in the County include those in education, health care, electronics, retail and manufacturing. Major public sector employers include public universities and schools, the State of California and the County.

SAN BENITO COUNTY
Principal Employers
January 2019

Employer Name	Location	Industry
Anzar High School	San Jn Bautista	Schools
Calaveras Elementary School	Hollister	Schools
Corbin Sparrow	Hollister	Motorcycles-Supls & Parts-Manufacturers
Denise & Filice Packing Co	Hollister	Fruits & Vegetables-Wholesale
Earthbound Farm	San Jn Bautista	Marketing Programs & Services
Guerra Nut Shelling Co Inc	Hollister	Nuts - Edible
Hazel Hawkins Memorial Hosp	Hollister	Hospitals
Mcelectronics Inc	Hollister	Wire Harnesses-Electrical-Manufacturers
Milgard Manufacturing Inc	Hollister	Windows-Manufacturers
Nob Hill Foods	Hollister	Grocers-Retail
Pacific Harvest Seafoods	San Jn Bautista	Frozen Fruit, Fruit Juices/Vegs (mfrs)
R & R Labor	Hollister	Labor Contractors
R O Hardin Elementary School	Hollister	Schools
Rancho San Justo Middle School	Hollister	Schools
Ridgemark Golf & Country Club	Hollister	Restaurants
Safeway	Hollister	Grocers-Retail
San Benito Foods	Hollister	Canning (mfrs)
San Benito High School	Hollister	Stadiums Arenas & Athletic Fields
San Benito Sheriff	Hollister	Sheriff
Target	Hollister	Department Stores
Trical Inc	Hollister	Farms
True Leaf Farms	San Jn Bautista	Farm Management Service
West Marine	Hollister	Marine Electronic Equip & Supls (whls)
William & Inez Mabie-Admin	Hollister	Hospitals
Willis Construction Co Inc	San Jn Bautista	Concrete Prods-Ex Block & Brick (mfrs)

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2019 1st Edition.

APPENDIX C

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

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COUNTY OF SAN BENITO

STATE OF CALIFORNIA

Hernandez Reservoir: photo by Dina Bies

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Fiscal Year Ended

June 30, 2017

Prepared and submitted by the Office of the Auditor-Controller Joe Paul Gonzalez

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JOE PAUL GONZALEZ
CLERK, AUDITOR & RECORDER
E-Mail: jgonzalez@cosb.us

OFFICE OF THE COUNTY AUDITOR

481 Fourth Street, Second Floor
Hollister, California 95023

Telephone: (831) 636-4090
Facsimile: (831) 635-9340

COUNTY OF SAN BENITO

March 29, 2018

To the Honorable Board of Supervisors and Citizens of San Benito County:

I am pleased to present this Fiscal Year 2016-2017 Comprehensive Annual Financial Report (CAFR) for the County of San Benito. This CAFR is intended to present information above and beyond what is required by generally accepted accounting principles or State Law.

This CAFR is in compliance with Sections 25250 & 25253 of the Government Code of the State of California. These statutes require all general-purpose local governments to issue an annual report on the financial position and activities of that government. The report must be presented in conformance with generally accepted accounting principles (GAAP) and must be audited by an independent firm of certified public accountants (CPA). The independent CPA conducts the audit in conformance with generally accepted auditing standards (GAAS) and generally accepted government auditing standards (GAGAS). The financial statements contained in this CAFR meet these requirements.

This report contains management's representations and is prepared by the Office of the County Auditor. Consequently, management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The County of San Benito's financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants, who have issued an unmodified ("clean") opinion on the County's financial statements for the fiscal year ended June 30, 2017. The auditors have concluded, based on their audit that the financial statements combined with the accompanying Notes, present fairly, in all material respects, the financial condition of San Benito County as of June 30, 2017. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County of San Benito includes the broader, federally mandated "single audit" designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the County of San Benito's separately issued Single Audit Report.

Management is required by the Government Accounting Standards Board to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A) in conjunction with financial statement reporting. This

letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County of San Benito's MD&A can be found immediately following the report of the independent auditors.

The CAFR is organized into three sections:

- The *Introductory Section* is intended to familiarize the reader with the organizational structure of the County, the nature and scope of the services it provides, and the specifics of its legal operating environment.

- The *Financial Section* includes the independent auditor's report on the basic financial statements, MD&A, audited basic financial statements, note disclosures and supporting statements, and schedules necessary to provide readers with a comprehensive understanding of the county's financial activities of the past fiscal year.

- The *Statistical Section* provides the reader with additional historic perspective, context, and detail to assist in using the information in the financial statements. It provides information in five categories: Financial trends; revenue capacity; debt capacity; demographic and economic information; and operating indicators.

PROFILE OF THE COUNTY OF SAN BENITO

Overview of the County

San Benito County is located in the northwestern part of the State of California and is located approximately 85 miles south of San Francisco. The County of San Benito currently occupies over 1,396 square miles and serves a population of 58,792. Open space and agricultural land account for a great majority of this area. San Benito County was formed in 1874 from a portion of Monterey County. Thirteen years later, the state legislature expanded the county to include land in Fresno and Merced counties. Territorially, it has remained unchanged since 1887.

The western and southern boundary of San Benito County is established by a coastal range of mountains known as the Gabilans. To the east lie the Diablo Mountain range and Panoche Valley, separating San Benito County from Merced and Fresno Counties. To the north, the Pajaro River creates the Santa Clara and Santa Cruz County boundaries. San Benito County is the valley that stretches between these geographical features and reaches nearly eighty miles south to the Mustang Ridge. These lands are rich in Mexican and Spanish heritage. The fertile soil of the San Juan Valley portion of San Benito County is known for the colorful fields of row crops and prolific orchards.

San Benito County government is comprised of ten publicly elected officials including a five- member Board of Supervisors, the Clerk-Auditor-Recorder, the Assessor, the District Attorney, the Sheriff-Coroner and the Treasurer- Tax Collector-Public Administrator. A County Administrative Officer (CAO) is appointed by the Board of Supervisors and functions as the Chief Executive. Averaging 436 full time equivalent employees, the County government provides a full range of public services including public safety, roads and facilities, social services, administrative services, health services, sanitation, library, parks and recreational facilities and a variety of other general governmental services. Every resident of the County, directly or indirectly, benefits from these services. Most services performed by the County are provided for all residents, regardless of whether those residents live in cities or unincorporated areas.

In accordance with the County Budget Act in the California Government Code, the County adopts a final budget each year. This annual budget serves as the foundation for the County's financial planning and control. The County maintains budgetary controls to assure compliance with legal provisions embodied in the annual appropriated budget approved by the Board. If appropriations are not sufficient, Board of Supervisors-approved appropriation transfers are required before commitments or expenditures are permitted. Unencumbered annual appropriations lapse at year-end.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

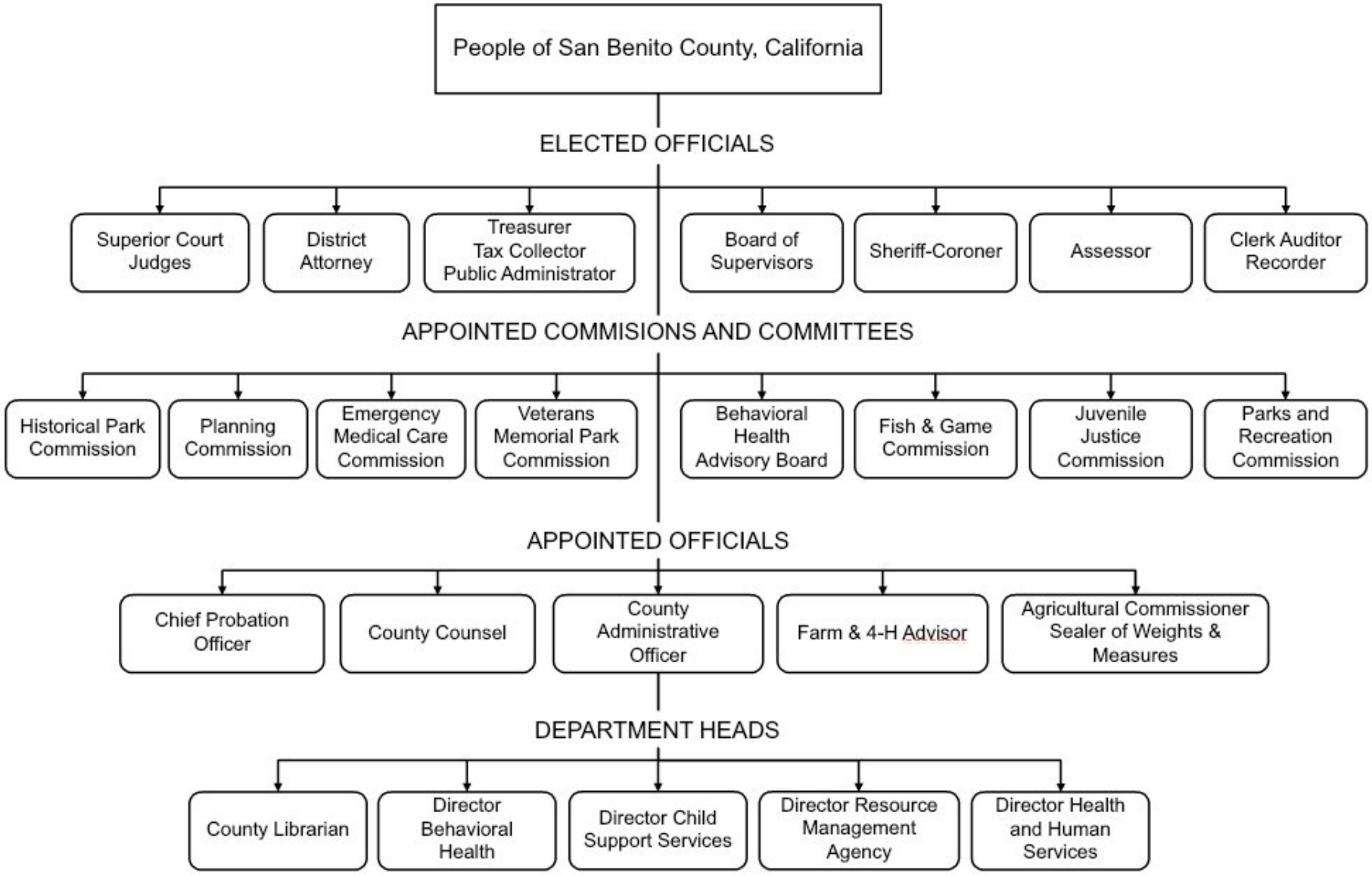
The County of San Benito's economy has continued to see positive signs of economic recovery after the global recession in the real estate and construction industry and the financial market meltdown. The Net Assessed Value of taxable property, along with the total taxes levied, have risen significantly for the second year and are approaching the highest experienced since 2008 and 2009. The unemployment rate in the County improved from 8.2% in 2016 to 7.2% in 2017, but is higher that the State's March 2017 average of 4.9%. During the same period, the State's personal income increased 3.4%, while the County increase lagged behind with a 1.6% increase. All of these factors will impact the County's revenue and tax base.

Acknowledgments

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the Accounting Division of the Office of the Auditor. I would like to express my appreciation to all members of the Auditor's Office and County departments who assisted and contributed to its preparation. I would also like to thank the members of the Board of Supervisors and the County Administrator for their interest and support, and for their leadership, planning and conducting the financial operations of the County in a responsible and progressive manner. I also thank the accounting firm of CliftonLarsonAllen LLP, for their assistance and guidance in the preparation of this report.

Respectfully submitted,

Joe Paul Gonzalez
Auditor-Controller-Clerk-Recorder-Registrar


People of San Benito County, California
ELECTED OFFICIALS
Superior Court Judges
District Attorney
Treasurer Tax Collector Public Administrator
Board of Supervisors
Sheriff-Coroner
Assessor
Clerk Auditor Recorder
APPOINTED COMMISIONS AND COMMITTEES
Historical Park Commission
Planning Commission
Emergency Medical Care Commission
Veterans Memorial Park Commission
Behavioral Health Advisory Board
Fish & Game Commission
Juvenile Justice Commission
Parks and Recreation Commission
APPOINTED OFFICIALS
Chief Probation Officer
County Counsel
County Administrative Officer
Farm & 4-H Advisor
Agricultural Commissioner Sealer of Weights & Measures
DEPARTMENT HEADS
County Librarian
Director Behavioral Health
Director Child Support Services
Director Resource Management Agency
Director Health and Human Services

San Benito County Elected and Appointed Officials

Elected Officials

Board of Supervisors:	
Mark Medina	District 1
Anthony Botelho	District 2
Robert Rivas	District 3
Jerry Muenzer	District 4
Jaime De La Cruz, Chair	District 5
Assessor	Tom Slavich
Clerk, Auditor, Recorder, Registrar of Voters	Joe Paul Gonzalez
District Attorney	Candice Hooper
Sheriff - Coroner	Darren Thompson
Treasurer, Tax Collector, Public Administrator	Mary Lou Andrade

Appointed Officials

Agricultural Commissioner – Sealer of Weights & Measures	Karen Overstreet
Chief Probation Officer	Ted Baraan
County Administrative Officer	Ray Espinosa
County Counsel	Matthew Granger
County Health Officer	Gail Newel
Director - Child Support Services	Jamie Murray
Director - County Library	Nora Conte
Director - Health & Human Services Agency	James Rydingsword
Director - Mental Health Services	Alan Yamamoto
Interim Directors - Resource Management Agency	Larry Perlin & James Walgren
Director - U.C. Cooperative Ext. Service	Lynn Schmitt-McQuitty

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Honorable Members of the Board of Supervisors
County of San Benito
Hollister, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of San Benito (County), California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit First 5 San Benito which represents 100 percent of the assets, liabilities, and revenues of the discretely presented component unit. These financial statements were audited by other auditors, whose report thereon has been furnished to us. Our opinion as it relates to the amounts included for the First 5 San Benito is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

Basis for Qualified Opinion on Discretely Presented Component Unit

We were unable to obtain audited financial statements supporting the Commission's other postemployment benefits and pension liabilities at June 30, 2017. Thus, we were unable to satisfy ourselves as to the carrying value of the assets, deferred inflows and deferred outflows and liabilities of those amounts as listed in the accompanying financial statements.

Qualified Opinion

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion on Discretely Presented Component Unit* paragraph, the financial statements of the discretely presented component unit present fairly, in all material respects, the financial position of the activities of First 5 San Benito County as of and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Prior period adjustments

As disclosed in Note 15 to the financial statements, prior period adjustments were recorded for the correction of errors in prior year financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net pension liability and related ratios and schedule of contributions, schedule of funding progress – other postemployment benefits, and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2018 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Roseville, California
March 28, 2018

COUNTY OF SAN BENITO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

As management of the County of San Benito, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County of San Benito for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal at the front of this report and the County's financial statements which follow this section.

I. FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County exceeded its liabilities plus deferred inflows of resources at the close of the fiscal year by $129.6 million (net position). Of this total, $291 thousand represented unrestricted net position, which is available to meet the County's ongoing obligations to citizens and creditors. $37.7 million represents restricted net position, which by its classification implies that there are restrictions put in place by entities outside of the County. The remaining $91.6 million represents the County's net investment in capital assets.

- The County's total adjusted net position increased by $9.2 million during the current fiscal year. The increase in net position represents the degree to which revenues exceeded expenses.

- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of $74.8 million, an increase of $5.9 million in comparison to the restated fund balance, explained in detail in Note 15. Approximately 19%, $14.1 million, is available for spending at the government's discretion (unassigned fund balance).

- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was $26.1 million or approximately 79% of total general fund expenditures.

- Governmental fund tax revenue increased by 8.7% compared to the previous year.

- Landfill total net position decreased by $286 thousand to an ending balance of $5.5 million.

II. OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the County of San Benito's basic financial statements. The County of San Benito's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the County's assets, liabilities, and deferred inflows/outflows 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 the County of San Benito's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the 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 cost through user fees and charges (*business - type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. The county has one business-type activity, the John Smith Landfill (solid waste fund).

Component units are included in the basic financial statements and consist of legally separate entities for which the County is financially accountable, and have the same, or substantially the same board as the County or provides services entirely to the County. The County Service Areas (CSA's) are an example of these. Financial data of the CSA's are combined with the presentation of the primary government's financial data and are therefore referred to as a "blended" component unit (see Note 1 for more details). On the other hand, a "discretely presented" component unit is one that is presented separately in the financial statements to emphasize its independence from the primary government. The County of San Benito has one discretely presented component unit, First 5 San Benito.

The government-wide financial statements can be found on pages 17-18 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County are separated into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental 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 assessing a government's near-term financing requirements.

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 fund Balance Sheet and the governmental fund Statement of Revenues,

Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *government-wide statements.*

The County maintains 30 individual governmental funds. For financial reporting purposes, information is presented separately for major funds: General Fund, Human Services Agency Fund, Road Fund, Mental Health Fund, Family Support, and Tobacco Fund. 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 these six funds. Information for the remaining 24 governmental funds is combined into the presentation of Other Governmental Funds. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements located under the Supplementary Information section in this report, starting on page 91.

The governmental funds financial statements can be found on pages 20-23 of this report.

Proprietary Funds. include Enterprise Funds and Internal Service Funds. Enterprise funds report the same functions presented as the business-type activities in the government-wide financial statements. The County has one enterprise fund used to account for its Landfill-Solid Waste Operations. Internal service funds are used to accumulate and allocate costs internally among the County's various functions. As these services are primarily a benefit to government rather than business-type functions, they would be included in the government-wide financial statements. The County does not currently use any Internal Service funds.

The proprietary fund financial statements can be found on pages 24-26 of this report.

Fiduciary Funds. are used to account for resources that are held for the benefit of third parties outside of the County. Fiduciary funds are not available to support the County's own programs. The County uses an Investment Trust Funds statement to detail the additions and deductions of net assets in the form of investment income, and receipt and withdrawals by depositors. As fiduciary funds are not County funds, detailed analysis of them will not be included in this discussion.

The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 30 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's progress in funding its obligation to provide other post-employment benefits (OPEB) to its employees. It also provides information about the County's proportionate share of the California Public Employees Retirement (CalPERS) Safety pension plan collective net pension liability and information regarding the County's contributions to CalPERS; as well as, the County's net pension liability for the Miscellaneous Pension Plan. Required supplementary information can be found beginning on page 71 of this report.

This section also includes budgetary comparison schedules which compare the budgeted amounts for the fiscal year with the actual activity for five of the County's Major Governmental Funds - the General Fund, the Human Services Agency, the Road Fund, the Mental Health Fund, and Family Support Fund. This

information shows how well the County stayed within the budget constraints it set for itself.

The notes to the required supplementary information discuss the County's budgetary basis of accounting and the policies and regulations it adheres to.

Combining and Individual Fund Statements and Schedules

The financial statements of the County's non-major funds are represented here. It includes all other Special Revenue Funds, Capital Projects and Developer Projects Funds and can be found beginning on page 90 of this report. Additional budget-to-actual comparison schedules are presented for all individual special revenue funds for which annual budgets are legally adopted, along with the budget-to-actual comparison for the Capital Projects Fund.

III. GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

The net position over time may serve as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $129.6 million at the close of the most recent fiscal year.

County of San Benito
Condensed Statement of Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total		Percent
	2017	2016	2017	2016	2017	2016	Change
Assets:							
Current and other assets	$ 87,090	$ 76,841	$5,821	$5,234	$ 92,911	$ 82,075	13.2%
Capital assets, net	90,932	92,365	777	825	91,709	93,190	-1.6%
Total assets	178,022	169,206	6,598	6,059	184,620	175,265	5.3%
Deferred outflows or resources:	18,021	5,755	32	13	18,053	5,768	213.0%
Liabilities:							
Current and other liabilities	7,088	5,974	947	132	8,035	6,106	31.6%
Long-term liabilities	58,981	50,537	166	124	59,147	50,661	16.8%
Total liabilities	66,069	56,511	1,112	256	67,182	56,767	18.3%
Deferred inflows of resources:	5,923	5,598	6	18	5,929	5,616	5.6%
Net Position:							
Net investment in capital assets	90,827	92,365	777	825	91,604	93,190	-1.7%
Restricted	37,667	26,081	—	132	37,667	26,213	43.7%
Unrestricted	(4,444)	(5,594)	4,735	4,842	291	(752)	-138.6%
Total net position, as restated	$124,051	$112,852	$5,512	$5,798	$129,562	$118,651	9.2%

By far, the largest portion of the County's net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The County uses these capital assets to provide a variety of services to its citizens.

Accordingly, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total government-wide (governmental and business-type activities) net position increased during the current fiscal year. Total assets increased by $9.4 million, a positive change of 5%, and liabilities increased by $10 million, or 18.3%, . Total net position increased by $9.2 million as a result of current year activity, an increase of 9% over the previous year's restated net position.

Governmental Activities: During the current fiscal year, net position for governmental activities increased $11.2 million from the prior fiscal year's original reported net position for an ending balance of $124 million. Liabilities for governmental activities increased with the addition of capital lease obligations and a net pension liability that increased by $9 million.

Business-type Activities: The business-type activities are represented by the County's landfill and total assets increased by $539 thousand during the year. Total liabilities increased by $856 thousand, partially a result of a revision to the post-closure class I estimated costs. Total net position decreased by $286 thousand due to the post-closure adjustment and an increase to the net pension liability.

Changes in Net Position
For the Fiscal Year Ended June 30, 2017
(in thousands)

	Governmental Activities		Business-type Activities		Total		Percent
	2017	2016	2017	2016	2017	2016	Change
Revenues:							
Program revenues:							
Fees, fines and charges for services	$ 12,077	$ 11,719	$ 1,147	$ 1,112	$ 13,224	$ 12,831	3.1%
Operating grants and contributions	46,708	48,757	42	145	46,750	48,902	-4.4%
Capital grants and contributions	609	784	—	—	609	784	-22.3%
General revenues:							
Property taxes	15,895	14,904	—	—	15,895	14,904	6.6%
Other taxes	4,796	3,608	—	—	4,796	3,608	32.9%
Interest and investment earnings	585	385	39	18	624	403	55.0%
Other revenue	1,094	1,150	—	—	1,094	1,150	-4.9%
Transfers in (out)	1	2	(1)	(2)	—	—	—%
Total revenues	$ 81,765	$ 81,310	$ 1,227	$ 1,273	$ 82,992	$ 82,582	0.5%
Expenses:							
General government	$ 4,390	$ 4,821	$ —	$ —	$ 4,390	$ 4,821	-8.9%
Public protection	28,401	26,361	—	—	28,401	26,361	7.7%
Public ways and facilities	7,361	7,492	—	—	7,361	7,492	-1.7%
Health and sanitation	9,459	10,510	—	—	9,459	10,510	-10.0%
Public assistance	21,654	21,564	—	—	21,654	21,564	0.4%
Education	1,059	929	—	—	1,059	929	14.0%
Recreation and culture	(2)	139	—	—	(2)	139	-101.4%
Solid waste	—	—	1,513	752	1,513	752	101.2%
Total expenses	$ 72,322	$ 71,816	$ 1,513	$ 752	$ 73,835	$ 72,568	1.7%
Change in net position	9,443	9,494	(286)	521	9,157	10,015	-8.6%
Net position, beginning (as restated)	114,609	103,358	5,798	5,277	120,407	108,635	10.8%
Net position, ending	$124,052	$112,852	$ 5,512	$ 5,798	$129,564	$118,650	9.2%

Changes in Net Position. Governmental activities program revenue, which includes charges for services (service charges, fines and fees) and grants, decreased by $1.9 million over the previous fiscal year, due to timing of grant revenues received. General revenues increased by $2.3 million in large part due to an increase in property tax and other tax revenues. Expenditures for the fiscal year were $72.3 million, an increase of $506 thousand from last year due to disaster recovery costs of $994 thousand experienced during the months of January through June 2017.

Business-type activities (Landfill) recorded $714 thousand for post-closure expense and liability for a Class I Landfill that was not provisioned for at the time of closure. At fiscal year-end 2017, the County owned the real property for the Class III portion of the landfill and has an agreement with Waste Connections Inc. to operate the Class III site. Total expenditures were $2 million, an increase of $761 thousand over last year. The proprietary fund had a total net position of $5.5 million at June 30, 2017.

IV. FINANCIAL ANALYSIS OF COUNTY'S FUNDS

As mentioned in the financial highlights of this section, the County uses fund accounting to ensure and demonstrate compliance with budgetary and legal requirements.

Governmental Funds

The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements.

Governmental funds include, the General Fund, Major and Nonmajor Special Revenue Funds, and Capital Project and Developer Project funds. Included in these funds are the special districts governed by the County Board of Supervisors. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources. Such information is useful in assessing the County's financing requirements. The primary focus is to assess and analyze comparable activity between the current and prior fiscal year.

As of the end of the fiscal year, the County's governmental funds reported total fund balances of $74.8 million, an increase of $6 million from the previous year's restated fund balance. The increase in fund balance is mainly attributed to the General Fund and Other Governmental Funds. The Unassigned fund balance of $14 million represents the County's resources that are not classified in the other categories and are considered available for current and future needs. The Restricted funds of $36 million are funds with constraints placed on their use by those external to the County. Committed fund balance, found only in the General Fund, consisted of $3 million for the purpose of funding the County's pension obligations. The Assigned funds of $20 million are earmarked to meet the County's current and future needs. The Nonspendable balance of $1.8 million represents a balance of inventories, prepaid expenditures, and long-term loans receivable, which cannot be spent because of their form (see the Fund Balance section of Note 1 - Summary of Significant Accounting Policies). The major activities in the County's governmental funds are highlighted.

General Fund. the General Fund is the chief operating fund of the County. All County activities not included in a separate fund are included in the General Fund. At June 30, 2017, unassigned fund balance totaled $15.6 million, while the total fund balance amounted to $28.9 million. As a measure of the general fund's liquidity, it is useful to note that the unassigned fund balance represents 46% of the fund's total expenditures.

General Fund expenditures increased by 5% ($1.6 million) mainly due to the flooding disasters that occurred in January and February of 2017. Emergency evacuation and repair expenses were paid out of the disaster

recovery division of the General Fund totaling $1 million for the fiscal year. The disaster has been recognized by the California Governor's Office of Emergency Services and the Federal Emergency Management Agency.

Revenues increased mainly due to increases in tax revenue of $1.5 million. Growth in housing development has led to increases in property tax revenues from the previous fiscal year.

Human Services Agency. At June 30, 2017 restricted fund balance totaled $5.3 million, a change in fund balance of $429 thousand. There was minimal change in overall net activity of the fund, however, expenditures increased by $734 thousand mainly due to indirect cost increases while revenues decreased by $1.2 million due to a decrease in grant revenue from federal and state agencies over the previous year.

Road Fund. At June 30, 2017, restricted fund balance totaled $2.3 million. The fund, which includes costs for road improvement projects experienced a decrease in overall expenditures of $642 thousand compared to last fiscal year.

Mental Health Fund. At June 30, 2017 restricted fund balance totaled $11.3 million, an increase of $1.5 million over the previous fiscal year's restricted fund balance. Although revenues increased by $43 thousand and expenditures decreased by $412 thousand over the previous year, transfers out increased by $850 thousand which was a result of a capital improvement project initiated during the fiscal year for the development of a new facility for the mental health and substance abuse departments.

Family Support Fund. At June 30, 2017 there was a negative restricted fund balance of $(1.3) million, a decrease of $1 million from the previous fiscal year. The decrease to fund balance was attributed mainly to unavailable revenue from other governments in the amount of $1.5 million.

Tobacco Fund. At June 30, 2017 the assigned fund balance totaled $707 thousand, an increase of $20 thousand from the previous year as a result of interest earned for the fund.

Other Governmental Funds. The sum of the restricted, assigned and unassigned fund balances of the remaining governmental funds increased by $3.4 million. An increase to other financing sources of $900 thousand for Capital Improvement Project fund was the main contributor to the increase in net change in fund balance compared to last fiscal year. Included in this sum are all of the County's non-major Special Revenue funds, the Capital Improvement Projects Fund, and the Developer Projects Fund.

Revenues - The following table presents the revenues by category from various sources as well as the amounts and changes from the prior year in the governmental funds.

Revenues Classified by Source
(in thousands)

	FY 2017		FY 2016		Change	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Taxes	$ 18,817	23.9%	$ 17,173	22.1%	$ 1,644	9.6 %
Licenses and permits	1,295	1.6%	$ 1,758	2.3%	(463)	(26.3)%
Aid from other governments	44,206	56.3%	$ 45,379	58.5%	(1,173)	(2.6)%
Use of money or property	585	0.7%	$ 385	0.5%	200	51.8 %
Fines, forfeits, and penalties	3,502	4.5%	$ 2,469	3.2%	1,033	41.8 %
Charges for services	8,952	11.4%	$ 8,841	11.4%	112	1.3 %
Other revenue	1,214	1.5%	$ 1,562	2.0%	(348)	(22.3)%
Total	$ 78,572	100%	$ 77,567	100%	$ 1,005	1.3 %

Tax revenues account for 23.9% of all revenues received by the County. Overall tax revenues increased by 9.6% over the previous fiscal year.

License and permit revenues decreased by 26.3%, $463 thousand, from the previous year. A result of a decrease in planning and construction permit revenue.

Aid from other governments decreased as a result of the reclassification to unavailable revenue for amounts received after sixty days of fiscal year end. Unavailable revenue increased by $699 thousand over the previous fiscal year.

Revenues from the use of money, including investment earnings, ended the year at $585 thousand compared to the prior year of $385 thousand, an increase of 51.8%.

Expenditures - The following table presents expenditures by function compared to prior year's amounts in the governmental funds.

Expenditures by Function
(in thousands)

	FY 2017		FY 2016		Change	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General government	$ 4,118	5.7%	$ 4,555	6.3%	$ (437)	(10)%
Public protection	29,832	41.1%	27,722	38.6%	2,110	7.6 %
Public ways and facilities	2,408	3.3%	2,557	3.6%	(148)	(5.8)%
Health and sanitation	9,926	13.7%	10,221	14.2%	(295)	(2.9)%
Public assistance	21,954	30.2%	22,191	30.9%	(238)	(1.1)%
Education	991	1.4%	905	1.3%	87	9.5 %
Recreation and cultural services	162	0.2%	142	0.2%	20	14.1 %
Capital outlay	3,271	4.5%	3,541	4.9%	(271)	(8)%
Total	$ 72,663	100%	$ 71,835	100%	$ 828	1.2 %

Public protection expenditures increased by $2.1 million over the previous fiscal year. Approximately $1 million is due to expenditures resulting from disaster recovery costs associated with the flooding disaster during the months of January and February 2017.

All other functions experienced slight changes in overall expenditures, none exceeding $500 thousand.

Proprietary Funds

The County has one enterprise-type proprietary fund, the John Smith Landfill (Landfill-Solid Waste Fund). Total operating revenue for the Landfill-Solid Waste Fund was $1.2 million, comparable to the previous fiscal year. Of this, $1.1 million in revenue came from charges for services. Expenditures for the year totaled $1.5 million, a 100% increase over the previous fiscal year due to post-closure Class I costs recognized during the fiscal year. The Landfill's change in net position was a decrease of $286 thousand, which resulted in an ending balance of $5.5 million.

V. BUDGETARY HIGHLIGHTS

Each year the County adopts an annual budget and monitors it closely during the fiscal year to ensure that the budgeted figures are close to the amounts actually expended and received. Emphasis is placed on the County's major funds: General Fund, Human Services Agency, Road Fund, Mental Health, Family Support, Other Governmental Funds as well as the Landfill Fund.

The **General Fund** budget included $38.2 million in General Fund revenues for the fiscal year. General fund tax revenues were budgeted at $16 million with actual taxes collected of $17.5 million. Revenue from licenses, permits, and franchises was budgeted at $1.5 million with actual revenue collections of $1.3 million, a variance due to lower than projected planning and construction permit revenue. Aid from other governments was budgeted at $8.3 million with the actual revenue received of $6.9 million which resulted from an unavailable revenue amount of $1.1 million. Use of money was budgeted at $95 thousand and $227 thousand was earned. Fines, forfeitures, and penalties were budgeted at $1.1 million with actual revenues collected of $3.1 million,

largely due to a transfer of teeter funds to the General Fund, as per board actions. Charges for services were budgeted at $10.3 million and actual revenues collected came in short at $5 million. Other revenue was budgeted at $951 thousand with actual revenue of $414 thousand**.**

Budgeted total expenditures for the year were $40.3 million while actual total expenditures were $33.4 million. Significant contributors to the $6.9 million variance are: $1.9 million in lower than projected supplies and outside services, $1.4 million in lower salary and benefit costs due to vacant positions, $2 million in capital assets and $1.5 million in lower than projected miscellaneous departmental expenses.

At fiscal year-end, fund balance increased by $1.6 million; $1 million more than the projected net change in fund balance.

The **Human Services Agency** (H.S.A) received $19.4 million in revenue for the year, $1 million more than projected. Actual expenditures were $18.9 million, $1.9 million less than was budgeted, primarily due to lower than anticipated employee related expenditures. Although there were transfers-in and out budgeted at the beginning of the fiscal year, no actual transfers occurred during the year. Ending fund balance for H.S.A. is $5.3 million; an increase of $429 thousand from the previous year's ending balance of $4.8 million.

Road Fund revenue was budgeted at $61.3 million while actual revenue was $2.4 million. Transfers-in, which are largely influenced by actual projects costs in a given year, were budgeted at $694 thousand and actual transfers-in were $3 thousand. Expenditures were budgeted at $62 million while actual expenditures were $2 million. The primary reason the Road fund had large variances between budget and actual is the less than anticipated road improvement expenditures, which impacted the revenue collected from external sources.

The **Mental Health Fund** budgeted revenues of $7.3 million for fiscal year 2016-2017. Actual revenue for the year was $7.5 million. Budgeted expenditures were $7.4 million with actual expenditures of $5.2 million. The Mental Health fund ended the fiscal year significantly under-budget in the salaries and benefits category of expenditures in large part due to vacant positions in the department. Transfers-in was budgeted at $1.1 million but actual transfers-in was $46 thousand recorded from the General Fund. Transfers-out was budgeted at $1.1 million while actual transfers-out were $849 thousand from capital projects and a contribution to an other governmental fund.

The **Family Support Fund** had budgeted revenues of $1.7 million while actual revenue totaled $484 thousand. The variance was attributed to unavailable revenues from other governments. Expenditures were budgeted at $1.7 million while actual expenditures were $1.5 million.

Other Governmental Funds include capital projects fund, developer projects fund and twenty-two special revenue funds that finance specific services for the benefit of County constituents. Among those are the impact fee funds, equipment, miscellaneous income, as well as various protective and health services. Funds with significant variances between budget and actual amounts include the Community Services Workforce and Development Fund, County Service Areas Fund, Public Health Fund, and Substance Abuse Fund. County Service Areas had less than anticipated services performed and expenditures associated to the purpose of the established county service area. Both Public Health and Substance Abuse had less expenditures than anticipated. Individual fund budget to actual information is included in the Supplementary Information section of the financial statements which begins on page 90.

Landfill-Solid Waste Fund received $1.2 million in total operating revenues, 57% lower than was projected in the budget. Total operating expenditures were $1.5 million, 25% higher than was budgeted, due to the unanticipated increase to post-closure Class I costs. The Landfill Fund includes capital outlay in their

appropriations and recording of expenditures for budgetary control and capitalizes these at year end for financial reporting purposes.

VI. CAPITAL ASSETS AND LONG-TERM LIABILITIES ADMINISTRATION

Capital Assets

Valuation has been established for the County's infrastructure, property improvements and equipment, and a schedule of depreciation has been prepared for each capital asset class. The County Landfill capital assets are discussed separately in this report.

Assets classed as infrastructure include roads, bridges, bike paths and culverts- storm drains. Roads are depreciated at 35 years for larger, major traffic carrying streets and 50 years for minor, less utilized streets. Bridges are depreciated at 50 years, as are bike paths. Culverts and storm drains are depreciated at 30 years for metal culverts and 50 years for concrete. All infrastructure capital assets are depreciated using the straight line method and the county uses the "Basic Approach" as defined by GASB No. 34 for infrastructure reporting.

Assets classed as property improvements include all improvements to land or existing structures owned by the County. Land is not depreciated by the County. Improvements that are full-scale buildings are depreciated for 30 years. All other improvements are depreciated for 15 years. All improvements are depreciated using the straight line method.

Assets classed as equipment are either individual or grouped assets that have a cost of $5 thousand or more. These assets are grouped as vehicles, computers, or furniture and equipment on the schedules. All assets in this class are depreciated at 3 years using the straight line method. Software is depreciated at a 5 year minimum using the straight line method.

The original cost of County infrastructure is $170.5 million with accumulated depreciation of $111.1 million, including the addition of $3.3 million of depreciation for the year. The net asset value, or unrecovered cost of infrastructure, is $59.4 million.

Original cost of property improvements is $24 million with depreciation expense of $857 thousand for the year, bringing total accumulated depreciation to $14 million. Unrecovered cost (net asset value) at the end of the year is $10.1 million.

A total of $1.3 million was added in capital asset equipment, with $435 thousand in equipment retirements, bringing total original cost to $17.6 million at fiscal year-end. Accumulated depreciation totaled $14.8 million, including $727 thousand in depreciation expense for the year. The ending net asset value is $2.8 million.

Significant increases to capital assets in fiscal year 2017 included:

- $1.4 million towards acquisition of equipment.
- $62 thousand towards ERP system upgrade, bringing total project costs to $1.0 million. Total project costs are estimated at $1.4 million.
- Added $368 thousand for IT infrastructure upgrades, bringing total costs to $994 thousand. The total budget is estimated at $1 million.
- $175 thousand towards construction of Adult Detention Center, bringing total project costs to $1.4 million. Total project costs are estimated at $20 million.
- $72 thousand towards the acquisition of an Emergency Homeless Shelter, with total cost to date of $904 thousand. It is scheduled to be completed in December of next year for a total estimated project

costs of $1 million.
- $122 thousand for the County Fire facilities for a total project to date cost of $280 thousand versus a total budget of $450 thousand.
- $320 thousand was used to acquire property for the new Behavioral Health facility, bringing total cost to date to $381 thousand. Total project cost is estimated at $1 million.

Long-Term Liabilities

The County's compensated absences, the amount of time employees have earned and retained for vacation and comp time that is payable to them at some time in the future, was a total of $2.9 million. This is a decrease of $428 thousand from the previous year for all employees. As employees sever their relations with County employment either by retirement or termination, all or a portion of their accumulated compensated absences become due and payable to them.

The County has entered into certain capital lease arrangements under which the related equipment will become the property of the County when all terms of the agreement are met. At fiscal year end capital lease obligations totaled $105 thousand.

The County's liability for unpaid claims associated to workers compensation, property loss, and other types of loss, increased by $905 thousand during the fiscal year.

VII. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Total tax revenue collections increased by 9% in FY 16/17. Tax revenue is expected to continue to increase in the upcoming years as a result of the housing development projects within the County.

The County experienced a series of storms in January and February of 2017 that caused significant wide spread damage. The Governor and President of the United States have recognized the County of San Benito as a major disaster area. The County has responded by providing assistance to residents directly affected by the storm, as well as addressing repairs relating to roads and waterways. While the total estimated amount of damage is unknown at this time, the County anticipates additional costs related to the flooding disasters in the coming years as the rebuilding process continues. The County continues to work closely with the California Governor's office of Emergency Services and the Federal Emergency Management Agency (FEMA) to recover from this natural disaster.

VIII. REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances and assist anyone interested in the County's financial condition. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the San Benito County Auditor, 481 Fourth Street, 2nd Floor, Hollister, CA 95023.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

COUNTY OF SAN BENITO

Statement of Net Position
June 30, 2017

	Primary Government			Component Unit
Assets	Governmental Activities	Business-type Activities	Total	First 5 of San Benito
Cash and investments:				
Held in County treasury	$ 62,307,101	$ 4,688,349	$ 66,995,450	$ —
Other bank accounts	13,710,739	715,956	14,426,695	885,720
Imprest cash	4,693	—	4,693	—
Receivables	1,094,010	240,702	1,334,712	245,295
Due from other governments	8,173,245	175,656	8,348,901	—
Loan receivable	1,552,444	—	1,552,444	—
Inventories and other assets	247,806	—	247,806	185,125
Capital Assets:				
Nondepreciable	18,639,149	383,527	19,022,676	—
Depreciable, net	72,293,135	393,635	72,686,770	86,392
Total Assets	178,022,322	6,597,825	184,620,147	1,402,532
Deferred Outflows of Resources:				
PERS contributions	5,529,093	7,893	5,536,986	69,559
Deferred pension adjustments	12,491,685	24,559	12,516,244	—
Total Deferred Outflows of Resources	18,020,778	32,452	18,053,230	69,559
Liabilities				
Accounts payable and accrued liabilities	4,301,814	946,667	5,248,481	137,570
Due to other agencies	411,151	—	411,151	—
Deposits from others	1,383,945	—	1,383,945	—
Unearned revenues	376,728	—	376,728	—
Long- Term Liabilities:				
Portion due or payable within one year:				
Capital lease obligations	34,144	—	34,144	—
Compensated absences	294,433	—	294,433	—
Liability for unpaid claims	285,743	—	285,743	—
Portion due or payable after one year:				
Capital lease obligations	70,730	—	70,730	—
Compensated absences	2,649,900	567	2,650,467	—
Other-post employment benefits	222,755	33,178	255,933	—
Liability for unpaid claims	3,352,855	—	3,352,855	—
Net pension liability	52,685,102	131,761	52,816,863	382,830
Total Liabilities	66,069,300	1,112,173	67,181,473	520,400
Deferred Inflows of Resources:				
Deferred pension adjustments	5,923,319	6,018	5,929,337	15,817
Net Position				
Net investment in capital assets	90,827,410	777,162	91,604,572	86,392
Restricted	37,667,368	—	37,667,368	114,680
Unrestricted	(4,444,297)	4,734,924	290,627	734,802
Total Net Position	$ 124,050,481	$ 5,512,086	$ 129,562,567	$ 935,874

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN BENITO

Statement of Activities
For the Year Ended June 30, 2017

Functions/ Programs	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit: First 5 of San Benito
Primary Government:								
Governmental Activities:								
General government	$ 4,390,182	$ 4,462,502	$ 6,294,550	$ —	$ 6,366,870	$ —	$ 6,366,870	$ —
Public protection	28,401,251	4,575,111	5,242,120	—	(18,584,020)	—	(18,584,020)	—
Public ways and facilities	7,361,125	1,554,749	1,563,749	—	(4,242,627)	—	(4,242,627)	—
Health and sanitation	9,459,400	1,037,176	11,549,447	—	3,127,223	—	3,127,223	—
Public assistance	21,653,802	35,146	22,019,138	608,538	1,009,020	—	1,009,020	—
Education	1,059,094	27,371	38,779	—	(992,944)	—	(992,944)	—
Recreation and culture	(1,682)	384,454	—	—	386,136	—	386,136	—
Debt Service:								
Interest	—	—	—	—	—	—	—	—
Total Governmental Activities	72,323,172	12,076,509	46,707,783	608,538	(12,930,342)	—	(12,930,342)	—
Business-type Activities:								
Solid Waste	1,512,811	1,147,041	41,969	—	—	(323,801)	(323,801)	
Total Primary Government	73,835,983	13,223,550	46,749,752	608,538	(12,930,342)	(323,801)	(13,254,143)	
Component Unit:								
First Five of San Benito	1,071,431		817,581	—				(253,850)
General Revenues:								
Taxes:								
Property taxes					15,895,467	—	15,895,467	—
Sales and use taxes					2,456,622	—	2,456,622	—
Franchise taxes					518,959	—	518,959	—
Other taxes					1,820,181	—	1,820,181	—
Interest and investment earnings					584,998	38,973	623,971	1,045
Miscellaneous					1,094,458	—	1,094,458	39,336
Transfers					1,345	(1,345)	—	—
Total General Revenues and Transfers					22,372,030	37,628	22,409,658	40,381
Change in Net Position					9,441,688	(286,173)	9,155,515	(213,469)
Net position - June 30, 2016 (As restated)					114,608,793	5,798,259	120,407,052	1,149,343
Net position - June 30, 2017					$ 124,050,481	$ 5,512,086	$ 129,562,567	$ 935,874

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

COUNTY OF SAN BENITO

Balance Sheet
Governmental Funds
June 30, 2017

	General	Human Services Agency	Road	Mental Health	Family Support	Tobacco Securitization	Other Governmental Funds	Total
Assets								
Cash and investments:								
Held in County treasury	$ 17,633,318	$ 5,130,680	$ 2,412,271	$ 10,723,440	$ 90	$ —	$ 26,407,302	$ 62,307,101
Other bank accounts	8,678,443	—	—	—	—	4,861,242	171,054	13,710,739
Imprest cash	1,193	—	—	3,450	—	—	50	4,693
Receivables	1,048,026	38,276	—	—	—	—	7,708	1,094,010
Loan receivable	—	—	—	—	—	—	1,552,444	1,552,444
Due from other funds	1,367,697	191,246	—	—	—	—	—	1,558,943
Due from other governments	1,540,996	1,229,114	263,220	1,321,531	1,487,488	—	2,330,896	8,173,245
Advances to other funds	4,154,714	—	—	—	—	—	484,063	4,638,777
Inventories and other assets	188,314	—	49,516	—	—	—	9,976	247,806
Total Assets	34,612,701	6,589,316	2,725,007	12,048,421	1,487,578	4,861,242	30,963,493	93,287,758
Liabilities								
Accounts payable and accrued liabilities	2,555,221	382,360	132,083	325,107	60,798	—	846,245	4,301,814
Due to other funds	—	—	—	—	1,230,003	—	328,940	1,558,943
Due to other governments	140,838	208,184	—	—	—	—	62,129	411,151
Advances from other funds	—	—	—	—	—	4,154,714	484,063	4,638,777
Deposits from others	1,369,969	—	—	—	—	—	13,976	1,383,945
Unearned revenues	232,238	144,490	—	—	—	—	—	376,728
Liability for unpaid claims	285,743	—	—	—	—	—	—	285,743
Total Liabilities	4,584,009	735,034	132,083	325,107	1,290,801	4,154,714	1,735,353	12,957,101
Deferred Inflows of Resources								
Unavailable revenues	1,119,709	584,177	263,220	403,779	1,487,488	—	1,667,646	5,526,019
Fund Balances								
Nonspendable	188,314	—	49,516	—	—	—	1,562,420	1,800,250
Restricted	2,621,709	5,270,105	2,280,188	11,319,535	—	—	14,518,513	36,010,050
Committed	3,000,000	—	—	—	—	—	—	3,000,000
Assigned	7,520,751	—	—	—	—	706,528	11,708,489	19,935,768
Unassigned	15,578,209	—	—	—	(1,290,711)	—	(228,928)	14,058,570
Total Fund Balances	28,908,983	5,270,105	2,329,704	11,319,535	(1,290,711)	706,528	27,560,494	74,804,638
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 34,612,701	$ 6,589,316	$ 2,725,007	$ 12,048,421	$ 1,487,578	$ 4,861,242	$ 30,963,493	$ 93,287,758

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN BENITO

Reconciliation of the Balance Sheet - Governmental Funds to
the Government-Wide Statement of Net Position
June 30, 2017

Fund Balance - Total governmental funds		$ 74,804,638
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 governmental funds.		90,932,284
Other assets are not available to pay for current period expenditures and therefore, are deferred in the governmental funds.		5,526,019
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the governmental funds.		12,097,459
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds.		
Capital leases	(104,874)	
Other post-employment benefits	(222,755)	
Liability for unpaid claims	(3,352,855)	
Compensated absences	(2,944,333)	
Net pension liability	(52,685,102)	(59,309,919)
Net position of governmental activities		$ 124,050,481

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN BENITO

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General	Human Services Agency	Road	Mental Health	Family Support	Tobacco Securitization	Other Governmental Funds	Total
Revenues								
Taxes	$ 17,511,984	$ —	$ —	$ —	$ —	$ —	$ 1,305,391	$ 18,817,375
Licenses, permits and franchises	1,294,916	—	—	—	—	—	—	1,294,916
Aid from other governments	6,867,855	18,817,871	2,356,312	7,305,327	484,393	—	8,374,199	44,205,957
Use of money or property	226,788	34,755	17,007	87,060	—	19,902	199,486	584,998
Fines, forfeits and penalties	3,134,899	—	—	—	—	—	367,571	3,502,470
Charges for services	4,979,369	7,486	—	148,521	—	—	3,816,841	8,952,217
Other revenue	413,610	496,275	55,695	5,268	—	—	243,537	1,214,385
Total Revenues	34,429,421	19,356,387	2,429,014	7,546,176	484,393	19,902	14,307,025	78,572,318
Expenditures								
Current								
General government	4,118,060	—	—	—	—	—	—	4,118,060
Public protection	26,873,672	—	—	—	1,535,087	—	1,423,632	29,832,391
Public ways and facilities	—	—	1,887,733	—	—	—	520,764	2,408,497
Health and sanitation	—	—	—	5,245,988	—	—	4,680,209	9,926,197
Public assistance	577,047	18,896,343	—	—	—	—	2,480,493	21,953,883
Education	991,421	—	—	—	—	—	—	991,421
Recreation and culture	162,256	—	—	—	—	—	—	162,256
Capital outlay								
General government	77,808	—	—	—	—	—	437,062	514,870
Public protection	601,798	—	—	—	—	—	338,898	940,696
Public ways and facilities	—	—	521,683	—	—	—	611,104	1,132,787
Health and sanitation	—	—	—	—	—	—	318,419	318,419
Public assistance		30,717	—	—	—	—	161,529	192,246
Education	21,500	—	—	—	—	—	—	21,500
Recreation and culture	—	—	—	—	—	—	150,141	150,141
Total Expenditures	33,423,562	18,927,060	2,409,416	5,245,988	1,535,087	—	11,122,251	72,663,364
Excess (deficiency) of revenues over expenditures	1,005,859	429,327	19,598	2,300,188	(1,050,694)	19,902	3,184,774	5,908,954
Other Financing Sources (Uses)								
Transfers in	1,957,068	—	3,194	45,772	—	—	3,488,566	5,494,600
Transfers out	(1,416,330)	—	—	(849,472)	—	—	(3,227,453)	(5,493,255)
Capital Leases	25,211	—	—	—	—	—	—	25,211
Total other financing sources (uses)	565,949	—	3,194	(803,700)	—	—	261,113	26,556
Net change in fund balances	1,571,808	429,327	22,792	1,496,488	(1,050,694)	19,902	3,445,887	5,935,510
Fund balances - beginning of year, as restated	27,337,175	4,840,778	2,306,912	9,823,047	(240,017)	686,626	24,114,607	68,869,128
Fund balances - end of year	$ 28,908,983	$ 5,270,105	$2,329,704	$ 11,319,535	$ (1,290,711)	$ 706,528	$ 27,560,494	$ 74,804,638

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN BENITO

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances- total governmental funds		5,935,510
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital assets	3,297,444	
Less current year depreciation	(4,833,992)	(1,536,548)
Capital lease financing is not reported as revenue in the statement of activities		(25,211)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		3,197,716
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Current year capital lease principal payments	24,458	
Change in compensated absences	123,450	
Change in liability for unpaid claims	(764,664)	
OPEB annual required contribution	(139,927)	
Current year pension cost difference	2,626,904	1,870,221
Change in net position of governmental activities		$ 9,441,688

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN BENITO

Statement of Net Position
Proprietary Fund
June 30, 2017

	Business-type Activities
	Solid Waste Fund
Assets	
Current Assets:	
Cash and investments	$ 4,688,349
Accounts receivable	240,702
Due from other governments	175,656
Total Current Assets	5,104,707
Noncurrent Assets:	
Restricted Assets:	
Cash and investments	715,956
Capital Assets:	
Nondepreciable:	
Land	313,079
Construction in process	70,448
Depreciable:	
Structures and improvements	806,263
Equipment	74,145
Accumulated depreciation	(486,773)
Total Noncurrent Assets	1,493,118
Total Assets	6,597,825
Deferred Outflows of Resources	
PERS contributions	7,893
Deferred pension adjustments	24,559
Total Deferred Outflows of Resources	32,452
Liabilities	
Current Liabilities -	
Accounts payable and accrued liabilities	946,667
Long-Term Liabilities -	
Compensated absences	567
Other post-employment benefits	33,178
Net pension liability	131,761
Total Liabilities	1,112,173
Deferred Inflows of Resources	
Deferred pension adjustments	6,018
Net Position	
Net investment in capital assets	777,162
Unrestricted	4,734,924
Total Net Position of business-type activities	5,512,086

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN BENITO

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities Solid Waste Fund
Operating Revenues:	
Aid from other governmental units	$ 41,969
Charges for services	1,147,041
Total Operating Revenues	1,189,010
Operating Expenses:	
Salaries, wages and employee benefits	79,528
Services and supplies	588,857
Landfill closure and postclosure charges	744,931
Indirect Costs	51,757
Depreciation and amortization	47,738
Total Operating Expense	1,512,811
Net Operating Income	(323,801)
Non-Operating Revenues (Expenses)	
Transfers In (Out)	(1,345)
Interest income	38,973
Total Non-Operating Revenues (Expenses)	37,628
Change in Net Position	(286,173)
Net position - beginning of year	5,798,259
Net position - end of year	$ 5,512,086

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN BENITO

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities
	Fund
Cash Flows from Operating Activities	
Receipts from customers	$ 1,159,870
Payments to suppliers for goods and services	(517,462)
Payments to employees for salaries and benefits	(73,225)
Payments - other	(49,235)
Net cash provided by operating activities	519,948
Cash Flows from Noncapital Financing Activities	
Transfers Out	(1,345)
Net cash provided (used) by noncapital financing activities	(1,345)
Cash Flows from Capital and Related Financing Activities	
Cash purchase of capital assets	—
Net cash provided by capital and related financing activities	—
Cash Flows from Investing Activities	
Interest received	38,973
Net cash provided by investing activities	38,973
Net Increase (Decrease) in Cash and Cash Equivalents	557,576
Cash and cash equivalents, July 1	4,846,729
Cash and cash equivalents, June 30	$ 5,404,305
Reconciliation of cash and investments to the Statement of Net Position	
Current assets - cash and investments	$ 4,688,349
Restricted assets - cash and investments	715,956
	$ 5,404,305
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income	$ (323,801)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	47,738
(Increase) decrease in:	
Receivables	(29,140)
Deferred outflows of resources	(19,553)
Increase (decrease) in:	
Payables	815,120
Compensated absences	(1,338)
Other post-employment benefits	8,846
Net pension liability	34,132
Deferred inflows of resources - pension adjustments	(12,056)
Total adjustments	843,749
Net cash provided by operating activities	$ 519,948

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN BENITO

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Investment Trust	Agency Funds
Assets		
Current Assets:		
Cash and investments	$ 125,424,353	$ 4,647,220
Taxes receivable	—	4,852,988
Total Assets	125,424,353	9,500,208
Liabilities		
Liabilities:		
Agency obligations	—	9,500,208
Total Liabilities	—	9,500,208
Net Position		
Held in trust for pool participants	125,424,353	
Total Net Position	$ 125,424,353	

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN BENITO

Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Year Ended June 30, 2017

	Investment Trust
Additions:	
Contributions to pooled investments	$ 550,268,716
Investment Income (net of administrative expense)	681,772
Total additions	550,950,488
Deductions:	
Distributions from pooled investments	526,446,962
Total deductions	526,446,962
Change in net position	24,503,526
Net position - beginning of year	100,920,827
Net position - end of year	$ 125,424,353

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN BENITO
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FOR THE YEAR ENDED JUNE 30, 2017

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The County of San Benito (County), was created pursuant to general law as a subdivision of the State of California. It is governed by a five-member elected Board of Supervisors. As required by generally accepted accounting principles, the accompanying financial statements present the County (the primary government) and its component units, entities for which the government is considered to be financially accountable and has a potential financial benefit/burden relationship under the criteria set by Government Auditing Standards Board (GASB) Statements No. 61.

Reporting for component units on the County's financial statements can be blended or discretely presented. Blended component units, although legally separate entities, are in substance, part of the government's operations. Blended component units are an extension of the County, so data from these units are combined with the data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County. Each component unit has a June 30 year-end.

Blended Component Units

County Service Areas (CSA)

CSAs are special districts established by the Board of Supervisors for the purpose of providing specific services to County residents. Although the CSAs are legally separate from the County, they are reported as if they were part of the primary government because they are governed by the County Board of Supervisors and the Board has operational responsibility for the CSAs. The books and records of these CSAs are maintained by the County, and their activities are reported within non-major governmental funds.

CSA #4 Santa Rosa Acres
CSA #5 Hillcrest/ El Toro
CSA #8 Bonnie View
CSA #9 Ridgemark
CSA #11 Barnes Lane
CSA #16 Holiday Estates
CSA #19 Springwood
CSA #21 Long Acres
CSA #22 Cielo Vista
CSA #23 Rancho San Joaquin
CSA #24 Santa Ana Acres
CSA #25 Vineyard Estates
CSA #28 Heatherwood
CSA #29 Brown/ Magladry
CSA #30 McCloskey Acres
CSA #31 Stonegate
CSA #33 Fallon/Fairview
CSA #34 Ausaymas Estates
CSA #35 Union Heights
CSA #36 Advanced Life Support
CSA #42 Lemmon Acres
CSA #45 Rancho Larios
CSA #46 Quail Hollow
CSA #47 Oak Creek
CSA #48 Dry Creek Estates
CSA #49 Hollister Ranch Estates
CSA #50 Dunnville
CSA #51 Creekbridge
CSA #52 Monte Bello
CSA #53 Riverview Estates
CSA #54 Pacheco Creek Estates
CSA #55 Creekside

Discretely Presented Component Units

First 5 San Benito

The First 5 San Benito (First 5) was created under the provisions of the California Children and Families Act of 1998 (the Act). The Act became law in 1998 when California voters approved Proposition 10, authorizing the State to levy a tax on tobacco products to pay for programs to promote the healthy development of young children. First 5's Board consists of nine members, three of whom are officers of the County, while the remaining seven are appointed by the Board. First 5 does not provide a financial benefit nor impose a financial burden on the County. However, due to the nature and significance of First 5's relationship with the County, First 5 is a discretely presented component unit of the County. A separately issued financial report can be obtained from First 5 San Benito, 351 Tres Pinos Road, Suite 100A, Hollister, CA 95023.

B. Basis of Presentation and Measurement Focus

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the primary government (County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. All internal balances in the Statement of Net Position have been eliminated with the exception of those representing balances between governmental activities and the business-type activities, which are presented as internal balances. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The Statement of Activities presents a comparison between program expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Program expenses include direct expenses, which are clearly identifiable with a specific function, and allocated indirect expenses. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as non-major funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the

County's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses that do not meet these definitions are reported as non-operating revenues and expenses.

The County reports the following major governmental funds:

- The *General fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as public safety and protection, public ways and facilities, health and sanitation, public assistance, education and recreation services.

- The *Human Services Agency fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that relate to health programs, children's programs and veterans services, such as public health, veteran's services, public guardian, and drug and alcohol programs.

- The *Road fund* is used to account for the planning, design, construction, maintenance and administration of County roads. It is also used to account for traffic safety and other transportation planning activities. Funding comes primarily from local sales and state highway user taxes, along with state and federal highway improvement grants.

- The *Mental Health fund* is used to account for mandated community health services under the California Mental Health Act including a mandated responsibility to "guarantee and protect public safety." Revenue sources are primarily charges for services, sales tax revenue and state grants.

- The *Family Support fund* is unique in that administration of the fund is operated through a Regional department, which consists of departments of Child Support Services in the Counties of San Benito and Santa Cruz. Administrative services were consolidated through a Memorandum of Understanding to improve performance of public services. This department is primarily funded through State and Federal revenue sources.

- The *Tobacco Securitization fund* is used for capital projects in the county. The proceeds are from Series 2002B bonds of the Pooled Tobacco Securitization Program.

The County reports the following major enterprise fund:

- The *Solid Waste Fund* is used to account for operations of the solid waste handling activity.

The County reports the following additional fund types:

- The *Investment Trust Fund* accounts for the assets of legally separate entities that deposit cash with the County Treasurer. These entities include school and community college districts, other special districts governed by local boards, regional boards and authorities and pass-through funds for tax collections for independent agencies. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.

- The *Agency Funds* are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds (including Clearing and Revolving Funds, Deposit Funds, Other Agency Funds, State and City Revenue Funds, and Tax Collection Funds) account for assets held by the County in an agency capacity for individuals or other government units.

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Agency funds have no measurement focus and report only assets and liabilities. However, agency funds use the accrual basis of accounting when recognizing receivables and payables.

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales taxes are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified basis of accounting. Under this method, revenues are recognized when measurable and available ("susceptible to accrual"). The County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

C. Cash and Investments

The County follows the practice of pooling cash and investments of all funds with the County Treasurer, except for certain amounts which are generally held by outside custodians and classified as "other bank accounts" on the accompanying financial statements. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

The County is required, by the California Integrated Waste Management Board, to set aside the amounts identified as Restricted Cash in the Landfill Enterprise Fund to assure that these amounts will be available in a timely manner for the closure and/or postclosure class I maintenance cost of the Solid Waste Fund, as specified in the California Public Resources Code. These amounts are reported as restricted, non-current assets in the Statement of Net Position of the Proprietary Fund.

The County has restricted cash and investments that pertain to amounts held in the Tobacco Securitization Fund and in the General Fund with Trindel Insurance. Trindel Insurance is the County's claims-servicing joint powers agency for self insurance. These amounts are managed for the specific purposes specified in the agreements with these agents. At June 30, 2017, the County had reported $4,861,242 in the Tobacco Securitization Fund and $8,678,443 in the General Fund with Trindel Insurance and Public Agency Retirement Services (PARS).

State statutes authorize the County to invest its surplus cash in obligations of the U.S. Treasury, agencies and instrumentalities, corporate bonds rated P-1 by Standard & Poor's Corporation or A-1 by Moody's Investor Service, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund. Gains and losses are recognized upon sale based upon the specific identification method. Investments in nonparticipating, interest earning investment contracts (guaranteed investment contracts) are reported at cost, commercial paper with maturities of less than 90 days are reported at amortized cost and all other investments are reported at fair value. The fair values of investments are obtained by using quotations from independent published sources.

The County participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in derivatives and similar transactions. LAIF's investments are subject to credit risk with the full faith of the State of California collateralizing these investments. In addition, these derivatives and similar transactions are subject to market risk as to change in interest rates. LAIF's investments are managed by the State Treasurer. The Fund is not SEC registered, but is required to invest according to California Government Code. A Local Investment Advisory Board has oversight responsibility for LAIF.

Interest income earned on pooled cash and investments is allocated quarterly to the appropriate funds for the quarter in which the interest was earned.

D. Receivables

The County does not calculate an allowance for uncollectible accounts. The County considers all receivables to be collectible until they prove to be uncollectible. At that time, the County asks for approval from the Board of Supervisors to write-off any uncollectible receivables.

E. Inventories and Prepaid Items

Inventories are valued at cost using first-in/first-out (FIFO) method and consist of expendable supplies. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Reported inventories and prepaid items of governmental funds are equally offset by corresponding nonspendable portion of fund balance to indicate that they are not expendable financial resources.

F. Capital Assets

Capital assets include public domain general capital assets consisting of roads, bridges, water/sewer, lighting system, drainage systems, flood control and other infrastructure. The County defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years.

Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds. Depreciation begins when the asset is placed in service and ends in the fiscal year that it is retired from service or is fully depreciated.

The estimated useful lives are as follows:

Roads and bridges	35 to 50 years
Infrastructure (except for the maintained pavement subsystem)	15 to 50 years
Structures and improvements	10 to 50 years
Equipment	3 to 25 years
Software	2 to 7 years

G. Deferred Outflows/Inflows of Resources

The County recognizes deferred outflows of resources and deferred inflows of resources in accordance with GASB Statement No. 60 and GASB Statement No 65.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In the Government-Wide Financial Statements, unearned revenue is a liability reported when revenue has been received prior to revenue recognition.

H. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

I. Compensated Absences

The County allows employees to accumulate unused sick leave and unused vacation leave up to a specified maximum cap based on an employee's bargaining unit or management group. Sick leave is paid only upon retirement at half the employee's hourly rate. Upon separation, all accrued vacation is paid to the employee. County employees can also accrue comp time which is payable upon separation.

Vacation and comp time is accrued when incurred in the government-wide and proprietary fund statements. In the governmental funds financial statements, a liability for these amounts is reported only as a result of employee resignations or retirements that occur prior to year-end, and payment of the

liability is made subsequent to year-end.

J. Other Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligation are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using a method that approximates the effective interest method. Bond issuance costs are reported as expenses in the period incurred. Bonds payable are reported net of the applicable bond premium or discount. Gains or losses from advance refunding are deferred and amortized as interest expense over the life of the new refunding debt.

In the fund financial statements, governmental fund types recognize bond premium and discount, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Property Taxes

The State of California Constitution, Article XIIIA provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by the voters. Assessed value is calculated at 100% of market value as defined by Article XIIIA and may be increased by no more than 2% per year unless the property is sold or transferred. These general property tax rates do not apply to taxes levied to pay the interest and redemption charges on any indebtedness incurred prior to June 6, 1978, or subsequently approved by the voters. Supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction. The State Legislature has determined the method of distribution among the counties, cities, school districts, and other districts of receipts from the 1% property tax levy.

Property taxes are levied by San Benito County on January 1 and are payable in two installments on April 10 and December 10. San Benito County bills and collects its own property taxes and also collects such taxes for cities, schools and special districts. Property tax revenues are recognized when levied to the extent they result in current receivables.

The County assesses properties and bills for and collects property taxes as follows:

	Secured	Unsecured
Valuation/lien dates	January 1	January 1
Levy dates	January 1	January 1
Due dates (delinquent as of)	50% on November 1 (December 10) 50% on February 1 (April 10)	March 1 (August 31)

The term “unsecured” refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. The county adopted the Alternate Method of Property Tax Allocation (commonly referred to as the Teeter Plan). Under the Teeter Plan, the County Auditor-Controller, an elected official, is authorized to pay 100% of the property taxes billed (secured, supplemental and debt

service) to the taxing agencies within the County. The County recognizes property tax revenues in the period for which the taxes are levied. Previously, such taxes were allocated and paid as the taxes were collected.

L. Interfund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation, and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/ expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

M. Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. Budgetary Basis of Accounting

In accordance with the provisions of Sections 29000 and 29143, inclusive, of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares a budget for each fiscal year on or before August 30. Budgeted expenditures are enacted into law through the passage of an Appropriation Ordinance. This ordinance mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded except by subsequent amendments to the budget by the County's Board of Supervisors.

An operating budget is adopted each fiscal year for the majority of the Governmental Funds. Expenditures are controlled at the department level for the County. Department level expenditures may not legally exceed appropriations. Any amendments or transfers of appropriations between departments or funds are authorized by the County Administrative Office and must be approved by the Board of Supervisors. Supplementary appropriations normally financed by unanticipated revenues during the year must be approved by the Board of Supervisors. Pursuant to Board Resolution, the County Administrative Officer and/or appointed department head are authorized to approve transfers and revisions of appropriations under $25,000 within a single budget unit as deemed necessary and appropriate unless it is to a capital asset object. Transfers to capital asset objects must be approved by the Board of Supervisors. Budgeted amounts in the budgetary financial schedules are reported as originally adopted and as amended during the fiscal year by resolutions approved by the Board of Supervisors.

The budget approved by the Board of Supervisors for the General Fund includes budgeted expenditures and reimbursements for amounts disbursed on behalf of other Governmental Funds. Actual reimbursements for these items have been eliminated in the accompanying budgetary financial schedules. Accordingly, the related budgets for these items have also been eliminated in order to provide a meaningful comparison of actual and budgeted results of operations.

O. Net Position

The government-wide and business-type activities financial statements utilize a net position presentation. Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources and are displayed in three components:

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position - This category represents net position that is subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the County, not restricted for any project or other purpose.

When both restricted and unrestricted net assets are available, restricted resources are used first, then unrestricted resources as they are needed.

P. Fund Balances

Fund balance classifications are based primarily on the extent to which the County is bound to honor constraints on the use of the resources reported in each governmental fund.

The County reports the following classifications:

Nonspendable fund balance - This category represents amounts that cannot be spent because they are either not spendable in form or legally or contractually required to remain intact.

Restricted fund balance - This category represents amounts with constraints placed on their use by those external to the County, including creditors, grantors, contributors or laws and regulations of other governments. It also includes constraints imposed by law through constitutional provisions or enabling legislation.

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

Assigned fund balance - This category represents amounts that are constrained by the County's intent to be used for specific purposes. The intent can be established at either the highest level of decision making or by a body or an official designated for the purpose.

Unassigned fund balance - This category represents the residual classification that includes amounts not contained in the other classifications.

The County's Board establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution. When restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, followed by the unrestricted resources that are committed, assigned and unassigned, in this order as they are needed.

Fund Balance Policy:

Fund balance of governmental funds is reported in various categories based on the nature of any limitation requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

Q. Pensions

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

R. Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation.

S. Subsequent Events

Subsequent events have been evaluated through March 28, 2018.

T. Effects of New Pronouncements

The County did not implement any Governmental Accounting Standards Board (GASB) Statements in the current financial statements. For a list of pronouncements that the County will be implementing in the coming years please see Note 16.

NOTE 2. CASH AND INVESTMENTS

The County maintains a cash and investment pool for the purpose of increasing interest income through pooled investment activities. This pool, which is available for use by all funds, is displayed on the basic financial statements as "Cash and Investments." Interest earned on the investment pool is distributed to the participating funds quarterly using a formula based on the average daily cash balance of each fund.

Cash and investments with the County Treasurer are invested pursuant to investment policy guidelines established by the County Treasurer. Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy. The objectives of the policy are, in order of priority, safety of principal, liquidity, availability and yield. The County investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool.

Custodial Credit Risk Related to Deposits

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Pool will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. At year-end, the balance of deposits at the County's banking institutions was $2,180,255. Any difference between the carrying amount of the County's deposits and the bank balance is a result of transactions in transit. Of the bank balance, $250,000 was covered by federal depository insurance and $1,799,794 was covered by collateral pledged by the financial institution. Per Government Code Section 53652, the depository is required to maintain a market value of at least 110% of the pledged collateral.

The County follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on a quarterly basis to the various funds based on their average daily cash balance and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

At June 30, 2017, the carrying amount of the Pool's deposits was $(1,911,045) and the corresponding bank balance was $2,180,255. The difference of $(4,091,300) was principally due to outstanding warrants, deposits in transit and EFT payroll tax payments.

Investments

The County's investment policy requires that securities be registered in the name of the County. All safekeeping receipts for investment instruments are held in accounts in the County's name and all securities are registered in the County's name.

Investments are made based upon prevailing market conditions at the time of the transaction with the intent to hold the instrument until maturity. If the yield of the portfolio can be improved upon the sale of an investment, prior to its maturity, with the reinvestment of the proceeds, then this provision is also allowed.

Credit Risk and Concentration of Credit Risk

Credit risk in the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County Treasurer mitigates these risks by holding a diversified portfolio of high quality investments. The adopted investment policy contains specific limitations on investments by credit quality, maturity length and the maximum allocation by asset class.

As of June 30, 2017, the County of San Benito's investments were rated by Standard & Poor's and Moody's Investor Services as follows:

Investment Type	Fair Market	S & P	Moody's	% of Portfolio
Money Market Funds	$ 7	NR	NR	—%
Commercial Paper	9,998,700	A1	P1	5.02%
Commercial Paper	9,971,700	A1	P1	5.01%
Commercial Paper	9,971,700	A1	P1	5.01%
Certificates of Deposit	3,000,600	A1	A1	1.51%
Certificates of Deposit	4,267,986	A+	Aa3	2.14%
Certificates of Deposit	2,001,560	A+	Aa3	1.01%
Certificates of Deposit	10,014,700	A1	Aa3	5.03%
Certificates of Deposit	9,004,050	A1	P1	4.52%
Certificates of Deposit	9,002,250	A	A1	4.52%
Certificates of Deposit	3,002,190	A2	A	1.51%
Certificates of Deposit	2,999,790	A1	A	1.51%
Certificates of Deposit	4,006,480	A+	Aa3	2.01%
Certificates of Deposit	13,022,100	A+	Aa3	6.54%
Certificates of Deposit	3,999,280	A+	Aa3	2.01%
Certificates of Deposit	5,000,850	A+	Aa3	2.51%
Certificates of Deposit	7,248,550	A1	NR	3.64%
Corporate Bond	14,378,712	A	A1	7.22%
Corporate Bond	5,242,484	A-	A2	2.63%
Corporate Bond	6,034,750	A1	A1	3.03%
Corporate Bond	7,047,950	A	A2	3.54%
Corporate Bond	9,478,490	AA-	Aa2	4.76%
Corporate Bond	4,014,400	A+	Aa3	2.02%
Corporate Bond	3,012,330	AA-	Aa2	1.51%
CAMP	14,800,000	AAAm	NR	7.44%
LAIF	28,500,000	NR	NR	14.32%
Total	$ 199,021,609			100%

Generally, credit risk is the risk that an insurer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assessment of a rating by a nationally recognized statistical rating organization. It is the County's policy to purchase investments meeting ratings requirements established by the California Government Code.

Instruments in any one issuer that represent 5% or more the County's investments as of June 30, 2017, are as follows (excluding investment pools and debt explicitly guaranteed by the U.S. government):

Issuer	Issuer Type	Fair Value Holdings	Percentage Holdings
Treasurer's Pooled Investments:			
Anglesea Funding CP	Commercial Paper	9,998,700	5.02%
Chesham FIN CP	Commercial Paper	9,971,700	5.01%
Manhattan Asset CP	Commercial Paper	9,971,700	5.01%
Standard Chartered BK NY YCD	Certificate of Deposit	10,014,700	5.03%
BK Nova Scotia Houston TX	Certificate of Deposit	13,022,100	6.54%
HSBC BK USA MTN	Corporate Note	14,378,712	7.22%
CAMP	Government Sponsored	14,800,000	7.44%
LAIF	Government Sponsored	28,500,000	14.32%

The fair value of the Treasurer's investments is determined on a quarterly basis. Values are obtained from the securities custodian for registered securities.

The County is authorized to enter into reverse repurchase agreements, but entered into no such agreements during the year.

Custodial Credit Risk

Custodial credit risk for investments is the risk the the Pool will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the Pool are deposited in trust for safekeeping with a custodial bank different from th County's primary bank. Securities are not held in broker accounts.

Interest Rate Risk

In accordance with its investment policy, the County manages its interest rate risk by limiting the weighted average maturity of its investment portfolio to three years or less. No security, at the time of purchase, shall have a maturity exceeding five (5) years. At June 30, 2017 the County had the following investment maturities:

2017	109,885,002
2018	36,358,110
2019	9,478,490
Total	$155,721,602

The amount in the Local Agency Investment Fund (LAIF), managed by the State Treasurer for the State of California, is $28.5 million at June 30, 2017. The state pools these funds with those of other local agencies in the state and invests the cash as prescribed by the California Government Code. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment gains/losses are shared proportionately by all funds in the pool. Funds are accessible and transferable to the County's bank accounts on the same day for amounts under $10,000,000 and require a twenty-four (24) hour notice for larger amounts. The Local Agency Investment

Fund has a very diversified and regulated investment portfolio; the fund is not insured by either the State of California or the Federal Government.

California Asset Management Program (CAMP) is a California Joint Powers Authority established in 1989 to provide California public agencies with professional investment services. The CAMP Pool is permitted investment for all local agencies under California Government Code Section 53601(p).

The LAIF and CAMP operate and report to participants on an amortized cost basis. For both the LAIF and CAMP, the income, gains, and losses, net of administration fees, are allocated based upon the participant's average daily balance. Deposits in the LAIF and CAMP are not insured or otherwise guaranteed by the State of California, and participants share proportionally in any realized gains or losses on investments. The fair value of the LAIF and CAMP investment pools are approximately equal to the value of the pool shares.

Investment income consisted of the following for the year ended June 30, 2017:

Investment Earnings	$	1,648,685
Net decrease in fair value of investments		(99,727)
Less Administrative Expenses		409,039
Net Investment Income		1,139,919

The following is a summary of investments held by the County as of June 30, 2017:

Investment	Fair Value	Current Yield Range	Maturity Range	Weighted Average Maturity
Treasurer's pooled investments				
CAMP	$ 14,800,000	1.09%	On Demand	On Demand
LAIF	28,500,000	0.98%	On Demand	On Demand
Certificate of Deposits - Negotiable	76,570,386	0.00 - 1.58%	07/17-07/18	164 days
Commercial Paper - Discount	29,942,100	1.16 - 1.24%	07/17-09/17	58 days
Corporate Bonds	42,182,386	0.00 - 5.98%	08/17-05/19	253 days
Non US Corporate Bonds	7,026,730	0.01 - 0.79%	04/18-05/18	253 days
Money Market Funds	7	0.86%	On Demand	On Demand
Total pooled investments	199,021,609			
Investments held with fiscal agents:	15,312,415			
Cash in banks:				
Non-interest bearing deposits	(1,954,586)			
Imprest cash:	4,693			
Total cash and investments	212,384,131			
Total unrestricted cash and investments	197,071,716			
Total restricted cash and investments	15,312,415			
Total cash and investments	212,384,131			
Total cash and investments summary:				
Total governmental activities	76,022,533			
Total business-type activities	5,404,305			
Total fiduciary funds	130,071,573			
Total component unit	885,720			
Total cash and investments	212,384,131			

The following is a reconciliation between cash and investments and the Net Position of the Treasurer's investment pool as of June 30, 2017:

Total cash and investments	212,384,131
Less: Investments held with fiscal agents	(15,312,415)
Less: imprest cash	(4,693)
Add: fair value decrease	99,727
Add: outstanding checks/deposits	4,091,304
	201,258,054

The following represents a condensed Statement of Net Position and Changes in Net Position for the Treasurer's investment pool as of June 30, 2017:

Statement of Net Position	
Net position held in trust	$ 201,258,054
Equity of internal pool	$ 75,833,701
Equity of external pool participants	125,424,353
Total equity	$ 201,258,054
Statement of Changes in Net Position	
Net position held for pool participants, July 1, 2016	$ 175,318,907
Net change in investments by pool	25,939,147
Net position held for pool participants, June 30, 2017	$ 201,258,054

Fair Value Measurements

The Pool categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The Pool has the following recurring fair value measurements as of June 30, 2017:

		Fair Value Measurements Using		
Investments by fair value level		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
Certificate of Deposits - Negotiable	$ 76,570,386	$ —	$ 76,570,386	$ —
Commercial Paper - Discount	29,942,100	—	29,942,100	—
Corporate Bonds	42,182,386	—	42,182,386	—
Non US Corporate Bonds	7,026,730	—	7,026,730	—
Total investments measured at fair value	155,721,602	$ —	$ 155,721,602	$ —
Investments measured at amortized cost				
CAMP	$ 14,800,000			
LAIF	28,500,000			
Money Market Funds	7			
Total pooled and directed investments	$ 199,021,609			

Restricted Cash and Investments

Cash and Investments at June 30, 2017 that are restricted by legal or contractual requirements are comprised of the following:

Governmental Activities	
General Fund	
Trindel Insurance Fund	5,545,693
Tobacco Securitization Capital Projects	4,861,242
Total General Fund	10,406,935
Post Employment Benefit Trust	3,132,750
Migrant Camp	171,054
Total governmental activities	13,710,739
Business-type Activities	
Integrated Waste Management Fund	
Financial assurance for landfill corrective action	715,956
Total business-type activities	715,956
Component Unit	
First 5 of San Benito	885,720
Total component unit	885,720
Total restricted cash and investments	15,312,415

NOTE 3. INTERFUND TRANSACTIONS

Interfund Receivables/Payable

The composition of interfund balances as of June 30, 2017 is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
Due to/from other funds:			
General Fund	Family Support	1,230,003	Interfund borrowing
General Fund	Non-major governmental fund	137,694	Interfund borrowing
Human Services Agency	Non-major governmental fund	191,246	Interfund borrowing
		1,558,943	
Advances to/from funds:			
General Fund	Tobacco Securitization fund	4,154,714	Capital improvement projects
Non-major governmental fund	Non-major governmental fund	484,063	Capital loan*
		$ 4,638,777	
	Total interfund balances	$ 6,197,720	

*The $484,063 advance to the CSA Stonegate #31 fund represents the remaining balance of an initial $1,407,113 loan that provided financing resources for Stonegate Water Capital Project.

The balances above are due to be paid in the subsequent fiscal year and resulted from when funds overdrew their share of pooled cash; or the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various County operations and re-allocations of special revenue. The following schedule briefly summarizes the County's transfer activities:

Transfer From	Transfer To	Amount	Purpose
General Fund	Mental Health Fund	45,772	Funding for operations
General Fund	Non-major governmental fund	258,303	Funding for operations
General Fund	Non-major governmental fund	4,125	Funding for operations
General Fund	Non-major governmental fund	1,060,130	Funding for capital outlay
General Fund	Non-major governmental fund	48,000	Funding for operations
Non-major governmental fund	Non-major governmental fund	2,331	Funding for operations
Non-major governmental fund	Non-major governmental fund	39,791	Funding for capital outlay
Non-major governmental fund	General Fund	88,022	Funding for operations
Mental Health	Non-major governmental fund	530,000	Funding for operations
Mental Health	Non-major governmental fund	319,472	Funding for capital outlay
Non-major governmental fund	Non-major governmental fund	72,669	Funding for capital outlay
Non-major governmental fund	Non-major governmental fund	122,910	Funding for capital outlay
Non-major governmental fund	General Fund	17,125	Funding for operations
Non-major governmental fund	Non-major governmental fund	603,991	Funding for capital outlay
Non-major governmental fund	Non-major governmental fund	110,845	Funding for capital outlay
Non-major governmental fund	Road Fund	1,849	Funding for operations
Landfill Fund	Road Fund	1,345	Funding for operations
Non-major governmental fund	Non-major governmental fund	216,000	Funding for operations
Non-major governmental fund	Non-major governmental fund	100,000	Funding for capital outlay
Non-major governmental fund	General Fund	1,851,920	Funding for operations
		$ 5,494,600	

Transfers out, reported in	Statement of Revenues, Expenditures and Changes in Fund Balances:	
	Governmental Funds	$ 5,493,255
	Statement of Revenues, Expenses and Changes in Net Position:	
	Proprietary Funds	$ 1,345
		$ 5,494,600

NOTE 4. RECEIVABLES

GASB Statement No. 38, "Certain Financial Statement Note Disclosures," requires disclosure of significant receivable balances not expected to be collected within one year of the date of the financial statements.

Housing Loans Receivable

A total of $1,552,444 was recorded as housing loans receivable under other governmental funds at June 30, 2017. These loan receivables represent low or zero interest mortgage notes and related accrued interest to finance multi-family and single family construction and rehabilitation projects, as well as home-buyer assistance for low income families, as part of the County's affordable housing program. Loan terms range from 15 to 55 years with interest rates from 0% to 6%. The County's primary sources of funding for these loans come from grants from the federal HOME Investment Partnership (HOME) and Community Development Block Grant (CDBG) programs. The HOME and CDBG grants contain monitoring requirements to ensure grant compliance. These requirements are reflected in the loan agreements.

Other receivables as of June 30, 2017, for the County's individual major, nonmajor and enterprise fund that are expected to be collected within in the next fiscal year is as follows:

Governmental Funds:

	General	Human Services Agency	Road	Mental Health	Family Support	Other Governmental	Total Governmental Funds
Accounts receivable	$ 1,048,026	$ 38,276	$ —	$ —	$ —	$ 7,708	$ 1,094,010
Loan receivable	—	—	—	—	—	1,552,444	1,552,444
Due from other governments	1,540,996	1,229,114	263,220	1,321,531	1,487,488	2,330,896	8,173,245
Totals	$ 2,589,022	$ 1,267,390	$ 263,220	$ 1,321,531	$ 1,487,488	$ 3,891,048	$ 10,819,699

Proprietary Fund:

	Solid Waste
Accounts receivable	$ 240,702
Due from other governments	$ 175,656
Totals	$ 416,358

NOTE 5. CAPITAL ASSETS

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

	Balance June 30, 2016	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2017
Governmental Activities					
Capital assets, not being depreciated:					
Land	1,221,028	320,000	—	—	1,541,028
Construction in progress	15,525,372	1,572,749			17,098,121
Total capital assets, not being depreciated	16,746,400	1,892,749	—	—	18,639,149
Capital assets, being depreciated:					
Infrastructure	170,495,871	—	—	—	170,495,871
Improvements	23,880,726	103,060	—	—	23,983,786
Equipment	16,603,048	1,301,635	(435,350)	135,662	17,604,995
Total capital assets, being depreciated	210,979,645	1,404,695	(435,350)	135,662	212,084,652
Less accumulated depreciation for:					
Infrastructure	(107,811,386)	(3,250,088)	—	—	(111,061,474)
Improvements	(13,073,144)	(856,864)	—	—	(13,930,008)
Equipment	(14,476,804)	(727,040)	435,350	(31,541)	(14,800,035)
Total accumulated depreciation	(135,361,334)	(4,833,992)	435,350	(31,541)	(139,791,517)
Total capital assets, being depreciated, net	75,618,311	(3,429,297)	—	104,121	72,293,135
Governmental - type activities capital assets, net	92,364,711	(1,536,548)	—	104,121	90,932,284

	Balance June 30, 2016	Additions	Retirement	Transfers & Adjustments	Balance June 30, 2017
Business - Type Activities					
Capital assets not being depreciated:					
Land	313,079	—	—	—	313,079
Construction in progress	70,448	—	—	—	70,448
Total capital assets not being depreciated	383,527	—	—	—	383,527
Capital assets being depreciated:					
Improvements	806,262	—	—	—	806,262
Equipment	74,145	—	—	—	74,145
Total capital assets being depreciated	880,407	—	—	—	880,407
Less accumulated depreciation	(439,033)	(47,739)	—	—	(486,772)
Total capital assets, being depreciated, net	441,374	(47,739)	—	—	393,635
Business-type activities capital assets, net	824,901	(47,739)	—	—	777,162

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	$ 86,795
Public safety	960,756
Public ways and facilities	3,569,801
Health and sanitation	14,688
Public assistance	120,455
Education	81,497
Total Depreciation Expense - Governmental Functions	$ 4,833,992

Depreciation expense was charged to the business-type function as follows:

Solid Waste - County Landfill	$ 47,739

NOTE 6. LONG-TERM LIABILITIES

A. Summary of Long-Term Liabilities

Long-term liabilities at June 30, 2017 consisted of the following:

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

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Amounts Due Within One Year
Governmental Activities:					
Capital leases	$ 109,129	$ 25,211	$ (29,466)	$ 104,874	$ 34,144
Compensated absences	3,067,783	1,675,417	(1,798,867)	2,944,333	294,433
Liability for unpaid claims	2,733,381	2,619,677	(1,714,460)	3,638,598	285,743
Net Pension Liability	43,371,246	9,313,856	—	52,685,102	—
Total Governmental Activities Long-Term Liabilities	$ 49,281,539	$ 13,634,161	$ (3,542,793)	$ 59,372,907	$ 614,320
Business-Type Activities:					
Compensated absences	$ 1,905	$ 2,204	$ (3,542)	$ 567	$ —
Closure and post closure	—	—	—	—	—
Net Pension Liability	97,629	34,132	—	131,761	—
Total Business-Type Activities Long-Term Liabilities	$ 99,534	$ 36,336	$ (3,542)	$ 132,328	$ —

NOTE 7. CONTINGENCIES

A. Litigation

There are many lawsuits pending in which the County is involved. Some of the lawsuits have been filed solely against the County, while in others, the County is one of a group of defendants. The County Counsel has indicated that the potential uninsured claims against the County resulting from such litigation would not materially affect the financial statements of the County.

B. Grants

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. The County participates in other federal and state programs where County costs are recovered on a reimbursable basis. Grant expenditures and reimbursements are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with the relevant regulations, the County may be required to reimburse the appropriate governmental agency. As of June 30, 2017, significant amounts of grant expenditures and records relating to reimbursements have not been audited, but the County believes that disallowed expenditures or reimbursements, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

NOTE 8. LEASES

A. Operating Leases

The County rents various office space and equipment for normal operations. All of these leases contain options to renew the lease at the end of the lease terms. Remaining noncancellable, subject to non-appropriation, minimum future payments on these leases are as follows:

June 30	Total
2018	$ 945,535
2019	852,839
2020	710,368
2021	569,168
2022	552,519
2023-2027	540,005
Total minimum rental payments	$ 4,170,434

Total rent expenditures for the year ended June 30, 2017 was $933,573, of which $68,155 was recorded in the General Fund.

B. Capital Lease Obligations

The County has entered into capital lease arrangements under which the related equipment will become the property of the County when all terms of the agreement are met. The following schedule presents future minimum capital lease payments, payable by the General Fund and other major and non-major special revenue funds:

	Governmental Activities	
June 30	Principal	Interest
2018	$ 34,144	$ 4,022
2019	31,213	2,519
2020	25,108	1,252
2021	10,056	394
2022	4,353	106
Total present value of minimum lease payments	104,874	8,293

The following schedule includes all property and equipment assets held under capital leases:

Equipment	$ 160,873
Less: Accumulated Depreciation	(62,529)
Total	$ 98,344

NOTE 9. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

The following fund(s) reported an excess of expenditures over appropriations for the fiscal year ended June 30, 2017:

Fund	Amount in Excess
Public Authority	$ 25,361

NOTE 10. DEFICIT FUND BALANCES

The special revenue fund *Victim Witness* had a deficit of $144,164 at fiscal year end. Victim Witness is solely funded through Federal and State grants. The deficit was caused by the timing of grant reimbursements. As grant reimbursements are received in the new fiscal year the deficit will be resolved.

The special revenue fund *Family Support* had a net operating loss of $1,050,694 due to the timing of collecting revenues; this caused a deficit fund balance of $1,290,711 at fiscal year end. Family Support is 66% federally funded and 34% state funded. The deficit will be resolved once reimbursement is received.

The special revenue fund *Cal Fire* had a fiscal year ending deficit fund balance of $84,315. Cal Fire is supported through the General Fund. General Fund transfers to resolve the deficit are planned for fiscal year 2018/2019.

NOTE 11. CLOSURE AND POSTCLOSURE CARE COSTS

The County owns the John Smith Landfill, a Class III facility. Approximately 90 acres are for solid waste disposal. An additional 5 acres of the landfill are for Class I operations that ceased in 1983, with closure activities completed in 1992. Ownership of the hazardous waste Class I site was transferred to the City of Hollister in 1984. The County had entered into an agreement in 1994 to share the Class I postclosure costs with the City.

State and federal laws and regulations require that landfill operators demonstrate the availability of financial resources to fund closure, postclosure and corrective activities at the landfill site. Accounting standards require that a portion of these costs be reported as an expense and liability in each period that the facility accepts waste until the time the facility stops accepting waste.

The California Environmental Protection Agency, Department of Resources Recycling and Recovery (CalRecycle) holds a beneficiary authority in the form of an “Enterprise Fund and Pledge of Revenue Agreement” in the closure and postclosure funds.

The County has $716 thousand in restricted funds as their portion for the postclosure costs for the Class I site, with the City of Hollister, as owners of the Class I landfill, putting up an additional $715 thousand. Total postclosure cost has been estimated by the Department of Toxic Substance Control at $1.4 million.

On April 1, 2014, Waste Connections Inc., the contract operator of the Class III landfill entered into a new

Landfill Operating Agreement with the County. One of the conditions of the new Agreement was the transfer of the Class III closure, postclosure and corrective liability from the County to Waste Connections Inc. Waste Connections Inc. posted surety bonds with CalRecycle to cover the liability for these activities. On July 9, 2014, CalRecycle accepted the bonds as a substitute for the "Enterprise Fund and Pledge of Revenue Agreement" thereby freeing the dedicated County Enterprise funds held for this purpose. Calrecycle has acknowledged that "based on the most recent cost estimates and the bond riders submitted by the operator in May 2017, the John Smith Road Landfill currently meets all the requirement of the Regulations." Consequently, the County does not recognize closure, postclosure and corrective costs for its Class III landfill operations.

NOTE 12. PENSION PLANS

General Information about the Miscellaneous Pension Plan

A. Plan Description

All qualified permanent and probationary employees are eligible to participate in the County's Miscellaneous (excluding police and fire) Plan, agent multiple-employer defined benefit pension plan administered by the California Public Employees Retirement Systems (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and County resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employee' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	
	Prior to	On or after
Hire Date	January 1, 2013	January 1, 2013
Benefit Formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.5%
Required employer contribution rates	18.638%	18.638%

Employees Covered - At June 30, 2017, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	$ 448
Inactive employees entitled to but not yet receiving benefits	440
Active employees	348
Total	$ 1,236

Contributions - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 (the measurement date), the average active employee contribution rate is 6.75 percent of annual pay, and the employer's contribution rate is 18.638 percent of annual payroll. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

B. Net Pension Liability

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

Actuarial Assumptions - The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry - Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Varies depending on age, service and type of employment
(2) Net of pension plan investment and administrative expenses, including inflation
(3) Derived using CalPERS' Membership Data for all Funds

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience study can be found on the CalPERS website under Forms and Publications.

Discount Rate - The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from CalPERS' website under the GASAB 68 section.

According to paragraph 30 of Statement 68, the long-term discount rate should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense; for the June 30, 2016 measurement date there were no changes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	Current Target Allocation	Real Return Years 1-10[a]	Real Return Years 11+[b]
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.5%	5.13%
Infrastructure and Forestland	2%	4.5%	5.09%
Liquidity	2%	(0.55)%	(1.05)%
Total	100%		

[a] An expected inflation of 2.5% used for this period
[b] An expected inflation of 3.0% used for this period

C. Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Plan follows:

Miscellaneous Plan:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2015	$ 135,337,241	$ 104,152,158	$ 31,185,083
Changes in the year:			
Service Cost	2,601,753		2,601,753
Interest on the Total Pension Liability	9,519,074		9,519,074
Changes of Benefit Terms	—		—
Changes of Assumptions	—		—
Differences between Expected and Actual Experience	(450,028)		(450,028)
Plan to Plan Resource Movement		147	(147)
Contributions - Employer		3,349,688	(3,349,688)
Contributions - Employees		1,307,237	(1,307,237)
Net Investment Income		496,432	(496,432)
Benefit Payments, including Refunds of Employee Contributions	(6,802,297)	(6,802,297)	—
Administrative Expense		(58,279)	58,279
Net Changes	4,868,502	(1,707,072)	6,575,574
Balance at June 30, 2016	$ 140,205,743	$ 102,445,086	$ 37,760,657

The above schedule excludes the Courts' share of the Miscellaneous Plan determined at June 30, 2017 to be 7.55 percent of the plans total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the County's Plan as of the measurement date, calculated using the discount rate of 7.65%, 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 (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

	Miscellaneous
1% Decrease	6.65%
Net Pension Liability	$ 55,705,488
Current Discount Rate	7.65%
Net Pension Liability	$ 37,760,657
1% Increase	8.65%
Net Pension Liability	$ 23,535,612

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

D. Pension Expenses and Deferred Ouflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the County recognized pension expense of $2,501,787 for the Miscellaneous Plan. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,318,268	$ —
Differences between actual and expected experience	—	(868,059)
Changes in assumptions	—	(596,471)
Net differences between projected and actual investment earnings	8,491,909	(3,366,716)
Total	$ 11,810,177	$ (4,831,246)

$3,318,268 reported as deferred outflows of resources, related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources, related to pensions, will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2018	$ (636,810)
2019	$ 570,560
2020	$ 2,382,497
2021	$ 1,344,416

General Information about the Safety Pension Plan

A. Plan Description

All qualified permanent and probationary employees are eligible to participate in the County's separate Safety (police and fire) Employee Pension Plan, cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and County resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employee' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Safety	
	Prior to	On or after
Hire Date	January 1, 2013	January 1, 2013
Benefit Formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of eligible compensation	3%	2.0% to 2.7%
Required employee contribution rates	9%	12.25%
Required employer contribution rates	17.295%	11.923%

Contributions - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees.

For the year ended June 30, 2017, the contributions recognized as part of pension expense for the Safety Plan were as follows:

	Safety
Contributions - employer	$ 2,000,014

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the County reported net pension liabilities for its proportionate share of the net pension liability of the Safety Plans as follows:

	Proportionate Share of Net Pension Liability
Safety	15,056,206

The County's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016, using standard update procedures. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The County's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

	Safety
Proportion - June 30, 2015	0.282413%
Proportion - June 30, 2016	0.29129%
Change - Increase (Decrease)	0.008877%

For the year ended June 30, 2017, the County recognized pension expense of $284,437 for the Safety Plans. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,218,718	$ —
Differences in proportion	—	(253,919)
Changes in assumptions	—	(686,679)
Differences between expected and actual experience	—	(157,493)
Differences between the employer's contributions and the employer's proportionate share of contributions	650,712	—
Net differences between projected and actual earnings on plan investments	3,373,623	—
Total	$ 6,243,053	$ (1,098,091)

$2,218,718 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30		
2018	$	173,586
2019	$	249,975
2020	$	1,624,432
2021	$	878,251
2022	$	—

Actuarial Assumptions - The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were derived from the June 30, 2013 funding valuation report.

Actuarial Cost Method	Entry - Age Normal Cost Method
Amortization Method/Period	For details, see June 30, 2013 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2013 Funding Valuation Report
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

There were no changes in methods or assumptions used to determine the legally required contributions, what are actuarially determined, from the June 30, 2012 to the June 30, 2013 funding valuation report. Further details of the Experience study can be found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.65% for the Plan which is different than prior year to correct for an adjustment to exclude administrative expense. According to paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Current Target Allocation	Real Return Years 1-10[(a)]	Real Return Years 11+[(b)]
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.5%	5.13%
Infrastructure and Forestland	3%	4.5%	5.09%
Liquidity	2%	(0.55)%	(1.05)%

[(a)] An expected inflation of 2.5% used for this period
[(b)] An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65%, 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 (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

	Safety
1% Decrease	6.65%
Net Pension Liability	$ 22,549,521
Current Discount Rate	7.65%
Net Pension Liability	$ 15,056,206
1% Increase	8.65%
Net Pension Liability	$ 8,904,963

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The County of San Benito Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the County. The Plan provides healthcare insurance benefits to eligible retirees. The County has been under contract with CalPERS for medical plan coverage since 1993 for their employees, as provided by the Public Employee's Medical and Hospital and Car Act (PEMHCA).

The County provides postemployment health care benefits, in accordance with the health care regulations of the Public Employees Retirement System, to all employees, their spouses, and eligible dependents, who retire through CalPERS from the County on or after attaining age 50 with at least five years of service. Currently, 224 retirees meet those eligibility requirements.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the County. The County prefunds the plan through the California Employers' Retiree Benefit Trust (CERBT).

California Employers' Retiree Benefit Trust - CERBT

The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension*. The County's ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of 30 years. The fiscal year 2016-17 ARC is $775,313.

CERBT is a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 and established to pre-fund retiree healthcare benefits. CERBT issues a publicly available financial report including GASB 43 - *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* disclosure information in aggregate with other CERBT participating employers. That report may be obtained by contacting CalPERS, Executive Office, 400 P Street, Sacramento, CA 95814.

Annual OPEB Cost and Net OPEB Obligation

For fiscal year 2016-17, the County's annual OPEB cost (expense) of $775,313 is detailed as follows:

Annual Required Contribution:	
Normal Cost including interest	$ 534,094
Amortization of Initial UAAL	241,219
Total ARC (and Annual OPEB Cost)	$ 775,313

Net OPEB Obligation at beginning of year	$	83,990
Plus Projected Annual OPEB Cost		
a. Interest on Net OPEB Obligation at beginning of year		—
b. ARC for current fiscal year		775,313
c. ARC adjustment for current fiscal year		—
d. Projected Annual OPEB Cost (a.+b.+c)	$	775,313
Less Total Employer Contribution		603,371
Expected Net OPEB Obligation @ 06/30/2017	$	255,932

Funded Status and Funding Progress

The funded status of the plan, based on an actuarial valuation as of July 1, 2015, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	24,158,221
Actuarial value of plan assets	20,342,401
Unfunded actuarial accrued liability (UAAL)	3,815,820
Funded ratio (actuarial value of plan assets/AAL)	84%
Projected covered payroll (active Plan members)	25,632,248
UAAL as a percent of covered payroll	15%

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the entry age normal level percent of pay actuarial cost method was used. The actuarial assumptions included a 7.28% investment rate of return (net of administrative expenses), which is the expected long-term investment return on CERBT investments, and an annual health care minimum cost trend of 7.5%. The UAAL is being amortized over a 30 year period using the level-percentage of pay method on an open basis. The remaining amortization period at June 30, 2017 was 29 years.

NOTE 14. 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.

The County is a member of a joint powers agency (JPA), Trindel Insurance Fund, which self-insures losses up to $300,000 for Workers Compensation, up to $100,000 for all risk liability, $20,000 for auto liability, and $25,000 for property, per occurrence. The liability rests with the County. Trindel Insurance Fund is classified as a claims-servicing or account pool, wherein the County retains the risk of loss and is considered self-insured with regard to liability coverage.

The County also belongs to another larger JPA called the California State Association of Counties Excess Insurance Authority (CSACEIA). CSACEIA, along with other commercial carriers, increases the coverage for general liability to $25 million. Also, CSACEIA, with other commercial carriers, covers replacement cost on property to $600 million with a $25,000 deductible for real property and a $20,000 deductible for vehicles. Trindel covers all but $1,000 of these deductibles, per occurrence.

The actuarial expected claims liability at fiscal year end, projected with a 50% confidence level, at June 30, 2017 is $3,638,598.

Fiscal Year	Beginning Fiscal Year Liability	Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2016 - 2017	2,740,792	2,612,266	(1,714,460)	3,638,598
2015 - 2016	2,518,418	1,093,732	(871,358)	2,740,792

NOTE 15. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of $586,730 was recorded in the governmental funds. In 2000-2001 the County issued various low-income loans funded through a HOME program; a prior period adjustment is being recorded to record additional loans not initially recorded. In FY15/16 the County recorded an OPEB liability for that year's Annual Required Contribution and did not consider the premium payments, made to the insurer, as contributions in relation to the ARC, which overstated the liability at June 30, 2016. A prior period adjustment of $1,733,446 was recorded to reduce the liability for amounts paid in the prior year.

The restatement of beginning net position/fund balance is summarized as follows:

	Statement of Activities	Governmental Funds
	Governmental Activities	Other Governmental Funds
Net position/fund balance at June 30, 2016, as originally reported	$ 112,288,617	$ 23,287,860
OPEB liability adjustment	1,733,446	
HOME loan adjustment	586,730	586,730
Restated net position/fund balance at June 30, 2016	$ 114,608,793	$ 23,874,590

NOTE 16. AUTHORITATIVE PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

GASB Statement Numbers 75, 81, and 83-87 listed below will be implemented in future financial statements:

Statement No. 75 *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*	The provisions of this statement are effective for fiscal years beginning after June 15, 2017. (FY 2017/18)
Statement No. 81 "Irrevocable Split-Interest Agreements"	The requirements of this Statement are effective for periods beginning after December 15, 2016. (FY 2017/18)
Statement No. 83 "Certain Asset Retirement Obligations"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017. (FY 2017/18)
Statement No. 84 "Fiduciary Activities"	The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. (FY2019/20)
Statement No. 85 "Omnibus 2017"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017. (FY 2017/18)
Statement No. 86 "Certain Debt Extinguishment Issues"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017. (FY 2017/18)
Statement No. 87 "Leases"	The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. (FY2020/21)

NOTE 17. FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (see Note 1 for a description of these categories). Presented below is a detailed schedule of fund balances, for major and nonmajor governmental funds, at June 30, 2017.

	General	Human Services Agency	Road	Mental Health	Family Support	Tobacco Securitization	Other Governmental	Total
Nonspendable:								
Inventory	—	—	49,516	—	—	—	—	49,516
Prepaids	188,314	—	—	—	—	—	9,976	198,290
Loan receivable	—	—	—	—	—	—	1,552,444	1,552,444
Total nonspendable fund balance	188,314	—	49,516	—	—	—	1,562,420	1,800,250
Restricted:								
General government								
Assessor - SCAPAP	160,582	—	—	—	—	—	—	160,582
Public protection								
Recorder programs	915,065	—	—	—	—	—	—	915,065
Sheriff programs	1,306,112	—	—	—	—	—	—	1,306,112
Probation programs	109,902	—	—	—	—	—	—	109,902
Juvenile probation programs	26,850	—	—	—	—	—	—	26,850
District attorney programs	85,198	—	—	—	—	—	—	85,198
Public safety realignment	—	—	—	—	—	—	4,716,428	4,716,428
Pipeline safety initiative	18,000	—	—	—	—	—	—	18,000
Fish and game programs	—	—	—	—	—	—	4,253	4,253
Public ways and facilities								
Purpose of fund	—	—	2,280,188	—	—	—	—	2,280,188
Road projects	—	—	—	—	—	—	2,760,803	2,760,803
Health and sanitation								
Mosquito abatement programs	—	—	—	—	—	—	6,568	6,568
Substance abuse programs							653,170	653,170
Public health programs							3,126,453	3,126,453
Purpose of fund	—	—	—	11,319,535	—	—	—	11,319,535
Public assistance								
Community services workforce							29,928	29,928
Migrant labor camp	—	—	—	—	—	—	350,003	350,003
Housing assistance programs	—	—	—	—	—	—	312,418	312,418
Public authority	—	—	—	—	—	—	345,094	345,094
Public assistance programs	—	5,270,105	—	—	—	—	—	5,270,105
County service areas	—	—	—	—	—	—	2,213,395	2,213,395
Total restricted fund balance	2,621,709	5,270,105	2,280,188	11,319,535	—	—	14,518,513	36,010,050
Committed:								
General government								
PARS - pension	3,000,000							3,000,000
Total committed fund balance	3,000,000	—	—	—	—	—	—	3,000,000
Assigned:								
General government								
Tobacco securitization	—	—	—	—	—	706,528	—	706,528
Insurance and general liability	5,545,693	—	—	—	—	—	—	5,545,693
Public protection								
Public safety impact fees	—	—	—	—	—	—	1,388,138	1,388,138
Public ways and facilities								
Public ways and facilities impact fees	—	—	—	—	—	—	5,815,312	5,815,312
Health and sanitation								
Emergency medical services	—	—	—	—	—	—	145,200	145,200
Public assistance								
Inclusionary housing impact fees	—	—	—	—	—	—	12,085	12,085
Recreation and culture								
Parks and recreation impact fees	—	—	—	—	—	—	4,230,400	4,230,400
Capital Improvement Projects	1,975,058						117,354	2,092,412
Total assigned fund balance	7,520,751	—	—	—	—	706,528	11,708,489	19,935,768
Unassigned	15,578,209	—	—	—	(1,290,711)	—	(228,928)	14,058,570
Total Fund Balances	28,908,983	5,270,105	2,329,704	11,319,535	(1,290,711)	706,528	27,560,494	74,804,638

NOTE 18. TAX ABATEMENT

The County provides tax abatements for restricted parcels of land under the Land Conservation Act (Williamson Act). Under the Williamson Act private landowners can enter into a contract with the County restricting the use of their land for agricultural or related open space use in exchange for reduced property tax assessments.

Property tax under the Williamson Act is assessed at a rate consistent with the property's actual use rather than the market value. The contracts are binding for a period of ten years and are automatically renewed each year unless the property owner files a Notice of Non-Renewal with the Assessor's Office. After the filing of the notice the land may not be converted to other uses for ten years, during which time the property taxes are gradually increased to reflect the full market value of the land.

No other commitments were made by the County as part of the Williamson Act contracts. For the fiscal year ended June 30, 2017, the County tax abatements under the Williamson Act totaled $2,601,407.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY PRINCIPLES

In accordance with Chapter 1, Division 3, Title 3, of the Government Code of the State of California, known as the "Budget Act," the County adopts a budget for each fiscal year on or before October 2. Budgeted expenditures are enacted into law through the passage of an Appropriation Resolution. This resolution mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded except by subsequent amendments to the budget by the County's Board of Supervisors.

An operating budget is adopted each fiscal year from all Governmental Funds, the Capital Project Fund and the County's Proprietary Fund, except the Tobacco Securitization fund and the Developer Projects fund. Expenditures are controlled at the object level within budget units for the County. The object level within a budget unit is the level at which expenditures may not legally exceed appropriations. Any amendments or transfers of appropriations between object levels within the same budget unit or between departments or funds are authorized by the County Administrator's office and must be approved by the Board of Supervisors.

Supplementary appropriations normally financed by unanticipated revenues during the year must be approved by the Board of Supervisors. Pursuant to Board Resolution, the County Administrator is authorized to approve transfers and revision of appropriations under $25,000 within a single budget unit as deemed necessary and appropriate. Budgeted amounts in the budgetary financial schedules are reported as originally adopted and are amended during the fiscal year by resolutions approved by the Board of Supervisors.

The budget approved by the Board of Supervisors for the general fund includes budgeted expenditures and reimbursements for amounts disbursed on behalf of other Governmental Funds. Actual reimbursements for these items have been eliminated in the accompanying budgetary financial schedules. Accordingly, the related budgets for these items have also been eliminated in order to provide a meaningful comparison of actual and budgeted results of operations.

Budgets are adopted on a basis consistent with GAAP except for the following classifications:

- Proceeds from the sale of an asset and the issuance of new debt are reported as revenues for budgetary purposes, however, for GAAP purposes are reported as other financing sources. For the fiscal year ending June 30, 2017, the County had other financing sources consisting of multiple capital leases for equipment.

The budgets for governmental funds may include an object level known as "intrafund transfers" in the charges for appropriations. This object level is an accounting mechanism used by the County to show reimbursements between operations within the same fund (an example would be the General Fund).

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary accounting in the General and Special Revenue Funds. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities. Encumbrances at year end are rebudgeted in the new year. For the fiscal year ending June 30, 2017, there were no recorded encumbrances outstanding at year end for any of the Governmental Funds.

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
FUND BALANCE - BEGINNING, AS RESTATED	**23,423,320**	**23,423,320**	**27,337,175**	**3,913,855**
REVENUES				
Taxes	15,952,500	15,952,500	17,511,984	1,559,484
Licenses, permits and franchises	1,463,400	1,463,400	1,294,916	(168,484)
Aid from other governments	8,258,585	8,346,085	6,867,855	(1,478,230)
Use of money or property	95,000	95,000	226,788	131,788
Fines, forfeits and penalties	1,116,913	1,116,913	3,134,899	2,017,986
Charges for services	11,495,044	10,312,846	4,979,369	(5,333,477)
Other revenue	926,079	950,511	413,610	(536,901)
Total Revenues	**39,307,521**	**38,237,255**	**34,429,421**	**(3,807,834)**
EXPENDITURES				
CURRENT:				
General Government				
Non-Departmental				
Services & Supplies	1,659,000	1,659,000	632,554	1,026,446
Other Charges	328,440	328,440	351,948	(23,508)
Fixed Assets	1,385,400	1,385,400	—	1,385,400
Indirect Cost	(1,350,050)	(20,050)	(607,422)	587,372
Total	2,022,790	3,352,790	377,080	2,975,710
Board of Supervisors				
Salaries & Benefits	380,835	380,835	363,858	16,977
Services & Supplies	42,550	57,550	52,130	5,420
Other Charges	15,000	15,000	14,700	300
Capital Assets	7,500	7,500	3,238	4,262
Indirect Cost	90,296	90,296	90,296	—
Total	536,181	551,181	524,222	26,959
Clerk of the Board of Supervisors				
Salaries & Benefits	179,900	129,900	118,909	10,991
Services & Supplies	74,720	59,720	43,160	16,560
Capital Assets	20,000	20,000	—	20,000
Indirect Cost	24,320	24,320	24,320	—
Total	298,940	233,940	186,389	47,551

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Administrative Officer				
Salaries & Benefits	804,615	774,615	741,860	32,755
Services & Supplies	102,600	102,600	57,895	44,705
Capital Assets	10,000	10,000	9,888	112
Indirect Cost	(642,562)	(642,562)	(642,562)	—
Total	274,653	244,653	167,081	77,572
Information Technology				
Salaries & Benefits	421,985	311,985	317,213	(5,228)
Services & Supplies	242,050	242,050	126,770	115,280
Indirect Cost	(304,320)	(304,320)	(304,772)	452
Total	359,715	249,715	139,211	110,504
Geographical Information Systems				
Salaries & Benefits	105,267	105,267	103,000	2,267
Services & Supplies	50,610	50,610	40,723	9,887
Capital Assets	3,000	3,000	—	3,000
Indirect Cost	11,103	11,103	11,103	—
Total	169,980	169,980	154,826	15,154
County Counsel				
Salaries & Benefits	744,280	544,280	535,190	9,090
Services & Supplies	157,220	132,220	100,774	31,446
Indirect Cost	(547,250)	(547,250)	(558,175)	10,925
Total	354,250	129,250	77,789	51,461
County Auditor/Controller				
Salaries & Benefits	1,154,985	900,403	862,442	37,961
Services & Supplies	273,664	342,664	238,144	104,520
Capital Assets	7,100	7,100	—	7,100
Indirect Cost	(1,363,496)	(1,363,496)	(1,368,100)	4,604
Total	72,253	(113,329)	(267,514)	154,185
County Treasurer				
Salaries & Benefits	287,860	306,360	302,576	3,784
Services & Supplies	36,369	37,869	36,097	1,772
Indirect Cost	20,895	20,895	20,895	—
Total	345,124	365,124	359,568	5,556

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
County Assessor				
Salaries & Benefits	1,551,474	1,551,474	1,494,554	56,920
Services & Supplies	324,031	324,031	196,632	127,399
Indirect Cost	142,999	142,999	142,999	—
Total	2,018,504	2,018,504	1,834,185	184,319
Tax Collector				
Salaries & Benefits	320,758	218,258	210,103	8,155
Services & Supplies	27,701	35,201	32,454	2,747
Capital Assets	50,000	50,000	52,792	(2,792)
Indirect Cost	38,252	38,252	38,252	—
Total	436,711	341,711	333,601	8,110
Internal Services				
Salaries & Benefits	422,265	277,265	254,235	23,030
Services & Supplies	225,720	285,720	280,655	5,065
Indirect Cost	(440,712)	(440,712)	(440,712)	—
Total	207,273	122,273	94,178	28,095
Elections				
Salaries & Benefits	276,003	276,003	268,377	7,626
Services & Supplies	209,950	254,950	245,903	9,047
Capital Assets	3,000	3,000	11,890	(8,890)
Indirect Cost	30,683	30,683	30,683	—
Total	519,636	564,636	556,853	7,783
Maintenance - Buildings & Grounds				
Salaries & Benefits	250,085	203,085	164,862	38,223
Services & Supplies	569,200	551,200	489,228	61,972
Capital Assets	126,000	126,000	—	126,000
Indirect Cost	—	—	(674,310)	674,310
Total	945,285	880,285	(20,220)	900,505
Risk Management				
Salaries & Benefits	50,000	50,000	—	50,000
Other Charges	989,262	989,262	581,755	407,507
Indirect Cost	(901,791)	(901,791)	(903,136)	1,345
Total	137,471	137,471	(321,381)	458,852
Total General Government	**8,698,766**	**9,248,184**	**4,195,868**	**5,052,316**

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Public Protection				
Grand Jury				
Services & Supplies	21,000	21,000	4,090	16,910
Indirect Cost	6,073	6,073	6,073	—
Total	27,073	27,073	10,163	16,910
District Attorney				
Salaries & Benefits	1,279,240	1,282,010	1,268,204	13,806
Services & Supplies	161,700	119,200	84,980	34,220
Fixed Assets	—	45,000	54,371	(9,371)
Indirect Cost	170,978	170,978	170,978	—
Total	1,611,918	1,617,188	1,578,533	38,655
Public Defender				
Services & Supplies	1,066,766	1,066,766	832,713	234,053
Indirect Cost	44,982	44,982	44,982	—
Total	1,111,748	1,111,748	877,695	234,053
Sheriff - Operations Division				
Salaries & Benefits	4,617,222	4,614,822	4,613,355	1,467
Services & Supplies	462,720	473,552	559,530	(85,978)
Other Charges	—	—	31,068	(31,068)
Capital Assets	659,370	790,540	341,921	448,619
Indirect Cost	567,107	567,107	567,107	—
Total	6,306,419	6,446,021	6,112,981	333,040
911 Communications Center				
Salaries & Benefits	46,326	33,326	1,530	31,796
Services & Supplies	554,319	554,319	519,470	34,849
Total	600,645	587,645	521,000	66,645
UNET - Anti-Drug Task Force				
Salaries & Benefits	187,553	137,553	134,836	2,717
Services & Supplies	84,408	94,408	92,391	2,017
Indirect Cost	4,932	4,932	4,932	—
Total	276,893	236,893	232,159	4,734

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Sheriff's Grant				
Salaries & Benefits	339,516	332,516	330,310	2,206
Services & Supplies	11,000	11,000	672	10,328
Capital Assets	18,000	18,000	—	18,000
Total	368,516	361,516	330,982	30,534
Corrections Division - Jail				
Salaries & Benefits	3,528,237	3,528,237	3,449,204	79,033
Services & Supplies	1,532,890	1,532,890	1,524,109	8,781
Capital Assets	107,000	107,000	55,506	51,494
Indirect Cost	590,645	590,645	590,645	—
Total	5,758,772	5,758,772	5,619,464	139,308
Probation Department				
Salaries & Benefits	2,328,590	2,243,590	2,086,525	157,065
Services & Supplies	403,869	610,268	648,489	(38,221)
Other Charges	—	171,000	171,000	—
Capital Assets	40,000	55,652	55,921	(269)
Indirect Cost	185,240	185,240	185,240	—
Total	2,957,699	3,265,750	3,147,175	118,575
Juvenile Detention Facility				
Salaries & Benefits	1,106,694	1,095,496	1,086,433	9,063
Services & Supplies	421,290	421,290	338,508	82,782
Other Charges	10,000	10,000	2,541	7,459
Indirect Cost	102,790	102,790	102,790	—
Total	1,640,774	1,629,576	1,530,272	99,304
Gang Prevention				
Salaries & Benefits	198,113	143,113	132,479	10,634
Services & Supplies	22,700	22,700	9,142	13,558
Indirect Cost	5,147	5,147	5,147	—
Total	225,960	170,960	146,768	24,192
Agricultural Commissioner				
Salaries & Benefits	745,876	815,876	743,172	72,704
Services & Supplies	74,200	84,200	74,845	9,355
Capital Assets	39,500	39,500	29,808	9,692
Indirect Cost	98,450	98,450	98,450	—
Total	958,026	1,038,026	946,275	91,751

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Public Works - Administration & Engineering				
Salaries & Benefits	1,255,222	1,007,130	690,918	316,212
Services & Supplies	99,500	103,000	111,176	(8,176)
Other Charges	—	—	150	(150)
Capital Assets	27,500	27,500	—	27,500
Indirect Cost	37,500	37,500	14,022	23,478
Total	1,419,722	1,175,130	816,266	358,864
County Clerk				
Salaries & Benefits	115,686	125,686	120,506	5,180
Services & Supplies	22,100	22,100	19,584	2,516
Indirect Cost	33,086	33,086	33,086	—
Total	170,872	180,872	173,176	7,696
County Recorder				
Salaries & Benefits	401,707	366,707	316,269	50,438
Services & Supplies	487,319	476,319	169,516	306,803
Capital Assets	11,000	22,000	7,943	14,057
Indirect Cost	44,944	44,944	44,944	—
Total	944,970	909,970	538,672	371,298
Coroner				
Services & Supplies	81,380	81,380	68,423	12,957
Other Charges	3,000	11,000	7,947	3,053
Indirect Cost	5,740	5,740	5,740	—
Total	90,120	98,120	82,110	16,010
Public Administrator				
Services & Supplies	4,378	4,378	3,660	718
Indirect Cost	16,576	16,576	16,576	—
Total	20,954	20,954	20,236	718
Office of Emergency Services				
Salaries & Benefits	225,335	225,335	207,507	17,828
Services & Supplies	294,001	283,308	100,705	182,603
Other Charges	1,000	1,000	—	1,000
Capital Assets	—	10,693	24,779	(14,086)
Indirect Cost	26,333	26,333	26,333	—
Total	546,669	546,669	359,324	187,345
Disaster Recovery				
Services & Supplies	—	—	994,007	(994,007)
Total	—	—	994,007	(994,007)

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Planning and Building Department				
Salaries & Benefits	1,075,589	1,131,666	769,568	362,098
Services & Supplies	531,975	581,975	639,197	(57,222)
Capital Assets	32,000	—	31,549	(31,549)
Indirect Cost	359,824	391,824	433,500	(41,676)
Total	1,999,388	2,105,465	1,873,814	231,651
Animal Control & Veterinarian Services				
Services & Supplies	257,000	257,000	292,546	(35,546)
Indirect Cost	11,497	11,497	11,497	—
Total	268,497	268,497	304,043	(35,546)
Housing & Economic Development				
Services & Supplies	345,000	345,000	37,423	307,577
Indirect Cost	(277)	(277)	(277)	—
Total	344,723	344,723	37,146	307,577
Abandoned Vehicle Abatement				
Salaries & Benefits	180	180	180	—
Services & Supplies	2,000	2,000	—	2,000
Indirect Cost	193	193	193	—
Total	2,373	2,373	373	2,000
General Plan Update				
Salaries & Benefits	561	561	561	—
Services & Supplies	50,000	—	—	—
Indirect Cost	6,913	6,913	—	6,913
Total	57,474	7,474	561	6,913
Land Development Projects				
Services & Supplies	872,000	872,000	571,465	300,535
Indirect Cost	66,956	66,956	—	66,956
Total	938,956	938,956	571,465	367,491

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
COG/Transit				
Salaries & Benefits	682,166	682,166	631,493	50,673
Services & Supplies	250	250	194	56
Indirect Cost	16,697	16,697	19,123	(2,426)
Total	699,113	699,113	650,810	48,303
Total Public Protection	**29,348,274**	**29,549,484**	**27,475,470**	**2,074,014**
Public Assistance				
Aid to Indigents				
Other Charges	135,000	135,000	300,013	(165,013)
Total	135,000	135,000	300,013	(165,013)
Contributions to Community Organizations				
Other Charges	120,000	120,000	115,000	5,000
Total	120,000	120,000	115,000	5,000
Veterans Services				
Salaries & Benefits	11,000	11,000	5,997	5,003
Services & Supplies	76,877	76,877	72,279	4,598
Indirect Cost	4,625	4,625	4,625	—
Total	92,502	92,502	82,901	9,601
First 5 San Benito				
Other Charges	—	—	33,994	(33,994)
Indirect Cost	—	—	45,139	(45,139)
Total	—	—	79,133	(79,133)
Total Public Assistance	**347,502**	**347,502**	**577,047**	**(150,412)**

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Education				
County Library				
Salaries & Benefits	629,832	637,841	633,154	4,687
Services & Supplies	144,000	151,500	147,417	4,083
Indirect Cost	160,634	160,634	160,634	—
Total	934,466	949,975	941,205	8,770
Agricultural Extension				
Services & Supplies	50,500	50,000	50,000	—
Capital Assets	21,000	21,500	21,500	—
Indirect Cost	216	216	216	—
Total	71,716	71,716	71,716	—
Total Education	**1,006,182**	**1,021,691**	**1,012,921**	**8,770**
Parks and Recreation				
Veterans Memorial Park				
Salaries & Benefits	36,564	38,064	37,818	246
Services & Supplies	31,600	72,600	72,161	439
Other Charges	—	—	(15)	15
Capital Assets	5,000	—	—	—
Indirect Cost	4,229	4,229	4,229	—
Total	77,393	114,893	114,193	700
Historical & San Justo Reservoir Parks				
Salaries & Benefits	36,641	37,641	37,118	523
Services & Supplies	36,400	18,400	11,786	6,614
Other Charges	—	—	(15)	15
Indirect Cost	826	826	(826)	1,652
Total	73,867	56,867	48,063	8,804
Total Parks and Recreation	**151,260**	**171,760**	**162,256**	**9,504**
Total Expenditures	**39,551,984**	**40,338,621**	**33,423,562**	**6,915,059**
Excess of Revenue Over (Under) Expenditures	**(244,463)**	**(2,101,366)**	**1,005,859**	**3,107,225**
Other Financing Sources (Uses):				
Transfers in	4,094,906	4,517,789	1,957,068	(2,560,721)
Transfers out	(1,768,343)	(1,894,091)	(1,416,330)	(477,761)
Capital Leases	—	—	25,211	(25,211)
Total other financing sources (uses)	**2,326,563**	**2,623,698**	**565,949**	**(3,063,693)**
Net Change in Fund Balance	**2,082,100**	**522,332**	**1,571,808**	**1,049,476**
Ending Fund Balance, 06/30/2017	**25,505,420**	**23,945,652**	**28,908,983**	**4,963,331**

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
Human Services Agency Fund Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues:				
Aid from other governments	18,287,000	18,287,000	18,817,871	530,871
Use of money or property	—	—	34,755	34,755
Charges for services	—	—	7,486	7,486
Other revenue	110,000	110,000	496,275	386,275
Total Revenues	18,397,000	18,397,000	19,356,387	959,387
Expenditures:				
Current:				
Salaries & Benefits	9,451,025	9,451,026	8,267,708	1,183,318
Services & Supplies	1,471,300	1,471,300	1,641,570	(170,270)
Other Charges	8,140,750	8,340,750	7,517,565	823,185
Capital Assets	70,000	70,000	30,717	39,283
Indirect Costs	1,458,270	1,458,270	1,469,500	(11,230)
Total Expenditures	20,591,345	20,791,346	18,927,060	1,864,286
Excess (deficiency) of revenues over expenditures	(2,194,345)	(2,394,346)	429,327	2,823,673
Other Financing Sources (Uses):				
Transfers in	2,868,000	3,068,000	—	(3,068,000)
Transfers out	(3,116,000)	(3,116,000)	—	3,116,000
Total other financing sources (uses)	(248,000)	(48,000)	—	48,000
Net change in fund balance	(2,442,345)	(2,442,346)	429,327	2,871,673
Fund balance - beginning of year	3,904,860	3,904,860	4,840,778	935,918
Fund balance - end of year	1,462,515	1,462,514	5,270,105	3,807,591

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
Road Fund Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues:				
Aid from other governments	60,871,077	60,871,077	2,356,312	(58,514,765)
Use of money or property	—	—	17,007	17,007
Charges for services	412,202	412,202	—	(412,202)
Other revenue	—	—	55,695	55,695
Total Revenues	61,283,279	61,283,279	2,429,014	(58,854,265)
Expenditures:				
Current:				
Salaries & Benefits	1,329,537	1,346,855	1,031,238	315,617
Services & Supplies	820,500	820,500	576,600	243,900
Other Charges	—	—	(6,729)	6,729
Capital Assets	59,662,500	59,662,500	521,683	59,140,817
Indirect Costs	147,681	147,681	286,624	(138,943)
Total Expenditures	61,960,218	61,977,536	2,409,416	59,568,120
Excess (deficiency) of revenues over expenditures	(676,939)	(694,257)	19,598	713,855
Other Financing Sources (Uses):				
Transfers in	676,939	694,257	3,194	(691,063)
Total other financing sources (uses)	676,939	694,257	3,194	(691,063)
Net change in fund balance	—	—	22,792	22,792
Fund balance - beginning of year	2,249,246	2,249,246	2,306,912	57,666
Fund balance - end of year	2,249,246	2,249,246	2,329,704	80,458

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
Mental Health Fund Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues:				
Aid from other governments	6,101,686	6,101,686	7,305,327	1,203,641
Use of money or property	—	—	87,060	87,060
Charges for services	56,000	56,000	148,521	92,521
Other revenue	1,181,326	1,181,326	5,268	(1,176,058)
Total Revenues	7,339,012	7,339,012	7,546,176	207,164
Expenditures:				
Current:				
Salaries & Benefits	4,464,564	4,464,564	2,910,945	1,553,619
Services & Supplies	2,300,700	2,300,700	1,799,756	500,944
Other Charges	337,200	337,200	287,967	49,233
Capital Assets	35,000	35,000	—	35,000
Indirect Costs	247,320	247,320	247,320	—
Total Expenditures	7,384,784	7,384,784	5,245,988	2,138,796
Excess (deficiency) of revenues over expenditures	(45,772)	(45,772)	2,300,188	2,345,960
Other Financing Sources (Uses):				
Transfer In	1,126,272	1,126,272	45,772	(1,080,500)
Transfer Out	(1,080,500)	(1,080,500)	(849,472)	231,028
Total other financing sources (uses)	45,772	45,772	(803,700)	(849,472)
Net change in fund balance	—	—	1,496,488	1,496,488
Fund balance - beginning of year	3,205,982	3,205,982	9,823,047	6,617,065
Fund balance - end of year	3,205,982	3,205,982	11,319,535	8,113,553

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
Family Support Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues:				
Aid from other governments	$ 1,698,099	$ 1,698,099	$ 484,393	$ (1,213,706)
Total Revenues	1,698,099	1,698,099	484,393	(1,213,706)
Expenditures:				
Current:				
Salaries and benefits	1,401,700	1,401,700	1,261,615	140,085
Services and supplies	194,300	194,300	168,373	25,927
Other charges	—	—	3,000	(3,000)
Indirect costs	102,099	102,099	102,099	—
Total Expenditures	1,698,099	1,698,099	1,535,087	163,012
Excess (deficiency) of revenues over expenditures	—	—	(1,050,694)	(1,050,694)
Net change in fund balance	—	—	(1,050,694)	(1,050,694)
Fund balance - beginning of year	195,826	195,826	(240,017)	(435,843)
Fund balance - end of year	$ 195,826	$ 195,826	$ (1,290,711)	$ (1,486,537)

COUNTY OF SAN BENITO

Schedule of Changes in the Net Pension Liability and Related Ratios - Miscellaneous Plan
Last 10 years*

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability			
Service Cost	$ 2,601,753	$ 2,669,215	$ 2,807,691
Interest on Total Pension Liability	9,519,074	9,982,906	9,676,904
Changes in Assumptions	—	(2,443,007)	—
Differences between Expected and Actual Experience	(450,028)	(2,370,448)	—
Benefit Payments, Including Refunds of Employee Contributions	(6,802,297)	(6,375,115)	(5,888,439)
Proportional Difference between County and Courts Share	—	(116,765)	(3,171,456)
Net Change in Total Pension Liability	4,868,502	1,346,786	3,424,700
Total Pension Liability - Beginning	135,337,241	133,990,455	130,565,755
Total Pension Liability - Ending (a)	$ 140,205,743	$ 135,337,241	$ 133,990,455
Plan Fiduciary Net Position			
Plan to Plan Resource Movement	$ 147	$ 12,552	$ —
Contributions - Employer	3,349,688	2,643,107	2,335,003
Contributions - Employee	1,307,237	1,282,053	1,317,844
Net Investment Income	496,432	2,363,317	15,669,334
Administrative Expense	(58,279)	(129,721)	—
Benefit Payments	(6,802,297)	(6,375,115)	(5,888,439)
Net Change in Plan Fiduciary Net Position	(1,707,072)	(203,807)	13,433,742
Plan Fiduciary Net Position - Beginning	104,152,158	104,355,965	90,922,223
Plan Fiduciary Net Position - Ending (b)	102,445,086	104,152,158	104,355,965
Net Pension Liability - Ending [(a) - (b)]	$ 37,760,657	$ 31,185,083	$ 29,634,490
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.1%	77.0%	77.9%
Covered Payroll	$ 18,698,111	$ 16,887,977	$ 16,609,778
Net Pension Liability as a Percentage of Covered Payroll	201.9%	184.7%	178.4%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate information for 10 years, however, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

Notes to Schedule:

Changes in benefits - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

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

COUNTY OF SAN BENITO

Schedule of Contributions - Miscellaneous Plan
Last 10 years*

	2016	2015	2014
Actuarially Determined Contributions	$ 3,361,566	$ 2,643,107	$ 2,335,003
Contributions in Relation to the Actuarially Determined Contributions	(3,361,566)	(2,643,107)	(2,335,003)
Contribution Deficiency (Excess)	—	—	—
Covered Payroll	$ 18,698,111	$ 16,887,977	$ 16,609,778
Contributions as a Percentage of Covered Payroll	18.0%	15.7%	14.1%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate information for 10 years, however, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

Notes to Schedule of Plan Contributions:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were derived from the June 30, 2013 funding valuation report.

Actuarial Cost Method	Entry age normal
Amortization Method/Period	For details, see June 30, 2013 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2013 Funding Valuation Report
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

COUNTY OF SAN BENITO

Schedule of Proportionate Share of the Net Pension Liability - Safety Plan
Last 10 years*

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	**2016 (2015)**	**2015 (2014)**
Proportion of the net pension liability	0.29129%	0.28241%	0.204400%
Proportionate share of the net pension liability	$ 15,056,206	$ 12,283,792	$ 12,718,583
Covered Payroll	$ 5,712,124	$ 5,032,565	$ 4,639,083
Proportionate share of the net pension liability as percentage of covered payroll	263.58%	244.09%	274.16%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate information for 10 years, however, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

Benefit changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of assumptions - In 2016, there were no changes of assumptions. In 2015, the discount rate changed from 7.5% (net of administrative expense) to 7.65% to correct for an adjustment to exclude administrative expense.

COUNTY OF SAN BENITO

Schedule of Contributions - Safety Plan
Last 10 years*

	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 2,218,718	$ 2,000,014	$ 1,614,663
Contribution in relation to the actuarially determined contributions	$ (2,218,718)	$ (2,000,014)	$ (1,614,663)
Contribution deficiency (excess)	$ —	$ —	$ —
Covered Payroll	$ 6,127,371	$ 5,712,124	$ 5,032,565
Contributions as a percentage of covered payroll	36.21%	35.01%	32.08%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate information for 10 years, however, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

Notes to Schedule of Plan Contributions:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were derived from the June 30, 2013 funding valuation report.

Actuarial Cost Method	Entry age normal
Amortization Method/Period	For details, see June 30, 2013 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2013 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment rate of return	7.50%, net of pension plan investment expense, includes inflation
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

There were no changes in methods or assumptions used to determine the legally required contributions, which are actuarially determined, from the June 30, 2012 to the June 30, 2013 funding valuation report.

COUNTY OF SAN BENITO

Retiree Healthcare Plan (OPEB) Schedule of Funding Progress
For the Year ended June 30, 2017

The table below shows a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrual liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30 of each year indicated:

Valuation Date	Actuarial Accrued Liabilities	Actuarial Value of Assets	Unfunded Actuarial Liabilities	Funded Ratio	Annual Covered Payroll	UL as a Percentage of Covered Payroll
7/1/2015	$ 24,158,221	$ 20,342,401	$ 3,815,820	84.2%	$ 25,632,248	14.89%
6/30/2014	$ 30,241,842	$ 14,563,383	$ 15,678,459	48.2%	$ 35,582,000	44.1%
6/30/2013	$ 36,752,366	$ 11,690,231	$ 25,062,135	31.8%	$ 27,443,958	91.32%

SUPPLEMENTARY INFORMATION

COUNTY OF SAN BENITO
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

	Fish and Game	Victim Witness	Emergency Medical Services	Migrant Labor Camp	CSWD	Mosquito Abatement
Assets						
Cash and investments in Treasury	$ 4,253	$ —	$ 152,500	$ 142,598	$ —	$ 13,206
Restricted assets - cash with fiscal agent	—	—	—	171,054	—	—
Imprest cash	—	—	—	—	—	—
Receivables	—	69	—	—	5,360	—
Due from other governments	—	90,417	—	225,788	527,640	—
Advances from other funds	—	—	—	—	—	—
Inventories and other assets	—	—	—	—	—	—
Total Assets	4,253	90,486	152,500	539,440	533,000	13,206
Liabilities						
Accounts payable and accrued liabilities	—	6,987	7,597	47,434	72,538	6,638
Due to other funds	—	137,695	—	—	191,245	—
Due to other agencies	—	—	(297)	13,429	—	—
Advances to other funds	—	—	—	—	—	—
Deposits from others	—	—	—	9,660	—	—
Total Liabilities	—	144,682	7,300	70,523	263,783	6,638
Deferred Inflows of Resources						
Unavailable revenues	—	90,417	—	118,914	239,289	—
Fund Balances						
Nonspendable	—	—	—	—	—	—
Restricted	4,253	—	—	350,003	29,928	6,568
Assigned	—	—	145,200	—	—	—
Unassigned	—	(144,613)	—	—	—	—
Total Fund Balances	4,253	(144,613)	145,200	350,003	29,928	6,568
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 4,253	$ 90,486	$ 152,500	$ 539,440	$ 533,000	$ 13,206

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN BENITO

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

	County Service Areas	Public Authority	Substance Abuse	Public Health	Public Safety Realignment	Cal Fire
Assets						
Cash and investments in Treasury	$ 2,750,430	$ 296,301	$ 672,032	$ 3,172,304	$ 4,560,548	$ 208,286
Restricted assets - cash with fiscal agent	—	—	—	—	—	—
Imprest cash	—	—	—	50	—	—
Receivables	—	—	—	—	—	—
Due from other governments	—	223,024	203,746	428,056	155,880	—
Advances from other funds	—	—	—	—	—	—
Inventories and other assets	—	—	—	9,976	—	—
Total Assets	2,750,430	519,325	875,778	3,610,386	4,716,428	208,286
Liabilities						
Accounts payable and accrued liabilities	48,656	29,443	50,417	120,308	—	292,601
Due to other funds	—		—	—	—	—
Due to other agencies	—	—	—	—	—	—
Advances to other funds	484,063	—	—	—	—	—
Deposits from others	4,316					
Total Liabilities	537,035	29,443	50,417	120,308	—	292,601
Deferred Inflows of Resources						
Unavailable revenues	—	144,788	172,191	353,649	—	—
Fund Balances						
Nonspendable	—	—	—	9,976	—	—
Restricted	2,213,395	345,094	653,170	3,126,453	4,716,428	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	—	—	—	(84,315)
Total Fund Balances	2,213,395	345,094	653,170	3,136,429	4,716,428	(84,315)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,750,430	$ 519,325	$ 875,778	$ 3,610,386	$ 4,716,428	$ 208,286

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN BENITO

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

	County Fire Impact	Sheriff Equip. Impact	Jail & Juvenile Impact	Habitat Impact	Road Equip. Impr. Impact	Parks/Rec. Impact
Assets						
Cash and investments in Treasury	$ 562,544	$ 379,210	$ 446,384	$ 1,050,399	$ 193,132	$ 3,180,001
Restricted assets - cash with fiscal agent	—	—	—	—	—	—
Imprest cash	—	—	—	—	—	—
Receivables	—	—	—	—	—	—
Due from other governments	10,275	—	—	—	—	—
Advances from other funds	—	—	—	—	—	—
Inventories and other assets	—	—	—	—	—	—
Total Assets	572,819	379,210	446,384	1,050,399	193,132	3,180,001
Liabilities						
Accounts payable and accrued liabilities	—	—	—	—	—	—
Due to other funds	—	—	—	—	—	—
Due to other agencies	—	—	—	—	—	—
Advances to other funds	—	—	—	—	—	—
Deposits from others	—	—	—	—	—	—
Total Liabilities	—	—	—	—	—	—
Deferred Inflows of Resources						
Unavailable revenues	10,275	—	—	—	—	—
Fund Balances						
Nonspendable	—	—	—	—	—	—
Assigned	562,544	379,210	446,384	1,050,399	193,132	3,180,001
Unassigned	—	—	—	—	—	—
Total Fund Balances	562,544	379,210	446,384	1,050,399	193,132	3,180,001
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 572,819	$ 379,210	$ 446,384	$ 1,050,399	$ 193,132	$ 3,180,001

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN BENITO

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

	Santa Ana Storm Drain	Traffic Impact	Inclusionary Housing	Home	Total Special Revenue Funds
Assets					
Cash and investments in Treasury	$ 659,340	$ 4,478,777	$ 12,085	$ 312,418	23,246,748
Restricted assets - cash with fiscal agent	—	—	—	—	171,054
Imprest cash	—	—	—	—	50
Receivables	—	—	—	—	5,429
Loan receivable	—	—	—	1,552,444	1,552,444
Due from other governments	—	—	—	—	1,864,826
Advances from other funds		484,063			484,063
Inventories and other assets	—	—	—	—	9,976
Total Assets	659,340	4,962,840	12,085	1,864,862	27,334,590
Liabilities					
Accounts payable and accrued liabilities	—	—	—	—	682,619
Due to other funds	—	—	—	—	328,940
Due to other agencies	—	—	—	—	13,132
Advances to other funds					484,063
Deposits from others	—	—	—	—	13,976
Total Liabilities	—	—	—	—	1,522,730
Deferred Inflows of Resources					
Unavailable revenues	—	—	—	—	1,129,523
Fund Balances					
Nonspendable	—	—	—	1,552,444	1,562,420
Restricted	—	—	—	312,418	11,757,710
Assigned	659,340	4,962,840	12,085	—	11,591,135
Unassigned	—	—	—	—	(228,928)
Total Fund Balances	659,340	4,962,840	12,085	1,864,862	24,682,337
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 659,340	$ 4,962,840	$ 12,085	$ 1,864,862	27,334,590

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN BENITO

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

	Fish and Game	Victim Witness	Emergency Medical Services	Migrant Labor Camp	CSWD	Mosquito Abatement
Revenues:						
Taxes	$ —	$ —	$ —	$ —	$ —	$ 203,857
Aid from other governments	—	21,309	—	434,233	1,561,803	—
Use of money and property	30	(699)	802	1,332	(828)	(74)
Fines, forfeitures and penalties	345	—	30,243	—	—	—
Charges for services	—	10,005	384,964	—	27,660	—
Other revenue	—	—	5,751	—	170,113	—
Total Revenues	375	30,615	421,760	435,565	1,758,748	203,783
Expenditures:						
Current:						
Public protection	—	174,779	—	—	—	—
Public ways and facilities	—	—	—	—	—	—
Health and sanitation	—	—	262,968	—	—	205,276
Public assistance	—	—	—	334,422	1,687,627	—
Total Expenditures	—	174,779	262,968	334,422	1,687,627	205,276
Excess (deficiency) of revenues over expenditures	375	(144,164)	158,792	101,143	71,121	(1,493)
Other Financing Sources (uses):						
Transfers in	—	—	2,331	—	—	4,125
Transfers out	—	—	(88,022)	—	(72,669)	—
Total other financing sources (uses)	—	—	(85,691)	—	(72,669)	4,125
Net Change in Fund Balances	375	(144,164)	73,101	101,143	(1,548)	2,632
Fund balances - beginning of year, as restated	3,878	(449)	72,099	248,860	31,476	3,936
Fund balances - end of year	$ 4,253	$ (144,613)	$ 145,200	$ 350,003	$ 29,928	$ 6,568

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN BENITO

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

	County Service Areas	Public Authority	Substance Abuse	Public Health	Public Safety Realignment	Cal Fire
Revenues:						
Taxes	$ 117,763	$ —	$ —	$ —	$ —	$ 983,771
Aid from other governments	903	350,206	686,276	2,659,848	2,646,182	7,439
Use of money and property	20,005	2,288	748	21,657	41,690	(1,149)
Fines, forfeitures and penalties	—	—	11,210	831	—	—
Charges for services	818,139	—	27,015	792,788	—	—
Other revenue	—	1,240	58,846	7,587	—	—
Total Revenues	956,810	353,734	784,095	3,482,711	2,687,872	990,061
Expenditures:						
Current:						
Public protection	—	—	—	—	—	1,248,853
Public ways and facilities	520,764	—	—	—	—	—
Health and sanitation	—	—	1,162,474	3,049,491	—	—
Public assistance	—	388,259	—	—	—	—
Total Expenditures	520,764	388,259	1,162,474	3,049,491	—	1,248,853
Excess (deficiency) of revenues over expenditures	436,046	(34,525)	(378,379)	433,220	2,687,872	(258,792)
Other Financing Sources (uses):						
Transfers in	—	—	746,000	—	—	258,303
Transfers out	—	—	—	(42,120)	(2,167,920)	—
Total other financing sources (uses)	—	—	746,000	(42,120)	(2,167,920)	258,303
Net Change in Fund Balances	436,046	(34,525)	367,621	391,100	519,952	(489)
Fund balances - beginning of year, as restated	1,777,349	379,619	285,549	2,745,329	4,196,476	(83,826)
Fund balances - end of year	$ 2,213,395	$ 345,094	$ 653,170	$ 3,136,429	$ 4,716,428	$ (84,315)

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN BENITO

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

	County Fire Impact	Sheriff Equip Impact	Jail & Juvenile Impact	Habitat Impact	Road Equip. Impr. Impact	Parks/Rec Impact
Revenues:						
Use of money and property	$ 4,914	$ 2,343	$ 2,747	$ 7,800	$ 5,364	$ 23,359
Charges for services	90,478	131,852	159,906	9,482	153,884	333,286
Total Revenues	95,392	134,195	162,653	17,282	159,248	356,645
Expenditures:						
Current:						
Public protection	—	—	—	—	—	—
Public ways and facilities	—	—	—	—	—	—
Health and sanitation	—	—	—	—	—	—
Public assistance	—	—	—	—	—	—
Total Expenditures	—	—	—	—	—	—
Excess (deficiency) of revenues over expenditures	95,392	134,195	162,653	17,282	159,248	356,645
Other Financing Sources (uses):						
Transfers in	—	—	—	—	—	—
Transfers out	(140,038)	—	—	—	(603,990)	(110,845)
Total other financing sources (uses)	(140,038)	—	—	—	(603,990)	(110,845)
Net Change in Fund Balances	(44,646)	134,195	162,653	17,282	(444,742)	245,800
Fund balances - beginning of year, as restated	607,190	245,015	283,731	1,033,117	637,874	2,934,201
Fund balances - end of year	$ 562,544	$ 379,210	$ 446,384	$ 1,050,399	$ 193,132	$ 3,180,001

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN BENITO

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

	Santa Ana Storm Drain	Traffic Impact	Inclusionary Housing	Home	Total Special Revenue Funds
Revenues:					
Taxes	$ —	$ —	$ —	$ —	$ 1,305,391
Aid from other governments	—	—	—	—	8,368,199
Use of money and property	4,490	37,111	90	4,985	179,005
Fines, forfeitures and penalties	—	—	—	—	42,629
Charges for services	109,860	766,742	—	—	3,816,061
Other revenue	—	—	—	—	243,537
Total Revenues	114,350	803,853	90	4,985	13,954,822
Expenditures:					
Current:					
Public protection	—	—	—	—	1,423,632
Public ways and facilities	—	—	—	—	520,764
Health and sanitation	—	—	—	—	4,680,209
Public assistance	—	—	—	70,185	2,480,493
Total Expenditures	—	—	—	70,185	9,105,098
Excess (deficiency) of revenues over expenditures	114,350	803,853	90	(65,200)	4,849,724
Other Financing Sources (uses):					
Transfers in	—	—	—	—	1,010,759
Transfers out	—	(1,849)	—	—	(3,227,453)
Total other financing sources (uses)	—	(1,849)	—	—	(2,216,694)
Net Change in Fund Balances	114,350	802,004	90	(65,200)	2,633,030
Fund balances - beginning of year, as restated	544,990	4,160,836	11,995	1,930,062	22,049,307
Fund balances - end of year	$ 659,340	$ 4,962,840	$ 12,085	$ 1,864,862	$ 24,682,337

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
Fish and Game Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues:				
Use of money or property	$ —	$ —	$ 30	$ 30
Fines, forfeits and penalties	500	500	345	(155)
Total Revenues	500	500	375	(125)
Expenditures:				
Current:				
Other charges	500	500	—	500
Total Expenditures	500	500	—	500
Excess (deficiency) of revenues over expenditures	—	—	375	375
Net change in fund balance	—	—	375	375
Fund balance - beginning of year	3,878	3,878	3,878	—
Fund balance - end of year	$ 3,878	$ 3,878	$ 4,253	$ 375

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
Victim Witness Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues:				
Aid from other governments	$ 152,869	$ 286,427	$ 21,309	$ (265,118)
Use of money or property	—	—	(699)	(699)
Charges for services	7,500	7,500	10,005	2,505
Total Revenues	160,369	293,927	30,615	(263,312)
Expenditures:				
Current:				
Salaries and benefits	147,387	257,583	155,910	101,673
Services and supplies	8,870	24,951	14,757	10,194
Indirect costs	4,112	11,393	4,112	7,281
Total Expenditures	160,369	293,927	174,779	111,867
Excess (deficiency) of revenues over expenditures	—	—	(144,164)	(144,164)
Net change in fund balance	—	—	(144,164)	(144,164)
Fund balance - beginning of year	—	—	(449)	(449)
Fund balance - end of year	$ —	$ —	$ (144,613)	$ (144,613)

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
Emergency Medical Services Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues:				
Use of money or property	$ 15,000	$ 15,000	$ 802	$ (14,198)
Fines, forfeits and penalties	—	—	30,243	30,243
Charges for services	370,148	370,148	384,964	14,816
Other revenue	—	—	5,751	5,751
Total Revenues	385,148	385,148	421,760	36,612
Expenditures:				
Current:				
Salaries and benefits	168,515	168,515	181,565	(13,050)
Services and supplies	190,300	190,300	51,210	139,090
Other charges	—	—	5,860	(5,860)
Indirect costs	26,333	26,333	24,333	2,000
Total Expenditures	385,148	385,148	262,968	122,180
Excess (deficiency) of revenues over expenditures	—	—	158,792	158,792
Other Financing Sources (Uses):				
Transfers in	—	—	2,331	2,331
Transfers out	—	—	(88,022)	88,022
Total other financing sources (uses)	—	—	(85,691)	90,353
Net change in fund balance	—	—	73,101	73,101
Fund balance - beginning of year	55,865	55,865	72,099	16,234
Fund balance - end of year	$ 55,865	$ 55,865	$ 145,200	$ 89,335

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
Migrant Labor Camp Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues:				
Aid from other governments	$ 386,057	$ 386,057	$ 434,233	$ 48,176
Use of money or property	—	—	1,332	1,332
Total Revenues	386,057	386,057	435,565	49,508
Expenditures:				
Current:				
Salaries and benefits	216,659	216,659	170,414	46,245
Services and supplies	152,956	152,956	138,788	14,168
Other charges	—	—	8,778	(8,778)
Indirect costs	16,442	16,442	16,442	—
Total Expenditures	386,057	386,057	334,422	51,635
Excess (deficiency) of revenues over expenditures	—	—	101,143	101,143
Net change in fund balance	—	—	101,143	101,143
Fund balance - beginning of year	477,861	477,861	248,860	(229,001)
Fund balance - end of year	$ 477,861	$ 477,861	$ 350,003	$ (127,858)

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
Community Services Workforce Development (CSWD) Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues:				
Aid from other governments	$ —	$ 2,000,000	$ 1,561,803	$ (438,197)
Use of money or property	—	—	(828)	(828)
Charges for services	—	—	27,660	27,660
Other revenue	3,871,458	3,956,187	170,113	(3,786,074)
Total Revenues	3,871,458	5,956,187	1,758,748	(4,197,439)
Expenditures:				
Current:				
Salaries and benefits	1,480,567	1,553,354	1,076,481	476,873
Services and supplies	158,378	359,378	164,663	194,715
Other charges	2,150,147	2,306,847	378,812	1,928,035
Indirect costs	82,366	82,366	67,671	14,695
Total Expenditures	3,871,458	4,301,945	1,687,627	2,614,318
Excess (deficiency) of revenues over expenditures	—	1,654,242	71,121	(1,583,121)
Other Financing Sources (Uses):				
Transfers out	—	(1,700,000)	(72,669)	(1,627,331)
Total other financing sources (uses)	—	(1,700,000)	(72,669)	(1,627,331)
Net change in fund balance	—	(45,758)	(1,548)	44,210
Fund balance - beginning of year	164,184	164,184	31,476	(132,708)
Fund balance - end of year	$ 164,184	$ 118,426	$ 29,928	$ (88,498)

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
Mosquito Abatement Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues:				
Taxes	$ 205,477	$ 205,477	$ 203,857	$ (1,620)
Use of money or property	—	—	(74)	(74)
Total Revenues	205,477	205,477	203,783	(1,694)
Expenditures:				
Current:				
Salaries and benefits	160,689	160,689	157,500	3,189
Services and supplies	46,900	46,900	37,407	9,493
Other charges	10,945	10,945	5,066	5,879
Indirect costs	5,303	5,303	5,303	—
Total Expenditures	223,837	223,837	205,276	18,561
Excess (deficiency) of revenues over expenditures	(18,360)	(18,360)	(1,493)	16,867
Other Financing Sources (Uses):				
Transfers in	5,000	5,000	4,125	(875)
Total other financing sources (uses)	5,000	5,000	4,125	(875)
Net change in fund balance	(13,360)	(13,360)	2,632	15,992
Fund balance - beginning of year	—	—	3,936	3,936
Fund balance - end of year	$ (13,360)	$ (13,360)	$ 6,568	$ 19,928

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
County Service Areas (CSAs) Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues:				
Taxes	$ 717,405	$ 717,405	$ 117,763	$ (599,642)
Aid from other governments	—	—	903	903
Use of money or property	1,172	1,172	20,005	18,833
Charges for services	198,079	198,079	818,139	620,060
Total Revenues	916,656	916,656	956,810	40,154
Expenditures:				
Current:				
Services and supplies	1,034,218	1,034,218	509,934	524,284
Other charges	652	652	10,830	(10,178)
Capital assets	650,000	650,000	—	650,000
Indirect costs	15,231	15,231	—	15,231
Total Expenditures	1,700,101	1,700,101	520,764	1,179,337
Excess (deficiency) of revenues over expenditures	(783,445)	(783,445)	436,046	1,219,491
Net change in fund balance	(783,445)	(783,445)	436,046	1,219,491
Fund balance - beginning of year	1,777,349	1,777,349	1,777,349	—
Fund balance - end of year	$ 993,904	$ 993,904	$ 2,213,395	$ 1,219,491

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
Public Authority Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues:				
Aid from other governments	$ 362,898	$ 362,898	$ 350,206	$ (12,692)
Use of money or property	—	—	2,288	2,288
Other revenue	—	—	1,240	1,240
Total Revenues	362,898	362,898	353,734	(9,164)
Expenditures:				
Current:				
Salaries and benefits	175,112	175,112	161,151	13,961
Services and supplies	25,630	25,630	41,076	(15,446)
Other charges	127,234	127,234	149,593	(22,359)
Indirect costs	34,922	34,922	36,439	(1,517)
Total Expenditures	362,898	362,898	388,259	(25,361)
Excess (deficiency) of revenues over expenditures	—	—	(34,525)	(34,525)
Net change in fund balance	—	—	(34,525)	(34,525)
Fund balance - beginning of year	381,684	381,684	379,619	(2,065)
Fund balance - end of year	$ 381,684	$ 381,684	$ 345,094	$ (36,590)

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
Substance Abuse Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues:				
Aid from other governments	$ 1,581,887	$ 1,581,887	$ 686,276	$ (895,611)
Use of money or property	—	—	748	748
Fines, forfeits and penalties	—	—	11,210	11,210
Charges for services	4,700	4,700	27,015	22,315
Other revenue	3,000	3,000	58,846	55,846
Total Revenues	1,589,587	1,589,587	784,095	(805,492)
Expenditures:				
Current:				
Salaries and benefits	1,066,337	1,066,337	755,675	310,662
Services and supplies	206,850	206,850	177,152	29,698
Other charges	259,000	259,000	172,320	86,680
Indirect costs	57,400	57,400	57,327	73
Total Expenditures	1,589,587	1,589,587	1,162,474	427,113
Excess (deficiency) of revenues over expenditures	—	—	(378,379)	(378,379)
Other Financing Sources (Uses):				
Transfers in	—	—	746,000	746,000
Total other financing sources (uses)	—	—	746,000	746,000
Net change in fund balance	—	—	367,621	367,621
Fund balance - beginning of year	275,830	275,830	285,549	9,719
Fund balance - end of year	$ 275,830	$ 275,830	$ 653,170	$ 377,340

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
Public Health Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues:				
Aid from other governments	$ 2,959,552	$ 3,168,418	$ 2,659,848	$ (508,570)
Use of money or property	500	500	21,657	21,157
Fines, forfeits and penalties	2,500	2,500	831	(1,669)
Charges for services	520,700	520,700	792,788	272,088
Other revenue	36,000	36,000	7,587	(28,413)
Total Revenues	3,519,252	3,728,118	3,482,711	(245,407)
Expenditures:				
Current:				
Salaries and benefits	2,951,526	2,997,613	2,193,018	804,595
Services and supplies	662,120	781,270	617,055	164,215
Other charges	181,722	206,136	47,584	158,552
Capital assets	7,200	25,200	—	25,200
Indirect costs	184,064	185,279	191,834	(6,555)
Total Expenditures	3,986,632	4,195,498	3,049,491	1,146,007
Excess (deficiency) of revenues over expenditures	(467,380)	(467,380)	433,220	900,600
Other Financing Sources (Uses):				
Transfers in	560,439	560,439	—	(560,439)
Transfers out	(560,439)	(560,439)	(42,120)	518,319
Total other financing sources (uses)	—	—	(42,120)	(42,120)
Net change in fund balance	(467,380)	(467,380)	391,100	858,480
Fund balance - beginning of year	2,814,238	2,814,238	2,745,329	(68,909)
Fund balance - end of year	$ 2,346,858	$ 2,346,858	$ 3,136,429	$ 789,571

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
Cal Fire Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues:				
Taxes	$ 978,746	$ 978,746	$ 983,771	$ 5,025
Aid from other governments	10,000	10,000	7,439	(2,561)
Use of money or property	—	—	(1,149)	(1,149)
Total Revenues	988,746	988,746	990,061	1,315
Expenditures:				
Current:				
Services and supplies	1,210,026	1,210,026	1,161,830	48,196
Capital assets	30,000	33,304	33,303	1
Indirect costs	53,720	53,720	53,720	—
Total Expenditures	1,293,746	1,297,050	1,248,853	48,197
Excess (deficiency) of revenues over expenditures	(305,000)	(308,304)	(258,792)	49,512
Other Financing Sources (Uses):				
Transfers in	305,000	308,304	258,303	(50,001)
Total other financing sources (uses)	—	—	258,303	(50,001)
Net change in fund balance	(305,000)	(308,304)	(489)	307,815
Fund balance - beginning of year	83,826	83,826	(83,826)	(167,652)
Fund balance - end of year	$ (221,174)	$ (224,478)	$ (84,315)	$ 140,163

COUNTY OF SAN BENITO

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds	Capital Projects Fund	Developer Projects Fund	Total Other Governmental Funds
Assets				
Cash and investments in Treasury	$ 23,246,748	$ 405,750	$ 2,754,804	$ 26,407,302
Restricted assets - cash with fiscal agent	171,054	—	—	171,054
Imprest cash	50	—	—	50
Receivables	5,429	2,279	—	7,708
Loan receivable	1,552,444	—	—	1,552,444
Due from other governments	1,864,826	460,071	5,999	2,330,896
Advances from other funds	484,063			484,063
Inventories and other assets	9,976	—	—	9,976
Total Assets	27,334,590	868,100	2,760,803	30,963,493
Liabilities				
Accounts payable and accrued liabilities	682,619	163,626	—	846,245
Due to other funds	328,940	—	—	328,940
Due to other agencies	13,132	48,997	—	62,129
Advances to other funds	484,063			484,063
Deposits from others	13,976	—	—	13,976
Total Liabilities	1,522,730	212,623	—	1,735,353
Deferred Inflows of Resources				
Unavailable revenues	1,129,523	538,123	—	1,667,646
Fund Balances				
Nonspendable	1,562,420	—	—	1,562,420
Restricted	11,757,710	—	2,760,803	14,518,513
Assigned	11,591,135	117,354	—	11,708,489
Unassigned	(228,928)	—	—	(228,928)
Total Fund Balances	24,682,337	117,354	2,760,803	27,560,494
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 27,334,590	$ 868,100	$ 2,760,803	$ 30,963,493

COUNTY OF SAN BENITO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds	Capital Project Funds	Developer Projects Fund	Total Other Governmental Funds
Revenues:				
Taxes	$ 1,305,391	$ —	$ —	$ 1,305,391
Aid from other governmental agencies	8,368,199	—	6,000	8,374,199
Use of money or property	179,005	—	20,481	199,486
Fines, forfeitures and penalties	42,629	324,942	—	367,571
Charges for services	3,816,061	—	780	3,816,841
Other revenue	243,537	—		243,537
Total Revenues	13,954,822	324,942	27,261	14,307,025
Expenditures:				
Current:				
Public protection	1,423,632	—	—	1,423,632
Public ways and facilities	520,764	—	—	520,764
Health and sanitation	4,680,209	—	—	4,680,209
Public assistance	2,480,493	—	—	2,480,493
Capital outlay:				
General government	—	437,062	—	437,062
Public protection	—	338,898	—	338,898
Public ways and facilities	—	611,104	—	611,104
Health and sanitation	—	318,419	—	318,419
Public assistance	—	161,529	—	161,529
Recreation and culture	—	150,141	—	150,141
Total Expenditures	9,105,098	2,017,153	—	11,122,251
Excess (deficiency) of revenues over expenditures	4,849,724	(1,692,211)	27,261	3,184,774
Other Financing Sources (uses):				
Transfers in	1,010,759	2,429,807	48,000	3,488,566
Transfers out	(3,227,453)	—	—	(3,227,453)
Total other financing sources (uses)	(2,216,694)	2,429,807	48,000	261,113
Net change in fund balances	2,633,030	737,596	75,261	3,445,887
Fund balances - beginning of year, as restated	22,049,307	(620,242)	2,685,542	24,114,607
Fund balances - end of year	$ 24,682,337	$ 117,354	$ 2,760,803	$ 27,560,494

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
Capital Projects Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues:				
Fines, forfeits and penalties	—	—	324,942	324,942
Total Revenues	—	—	324,942	324,942
Expenditures:				
Capital outlay:				
General government	31,744,730	33,378,160	437,062	32,941,098
Public protection	—	—	338,898	(338,898)
Public ways and facilities	—	—	611,104	(611,104)
Health and sanitation	—	—	318,419	(318,419)
Public assistance	—	—	161,529	(161,529)
Recreation and culture	—	—	150,141	(150,141)
Total Expenditures	31,744,730	33,378,160	2,017,153	31,361,007
Excess (deficiency) of revenues over expenditures	(31,744,730)	(33,378,160)	(1,692,211)	(31,685,949)
Other Financing Sources (Uses):				
Transfers In	31,744,730	33,378,160	2,429,807	(30,948,353)
Total other financing sources (uses)	31,744,730	33,378,160	2,429,807	(30,948,353)
Net change in fund balance	—	—	737,596	737,596
Fund balance - beginning of year	—	—	(620,242)	(620,242)
Fund balance - end of year	$ —	$ —	$ 117,354	$ 117,354

COUNTY OF SAN BENITO

Budgetary Comparison Schedule
Solid Waste Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Operating Revenues:				
Aid from other governmental agencies	$ 1,946,486	$ 1,946,486	$ 41,969	(1,904,517)
Charges for services	819,490	819,490	1,147,041	327,551
Total Operating Revenues	2,765,976	2,765,976	1,189,010	(1,576,966)
Operating Expenses:				
Salaries & Benefits	245,821	245,821	79,528	166,293
Services & Supplies	910,706	910,706	588,857	321,849
Other Charges - Landfill closure cost	—	—	744,931	(744,931)
Indirect Costs	50,000	50,000	51,757	(1,757)
Depreciation & Amortization	—		47,738	(47,738)
Total Operating Expense	1,206,527	1,206,527	1,512,811	(306,284)
Net Operating Income	1,559,449	1,559,449	(323,801)	(1,883,250)
Non-operating Revenues (Expense):				
Transfers In (Out)	310,903	310,903	(1,345)	(312,248)
Interest Income	90,000	90,000	38,973	(51,027)
Total Non-Operating Revenues (Expenses)	400,903	400,903	37,628	(363,275)
Change in Net Position	1,960,352	1,960,352	(286,173)	(2,246,525)
Net Position - Beginning of year	5,798,259	5,798,259	5,798,259	—
Net Position - End of Year	$7,758,611	$7,758,611	$5,512,086	$(2,246,525)

STATISTICAL SECTION

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the comprehensive financial report.

Financial Trends
These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity
These schedules contain information to help the reader assess the County's most significant local revenue sources, property tax and sales tax.

Debt Capacity
These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

Operating Information
These schedule contains information on government employees for each function and detailed by department.

COUNTY OF SAN BENITO

Net Position by Component
Last Ten Years
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
Governmental activities	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net investment in capital assets	$ 90,827,410	$ 92,364,711	$ 93,870,818	$ 94,119,963	$ 92,067,037	$ 89,058,169	$ 92,475,014	$ 91,060,584	$ 91,509,750	$ 91,371,397
Restricted	37,667,368	26,080,558	—	—	—	—	225,314	225,314	243,451	243,451
Unrestricted	(4,444,297)	(6,156,652)	(8,761,171)	32,472,292	29,140,032	30,355,364	34,887,387	45,527,244	53,799,469	57,893,181
Total governmental activities net position	$ 124,050,481	$ 112,288,617	$ 85,109,647	$ 126,592,255	$ 121,207,069	$ 119,413,533	$ 127,587,715	$ 136,813,142	$ 145,552,670	$ 149,508,029
Business-type activities										
Net investment in capital assets	$ 777,162	$ 824,901	$ 876,192	$ 947,300	$ 907,172	$ 845,725	$ 596,388	$ 488,115	$ 317,136	$ 327,951
Restricted	—	131,690.7	—	—	—	—	—	—	—	—
Unrestricted	4,734,924	4,841,667	4,522,364	4,712,390	4,291,455	4,203,473	4,145,519	4,188,533	3,934,792	3,987,072
Total business-type activities net position	$ 5,512,086	$ 5,798,259	$ 5,398,556	$ 5,659,690	$ 5,198,627	$ 5,049,198	$ 4,741,907	$ 4,676,648	$ 4,251,928	$ 4,315,023
Primary government										
Net investment in capital assets	$ 91,604,572	$ 93,189,612	$ 94,747,010	$ 95,067,263	$ 92,974,209	$ 89,903,894	$ 93,071,402	$ 91,548,699	$ 91,826,886	$ 91,699,348
Restricted	37,667,368	26,212,249	—	—	—	—	225,314	225,314	243,451	243,451
Unrestricted	290,627	(1,314,985)	(4,238,807)	37,184,682	33,431,487	34,558,837	39,032,906	49,715,777	57,734,261	61,880,253
Total primary government net position	$ 129,562,567	$ 118,086,876	$ 90,508,203	$ 132,251,945	$ 126,405,696	$ 124,462,731	$ 132,329,622	$ 141,489,790	$ 149,804,598	$ 153,823,052

Notes:

(1) Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net assets are considered restricted when 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

Source:
San Benito County Clerk, Auditor and Recorder

COUNTY OF SAN BENITO

Changes in Net Position
Last Nine Years (accrual basis of accounting)

	Fiscal Year Ended June 30,								
Expenses (by function)									
Governmental activities	2017	2016	2015	2014	2013	2012	2011	2010	2009
General government	4,390,182	4,820,901	6,913,665	2,872,536	3,682,386	9,867,243	6,058,757	6,124,809	8,988,827
Public protection	28,401,251	26,361,016	27,914,449	24,900,347	25,516,934	26,978,343	30,771,788	29,132,253	28,570,852
Public ways and facilities	7,361,125	7,491,909	5,867,005	6,324,848	6,655,356	7,038,005	8,221,996	7,942,193	7,615,680
Health and sanitation	9,459,400	10,509,822	9,576,959	9,513,485	9,926,853	9,658,580	9,504,909	10,443,296	9,795,150
Public assistance	21,653,802	21,563,780	20,714,730	19,623,809	16,677,671	19,450,340	20,428,859	21,503,579	19,653,854
Education	1,059,094	929,498	1,063,203	1,006,320	820,203	839,647	1,557,718	1,134,128	987,627
Recreation and culture	(1,682)	138,641	220,421	182,163	179,184	437,982	562,217	229,023	855,593
Debt Service:									
Interest	—	—	1,877	2,924	5,299	13,182	11,896	12,321	47,658
Total governmental activities expenses	72,323,172	71,815,567	72,272,309	64,426,432	63,463,886	74,283,322	77,118,140	76,521,602	76,515,241
Business-type activities:									
Solid waste	1,512,811	752,368	(4,428,282)	1,230,478	1,208,059	1,239,238	1,012,760	1,036,231	1,340,849
Total business-type activities expenses	1,512,811	752,368	(4,428,282)	1,230,478	1,208,059	1,239,238	1,012,760	1,036,231	1,340,849
Total Primary Government Expenses	73,835,983	72,567,935	67,844,027	65,656,910	64,671,945	75,522,560	78,130,900	77,557,833	77,856,090
Program Revenues (by function)									
Governmental activities									
Fees, fines and charges for services:									
General government	4,462,502	3,736,463	4,341,391	1,135,198	2,400,487	1,247,423	1,787,088	1,454,124	2,846,454
Public protection	4,575,111	5,020,426	4,886,764	8,593,707	5,683,470	6,375,969	5,988,777	5,093,445	4,692,125
Public ways and facilities	1,554,749	1,429,875	1,161,336	3,800,870	1,145,966	1,512,540	1,045,309	897,820	1,551,404
Health and sanitation	1,037,176	842,388	761,028	590,513	611,245	881,440	899,220	1,126,518	730,704
Public assistance	35,146	30,532	9,255	88,761	16,086	132,347	367,225	53,604	675,515
Education	27,371	31,299	254,356	42,402	31,554	134,701	376,365	62,226	38,459
Recreation and culture	384,454	628,097	264,138	178,408	116,590	108,311	91,736	70,494	160,413
Operating grants and contributions	46,707,783	48,757,219	43,858,372	34,169,280	36,862,728	38,914,593	40,186,593	39,131,033	40,698,912
Capital grants and contributions	608,538	783,949	1,016,997	5,381,065	3,448,335	1,304,425	1,048,873	2,649,825	2,740,904
Total governmental activities program	59,392,830	61,260,248	56,553,637	53,980,204	50,316,461	50,611,749	51,791,186	50,539,089	54,134,890
Business-type activities:									
Solid Waste									
Charges for services	1,147,041	1,113,071	960,135	1,650,139	1,300,126	1,402,743	1,210,964	1,347,746	1,068,164
Operating grants and contributions	41,969	144,683							
Total Business-type activities revenue	1,189,010	1,257,754	960,135	1,650,139	1,300,126	1,402,743	1,210,964	1,347,746	1,068,164
Total Primary Government Program Revenues	60,581,840	62,518,002	57,513,772	55,630,343	51,616,587	52,014,492	53,002,150	51,886,835	55,203,054

Notes:

(1) Trend information is available only for the last nine years due to the implementation of GASB

34. Source: San Benito County Clerk, Auditor and Recorder

COUNTY OF SAN BENITO

Changes in Net Position
Last Nine Years
(accrual basis of accounting)

	Fiscal Year Ended June 30,								
	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net (Expenses)/Revenue									
Governmental activities	(12,930,342)	(10,555,319)	(15,718,672)	(10,446,228)	(13,147,425)	(23,671,573)	(25,326,954)	(25,982,513)	(22,380,351)
Business-type activities	(323,801)	505,386	5,388,417	419,661	92,067	163,505	198,204	311,515	(272,685)
Total Primary Net (Expenses)/ Revenue	(13,254,143)	(10,049,933)	(10,330,255)	(10,026,567)	(13,055,358)	(23,508,068)	(25,128,750)	(25,670,998)	(22,653,036)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes:									
Property taxes	15,895,467	14,904,105	14,163,226	12,451,983	11,987,365	11,350,510	11,894,375	12,170,639	14,969,680
Sales and use taxes	2,456,622	1,641,346	1,500,211	1,390,428	1,517,488	1,391,853	1,258,710	1,067,883	1,216,365
Franchise taxes	518,959	527,120	440,703	488,469	421,712	442,047	443,428	431,446	390,068
Other taxes	1,820,181	1,439,178	751,435	764,008	360,818	367,715	300,983	307,810	337,718
Unrestricted interest and investment earnings	584,998	385,480	222,370	185,960	203,534	461,213	75,720	398,888	1,006,021
Miscellaneous	1,094,458	1,149,886	2,241,644	550,567	450,045	1,477,376	1,965,192	2,866,319	505,140
Transfers	1,345	2,359	5,567,077	—	—	6,678	163,119	—	—
Total governmental activities	22,372,030	20,049,474	24,886,666	15,831,415	14,940,962	15,497,392	16,101,527	17,242,985	18,424,992
Business-type activities:									
Other taxes	—	—	—	—	—	—	—	33,633	17,320
Transfers	(1,345)	(2,359)	(5,567,077)	—	—	—	(163,119)	—	—
Unrestricted interest and investment earnings	38,973	18,010	30,198	41,400	57,362	143,786	30,174	79,572	192,270
Total business-type activities	37,628	15,651	(5,536,879)	41,400	57,362	143,786	(132,945)	113,205	209,590
Total Primary Government	22,409,658	20,065,125	19,349,787	15,872,815	14,998,324	15,641,178	15,968,582	17,356,190	18,634,582
Change in Net Position									
Governmental activities	9,441,688	9,494,155	9,167,994	5,385,187	1,793,537	(8,174,181)	(9,225,427)	(8,739,528)	(3,955,359)
Business-type activities	(286,173)	521,037	(148,462)	461,061	149,429	307,291	65,259	424,720	(63,095)
Total Primary Government	$ 9,155,515	$ 10,015,192	$ 9,019,532	$ 5,846,248	$ 1,942,966	$ (7,866,890)	$ (9,160,168)	$ (8,314,808)	$ (4,018,454)

Notes:

(1) Trend information is available only for the last nine years due to the implementation of GASB 34. Source: San Benito County Clerk, Auditor and Recorder

COUNTY OF SAN BENITO

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund										
Reserved	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 3,063,761	$ 451,322	$ 737,316
Unreserved	—	—	—	—	—	—	—	17,435,187	25,836,693	24,190,206
Nonspendable	188,314	200,245	126,980	166,047	8,583	503,686	276,138	—	—	—
Restricted	2,621,709	2,288,857	—	—	—	—	—	—	—	—
Committed	3,000,000	—	—	—	—	—	—	—	—	—
Assigned	7,520,751	5,861,125	—	—	1,629,420	1,319,553	—	—	—	—
Unassigned	15,578,209	18,986,948	21,724,081	16,342,158	11,599,259	10,741,330	17,290,531	—	—	—
Total general fund	28,908,983	27,337,175	21,851,061	16,508,205	13,237,262	12,564,569	17,566,669	20,498,948	26,288,015	24,927,522
All Other Governmental Funds										
Reserved	—	—	—	—	—	—	—	—	—	507,309
Unreserved, reported in										
Special revenue funds	—	—	—	—	—	—	—	31,267,815	34,037,109	39,725,259
Capital project fund	—	—	—	—	—	—	—	—	—	—
Nonspendable	1,611,936	1,114,335	52,511	63,644	111,752	135,876	111,062	—	—	—
Restricted	33,388,341	23,791,701	8,560,596	6,669,584	—	—	—	—	—	—
Assigned	12,415,017	16,983,721	19,022,253	16,160,602	24,172,212	25,672,149	27,084,479	—	—	—
Unassigned	(1,519,639)	(944,534)	(914,430)	(995,944)	(924,913)	(213,777)	—	—	—	—
Total all other governmental funds	45,895,655	40,945,223	26,720,930	21,897,886	23,359,051	25,594,248	27,195,541	31,267,815	34,037,109	40,232,568
Total governmental fund balances	$74,804,638	$68,282,398	$48,571,991	$38,406,091	$36,596,313	$38,158,817	$44,762,210	$51,766,763	$60,325,124	$65,160,090

Notes: The County implemented GASB 54 during fiscal year 2010/11.

COUNTY OF SAN BENITO

Changes in Fund Balance - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Taxes	$ 18,817,375	$ 17,173,324	$ 16,855,575	$ 15,685,513	$152,078,722	$ 14,444,893	$ 14,560,800	$ 15,110,446	$ 16,324,293	$ 16,889,149
Licenses and permits	1,294,916	1,757,688	759,936	988,892	874,270	764,244	890,078	802,321	859,554	1,219,250
Aid from other governments	44,205,957	45,379,095	45,484,109	40,239,368	39,942,184	40,498,522	42,392,956	41,790,197	43,622,820	37,810,749
Use of money or property	584,998	385,480	222,370	362,084	398,684	995,570	304,774	643,485	1,988,669	3,111,864
Fines, forfeits and penalties	3,502,470	2,469,281	2,959,499	1,014,266	1,315,372	1,109,556	1,311,104	884,903	1,204,310	1,173,016
Charges for services	8,952,217	8,840,711	7,958,833	8,760,820	6,796,601	7,376,382	7,144,250	5,950,541	7,645,493	6,946,304
Other revenue	1,214,385	1,561,943	2,241,644	680,371	722,489	913,295	1,116,027	869,279	914,743	958,329
Total Revenues	78,572,318	77,567,522	76,481,966	67,731,314	65,257,422	66,102,462	67,719,989	66,051,172	72,559,882	68,108,661
Expenditures:										
Current:										
General government	4,118,060	4,555,064	5,967,509	2,863,529	3,750,873	9,713,466	5,186,443	5,848,111	8,473,325	6,847,551
Public protection	29,832,391	27,722,110	27,225,640	24,273,597	25,674,417	26,698,531	32,234,130	28,458,308	27,804,398	26,176,299
Public ways and facilities	2,408,497	2,556,868	2,341,139	2,860,539	4,367,858	3,606,701	4,950,124	4,597,656	4,327,411	10,253,316
Health and sanitation	9,926,197	10,221,039	9,498,738	9,482,653	9,930,586	9,651,858	9,173,126	10,216,601	9,768,354	9,604,141
Public assistance	21,953,883	22,191,427	20,653,942	19,533,009	18,439,911	19,562,543	20,404,239	20,926,997	19,880,854	18,410,390
Education	991,421	904,665	1,045,146	985,158	812,642	791,108	1,456,158	1,046,484	937,628	1,022,611
Recreation and culture	162,256	142,257	138,010	125,063	581,967	377,356	729,216	193,013	803,730	388,845
Capital outlay	3,270,659	3,541,440	4,289,142	5,434,064	2,895,373	1,706,788	2,390,945	3,095,496	5,213,309	2,452,508
Debt Service:										
Principal	—	—	722,000	361,000	361,000	591,000	225,000	210,000	205,000	195,000
Interest	—	—	1,877	2,924	5,299	13,182	17,290	16,867	33,508	44,446
Total Expenditures	72,663,364	71,834,870	71,883,143	65,921,536	66,819,926	72,712,533	76,766,671	74,609,533	77,447,517	75,395,107
Excess (deficiency) of revenues over expenditures	5,908,954	5,732,652	4,598,823	1,809,778	(1,562,504)	(6,610,071)	(9,046,682)	(8,558,361)	(4,887,635)	(7,286,446)
Other Financing Sources (Uses):										
Transfers in	5,494,600	4,923,670	9,923,805	4,881,133	2,363,061	4,470,443	6,792,657	4,267,633	11,716,662	10,183,215
Transfers out	(5,493,255)	(4,921,311)	(4,356,728)	(4,881,133)	(2,363,061)	(4,463,765)	(6,629,538)	(4,267,633)	(11,716,662)	(10,183,215)
Proceeds from borrowing	—	—	—	—	—	—	18,790,008	—	—	—
Capital leases	25,211	—	—	—	—	—	—	—	52,668	—
Total other financing sources (uses)	26,556	2,359	5,567,077	—	—	6,678	2,042,127	—	52,668	—
Net change in fund balances	5,935,510	5,735,011	10,165,900	1,809,778	(1,562,504)	(6,603,393)	(7,004,555)	(8,558,361)	(4,834,967)	(7,286,446)
Fund balances, beginning of year	68,869,128	62,547,387	38,406,091	36,596,313	38,158,817	44,762,210	51,766,765	60,325,124	65,160,091	72,446,536
Fund balances, end of year	$ 74,804,638	$ 68,282,398	$ 48,571,991	$ 38,406,091	$ 36,596,313	$ 38,158,817	$ 44,762,210	$ 51,766,763	$ 60,325,124	$ 65,160,090

COUNTY OF SAN BENITO

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands)

Fiscal Year End June 30	Gross Assessed Value						
	Secured [a]	Unsecured [b]	Utility [c]	Total	Exempt [d]	Net Assessed Taxable Value [e]	Total Direct Tax Rate
2017	6,970,102	417,587	147,464	7,535,153	171,727	7,363,426	1.00%
2016	6,522,864	360,571	141,922	7,025,357	163,969	6,861,388	1.00%
2015	6,104,580	362,446	129,807	6,596,833	163,555	6,433,278	1.00%
2014	5,662,510	323,416	126,599	6,112,525	161,736	5,950,789	1.00%
2013	5,357,366	281,741	120,244	5,759,351	160,959	5,598,392	1.00%
2012	5,461,504	262,487	114,048	5,838,039	150,543	5,687,496	1.00%
2011	5,600,542	254,491	109,094	5,964,127	142,180	5,821,947	1.00%
2010	5,903,395	264,930	108,569	6,276,894	145,296	6,131,598	1.00%
2009	6,466,350	252,700	105,350	6,824,400	140,031	6,684,369	1.00%
2008	6,573,600	216,000	98,000	6,887,600	136,712	6,750,888	1.00%

a. Secured property is generally real property, defined as land, mines, minerals, timber and improvements such as buildings, structures, crops, trees and vines.

b. Unsecured property is generally personal property including machinery, equipment, tools and supplies.

c. State regulated utility property. These are assessed by the State Board of Equalization

d. Exempt properties include full and partial exclusions/exemptions provided by the State Constitution and the legislature that relieve certain taxpayers from the burden of paying property taxes.

e. Due to the 1978 passage of the property tax initiative Proposition 13, the County does not track the estimated actual value of all county properties. Under Prop. 13 property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the CPI on properties not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value of a parcel. As a result, similar properties can have substantially different assessed values based on the date of purchase. Additionally, Prop. 13 limits the property tax rate to 1% of assessed value plus the rate necessary to fund local voter-approved bonds and special assessments.

Data Source: San Benito County Assessor's Annual Reports

COUNTY OF SAN BENITO

Property Tax Levies and Collections
Last Ten Fiscal Years

Year Ending 6/30:	Taxes Levied (1)	Collections Within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2017	90,443,837	89,172,281	99%	N/A	82,906,000	99%
2016	84,064,227	82,906,000	99%	625,353	76,825,918	99%
2015	77,259,690	76,200,565	99%	785,002	71,320,085	100%
2014	71,540,713	70,535,083	99%	789,505	67,190,231	100%
2013	67,648,211	66,400,726	98%	1,060,024	67,238,300	99%
2012	68,224,241	66,178,276	97%	1,750,731	68,622,401	100%
2011	69,133,645	66,871,670	97%	2,062,469	70,809,902	99%
2010	72,320,271	68,747,433	95%	3,213,612	77,278,055	100%
2009	79,082,862	74,064,443	94%	4,967,399	78,283,994	100%
2008	79,711,678	73,316,595	92%	6,291,436	79,608,031	100%

Taxes Levied includes the Secured, Unsecured and Unitary Tax levy for the County and school districts, cities and special districts under the supervision of independent governing boards.

Note (1) Based on final levy after adjustments

Source: San Benito County Auditor

COUNTY OF SAN BENITO

Property Tax Rates as % of Assessed Value
Direct and Overlapping Governments
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	County of San Benito	Cities	Range of overlapping Rates (%): Schools			Special Districts		
2017	1.000	n/a	0.0498		0.1330	—		0.2739
2016	1.000	n/a	0.0502	—	0.1068	—	—	0.2745
2015	1.000	n/a	0.0239	—	0.0962	0.0284	—	0.2784
2014	1.000	n/a	0.0248	—	0.0987	0.0300	—	0.2800
2013	1.000	n/a	0.0257	—	0.1107	0.0311	—	0.2811
2012	1.000	n/a	0.0217	—	0.0955	0.0008	—	0.2798
2011	1.000	n/a	0.0199	—	0.0889	0.0008	—	0.2784
2010	1.000	n/a	0.0163	—	0.0887	0.0010	—	0.2762
2009	1.000	n/a	0.0138	—	0.0816	0.0008	—	0.2734
2008	1.000	n/a	0.0138	—	0.0781	0.0012	—	0.2730

Source: San Benito County Auditor

COUNTY OF SAN BENITO

Principal Property Taxpayers
June 30, 2017 and June 30, 2016
(in millions)

Fiscal Year Ended June 30, 2017

Taxpayer	Assessed Value
Pacific Gas & Electric Co.	119.7
Granite Rocl Co.	73.3
Natural Selection Foods LLC	68.5
McCormick Selph Inc. A Calif. Corp	28.9
Stone Canyon Ranch LLC	27.7
Award Homes Inc. A CA Corp	20.8
Northpoint Associates LLC	19.8
TLF-SJB LLC a Calif LTD Liab Company	18.3
Diageo Chateau & Estate Wines Co A Cal Corp	17.2
Las Aguilas LLC a Cal LLC	16.9

Fiscal Year Ended June 30, 2016

Taxpayer	Assessed Value
Pacific Gas & Electric Co.	115.2
Granite Rock Co.	69.4
Natural Selection Foods LLC	67.5
McCormick Selph Inc. a Calif. Corp	27.6
Stone Canyon Ranch LLC	27.3
Award Homes Inc. a CA Corp	20.4
Northpointe Associates LLC	19.5
TLF-SJB LLC a Calif LTD Liab Company	18.2
Las Aguilas LLC a Cal LLC	15.3
Marich Confectionery Associates	14.1

COUNTY OF SAN BENITO

Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
(Unaudited)

(In thousands, except Population and Per Capita)

Fiscal Year	General Bonded Debt	Restricted for Principal Repayment	Net Bonded Debt	Net Assessed Taxable Value of Property	Percentage of Taxable Value of Property	Population	Net Bonded Debt Per Capita
2016-17	—	—	—	7,363,427	0.00%	56,854	—
2015-16	—	—	—	6,861,388	0.00%	56,648	—
2014-15	—	—	—	6,433,278	0.00%	58,344	—
2013-14	—	—	—	5,950,789	0.00%	57,997	—
2012-13	—	—	—	5,598,392	0.00%	57,146	—
2011-12		—	—	5,687,496	0.00%	56,643	—
2010-11	235	—	235	5,821,947	0.00%	55,948	4.20
2009-10	455	—	455	6,131,598	0.01%	58,388	7.79
2008-09	665	—	665	6,684,369	0.01%	58,016	11.46
2007-08	870	—	870	6,750,888	0.01%	57,784	15.06

Notes:
Debt information is derived from the San Benito County Audits. Taxable value of property is derived from the San Benito County Assessor's Annual Reports. The source for population figures for 2001-2005 is the California Bureau of Analysis. Population figures for 2006-2016 as of January 1 is estimated by the California Department of Finance.

COUNTY OF SAN BENITO

Ratio of Annual Debt Service Expenditures
To Total General Governmental Expenditures
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Principal	Interest	Total Debt Service	Total General Government Expenditures	Ratio of Debt Service to General Government Expenditures
2016-17	—	—	—	4,390,182	0.00%
2015-16	—	—	—	6,913,665	0.00%
2014-15	—	—	—	2,872,536	0.00%
2013-14	—	—	—	3,682,386	0.00%
2012-13	230,000	5,060	235,060	9,867,243	2.38%
2011-12	225,000	17,290	242,290	5,186,443	4.67%
2010-11	210,000	16,867	226,867	5,848,111	3.88%
2009-10	205,000	33,508	238,508	8,473,325	2.81%
2008-09	195,000	44,446	239,446	6,847,551	3.50%
2007-08	185,000	46,923	231,923	4,542,937	5.11%

Notes:
Total general government and debt service expenditures from the San Benito County Audits, Statement of Revenues, Expenditures and Changes in Fund Balances.

COUNTY OF SAN BENITO

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years (in thousands, except per capita)

	Fiscal Year									
Governmental Activities:	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Capital Leases	105	—	—	—	—	—	18	77	120	36
Certificates of Participation	—	—	—	—	—	235	455	665	870	1,065
Total Governmental Activities	105	—	—	—	—	235	473	742	990	1,101
Business-type Activities:										
Landfill Closure & Post-closure	—	—	5,032	4,818	4,521	4,304	4,189	3,948	3,435	3,225
Total Business-type Activities	—	—	5,032	4,818	4,521	4,304	4,189	3,948	3,435	3,225
Total Primary Government	105	—	5,032	4,818	4,521	4,539	4,662	4,690	4,425	4,326
Percentage of Personal Income	4.09%	0.00%	0.22%	0.22%	0.22%	0.23%	0.22%	0.22%	0.22%	0.22%
Per Capita	2	—	87	84	80	81	84	81	77	75
Personal Income (thousands) (for PPI)	2,565,863	2,417,263	2,239,632	2,163,948	2,049,854	2,005,922	2,160,668	2,133,673	2,037,722	1,952,109
Population (per capita)	56,648	58,344	57,993	57,146	56,643	55,948	55,332	58,016	57,784	57,803

Notes:
Personal income source figures for PPI and population figures for Per Capita in years 2001-02 through 2004-05 are from the California Bureau of Economic Analysis. For years 2007-08 through 2016-17 figures are from the California Department of Finance (see "Demographics and Economic statistics"). Financial information derived from San Benito County annual audits.

COUNTY OF SAN BENITO

Legal Debt Margin
Last Ten Fiscal Years
(Unaudited)

(In thousands)

	DEBT LIMIT		DEBT APPLICABLE TO LIMIT				
Fiscal Year	Net Assessed Value	Debt Limit- 5% of Assessed Value	General Bonded Debt	Restricted for Principal Repayment	Total Net Debt	Legal Debt Margin	Total Net Debt to the Debt Limit as a %
2016-17	7,363,427	368,171			—	368,171	0.00%
2015-16	6,861,388	343,069			—	343,069	0.00%
2014-15	6,433,278	321,664			—	321,664	0.00%
2013-14	5,950,789	297,539	—	—	—	297,539	0.00%
2012-13	5,598,392	279,920	—	—	—	279,920	0.00%
2011-12	5,687,496	284,375		—	—	284,375	0.00%
2010-11	5,821,947	291,097	235	—	235	290,862	0.08%
2009-10	6,131,598	306,580	455	—	455	306,125	0.15%
2008-09	6,684,369	334,218	665	—	665	333,553	0.20%
2007-08	6,750,888	337,544	870	—	870	336,674	0.26%

Notes:
Net assessed value (of property) is derived from the San Benito County Assessor's Annual Reports. Debt information is derived from the San Benito County Annual Audits. Legal Debt Margin is the Debt Limit less Total Net Debt.

COUNTY OF SAN BENITO

Demographics and Economic Statistics
Last Ten Years

	For the Year Ending									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Population (a)	59,414	58,792	58,267	57,594	56,871	56,174	55,532	54,436	54,267	54,072
Personal Income (In thousands) (a)	2,756,362	2,565,863	2,417,263	2,279,346	2,138,209	2,039,927	1,918,978	1,909,403	1,971,288	2,003,581
Per Capita Personal Income (a)	46,392	43,643	41,486	39,576	37,598	36,314	34,556	35,076	36,326	37,054
County Unemployment Rate (b)	6.4%	7.6%	9.3%	11.1%	13.1%	14.5%	15.1%	14.0%	9.7%	7.2%

Notes:
(a) Source: U.S. Department of Commerce, Bureau of Economic Analysis, Local Area Personal Income, Revised as of 11-19-2015
(b) Source: U.S. Department of Labor, Bureau of Labor Statistics, Labor force data by county, annual averages.

COUNTY OF SAN BENITO

Construction and Building Activity
Last Ten Years

Year	Residential Construction Valuation	Percent Change	Building Permits Issued	Percent Change
2016	69,018,597	23.88%	274	46.52%
2015	55,716,190	108.06%	187	78.10%
2014	26,778,577	-18.81%	105	-26.57%
2013	32,983,998	227.54%	143	248.78%
2012	10,070,188	11.51%	41	28.13%
2011	9,030,401	-10.34%	32	-31.91%
2010	10,071,340	-11.33%	47	17.50%
2009	11,357,787	142.79%	40	110.53%
2008	4,678,036	-60.21%	19	-38.71%
2007	11,757,693	64.16%	31	3.33%

Source: U.S. Census Bureau (http://censtats.census.gov/cgi-bin/bldgprmt/bldgdisp.pl).

COUNTY OF SAN BENITO

Full-time Equivalent County Government Employees by Department and by Function
Last Ten Fiscal Years (Unaudited)

Fund/Dept/Div	Program/ Job Class Title	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08
	General Government										
101.10.1000	Board of Supervisors	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
101.15.1005	Clerk of the Board of Supervisors	4.0	2.0	3	1.8	1.8	2.0	2.0	2.0	2.0	2.0
101.15.1010	County Administrative Officer	4.0	5.0	4.0	4	2.8	3.2	3.8	3.8	3.8	3.8
101.15.1065	Information Technology	5.0	5.0	5.0	5.0	4.0	5.0	5.0	5.0	4.0	4.0
101.15.1075	GIS	1.0	1.0	1.0	1.0	1.0	1.0	1	0.5	0.2	0.2
101.25.1210	County Counsel	5.0	3.0	4	3.8	3.7	6.0	6.0	7.0	7.0	7
101.20.1145	County Auditor	11.0	9.0	9.7	9.8	7.5	10.7	11.7	11.7	11.1	12.1
101.30.1155	Treasurer	3.0	3.0	3	2.8	2.8	2.8	2.8	2.8	2.8	2.8
101.35.1170	Assessor	17.0	17.0	13.0	10.0	10.0	15.0	15.0	15.0	15.0	15.0
101.30.1160	Tax Collector	3.0	3.0	5	3.3	2.8	3.3	4.3	4.3	4.3	4.3
101.15.1080	Internal Services	4.0	3.0	2	3.5	2.8	3.8	4.5	4.5	3.8	3.8
101.20.1115	Elections	3.0	2.0	0.9	2.8	2.8	3.3	3.3	3.1	3.8	3.5
101.70.1290	Buildings & Grounds Maintenance	4.0	2.0	1.8	1.8	3.4	4.5	5.7	5.7	5.2	5.2
101.20.1140	Risk Management	—	—	—	—	0.5	0.5	0.5	0.5	0.5	0.5
	Total General Government	**69**	**60**	**57.4**	**54.5**	**50.6**	**65.9**	**70.4**	**70.7**	**68.3**	**69.0**
	Public Protection										
101.45.1205	District Attorney	11.0	12	11.0	9.0	9.0	11	12.5	13.5	13.5	12.5
101.40.1175	Sheriff's Operations	32.0	34	27.0	23	21.5	30.3	36.5	36.5	40.5	38.5
101.15.1035	Marshal's Office	—	—	—	—	—	—	1.8	1.8	1.8	1.8
101.40.1180	Communications	—	—	1	—	—	14.8	15.5	17	19.5	19.5
101.40.1195	Jail	26.0	25	24	25.5	24.5	25.5	30.5	30.5	32.5	32.5
101.50.1215	Probation	24.0	22	19.0	18.0	18.0	17	19.5	19.5	22.5	22.5
101.50.1220	Juvenile Hall	11.0	12	9.0	12.0	12.0	13.0	13.0	13.0	13.0	13.0
101.50.1225	Gang Prevention Program	1.0	—	2	1.8	2.0	2.0	2.0	1	—	—
101.60.1250	Agricultural Commissioner & Sealer of Weights and Measures	7.0	8	6	6.6	6.6	7.0	7	7.3	8.0	8.0
101.20.1120	County Clerk		1	3	0.5	0.2	1.2	1.2	1.8	2.0	2.0
101.20.1125	County Recorder	4.0	4	1.5	3	0.4	2.9	3.9	3.9	7.1	5.5
101.15.1045	Office of Emergency Services	2.0	2	2.0	1.0	1	1.5	1.5	2	1.5	1.5
101.65.1265	Planning	8.0	10	6.0	5.0	5.0	9.0	11	10.9	14.4	14.4
101.65.1270	Housing & Economic Development	—	—	—	1.0	1.0	1.0	1.0	1.0	1.0	1
101.15.1105	LAFCO	—	—	—	—	—	—	0.5	0.5	0.5	—
101.65.1275	Abandoned Vehicle Abatement	—	—	—	0.5	0.5	0.5	0.5	0.4	0.4	0.4
229.85.2530	Child Support Services	16.0	18	19.0	19.0	21.0	19.0	20.0	21.0	24.0	24.0
251.45.2980	Victim Witness Program	3.0	2	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0

COUNTY OF SAN BENITO

Full-time Equivalent County Government Employees by Department and by Function
Last Ten Fiscal Years (Unaudited)

Fund/Dept/Div	Program/ Job Class Title	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08
252.40.2990	UNET Anti-Drug Task Force	—	—	—	—	—	1.0	1.0	1.0	1.0	1.0
101.40.1190	Sheriff's State Grants	—	—	2.0	1.3	1.0	—	2.0	2.0	1.0	3.0
261.60.3050	Mosquito Abatement	1	1	2.0	1.5	1.4	1.4	1.4	1.2	1.5	1.5
	Total Public Protection	**146**	**151**	**135.5**	**129.6**	**126.1**	**159.0**	**183.3**	**186.8**	**207.6**	**204.5**
	Public Ways and Facilities										
101.70.1295	PW Administration & Engineering	9	9	7.0	5.3	4.5	5.5	7.8	9.1	9.4	11.6
210.70.2010	Road Maintenance	14	15	15.0	20.4	20.1	20.1	21.3	20.0	22.8	19.3
101.15.1090	Council of Governments (COG)	7	7	8.0	8.0	8.0	8.0	8.0	9.5	9.5	9.5
270.70.3080	CSA Maintenance & Operations	—	—	—	—	1.1	1.1	1.8	1.8	3.2	3.1
	Total Public Ways and Facilities	**30**	**31.0**	**30.0**	**33.6**	**33.7**	**34.6**	**38.8**	**40.4**	**44.9**	**43.4**
	Health and Sanitation										
228.90.2520	Mental Health	39	40	39.0	43.3	42.3	42.3	42.3	42.3	36.5	36.5
230.90.2540	Substance Abuse Treatment Program	7	7	10.0	11.8	11.8	11.8	11.8	11.8	8.8	8.8
224.80.2370	Public Health Programs	25	20	25.0	19.9	18.7	20.7	24.5	27.6	36.8	37.0
301.75.3800	Integrated Waste Management & Resource Recovery	1	1	—	2.0	2.0	2.3	2.3	2.3	2.2	2.2
	Total Health and Sanitation	**72**	**68.0**	**74.0**	**77.0**	**74.7**	**77.0**	**80.8**	**83.9**	**84.2**	**84.5**
	Public Assistance										
221.80.2285	Human Services Agency	124	111	98.0	81.0	70.5	71.5	72.3	67.5	69.0	67.0
222.80.2360	In-Home Supportive Services Public Authority	3	3	2.0	1.0	1.0	2.0	2.0	1.5	1.5	1.5
227.15.2475	Emergency Medical Services	2	2	3.0	3.0	3.0	3.0	3.0	3.0	1.3	—
240.80.2555	C.S.W.D. Department	9	10	23.0	8.0	8.3	10.3	13.0	13.3	9.8	9.8
256.80.3030	Migrant Labor Housing Center	2	3	4.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
101.15.1060	First 5	—	—	2.0	2.0	2.0	3.0	3.0	3.0	3.0	—
101.80.1310	Veteran Services	1	1	—	—	—	—	—	—	—	—
	Total Public Assistance	**141**	**130.0**	**132.0**	**98.0**	**87.8**	**92.8**	**96.3**	**91.3**	**87.5**	**81.3**
	Education										
101.55.1235	County Library	7	6	6.0	5.0	5.0	7.5	8.0	8.5	9.0	9.0
101.15.1110	Ag Extension / Farm Advisor	—	—	—	—	—	—	0.8	1.0	1.0	1.0
	Total Education	**7**	**6.0**	**6.0**	**5.0**	**5.0**	**7.5**	**8.8**	**9.5**	**10.0**	**10.0**
	Recreation and Culture										
101.70.1300	Veterans Memorial Park	0.5	0.5	0.6	0.7	0.9	0.9	0.9	0.9	1.2	1.2
101.70.1305	Parks	0.5	0.5	0.6	0.7	0.7	0.7	0.9	0.9	1.2	1.2
	Total Recreation and Culture	**1**	**1**	**1.2**	**1.4**	**1.6**	**1.6**	**1.8**	**1.8**	**2.3**	**2.3**
	Total Positions	**466**	**447.0**	**436.0**	**399.0**	**379.3**	**438.3**	**480.0**	**484.4**	**504.9**	**494.9**

APPENDIX D

Proposed Form of Special Counsel Opinion

[Letterhead of Jones Hall]

March 5, 2019

San Benito County
481 Fourth Street
Hollister, CA 95023

OPINION: $7,480,000 2019 Certificates of Participation (Jail Facility Project) Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by San Benito County to the San Benito County Financing Corporation

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Members of the Board of Supervisors:

We have acted as special counsel to San Benito County (the "County") in connection with the delivery by the County of the Lease Agreement dated as of March 1, 2019 (the "Lease Agreement") between the San Benito County Financing Corporation (the "Corporation"), as lessor, and the County, as lessee. Under the Trust Agreement dated as of March 1, 2019 (the "Trust Agreement") among the County, the Corporation and Wells Fargo Bank, N.A., as trustee (the "Trustee"), the Trustee has executed and delivered the above-captioned certificates of participation dated March 5, 2019 (the "Certificates"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Certificates evidence the direct, undivided fractional interests of the owners thereof in lease payments to be made by the County under the Lease Agreement (the "Lease Payments") which have been assigned by the Corporation to the Trustee under an Assignment Agreement dated as of March 1, 2019 (the "Assignment Agreement") between the Corporation and the Trustee. The County authorized execution and delivery of the Lease Agreement, the Trust Agreement and the Certificates under a resolution of the Board of Supervisors of the County adopted on February 5, 2019 (the "County Resolution"). The Corporation authorized execution and delivery of the Lease Agreement, the Trust Agreement, the Assignment Agreement and the Certificates under a resolution of the Board of Directors of the Corporation adopted on February 5, 2019 (the "Corporation Resolution").

Regarding questions of fact material to our opinion, we have relied upon representations of the County and Corporation contained in the Lease Agreement and the Trust Agreement, and in certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The County is a county duly organized and validly existing under the laws of the State of California with the power to adopt the County Resolution, enter into the Lease Agreement and the Trust Agreement, and to perform the agreements on its part contained therein.

2. The Corporation is a nonprofit public benefit corporation duly organized and validly existing under the laws of the State of California with the power to adopt the Corporation Resolution, enter into the Lease Agreement, the Trust Agreement and the Assignment Agreement, and to perform the agreements on its part contained therein.

3. The Lease Agreement and the Trust Agreement have been duly approved by the County and Corporation and constitute valid and binding obligations of the County and Corporation enforceable against the County and Corporation in accordance with their respective terms.

4. The Assignment Agreement has been duly approved by the Corporation and constitutes the valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms.

5. The Certificates have been validly executed and delivered by the Trustee pursuant to the Trust Agreement and, by virtue of the assignment made by the Corporation under the Assignment Agreement, the owners of the Certificates are entitled to the benefits of the Lease Agreement.

6. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the execution and delivery of the Certificates in order that the interest with respect thereto be, and continue to be, excludable from gross income for federal income tax purposes. The County has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of delivery of the Lease Agreement.

7. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Lease Agreement or the Certificates.

The rights of the owners of the Certificates and the enforceability of the Lease Agreement, the Trust Agreement and the Assignment Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$7,480,000
2019 Certificates of Participation
(Jail Facility Project)
Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof In
Lease Payments to be Made by
SAN BENITO COUNTY
As the Rental for Certain Leased Property Pursuant to a
Lease Agreement with the
SAN BENITO COUNTY FINANCING CORPORATION

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by San Benito County (the "County") in connection with the issuance of $7,480,000 2019 Certificates of Participation (Jail Facility Project) (the "Certificates"). The Certificates are being issued pursuant to Trust Agreement dated as of March 1, 2019 between the County and Wells Fargo Bank, N.A. (the "Trustee") (the "Trust Agreement"). The County covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is nine months after the end of the County's fiscal year (currently April 1 based on the County's fiscal year end of June 30).

"*Dissemination Agent*" means KNN Public Finance, LLC, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement dated February 14, 2019, executed by the County in connection with the issuance of the Certificates.

"*Participating Underwriter*" means Fidelity Capital Markets, the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2019, with the report for Fiscal Year 2017-18, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the County) has not received a copy of the Annual Report, the Dissemination Agent shall contact the County to determine if the County is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The County shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the County hereunder.

(b) If the County does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the County shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the County, file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The County's Annual Report shall contain or incorporate by reference the following:

(a) The County's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the County's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement,

and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the County for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(1) Number of County employees.

(2) County contribution to Public Employees Retirement System (PERS) for miscellaneous and safety employees.

(3) General and Special Revenue Funds Balance Sheet and General and Special Revenue Funds Summary of Revenues and Expenditures in substantially the format displayed in the Official Statement.

(4) Assessed value, property taxation, collections and delinquency rate.

(5) Teeter Plan Fund Balance requirement, and benefit (or loss) to the County's general fund from the operation of the Teeter Plan.

(6) A table setting forth outstanding balance of County long-term debt and Certificates of Participation, substantially in the form set forth in the Official Statement.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the County shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The County shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The County shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Certificates:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the County or other obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the County or an obligated person, or the sale of all or substantially all of the assets of the County or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall, or shall cause the Dissemination Agent (if not the County) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Agreement.

(c) The County acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5

contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Certificates. The County shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the County obtains knowledge of the occurrence of any of these Listed Events, the County will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the County will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the County. Any Dissemination Agent may resign by providing 30 days' written notice to the County.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the County to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the County fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the County hereunder, and shall not be deemed to be acting in any fiduciary capacity for the County, the Bond holders or any other party. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(b) The Dissemination Agent shall be paid compensation by the County for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: March 5, 2019

SAN BENITO COUNTY

By: _____

Ray Espinosa
County Administrative Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: San Benito County, California
Name of Issue: $ 7,480,000 2019 Certificates of Participation (Jail Facility Project)
Date of Issuance: March 5, 2019

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate dated as of March 5, 2019, executed by the County. The County anticipates that the Annual Report will be filed by _____.

Dated:_____, 20__

SAN BENITO COUNTY

By: _____

Title: _____