

**COUNTY OF SANTA CLARA**

Single Audit Reports

Basic Financial Statements with  
Federal Compliance Section

For the Fiscal Year Ended June 30, 2020



Certified  
Public  
Accountants



**COUNTY OF SANTA CLARA**  
 Single Audit Reports  
 For the Fiscal Year Ended June 30, 2020

*Table of Contents*

	<u>Page</u>
<b>FINANCIAL SECTION:</b>	
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis (Required Supplementary Information – Unaudited).....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	25
Statement of Activities.....	26
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet .....	28
Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position – Governmental Activities .....	29
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities – Governmental Activities.....	31
Proprietary Funds:	
Statement of Fund Net Position.....	32
Statement of Revenues, Expenses, and Changes in Fund Net Position .....	33
Statement of Cash Flows .....	34
Fiduciary Funds:	
Statement of Fiduciary Net Position.....	36
Statement of Changes in Fiduciary Net Position.....	37
Notes to the Basic Financial Statements .....	39
<b>REQUIRED SUPPLEMENTARY INFORMATION (other than MD&amp;A):</b>	
Schedule of Changes in Net Pension Liability and Related Ratios.....	117
Schedule of the Cost Sharing Plans’ Proportionate Share of Net Pension Liability .....	121
Schedule of Pension Plans Contributions .....	122
Note to the Schedule of Pension Plans Contributions.....	124
Schedule of Changes in Net OPEB Liability and Related Ratios .....	125
Schedule of the OPEB Plans Contributions .....	129
Note to the Schedule of OPEB Plans Contributions .....	130
Budgetary Comparison Schedule - General Fund - Budgetary Basis .....	132
Notes to Required Supplementary Information .....	141

**COUNTY OF SANTA CLARA**  
Single Audit Reports  
For the Fiscal Year Ended June 30, 2020

***Table of Contents (Continued)***

	<u>Page</u>
<b>FEDERAL COMPLIANCE SECTION:</b>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	143
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	145
Schedule of Expenditures of Federal Awards.....	147
Notes to the Schedule of Expenditures of Federal Awards .....	151
Schedule of Findings and Questioned Costs .....	155
Schedule of Prior Audit Findings .....	159
Corrective Action Plan .....	162

# **Financial Section**

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## Independent Auditor’s Report

The Board of Supervisors  
County of Santa Clara  
San José, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Santa Clara, California (the “County”), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements as listed in the table of contents.

#### *Management’s Responsibility for the Financial Statements*

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

#### *Auditor’s Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the FIRST 5 Santa Clara County; the Santa Clara County Health Authority; the Santa Clara County Vector Control District; and the Santa Clara County Central Fire Protection District, the South Santa Clara County Fire District, and the Los Altos Hills County Fire District (collectively, “Fire Districts”), which collectively represent the following percentages of the assets, net position/fund balances, and revenues/additions of the following opinion units.

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues/ Additions
Governmental activities	2.9%	219.3%	3.9%
Aggregate discretely presented component units	55.3%	31.5%	70.4%
Aggregate remaining fund information	1.8%	1.9%	1.0%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports 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. The financial statements of Santa Clara County Tobacco Securitization Corporation, the South Santa Clara County Fire District, and Santa Clara County Health Authority were not audited in accordance with *Government Auditing Standards*.

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.

### ***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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2020, 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 Matters***

As discussed in Note 2 to the financial statements, at June 30, 2020, the County's governmental activities, business-type activities, and the Santa Clara Valley Medical Center Enterprise Fund have deficit net positions of \$19.6 million, \$1.3 billion, and \$1.3 billion, respectively. Our opinions are not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the schedule of changes in net pension liability and related ratios; the schedule of the cost sharing plans' proportionate share of the net pension liability; the schedule of pension plans contributions; the schedule of changes in net OPEB liability and related ratios; the schedule of OPEB plans contributions; and the budgetary comparison schedule – General Fund – budgetary basis 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 and other auditors 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020, 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.



Walnut Creek, California

December 28, 2020, except for our report on the schedule of expenditures of federal awards,  
as to which the date is September 13, 2021

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## COUNTY OF SANTA CLARA

### Management's Discussion and Analysis Required Supplementary Information – Unaudited

As management of the County of Santa Clara (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year which ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to vii of this report.

### FINANCIAL HIGHLIGHTS

The liabilities and deferred inflows of resources of the County exceeded its assets and deferred outflows of resources by \$1.35 billion (*net position*) at June 30, 2020. Of this balance, \$1.38 billion represents the County's net investment in capital assets, \$869.9 million represents restricted net position for the County's ongoing obligations related to programs with external restrictions, and unrestricted net position is negative \$3.60 billion primarily due to recording of net pension liability of \$4.37 billion and net other postemployment benefits (OPEB) liability of \$1.19 billion (See further detail in Table 1 on page 8).

The County's total net position increased by \$188.3 million from the previous fiscal year. The change represents increases in net investment in capital asset of \$162.6 million and restricted net position of \$37.8 million, and an increase in negative unrestricted net position of \$12.1 million. (See further detail in Table 1 on page 8).

At June 30, 2020, total fund balances for the County's governmental funds amounted to \$2.43 billion, an increase of \$98.1 million or 4.2 percent from prior year. Approximately 58.8 percent of the combined fund balances (committed, assigned and unassigned), \$1.43 billion, is available to meet the County's current and future needs. This includes an unassigned fund balance for the General Fund of \$608.0 million, 19.9 percent of total General Fund expenditures.

The County's total capital assets increased by \$138.2 million or 4.3 percent. (See further detail in Table 5 on page 20).

The County's total long-term debt decreased by \$86.5 million or 3.2 percent during the current fiscal year mainly due to scheduled debt repayments offset by the issuance of 2020 Series A Lease Revenue Bonds of \$29.6 million to finance Central Fire Protection District's facilities. (See further detail in Table 6 on page 21).

### OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

#### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all County assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference 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.

## COUNTY OF SANTA CLARA

### Management's Discussion and Analysis Required Supplementary Information – Unaudited

The *statement of activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the government-wide statements for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

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 costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education and recreation and culture. The business-type activities of the County include healthcare operations (three hospitals including Santa Clara Valley Medical Center at Bascom, O'Connor Hospital, and Saint Louise Regional Hospital, and a health plan – Valley Health Plan), airport operations (2 airports - Reid Hillview and South County), and a sanitation district (County Sanitation District No. 2-3 of Santa Clara County).

Component units are included in the basic financial statements and consist of legally separate entities for which the County is financially accountable. Because of the governing board relationship and the exclusivity of County services, the financial operations of some component units are blended in the County's basic financial statements. These component units are the Santa Clara County Central Fire Protection District, South Santa Clara County Fire District, Los Altos Hills County Fire District, Santa Clara County Library, Santa Clara County Vector Control District, County Sanitation District No. 2-3 of Santa Clara County, Santa Clara County Financing Authority, Santa Clara County Tobacco Securitization Corporation and the Silicon Valley Tobacco Securitization Authority. The Housing Authority of Santa Clara County, Santa Clara County Health Authority, and FIRST 5 Santa Clara County are reported separately as discrete component units of the County.

The government-wide financial statements can be found on pages 25 – 27 of this report.

#### **Fund Financial Statements**

A *fund* is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three 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 funds financial statements focus on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County'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, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

## COUNTY OF SANTA CLARA

### Management's Discussion and Analysis Required Supplementary Information – Unaudited

The County maintains 30 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund and the General Capital Improvement Fund. Data from other governmental funds is combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements and schedules* elsewhere in this report.

The governmental funds financial statements can be found on pages 28 – 31 of this report.

#### ***Proprietary funds***

The County maintains two kinds of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for three hospitals, one health plan (Valley Health Plan), two airports (Reid Hillview and South County), and one sanitation district (County Sanitation District No.2-3 of Santa Clara County). *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its activities for information services, fleet management, insurance, printing, unemployment insurance, workers' compensation, retiree healthcare, and pension obligation. The internal service funds have been allocated between the governmental activities and business-type activities based on the percentage of use of the internal service funds in these activities.

Proprietary fund statements provide the same type of information as the business-type activities column in the government-wide financial statements, but with more detail. The proprietary fund financial statements provide separate information for the SCVMC and Valley Health Plan, which are considered major funds. The financial statements of the nonmajor enterprise funds (Airports and Sanitation District) are combined into a single aggregated presentation. Similarly, the County's internal service funds are combined into a single aggregated presentation in the proprietary funds financial statements. Individual fund data for the enterprise funds and the internal service funds is provided in the form of *combining statements* section of this report.

The proprietary funds financial statements can be found on pages 32 – 35 of this report.

#### ***Fiduciary funds***

The *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of these funds are *not* available to support the County's own programs.

The fiduciary funds financial statements can be found on pages 36 – 37 of this report.

#### **Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 39 – 116 of this report.

#### **Required Supplementary Information**

The required supplementary information (RSI) is presented with additional information related to County's defined benefit pension plans and other postemployment benefits (OPEB) plans to its employees, and the General Fund's budgetary comparison schedule. The County adopts an annual appropriated budget for its General Fund, as well as other funds. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. RSI can be found on pages 117 – 141 of this report.

**COUNTY OF SANTA CLARA**

Management’s Discussion and Analysis  
Required Supplementary Information – Unaudited

**Combining Statements and Schedules**

The combining and individual fund statements and schedules referred to earlier provide information for discretely presented component units, non-major governmental funds, non-major enterprise funds, internal service funds, and certain fiduciary funds which are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 143 – 209 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The County’s liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$1.35 billion (*net position*) at June 30, 2020. As stated earlier, the County’s negative balance in net position was due to recording of a net pension liability and a net OPEB liability on the accrual basis financial statements as required by GASB Statements No. 68 and No. 75, respectively. When applicable, prior year numbers have been reclassified to make them comparable to the current year.

**Table 1—Net Position (in thousands)**

	Governmental Activities		Business-type Activities		Total		Total	
	2019	2020	2019	2020	2019	2020	Dollar Change	Percent Change
<b>Assets</b>								
Current and other assets	\$ 3,839,619	\$ 4,119,549	\$ 803,599	\$ 945,407	\$ 4,643,218	\$ 5,064,956	\$ 421,738	9.1%
Capital assets	3,019,973	3,133,065	173,145	198,222	3,193,118	3,331,287	138,169	4.3%
Total assets	6,859,592	7,252,614	976,744	1,143,629	7,836,336	8,396,243	559,907	7.1%
Deferred outflows of resources	763,826	733,517	346,813	379,416	1,110,639	1,112,933	2,294	0.2%
<b>Liabilities</b>								
Current and other liabilities	954,306	1,058,804	619,430	639,239	1,573,736	1,698,043	124,307	7.9%
Long-term liabilities	3,056,451	3,019,409	137,966	152,191	3,194,417	3,171,600	(22,817)	(0.7%)
Net pension liability	2,793,972	2,888,344	1,298,606	1,481,649	4,092,578	4,369,993	277,415	6.8%
Net OPEB liability	868,245	753,988	420,177	439,757	1,288,422	1,193,745	(94,677)	(7.3%)
Noncurrent derivative instrument liabilities	15,642	21,561	-	-	15,642	21,561	5,919	37.8%
Total liabilities	7,688,616	7,742,106	2,476,179	2,712,836	10,164,795	10,454,942	290,147	2.9%
Deferred inflows of resources	222,985	263,642	102,037	145,095	325,022	408,737	83,715	25.8%
<b>Net position:</b>								
Net investment in capital assets	1,086,712	1,216,877	130,541	163,009	1,217,253	1,379,886	162,633	13.4%
Restricted	832,042	869,861	-	-	832,042	869,861	37,819	4.5%
Unrestricted	(2,206,937)	(2,106,355)	(1,385,200)	(1,497,895)	(3,592,137)	(3,604,250)	(12,113)	0.3%
Total net position	\$ (288,183)	\$ (19,617)	\$ (1,254,659)	\$ (1,334,886)	\$ (1,542,842)	\$ (1,354,503)	\$ 188,339	12.2%

**Assets and Deferred Outflows of Resources**

The County’s total assets and deferred outflows of resources increased by \$562.2 million or 6.3 percent. The increases occurred in the following areas:

*Governmental activities.* Total assets and deferred outflows of resources for the governmental activities increased by \$362.7 million or 4.8 percent, primarily due to:

- Total restricted and unrestricted cash and investments increased by \$185.1 million or 6.1 percent primarily due to \$107.1 million of unspent portion of funds received from the federal government under the CARES Act for COVID-19 pandemic to be spent in fiscal year 2021, and \$68.2 million from funds received from the Educational Revenue Augmentation Fund (ERAF) excess apportionment.
- Internal balances increased by \$104.1 million mainly due to increase in short-term loans to SCVMC for working capital needs because of delays in the receipt of MediCal expense reimbursements.

## COUNTY OF SANTA CLARA

### Management's Discussion and Analysis Required Supplementary Information – Unaudited

- Other receivable increased by \$28.9 million mainly due to increases in loan receivable by \$36.1 million as more loans were granted to developers to build affordable housing for low income populations throughout the County.
- Capital assets increased by \$113.1 million or 3.7 percent. Nondepreciable capital assets increased by \$123.1 million and the increase was offset by \$10.0 million decrease in depreciable capital assets. Changes in capital assets are discussed in the Capital Assets section on page 20 and Note 6 on page 66.
- The increases above were offset by the decrease of \$36.2 million in due from other government agencies and others mainly due to the prior year's one-time property sales proceeds from the City of Santa Clara Successor Agency was received during current year.

Deferred outflows of resources decreased by \$30.3 million or 4.0 percent due to decreases of pension related items of \$43.4 million. Additional information can be found in Note 10 on page 92 of this report.

*Business-type activities.* Total assets and deferred outflows of resources for the business-type activities increased by \$199.5 million or 2.2 percent. The increase is mainly consisted of increase of \$45.7 million of receivable due to slower payment from SCVMC patients and increase of \$158.9 million of due from other governmental agencies due to delays in reimbursements for MediCal expenses and Enhanced Payment Program funding. Deferred outflows of resources was higher than prior year by \$32.6 million due to increases of pension and OPEB related items of \$17.8 million and \$14.8 million, respectively. Inventory increased by \$20.0 million mainly from additional purchases in response to the COVID-19 pandemic. Capital assets also increased by \$25.1 million mainly resulted from the seismic compliance and modernization project. Changes in capital assets are discussed in the Capital Assets section on page 20 and Note 6 on page 66.

The increase above were offset by change in internal balances due to the governmental activities which increased by \$104.1 million mainly due to the short-term borrowing by SCMVC for working capital needs.

#### **Liabilities and Deferred Inflows of Resources**

The County's total liabilities and deferred inflows of resources increased by \$373.8 million, or 3.6 percent due to the following:

*Governmental activities.* Total liabilities and deferred inflows of resources for the governmental activities increased by \$94.1 million or 1.2 percent, mainly comprised of the following:

- Accrued salaries and benefit increased by \$23.6 million resulting from the 3% countywide salary increase and realignments.
- Unearned revenue increased by \$86.6 million primarily due to the receipt of advance funds from the federal government under the CARES Act for COVID-19 pandemic to be spent in fiscal year 2021.
- Net pension liability increased by \$94.4 million. Deferred inflows of resources increased by \$40.7 million mainly due to the increase in pension and OPEB pension related items of \$6.2 and \$35.8 million, respectively. Additional information for pension and OPEB can be found in Note 10 on page 92 and Note 11 on page 101, respectively, of this report.

## COUNTY OF SANTA CLARA

### Management's Discussion and Analysis Required Supplementary Information – Unaudited

- The above increases were offset by decrease of due to other governmental agencies by \$36.2 million due to a decrease in the Medi-Cal reserve, decrease of net OPEB liability by \$114.3 million, and decrease of long-term liabilities by \$37.0 million. Changes in long term liabilities are discussed further in the Long-Term Debt section on page 21 and Note 7 on page 70.

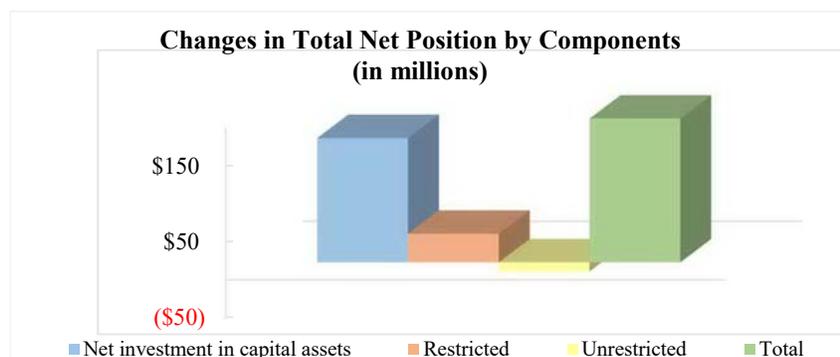
*Business-type activities.* Total liabilities and deferred inflows of resources for business-type activities increased by \$279.7 million or 10.8 percent. This included:

- Accrued salaries and benefit increased by \$16.3 million resulting from the 3% countywide salary increase and realignments.
- Unearned revenue increased by \$115.4 million primarily due to the receipt of advance funds of \$105.8 million for the Accelerated and Advance Payment Program to be spent in fiscal year 2021.
- Net pension liability and net OPEB liabilities increased by \$183.0 million and \$19.6 million, respectively. Deferred inflows of resources increased by \$43.1 million mainly due to the increase in pension and OPEB pension related items of \$9.2 and \$33.8 million, respectively. Additional information for pension and OPEB can be found in Note 10 on page 92 and Note 11 on page 101, respectively, of this report.
- The above increases were also offset by decrease of \$87.4 million in due to third-party payers due to settlement of contractual allowance reserves and decrease of \$41.0 million in due to other governmental agencies due to a decrease of the disproportionate share hospital reserve.

### Net Position

The County's unrestricted net position of negative \$3.60 billion was mainly due to recording a net pension liability and a net OPEB liability on the government-wide financial statement as required by GASB Statements No. 68 and No. 75, respectively. A large portion of the County's net position of \$1.38 billion reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, and equipment and vehicles) net of accumulated depreciation, less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining \$869.9 million of the County's net position represents resources that are subject to external restrictions on how they may be used.

At the end of the fiscal year, the County reported positive balances in both net investment in capital assets and restricted categories of net position for its governmental activities and for its business-type activities. The unrestricted net position resulted in negative balances of \$2.11 billion and \$1.50 billion of its governmental activities and business-type activities, respectively.



**COUNTY OF SANTA CLARA**

Management’s Discussion and Analysis  
Required Supplementary Information – Unaudited

**Table 2— Change in Net Position (in thousands)**

	Governmental Activities		Business-type Activities		Total		Total	
	2019	2020	2019	2020	2019	2020	Dollar Change	Percent Change
<b>Revenues:</b>								
<b>Program revenues:</b>								
Charges for services	\$ 279,679	\$ 270,015	\$ 2,226,030	\$ 2,633,717	\$ 2,505,709	\$ 2,903,732	\$ 398,023	15.9%
Operating grants and contributions	1,703,779	1,863,166	160,650	281,836	1,864,429	2,145,002	280,573	15.0%
Capital grants and contributions	14,399	6,300	8,033	6,585	22,432	12,885	(9,547)	(42.6%)
<b>General revenues:</b>								
Property taxes	1,608,669	1,681,007	-	-	1,608,669	1,681,007	72,338	4.5%
Sales and use taxes	58,589	55,111	-	-	58,589	55,111	(3,478)	(5.9%)
Other taxes	14,117	25,078	-	-	14,117	25,078	10,961	77.6%
Unrestricted grants & contributions	54,352	73,376	-	-	54,352	73,376	19,024	35.0%
Unrestricted investment income	91,398	98,233	8,592	1,328	99,990	99,561	(429)	(0.4%)
Other revenue	76,008	56,376	-	-	76,008	56,376	(19,632)	(25.8%)
<b>Total revenues</b>	<b>3,900,990</b>	<b>4,128,662</b>	<b>2,403,305</b>	<b>2,923,466</b>	<b>6,304,295</b>	<b>7,052,128</b>	<b>747,833</b>	<b>11.9%</b>
<b>Program expenses:</b>								
General government	491,367	511,091	-	-	491,367	511,091	19,724	4.0%
Public protection	1,159,237	1,182,196	-	-	1,159,237	1,182,196	22,959	2.0%
Public ways and facilities	48,971	43,436	-	-	48,971	43,436	(5,535)	(11.3%)
Health and sanitation	692,338	789,797	-	-	692,338	789,797	97,459	14.1%
Public assistance	953,943	1,013,627	-	-	953,943	1,013,627	59,684	6.3%
Education	51,202	54,336	-	-	51,202	54,336	3,134	6.1%
Recreation and culture	55,730	57,183	-	-	55,730	57,183	1,453	2.6%
Interest on long-term liabilities	98,565	102,322	-	-	98,565	102,322	3,757	3.8%
Healthcare	-	-	2,464,639	3,102,265	2,464,639	3,102,265	637,626	25.9%
Airport	-	-	2,544	3,194	2,544	3,194	650	25.6%
Sanitation	-	-	2,724	4,349	2,724	4,349	1,625	59.7%
<b>Total expenses</b>	<b>3,551,353</b>	<b>3,753,988</b>	<b>2,469,907</b>	<b>3,109,808</b>	<b>6,021,260</b>	<b>6,863,796</b>	<b>842,536</b>	<b>14.0%</b>
Excess (deficiency) before transfers and special items	349,637	374,674	(66,602)	(186,342)	283,035	188,332	(94,703)	(33.5%)
Transfers	(32,092)	(106,115)	32,092	106,115	-	-	-	n/a
Excess (deficiency) before special item	317,545	268,559	(34,510)	(80,227)	283,035	188,332	(94,703)	(33.5%)
Special items - acquisition of healthcare facilities	(75,247)	-	15,517	-	(59,730)	-	59,730	(100.0%)
Change in net position	242,298	268,559	(18,993)	(80,227)	223,305	188,332	(34,973)	(15.7%)
Net position, beginning of year	(530,481)	(288,183)	(1,235,666)	(1,254,659)	(1,766,147)	(1,542,842)	223,305	12.6%
Net position, end of year	\$ (288,183)	\$ (19,624)	\$ (1,254,659)	\$ (1,334,886)	\$ (1,542,842)	\$ (1,354,510)	\$ 188,332	12.2%

**Governmental activities**

Governmental activities increased the County’s net position by \$268.6 million due to an excess of revenues over expenses by \$374.7 million. Furthermore, net transfers of \$106.1 million were made to the business-type activities primarily for providing operating support to SCVMC.

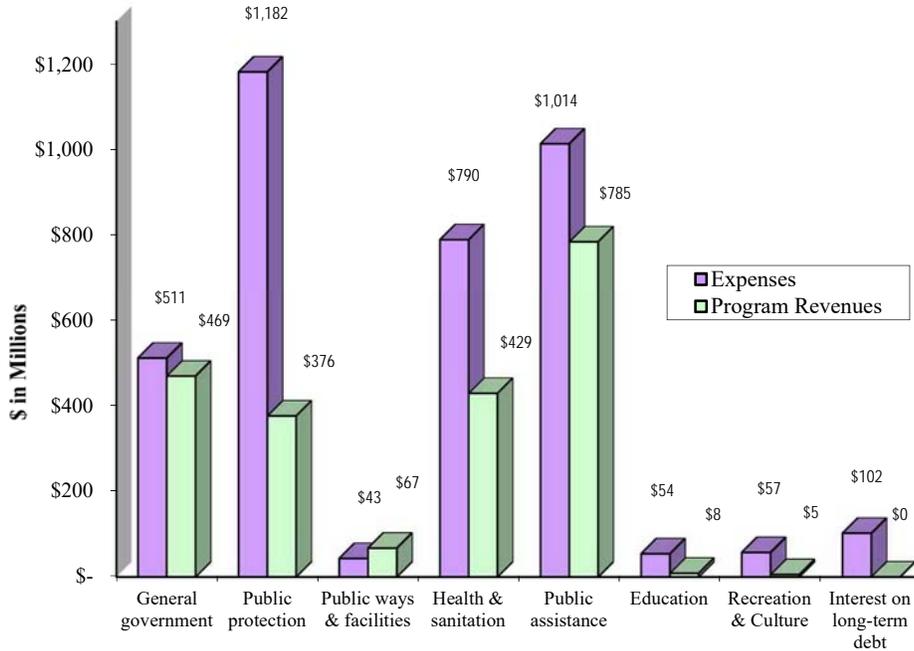
As an arm of the State government, the County provides various mandated services, such as public assistance, public health, and mental health. Revenues directly generated by, or attributable to, a specific governmental function are called program revenues. These include charges for services and restrictive (program specific) grants and contributions, both operating and capital.

The following chart shows the County’s program revenues and expenses for the year. Not included in this chart are the general revenues: taxes (property, business, and sales), unrestricted grants, investment income, gain on sale of capital assets, and other revenues. These general revenues are not shown by program but are available to support the program activities countywide.

**COUNTY OF SANTA CLARA**

Management’s Discussion and Analysis  
 Required Supplementary Information – Unaudited

**Expenses and Revenues - Governmental Activities**



Changes in the County’s net position from its governmental activities are explained in the context of changes in revenues and expenses:

Revenues

The total revenues for the County’s governmental activities increased by \$227.7 million or 5.8 percent to \$4.13 billion. Program revenues increased by \$141.6 million or 7.1 percent, while general revenues increased by \$86.1 million or 4.5 percent. Over the past three years, the County’s program revenues from its governmental activities have contributed about 56.9 percent of the cost of running those governmental programs. General revenues support the programs by covering the remaining 43.1 percent of costs.

The largest source of program revenues for the County’s governmental activities is federal and State grants and contributions, both operating and capital. These revenues amount to 87.4 percent of the governmental activities’ program revenues and 45.3 percent of its total revenues. For the year, operating grants increased by \$159.4 million. Such increases are largely resulted from recognition of Short-Doyle Medi-Cal revenue for mental health programs, CARES Act funding for the COVID-19 pandemic, and higher federal and State reimbursement for public assistance programs.

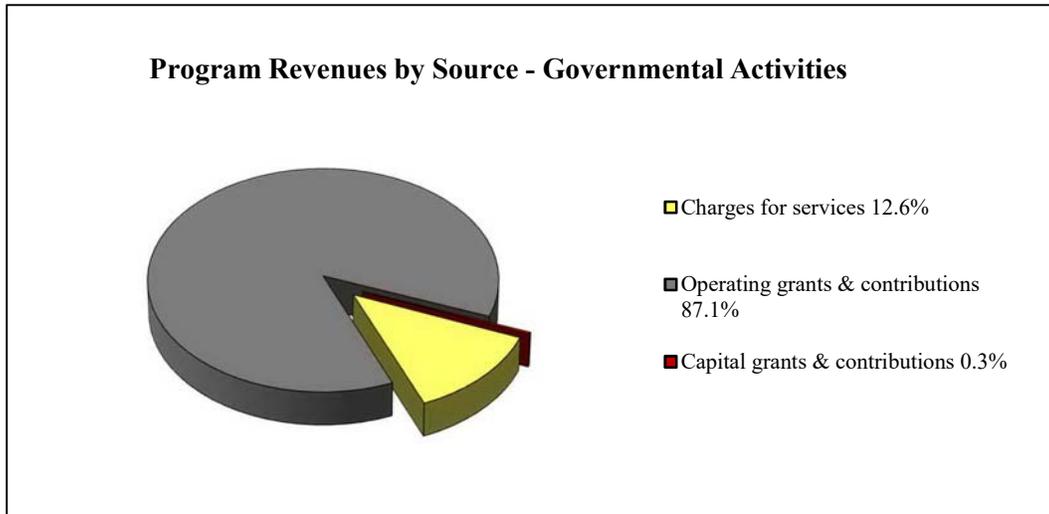
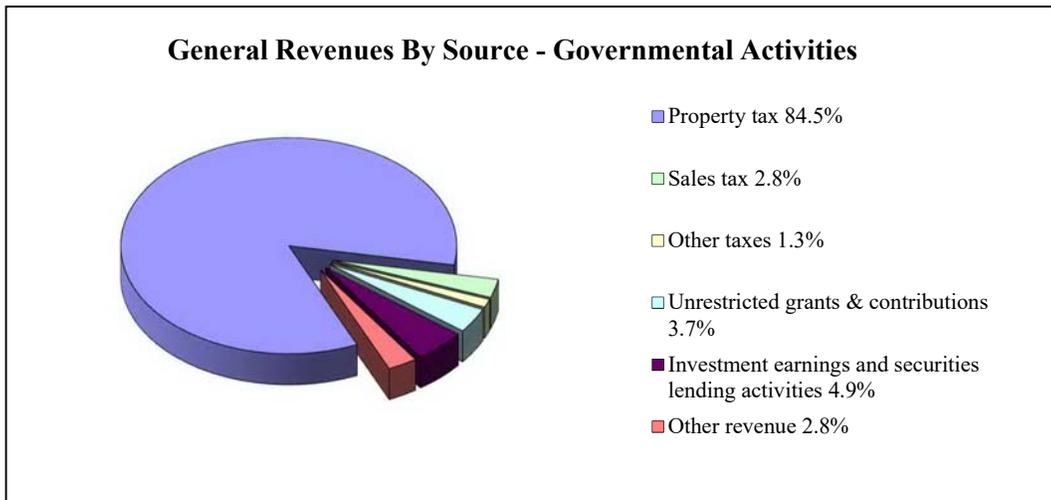
The governmental activities’ general revenues are not directly related to specific governmental programs and include: taxes (property, business, and sales), unrestricted grants, investment income, and other revenues. General revenues support government programs by defraying costs, which programs cannot cover from their own revenues. Tax revenues are the County’s second largest revenue source - grants and contributions being the largest. The County earned \$1.76 billion in taxes revenues for the current year. This is approximately 88.5 percent of the general revenues and 42.7 percent of the total revenues. These general revenues provide the Board of Supervisors (the Board) with most of its discretionary spending ability.

**COUNTY OF SANTA CLARA**

Management’s Discussion and Analysis  
Required Supplementary Information – Unaudited

The increase in general revenues is mainly due to the following:

- Property tax revenues increased by \$72.3 million which is mainly due to a 7.0 percent growth in total property assessed values. This increase included the growth of \$34.7 million in secured and unsecured property taxes, \$19.4 million in property tax in-lieu of motor vehicle license fees under SB1096. In addition, an excess in the Educational Revenue Augmentation Funds apportionment contributed to an increase in revenue of \$68.2 million. The increase is offset by \$50.0 million decrease in the property sales proceeds from redevelopment agencies.
- Other taxes increased by \$11.0 million primarily due to the increase in unrestricted motor vehicle in-lieu taxes true-up recognized during current year.
- Unrestricted grants & contributions increased by \$19.0 million mainly due to higher redevelopment agency pass-through revenues due to increase in property assessed values.
- The increases above were offset by \$22.9 million decrease in penalties and costs collected from delinquent taxes that was impacted by the Governor’s Executive Order of waiving property tax late-payment penalties under the COVID-19 pandemic.



## COUNTY OF SANTA CLARA

### Management's Discussion and Analysis Required Supplementary Information – Unaudited

#### Expenses and Transfers

Expenses for governmental activities increased by \$202.6 million or 5.7 percent. All categories experienced higher costs than in the prior year except for public ways and facilities. The primary reasons for the changes are explained below.

General Government increased by \$19.7 million or 4.0 percent due to the following:

- Services and supplies and intra-County charges increased by \$115.5 million mainly due to increase in contractual and professional services with community-based organizations, software maintenance, IT equipment replacement and system upgrades, COVID-19 related activities, presidential elections, census program, and one-time funding to the Santa Clara Valley Open Space Authority for acquisition of Agricultural Conservation Easements.
- The above increases were offset by the increase in various intra-County expenditure reimbursements including a \$28.4 million occupancy charge from Santa Clara Valley Medical Center, O'Connor, and St. Louise hospitals, and \$19.0 million in facility leases and cost plan allocation charges. Salaries and benefits also decreased by \$48.4 million mainly driven by the reclassification of Finance Agency's information technology department expenses to an internal service fund allocation of Technology Services and Solutions net expenses.

Public Protection increased by \$22.9 million or 2.0 percent due to the followings:

- Salaries and benefits contributed \$43.8 million to the increase resulting from a 0.7 percent increase in staffing and 3.0 percent countywide salary increase.
- Intra-county charges increased by \$27.4 million primarily due to higher demand in information technology support.
- The above increase was offset by the decrease of \$48.3 million in inmate medical expenses in the Department of Correction and Probation Department due to the Board's approval of eliminating the cost reimbursement from the Custody Health Services Department.

Public Ways and Facilities decreased by \$5.5 million or 11.3 percent because of the completion and winding down for some of the roads and bridges projects.

Health and Sanitation increased by \$97.4 million or 14.1 percent primarily due to the following:

- Increase of \$20.8 million in salaries and benefits resulting from a 3.2 percent increase in staffing and 3.0 percent countywide salary increase.
- Custody Health Services Department experienced a decrease of \$81.3 million in intra-county reimbursements primarily due to elimination of cost reimbursement from other County departments. The Board approved this action, which reports the costs for providing medical and mental health services to inmates at all County facilities under the Custody Health Services Department and eliminates redundancies for accounting staff in the reimbursing departments.

# COUNTY OF SANTA CLARA

## Management’s Discussion and Analysis Required Supplementary Information – Unaudited

Public Assistance increased by \$59.7 million or 6.3 percent due to the following:

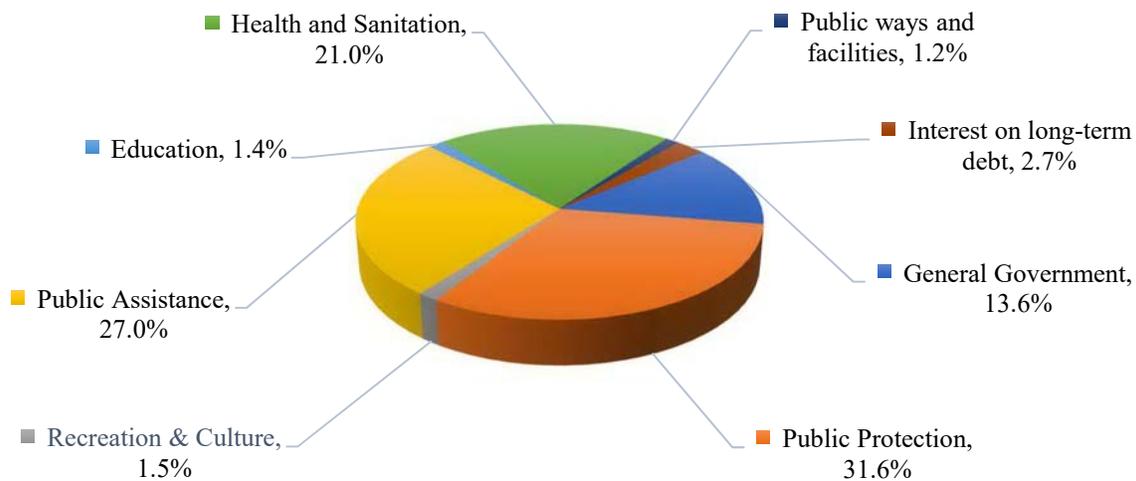
- Increase of \$27.1 million in salaries and benefits resulting from a 0.7 percent increase in staffing and 3.0 percent countywide salary increase.
- The Office of Supportive Housing experienced a \$32.7 million increase for contract services and affordable housing projects due to an expansion in housing for low-income population throughout the County and COVID-19 related activities for non-congregate sheltering.
- Social Service Agency had an increase of \$27.1 million in rental expense and maintenance for a new building, contract services for Senior Nutrition Program, immigration relations services, and CalWorks for child poverty and family support.
- The increases above were offset by a decrease of \$14.7 million in intra-county service charges and \$16.6 million reimbursement from Home Energy Assistance and Homeless Mentally Ill Outreach Treatment grant programs.

Interest on long-term liabilities increased by \$3.7 million primarily resulting from the interest incurred for the 2019 Series A and Series A-Taxable Lease Revenue Bonds issued during June 2019 and 2020 Series A Lease Revenue Bonds issued during current year.

Net transfer out increased by \$74.0 million or 230.7 percent primarily due to the increase in General Fund subsidy to SCVMC for technology implementation for new campuses and equipment for new hospitals.

The following chart shows the County’s expenses by functional category for the governmental activities.

### Expenses By Function/Program - Governmental Activities



**COUNTY OF SANTA CLARA**

Management’s Discussion and Analysis  
Required Supplementary Information – Unaudited

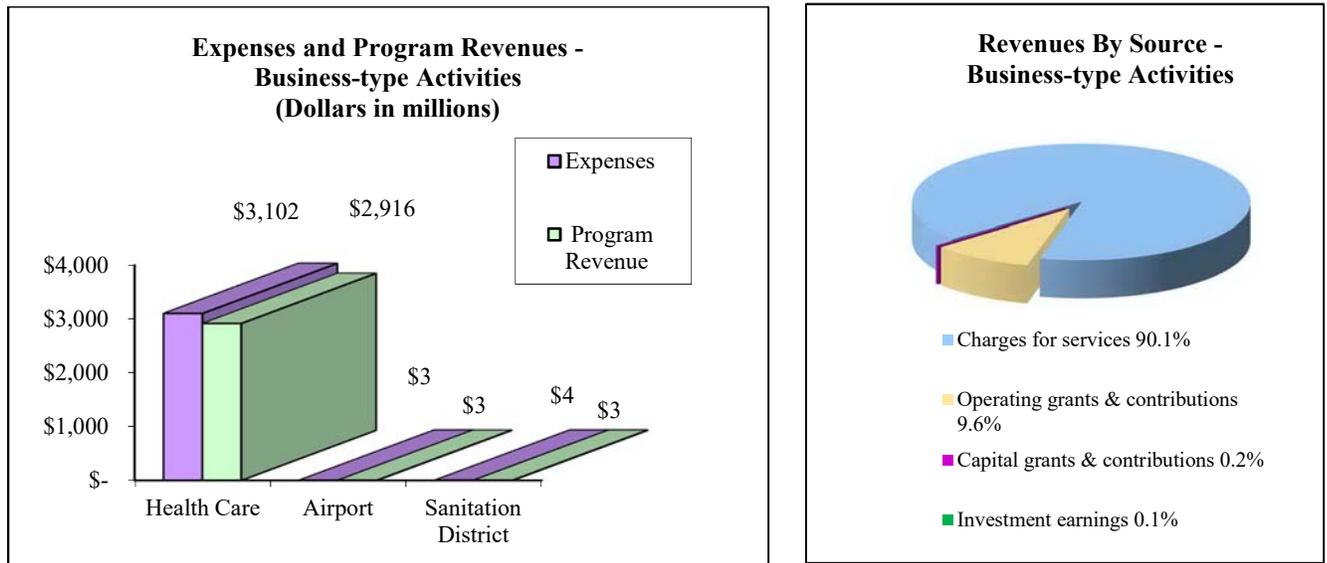
**Business-type activities**

The business-type activities decreased the County’s net position by \$80.2 million. Expenses exceeded revenue by \$186.3 million. In addition, the business-type activities received net transfer of \$106.1 million as an operating subsidy from the County’s General Fund to SCVMC.

The largest of the County’s business-type activities, healthcare operations, had \$3.10 billion in expenses and \$2.92 billion in program revenues for the year. The healthcare operations program revenue represents 99.8 percent of the program revenues of all business-type activities. The reasons for these revenues and expenses changes are discussed in the enterprise funds section.

The other enterprise operations - airports and sanitation district - are very small in size and did not change significantly in the current year.

The first chart below shows expenses and revenues by each business activity, while the second chart shows revenues by source for the business activities.



**FINANCIAL ANALYSIS OF THE COUNTY’S FUNDS**

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. When applicable, prior year numbers have been reclassified to make them comparable to the current year.

**Governmental funds**

The general government’s functions are reported in the general, special revenue, debt service, and capital project funds. The focus of these *governmental funds* is to provide information on near-term inflows, outflows, and balances of *unrestricted resources*. Such information is useful in assessing the County’s financing resources. In particular, unassigned fund balance at the end of the fiscal year can serve as a useful measure of the County’s net resources available for spending.

At June 30, 2020, the County’s governmental funds reported total fund balances of \$2.43 billion, an increase of \$98.1 million or 4.2 percent from the prior year. Approximately 58.8 percent of the combined fund balance, \$1.43 billion, constitutes fund balance that is available to meet the County’s current and future

**COUNTY OF SANTA CLARA**

Management’s Discussion and Analysis  
Required Supplementary Information – Unaudited

needs (committed, assigned and unassigned). The remainder of the fund balance totaling \$1.0 billion is either in nonspendable form or restricted for specific spending. This includes \$27.8 million in items that are not expected to be converted to cash (for example: inventories, prepaid amounts, and advances to other funds) and \$975.3 million restricted for programs or other purposes.

For its governmental funds, the County’s total revenues for the current fiscal year were \$4.11 billion, an increase of \$235.9 million or 6.1 percent from the prior year. Total governmental fund expenditures increased by \$117.5 million, or 3.2 percent, to \$3.79 billion for the year. Primary reasons for these changes in revenues and expenditures for the governmental funds are explained in the framework of individual funds.

The General Fund is the chief operating fund of the County. Its unassigned fund balance was \$608.0 million at June 30, 2020, while its total fund balance was \$1.07 billion, a \$25.0 million increase over the prior year. This was mainly due to an excess of revenues over expenditures of \$403.2 million for the fiscal year, which was offset by \$378.2 million in net transfers to other County funds and other financing sources. As a measure of the General Fund’s liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total fund expenditures. The unassigned fund balance and the total fund balance represent 19.9 percent and 34.8 percent, respectively, of the total General Fund expenditures on June 30, 2020.

The nonspendable and restricted portions of the General Fund’s fund balance were \$27.2 million and \$221.8 million, respectively. The remaining fund balance constitutes the spendable portion, which was \$816.5 million. Of this amount, \$608.0 million was unassigned fund balance. The remaining portions of spendable fund balance included \$91.2 million of committed fund balance and \$117.3 million of assigned fund balance. The committed portion represents amounts set aside by the County’s highest level of decision-making authority, the Board of Supervisors, for specific purposes. The assigned amounts include items earmarked by County management and include litigation reserves, amounts encumbered for future purchases, and amounts to be used for future operations.

General Fund revenues and expenditures for the fiscal year were \$3.47 billion and \$3.06 billion, respectively. While its revenues increased by \$230.0 million or 7.1 percent for the year, its expenditures increased by \$237.4 million or 8.4 percent. The General Fund’s revenues by sources and expenditures by function as well as changes from the prior fiscal year are presented below:

Revenues by source	FY 2019		FY 2020		Increase/(Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
Taxes	\$ 1,350,064	41.7%	\$1,414,216	40.8%	\$ 64,152	4.8%
Licenses and permits	17,155	0.5%	14,693	0.4%	(2,462)	(14.4%)
Fines, forfeitures and penalties	52,874	1.6%	30,790	0.9%	(22,084)	(41.8%)
Interest and investment income	70,571	2.2%	74,921	2.2%	4,350	6.2%
Intergovernmental revenues	1,579,189	48.8%	1,764,823	50.9%	185,634	11.8%
Charges for services	125,670	3.9%	126,194	3.6%	524	0.4%
Other revenue	40,076	1.2%	39,948	1.2%	(128)	(0.3%)
Total	\$ 3,235,599	100.0%	\$ 3,465,585	100.0%	\$ 229,986	7.1%

**COUNTY OF SANTA CLARA**

Management’s Discussion and Analysis  
Required Supplementary Information – Unaudited

**Table 4—General Fund Expenditures by Function (in thousands)**

Expenditures by function	FY 2019		FY 2020		Increase/(Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
General government	\$ 268,984	9.5%	\$ 319,933	10.4%	\$ 50,949	18.9%
Public protection	931,718	33.0%	926,087	30.2%	(5,631)	(0.6)%
Health and sanitation	658,100	23.3%	746,382	24.4%	88,282	13.4%
Public assistance	921,344	32.6%	989,834	32.3%	68,490	7.4%
Debt service:						
Principal retirement	20,990	0.7%	44,711	1.5%	23,721	113.0%
Interest and fiscal charges	23,918	0.8%	35,481	1.2%	11,563	48.3%
	<u>\$2,825,054</u>	<u>100.0%</u>	<u>\$3,062,428</u>	<u>100.0%</u>	<u>\$ 237,374</u>	<u>8.4%</u>

Our analysis of the County’s governmental activities identified key reasons for changes in its revenues and expenditures. This helps explain significant changes in the General Fund because it is the chief operating fund of the County. The General Fund’s revenues and expenditures cover represents 84.3 percent and 80.9 percent, respectively, of the County’s total current year revenues and expenditures of all governmental funds. For this reason, we will briefly mention the points that were elaborated upon in our earlier discussion of the countywide revenues and expenses.

Tax revenues increased by \$64.2 million or 4.8 percent as compared to prior fiscal year. This was mainly due to a 7.0 percent increase in total property assessed values that resulted an increase of \$31.5 million in secured and unsecured property taxes. Other factors contributing to the increase in tax revenues included an increase of \$19.2 million in property tax in-lieu of vehicle license fees. In addition, an excess in the Educational Revenue Augmentation Funds apportionment contributed to an increase in revenue of \$68.2 million. The increase is offset by \$50.0 million decrease in the property sales proceeds from redevelopment agencies and \$4.8 million decrease in transaction and use tax from Measure A.

Licenses and permits decreased by \$2.5 million or 14.4% due to the decline in marriage licenses and other application fees impacted by COVID-19 pandemic.

Fines, forfeitures, and penalties came in lower by \$22.1 million or 41.8 percent mainly due to the decrease in penalties and costs collected from delinquent taxes that was impacted by the Governor’s Executive Order of waiving property tax late-payment penalties under the COVID-19 pandemic.

Interest and investment income increased by \$4.4 million or 6.2 percent due to higher average daily cash balance.

Intergovernmental revenues increased by \$185.6 million or 11.8%. The increase mainly due to the recognition of \$115.9 million from the Short-Doyle Medi-Cal true-up if prior years’ results. Other federal and State funding for public assistance also increased when compared to prior year. This includes increases of \$16.5 million for Homeless Mentally Ill Outreach and Treatment and Home Energy Assistance programs, and \$54.3 million CARES Act funding for COVID-19 pandemic. In addition, revenues collected from redevelopment agency pass-through increased by \$8.6 million; motor vehicle on-lieu taxes rose by \$10.9 million, and State funding for new voting equipment and other programs increased by \$4.3 million. These increases were offset by the decline of \$13.8 million in public safety sales tax revenue, \$8.1 million in Federal Title IV-E Waiver, and \$5.0 million in 1991 State health realignment due to the redirection AB85 as the fund was redirected to social services programs.

## COUNTY OF SANTA CLARA

### Management's Discussion and Analysis Required Supplementary Information – Unaudited

Key reasons for changes in General Fund expenditures are explained in the earlier discussion on the county-wide governmental programs and activities.

As of June 30, 2020, the General Capital Improvement Fund qualifies as a major fund of the County. This fund accounts for the general improvements to County facilities, including the construction and expansion of major capital facilities owned or leased by the County. Its total fund balance was \$475.0 million on June 30, 2020, which was committed for various capital projects. During the year, it incurred capital outlay of \$143.4 million and received net total transfer in of \$250.5 million from the County's funds for essential major maintenance needs and constructions projects.

#### **Enterprise funds**

The County's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail.

As of June 30, 2020, the County's net position in its enterprise funds was negative \$1.25 billion. The net investment in capital assets was \$163.0 million. The unrestricted net position was negative \$1.41 billion. The net position of the County's enterprise funds decreased by \$62.8 million for the year. Primary reasons for the change in net position are explained in the framework of individual enterprise funds.

SCVMC is the largest enterprise fund and its revenues and expenses comprise 78.5 percent of the total operating revenues and 79.5 percent of the total operating expenses for all enterprise funds. Valley Health Plan is the second largest and its revenues and expenses comprise 21.3 percent of the total operating revenues and 20.2 percent of the total operating expenses for all enterprise funds. The other two enterprise funds- Airports and Sanitation District - are very small in comparison.

The change in net position for SCVMC was negative \$65.9 million in fiscal year 2020. Operating revenues increased by \$462.5 million or 25.3 percent and operating expenses increased by 610.4 million or 33.2 percent. The County acquisition of two healthcare facilities and its operations in March 2019 were the most significant contributing factor for the increase in the current year's activities. Revenues increase came from (1) increases of \$53.4 million revenues from the Enhanced Payment Program and Quality Incentive Program; (2) \$100.3 million in revenues from the Provider Relief Fund program; and (3) growth in patient visits and days. Operating expenses increases are mainly due to the full year of operations of the two acquired hospitals and include: (1) salaries and benefits increased by \$462.6 million due to increase personnel to operate the new facilities and overall increase in pension and OPEB expenses for the year; (2) professional services increased by \$80.6 million; (3) nursing registry increase of \$15.2 million, and (3) services and supplies increased by \$33.9 million. Net capital contributions and transfers, were \$125.1 million for the year. Included in the transfers were subsidy received from General fund of \$212.8 million, an increase of \$158.8 million when compared to \$54.0 million for the previous fiscal year.

The change in net position for Valley Health Plan was \$4.2 million in fiscal year 2020. Operating revenues increased by \$66.0 million or 11.9 percent and operating expenses increased by \$70.0 million or 12.7 percent. Both increases are due to continued rise in the membership enrollment in the commercial line of business, especially in Covered California segment that increased 35.8 percent. The expenses were direct correlation with the changes in revenues. The primary cost driver was medical expenses. Government program resulted higher cost as well due to the increase in rate and payroll expense as the vacant positions continued filing up and 3.0 percent countywide salary increase.

There were no significant changes to the net position for the Airports and Sanitation District during the year.

**COUNTY OF SANTA CLARA**

Management’s Discussion and Analysis  
Required Supplementary Information – Unaudited

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The County’s final budget appropriations for 2020 were \$4.28 billion, which was \$191.9 million or 4.7 percent higher than the original budget adopted by the Board. Occasionally, unexpected events may cause the County to commit its one-time reserves or use ongoing resources to pay for those unplanned events. Differences between the original and final budgets represent supplemental appropriations approved by the Board for various new grants received by the County or to pay for increased service level that was not expected when the original budget was approved.

General Fund revenues and expenditures were less than the budgetary estimates for the year. Estimated revenues for the year exceeded actual revenues by \$71.4 million or 1.9 percent. The interfund transfers was lower than estimates by \$451.8 million and the decrease was offset by an increase of \$307.9 million in the intergovernmental revenue. Final budgetary appropriations exceeded actual expenditures by \$653.7 million or 15.3 percent for the year. These cost savings were mainly resulted from unspent appropriations of: a) \$69.3 million in salaries and benefits costs due to unfilled vacant positions b) \$346.5 million in services and supplies costs for government programs; c) \$8.7 million in capital outlay; d) \$73.3 million in interfund transfers for capital projects; e) and \$192.2 million remaining in contingency reserves. The overall unspent appropriation discussed above was offset by the reimbursements from General Fund departments of \$37.0 million.

The General Fund budgetary comparison schedule starts on page 132 of this report.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As shown in Table 5 below, the County’s investment in capital assets (net of accumulated depreciation) as of June 30, 2020 was \$3.33 billion.

**Table 5—Capital Assets (Net of depreciation, in thousands)**

	Governmental Activities		Business-type Activities		Total		Dollar Change	Percent Change
	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020		
Land	\$ 418,736	\$ 441,136	\$ 28,189	\$ 28,189	\$ 446,925	\$ 469,325	\$ 22,400	5.0%
Construction in progress	397,550	498,311	34,386	71,000	431,936	569,311	137,375	31.8%
Infrastructure	249,080	277,379	-	-	249,080	277,379	28,299	11.4%
Buildings, easments & improvements	1,870,755	1,813,489	44,814	44,342	1,915,569	1,857,831	(57,738)	(3.0%)
Equipment, software, and vehicles	83,852	102,750	65,756	54,691	149,608	157,441	7,833	5.2%
<b>Total</b>	<b>\$ 3,019,973</b>	<b>\$ 3,133,065</b>	<b>\$ 173,145</b>	<b>\$ 198,222</b>	<b>\$ 3,193,118</b>	<b>\$ 3,331,287</b>	<b>\$ 138,169</b>	<b>4.3%</b>

The County’s net capital assets increased by \$138.2 million or 4.3 percent for the year. Net capital assets for the governmental activities increased by \$113.1 million or 3.7 percent, while the business-type activities’ net capital assets increased by \$25.1 million or 14.5 percent. Changes in capital assets by activity type were as follows:

**COUNTY OF SANTA CLARA**

Management’s Discussion and Analysis  
Required Supplementary Information – Unaudited

**Governmental activities**

The County’s capital assets for its governmental activities rose by \$113.1 million primarily due to:

- Land increased by \$22.4 million mainly due to the acquisitions of land in Calabazas for \$9.5 million, Western Motel for \$9.0 million and Quetzal Garden for \$3.9 million.
- Buildings and improvements decreased by \$57.3 million attributable to depreciation of \$91.6 million exceeding the total addition to buildings and improvements of \$34.7 million. The additions are due to the completion of jail facilities improvements, warehouse modifications and renovations of office buildings.
- Construction in progress increased by \$100.8 million due to the construction of new Vietnamese-American Service Center, South County Animal Shelter, County Justice Information Center, new jail facility, and emergency department expansion for the Valley Medical Center. In addition to the construction, there were major renovations for the Tasman campus, Silver Creek properties, new healthcare facilities as well as projects of the Santa Clara County Central Fire Protection District and South Santa Clara County Fire District.
- Infrastructure increased by \$28.3 million due to the ongoing projects from Roads and Parks departments.
- Equipment, software, and vehicles increased by \$18.9 million mainly due to the replacement of information technology equipment, vehicles, and the upgrades of the existing software.

**Business-type activities**

Net capital assets for business-type activities increased by \$25.1 million for the year. This increase mainly due to the increase in construction in progress of \$36.6 million including the seismic compliance and modernization project, offset by the decrease in equipment, software, and vehicles due to current year depreciation.

***Commitment of Resources for Construction Work in Progress***

On June 30, 2020, the County had committed \$148.2 million and \$12.0 million for the governmental and business-type activities, respectively, for various uncompleted capital projects included in the construction in progress.

Additional information on the County’s capital assets can found in Note 6 on page 66 of this report.

**Long-term Debt**

The County’s long-term outstanding debt as of June 30, 2020 was \$2.62 billion as shown in Table 6 below:

**Table 6—Outstanding Debt (in thousands)**

	Governmental Activities		Business-type Activities		Total		Dollar Change	Percent Change
	FY 2019	FY 2020	FY2019	FY 2020	FY2019	FY 2020		
Taxable pension funding bonds	\$ 415,771	\$ 411,801	\$ -	\$ -	\$ 415,771	\$ 411,801	\$ (3,970)	(1.0%)
General obligation bonds	1,014,382	945,548	-	-	1,014,382	945,548	(68,834)	(6.8%)
Lease revenue bonds	995,036	979,207	42,604	35,213	1,037,640	1,014,420	(23,220)	(2.2%)
Capital appreciation bonds	210,288	222,901	-	-	210,288	222,901	12,613	6.0%
New Clean Renewable Energy Bonds	28,464	26,174	-	-	28,464	26,174	(2,290)	(8.0%)
Capital lease obligations	787	-	-	-	787	-	(787)	(100.0%)
<b>Total</b>	<b>\$ 2,664,728</b>	<b>\$ 2,585,631</b>	<b>\$ 42,604</b>	<b>\$ 35,213</b>	<b>\$ 2,707,332</b>	<b>\$ 2,620,844</b>	<b>\$ (86,488)</b>	<b>(3.2%)</b>

## COUNTY OF SANTA CLARA

### Management's Discussion and Analysis Required Supplementary Information – Unaudited

The County's long-term debt decreased by \$86.5 million mainly due scheduled debt repayments of \$48.3 million for lease revenue bonds, \$65.8 million for General Obligation bonds, \$2.3 million for New Clean Renewable Energy Bonds and amortization of bonds premium of \$8.8 million. These were offset by the issuance of \$29.6 million 2020 Series A Lease Revenue Bond 2020 and increase of \$12.6 million in accreted interest for Tobacco Settlement Asset-Backed bonds.

Additional information on the County's long-term debt can be found in Note 7 on page 70 of this report.

For its outstanding debt, Standard & Poor's (S&P) has maintained an AA+ rating on the County's existing lease revenue bonds. In addition, S&P has maintained the County's general obligation bonds and pension obligation bonds rating of AAA. Both ratings are the highest possible long-term ratings.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County has continued to experience growth in both revenues and expenditures. The County's budget for the upcoming year continues this trend with a projected 0.3 percent increase in revenue and a 0.5 percent increase in net expenditures. Budgeted expenditures exceed budgeted revenue by \$383.9 million in fiscal year 2021. The deficit is expected to be covered by available fiscal year 2020 fund balance.

The following economic factors were considered in the County's fiscal year 2021 budget:

- The County's unemployment rate increased. The rate for June 2020 was 10.7 percent, an increase of 8.1 percent, up from 2.6 percent in June 2019. In comparison, the statewide unemployment rate for June 2020 was 15.1 percent, an increase of 10.9 percent from the June 2019 rate of 4.2 percent.
- The real per capita income (a measure of wealth creation) as of March 2019 (most current available data) increased from \$98,032 to \$107,877. On the national level, the real per capita income for metropolitan areas was \$56,527, an increase of \$2,910 from the prior year.
- Housing prices increased. This was demonstrated by the median price for single family homes, which gained to \$1.38 million, a 3.8 percent increase from one year prior.
- Venture capital investment, a leading indicator of innovation and long-term development, decreased significantly by \$20.2 billion, or 15.8 percent, in fiscal year 2020 compared to fiscal year 2019. The Silicon Valley and San Francisco regions, taken together, accounted for 42.9 percent of the national total and 80.3 percent of the State's total. Sectors which attracted the largest venture capital funding in fiscal year 2020 included internet, software (non-internet/mobile), healthcare, consumer products & services, computer hardware and services, and mobile and telecommunications.
- Office, research and development, and warehouse space occupancy are leading indicators of economic activity. The vacancy rate for office space increased to 9.3 percent in June 2020, up from 9.1 percent in June 2019. The vacancy rate for research and development space increased to 7.8 percent in June 2020 versus 7.6 percent in the prior year. The vacancy rate for warehouse space increased to 4.9 percent in June 2020 compared to 3.8 percent in June 2019.
- Assessed value for real property, which increased by 7.0 percent, contributed to an increase of \$46.7 million in current secured property tax revenue. The current unsecured tax revenue decreased by approximately 7.4 percent, or \$3.4 million, from the prior year. The property tax delinquencies

## COUNTY OF SANTA CLARA

### Management's Discussion and Analysis Required Supplementary Information – Unaudited

on secured property slightly increase at 0.7 percent in fiscal year 2020. Transfer tax revenue decreased by 13.2 percent or approximately \$4.1 million. Supplemental tax revenues decreased by 30.4 percent or \$7.7 million. The fiscal year 2021 budget assumes an increase in the net roll growth of 4.8 percent in the secured roll which contributes to an increase of \$30.5 million in property tax revenue.

The fiscal year 2021 countywide expenditure budget of almost \$8.29 billion included a 1.6 percent increase compared to the prior year's budget. The COVID-19 pandemic has created negative economic impacts to County and caused the budget deficit. The County has developed the ongoing cost reduction plans to address the deficit by eliminating reserves, deleting vacant positions, reducing expenditures, and using one-time funds to make up the difference and to keep the organization moving forward.

The fiscal year 2021 budget sets aside \$164.6 million in contingency reserves. Operating reserve designations and the strategic reserve designations are part of the financial resources that are available to address unanticipated revenue shortfalls or unforeseen expenditures. These designations provide a primary defense against deficit spending and help maintain liquidity when budgeted draw-downs become necessary.

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# **Basic Financial Statements**

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**COUNTY OF SANTA CLARA**

Statement of Net Position

June 30, 2020

(In thousands)

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>	
<b>Assets:</b>				
Cash and investments	\$ 3,038,629	\$ 234,231	\$ 3,272,860	\$ 519,190
Receivables, net of allowance for uncollectibles	245,621	353,668	599,289	819,472
Internal balances	326,906	(326,906)	-	-
Due from other governmental agencies and others, net	326,720	628,316	955,036	123,575
Receivables from related parties and component units	-	-	-	116,013
Inventories	4,229	52,349	56,578	-
Other assets	8,265	3,086	11,351	10,939
Restricted cash and investments	169,179	663	169,842	33,567
Net pension asset	-	-	-	14,967
Net OPEB asset	-	-	-	4,066
Capital assets:				
Nondepreciable	939,447	99,189	1,038,636	214,712
Depreciable, net of accumulated depreciation	2,193,618	99,033	2,292,651	387,866
Total assets	<u>7,252,614</u>	<u>1,143,629</u>	<u>8,396,243</u>	<u>2,244,367</u>
<b>Deferred outflows of resources:</b>				
Pension items	572,934	312,679	885,613	9,266
OPEB items	117,133	66,737	183,870	5,103
Unamortized loss on refunding debt	21,889	-	21,889	-
Deferred outflows on derivative instruments	21,561	-	21,561	-
Total deferred outflows of resources	<u>733,517</u>	<u>379,416</u>	<u>1,112,933</u>	<u>14,369</u>
<b>Liabilities:</b>				
Accounts payable	256,839	180,460	437,299	33,978
Accrued salaries and benefits	96,422	67,484	163,906	938
Accrued liabilities	55,051	129,402	184,453	99,252
Due to other governmental agencies	445,843	128,357	574,200	869,103
Due to related parties	-	-	-	124,338
Unearned revenue	204,649	133,536	338,185	1,254
Long-term and other liabilities:				
Due within one year:				
Long-term liabilities	202,000	30,768	232,768	10,547
Due in more than one year:				
Long-term liabilities	2,817,409	121,423	2,938,832	287,016
Net pension liability	2,888,344	1,481,649	4,369,993	-
Net OPEB liability	753,988	439,757	1,193,745	-
Derivative instruments liabilities	21,561	-	21,561	-
Total liabilities	<u>7,742,106</u>	<u>2,712,836</u>	<u>10,454,942</u>	<u>1,426,426</u>
<b>Deferred inflows of resources:</b>				
Pension related items	81,537	44,361	125,898	2,188
OPEB items	170,252	100,734	270,986	5,003
Deferred service concession arrangement receipts	11,853	-	11,853	-
Total deferred inflows of resources	<u>263,642</u>	<u>145,095</u>	<u>408,737</u>	<u>7,191</u>
<b>Net position:</b>				
Net investment in capital assets	1,216,877	163,009	1,379,886	220,790
Restricted for:				
Debt service	134,836	-	134,836	-
Parks	110,809	-	110,809	-
Housing programs	205,729	-	205,729	-
Mental health	96,627	-	96,627	-
Other purposes	321,860	-	321,860	47,341
Unrestricted	<u>(2,106,355)</u>	<u>(1,497,895)</u>	<u>(3,604,250)</u>	<u>556,988</u>
Total net position	<u>\$ (19,617)</u>	<u>\$ (1,334,886)</u>	<u>\$ (1,354,503)</u>	<u>\$ 825,119</u>

The notes to the basic financial statements are an integral part of this statement.

**COUNTY OF SANTA CLARA**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2020  
(In thousands)

	Expenses	Indirect Expenses Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Function/program activities:</b>					
Primary government:					
Governmental activities:					
General government	\$ 674,780	\$ (163,689)	\$ 86,235	\$ 382,281	\$ -
Public protection	1,176,578	5,618	105,145	271,092	-
Public ways and facilities	42,172	1,264	4,144	56,262	6,300
Health and sanitation	773,798	15,999	51,737	377,125	-
Public assistance	997,635	15,985	11,192	774,025	-
Education	53,202	1,134	6,542	1,953	-
Recreation and culture	54,668	2,515	5,020	428	-
Interest on long-term liabilities	102,322	-	-	-	-
Total governmental activities	<u>3,875,155</u>	<u>(121,174)</u>	<u>270,015</u>	<u>1,863,166</u>	<u>6,300</u>
Business-type activities:					
Healthcare	2,981,164	121,101	2,627,746	281,836	6,585
Airport	3,121	73	2,772	-	-
Sanitation	4,349	-	3,199	-	-
Total business-type activities	<u>2,988,634</u>	<u>121,174</u>	<u>2,633,717</u>	<u>281,836</u>	<u>6,585</u>
Total primary government	<u>\$ 6,863,789</u>	<u>\$ -</u>	<u>\$ 2,903,732</u>	<u>\$ 2,145,002</u>	<u>\$ 12,885</u>
Component units	<u>\$ 1,619,187</u>		<u>\$ 1,621,944</u>	<u>\$ 22,817</u>	<u>\$ 15,525</u>

**General revenues:**

- Property taxes
- Sales and use taxes
- Other taxes
- Unrestricted intergovernmental - motor vehicle in lieu of taxes
- Grants/contributions not restricted to specific programs
- Investment income
- Other:
  - Penalties on delinquent taxes
  - Tobacco settlement revenues
  - Miscellaneous revenues

**Transfers**

- Total general revenues and transfers
- Change in net position
- Net position, beginning of year
- Net position, end of year

The notes to the basic financial statements are an integral part of this statement.

**COUNTY OF SANTA CLARA**  
Statement of Activities (Continued)  
For the Fiscal Year Ended June 30, 2020  
(In thousands)

<b>Net (Expense) Revenue and Changes in Net Position</b>				
<b>Primary Government</b>				
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>	
				<b>Function/program activities:</b>
				Primary government:
				Governmental activities:
\$ (42,575)	\$ -	\$ (42,575)	\$ -	General government
(805,959)	-	(805,959)	-	Public protection
23,270	-	23,270	-	Public ways and facilities
(360,935)	-	(360,935)	-	Health and sanitation
(228,403)	-	(228,403)	-	Public assistance
(45,841)	-	(45,841)	-	Education
(51,735)	-	(51,735)	-	Recreation and culture
(102,322)	-	(102,322)	-	Interest on long-term liabilities
<u>(1,614,500)</u>	<u>-</u>	<u>(1,614,500)</u>	<u>-</u>	Total governmental activities
				Business-type activities:
-	(186,098)	(186,098)	-	Healthcare
-	(422)	(422)	-	Airport
-	(1,150)	(1,150)	-	Sanitation
<u>-</u>	<u>(187,670)</u>	<u>(187,670)</u>	<u>-</u>	Total business-type activities
<u>(1,614,500)</u>	<u>(187,670)</u>	<u>(1,802,170)</u>	<u>-</u>	Total primary government
<u>-</u>	<u>-</u>	<u>-</u>	<u>41,099</u>	Component units
				<b>General revenues:</b>
1,681,007	-	1,681,007	-	Property taxes
55,111	-	55,111	-	Sales and use taxes
686	-	686	-	Other taxes
24,392	-	24,392	-	Unrestricted intergovernmental - motor vehicle in lieu of taxes
73,376	-	73,376	-	Grants/contributions not restricted to specific programs
98,233	1,328	99,561	15,506	Investment income
				Other:
11,055	-	11,055	-	Penalties on delinquent taxes
17,523	-	17,523	-	Tobacco settlement revenues
27,798	-	27,798	2,719	Miscellaneous revenues
<u>(106,115)</u>	<u>106,115</u>	<u>-</u>	<u>-</u>	
<u>1,883,066</u>	<u>107,443</u>	<u>1,990,509</u>	<u>18,225</u>	<b>Transfers</b>
268,566	(80,227)	188,339	59,324	Total general revenues and transfers
<u>(288,183)</u>	<u>(1,254,659)</u>	<u>(1,542,842)</u>	<u>765,795</u>	Change in net position
<u>\$ (19,617)</u>	<u>\$ (1,334,886)</u>	<u>\$ (1,354,503)</u>	<u>\$ 825,119</u>	Net position, beginning of year
				Net position, end of year

The notes to the basic financial statements are an integral part of this statement.

**COUNTY OF SANTA CLARA**

Balance Sheet  
Governmental Funds

June 30, 2020  
(In thousands)

	<u>General Fund</u>	<u>General Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Assets:</b>				
Cash and investments:				
Unrestricted	\$ 1,456,799	\$ 512,085	\$ 773,238	\$ 2,742,122
Restricted with fiscal agents	-	-	664	664
Other restricted	93	-	158,509	158,602
Receivables:				
Property taxes	374	-	-	374
Other, net of allowance for uncollectibles	33,524	-	202,977	236,501
Due from other funds	243,454	5,316	30,348	279,118
Due from other governmental agencies, net	316,903	-	9,658	326,561
Inventories	2,464	-	686	3,150
Other assets	4,329	-	191	4,520
Advances to other funds	20,360	-	-	20,360
Total assets	<u>\$ 2,078,300</u>	<u>\$ 517,401</u>	<u>\$ 1,176,271</u>	<u>\$ 3,771,972</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>				
Liabilities:				
Accounts payable	\$ 188,450	\$ 42,164	\$ 10,807	\$ 241,421
Accrued salaries and benefits	79,481	-	8,314	87,795
Other accrued liabilities	7,593	266	20,076	27,935
Due to other funds	8,072	-	28,927	36,999
Due to other governmental agencies	445,158	9	675	445,842
Advances from other funds	-	-	17,348	17,348
Unearned revenue	202,909	-	1,740	204,649
Total liabilities	<u>931,663</u>	<u>42,439</u>	<u>87,887</u>	<u>1,061,989</u>
Deferred inflows of resources:				
Unavailable revenue	81,176	-	196,641	277,817
Fund balances:				
Nonspendable	27,153	-	686	27,839
Restricted	221,846	-	753,439	975,285
Committed	91,181	474,962	92,010	658,153
Assigned	117,299	-	74,624	191,923
Unassigned	607,982	-	(29,016)	578,966
Total fund balances	<u>1,065,461</u>	<u>474,962</u>	<u>891,743</u>	<u>2,432,166</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,078,300</u>	<u>\$ 517,401</u>	<u>\$ 1,176,271</u>	<u>\$ 3,771,972</u>

The notes to the basic financial statements are an integral part of this statement.

**COUNTY OF SANTA CLARA**

Reconciliation of the Governmental Funds Balance Sheet to the  
Government-wide Statement of Net Position - Governmental Activities

June 30, 2020  
(In thousands)

<b>Fund balances - total governmental funds (page 28)</b>	\$ 2,432,166
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.	3,104,800
Loss on bond refundings are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net position.	21,889
Other long-term receivables are not available to pay for current period expenditures and therefore are recorded as deferred inflows of resources in the funds.	277,817
Long-term receivables from service concession arrangements are not current financial resources and therefore are not reported in the governmental funds.	3,164
Deferred inflows of resources related to the receivable and capital assets from the service concession arrangements are not due and payable in the current period and therefore are not reported in the governmental funds.	(11,853)
Deferred outflows and inflows of resources for pension items are not financial resources and, therefore, are not reported in the governmental funds.	
Deferred outflows of resources	572,934
Deferred inflows of resources	(81,537)
Deferred outflows and inflows of resources for OPEB items are not financial resources and, therefore, are not reported in the governmental funds.	
Deferred outflows of resources	117,133
Deferred inflows of resources	(170,252)
Internal service funds are used by management to charge the costs of management of information services, fleet management, insurance, printing, unemployment insurance, workers' compensation, employee benefits, retiree healthcare and pension obligation to individual funds. The assets and liabilities are included in governmental activities in the statement of net position.	(232,434)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	
Bonds payable (excludes Pension Funding Bonds recorded in the internal service funds)	\$ (2,173,830)
Accrued vacation and sick leave	(195,453)
Net pension liability	(2,888,344)
Net OPEB liability	(753,988)
Accrued interest payable	(19,856)
Pollution remediation obligation	(13,740)
Accrued litigation liability	(8,233)
Deferred outflows on derivative instruments	21,561
Derivative instruments liabilities	(21,561)
	<u>(6,053,444)</u>
<b>Net Position - governmental activities (page 25)</b>	<u><u>\$ (19,617)</u></u>

The notes to the basic financial statements are an integral part of this statement.

**COUNTY OF SANTA CLARA**

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds

For the Fiscal Year Ended June 30, 2020  
(In thousands)

	<b>General Fund</b>	<b>General Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Revenues:</b>				
Taxes	\$ 1,414,216	\$ -	\$ 332,769	\$ 1,746,985
Licenses and permits	14,693	-	32,272	46,965
Fines, forfeitures, and penalties	30,790	-	2,246	33,036
Interest and investment income	74,921	4,995	19,836	99,752
Intergovernmental revenues	1,764,823	1,361	192,487	1,958,671
Charges for services	126,194	-	43,812	170,006
Other revenue	39,948	92	15,337	55,377
Total revenues	<u>3,465,585</u>	<u>6,448</u>	<u>638,759</u>	<u>4,110,792</u>
<b>Expenditures:</b>				
Current:				
General government	319,933	-	381	320,314
Public protection	926,087	-	173,083	1,099,170
Public ways and facilities	-	-	49,221	49,221
Health and sanitation	746,382	-	35,038	781,420
Public assistance	989,827	-	62,976	1,052,803
Education	-	-	53,154	53,154
Recreation and culture	-	-	51,121	51,121
Capital outlay	-	143,431	54,327	197,758
Debt service:				
Principal retirement	44,711	-	65,891	110,602
Interest and fiscal charges	35,481	-	35,451	70,932
Cost of issuance	-	-	657	657
Total expenditures	<u>3,062,421</u>	<u>143,431</u>	<u>581,300</u>	<u>3,787,152</u>
Excess (deficiency) of revenues over (under) expenditures	<u>403,164</u>	<u>(136,983)</u>	<u>57,459</u>	<u>323,640</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	6,000	-	280	6,280
Bond premium	-	-	2,072	2,072
Bonds issuance	-	-	29,585	29,585
Transfers in	164,627	286,696	73,077	524,400
Transfers out	(548,834)	(36,244)	(202,751)	(787,829)
Total other financing sources (uses)	<u>(378,207)</u>	<u>250,452</u>	<u>(97,737)</u>	<u>(225,492)</u>
<b>Net change in fund balances</b>	<u>24,957</u>	<u>113,469</u>	<u>(40,278)</u>	<u>98,148</u>
Fund balances, beginning of year	<u>1,040,504</u>	<u>361,493</u>	<u>932,021</u>	<u>2,334,018</u>
Fund balances, end of year	<u>\$ 1,065,461</u>	<u>\$ 474,962</u>	<u>\$ 891,743</u>	<u>\$ 2,432,166</u>

The notes to the basic financial statements are an integral part of this statement.

**COUNTY OF SANTA CLARA**

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the Government-wide  
Statement of Activities - Governmental Activities

For the Fiscal Year Ended June 30, 2020  
(In thousands)

<b>Net change in fund balances - total governmental funds (page 30)</b>		\$ 98,148
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 those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital assets	\$ 227,412	
Net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, donations)	(231)	
Transfer of capital assets from business-type activities	13,848	
Less current year depreciation	<u>(128,849)</u>	112,180
Revenues recognized in the governmental funds that were earned and recognized in previous years and are reported as beginning net position in the statement of activities. Revenues earned in the current year that did not meet the revenue recognition criteria for governmental funds are reported as revenues in the statement of activities.		
		37,778
Pension and OPEB contributions made subsequent to the measurement date are expenditures in the governmental funds, but reported as deferred outflows of resources in the government-wide financial statements.		
		416,317
Pension and OPEB 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.		
		(472,993)
Issuance of bonds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. However, bonds issuance changes long-term liabilities in the statement of net position and do not affect the statement of activities.		
Debt issued or incurred:		
Bonds issuance		(31,657)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		110,602
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.		
Amortization of bond premium	8,795	
Amortization of loss on refunding debt	(1,659)	
Change in accrued interest payable	(680)	
Change in accreted interest - Tobacco Settlement Asset-Backed Bonds	(12,613)	
Change in accrued litigation liability	(33)	
Change in long-term compensated absences	<u>(24,547)</u>	(30,737)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of the internal service funds is reported with governmental activities.		
		<u>28,928</u>
<b>Change in net position of governmental activities (page 27)</b>		<u><u>\$ 268,566</u></u>

The notes to the basic financial statements are an integral part of this statement.

**COUNTY OF SANTA CLARA**

Statement of Fund Net Position

Proprietary Funds

June 30, 2020

(In thousands)

	Business-type Activities - Enterprise Funds				Governmental
	SCVMC	Valley	Other	Total	Internal
		Health Plan			Service Funds
<b>Assets:</b>					
Current assets:					
Cash and investments:					
Unrestricted	\$ 42,227	\$ 182,997	\$ 9,007	\$ 234,231	\$ 296,507
Restricted with fiscal agent	2	-	661	663	9,913
Receivables:					
Patient accounts receivable, net of estimated uncollectables	316,647	-	-	316,647	-
Other	347	36,599	75	37,021	5,582
Due from other funds	2,309	175	-	2,484	1,160
Due from third-party payers	31,028	-	-	31,028	-
Due from other governmental agencies	597,288	-	-	597,288	159
Inventories	52,349	-	-	52,349	1,079
Prepaid rent/insurance	2,642	421	-	3,063	3,038
Total current assets	<u>1,044,839</u>	<u>220,192</u>	<u>9,743</u>	<u>1,274,774</u>	<u>317,438</u>
Noncurrent assets:					
Other assets	-	-	23	23	707
Capital assets:					
Nondepreciable	67,271	25,015	6,903	99,189	1,422
Depreciable, net of accumulated depreciation	46,284	40,367	12,382	99,033	26,843
Total noncurrent assets	<u>113,555</u>	<u>65,382</u>	<u>19,308</u>	<u>198,245</u>	<u>28,972</u>
Total assets	<u>1,158,394</u>	<u>285,574</u>	<u>29,051</u>	<u>1,473,019</u>	<u>346,410</u>
<b>Deferred outflows of resources:</b>					
Pension items	305,683	6,716	280	312,679	-
OPEB items	64,889	1,759	89	66,737	-
Total deferred outflows of resources	<u>370,572</u>	<u>8,475</u>	<u>369</u>	<u>379,416</u>	<u>-</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	66,646	113,061	753	180,460	15,418
Accrued salaries and benefits	65,857	1,577	50	67,484	8,627
Accrued liabilities	47,226	81,988	188	129,402	7,260
Due to other funds	242,281	-	-	242,281	3,482
Due to other governmental agencies	128,357	-	-	128,357	1
Unearned revenues	111,864	21,603	69	133,536	-
Current portion of insurance claims	-	-	-	-	42,312
Current portion of accrued vacation and sick leave	22,908	131	15	23,054	2,070
Current portion of bonds payable	7,515	-	199	7,714	12,095
Total current liabilities	<u>692,654</u>	<u>218,360</u>	<u>1,274</u>	<u>912,288</u>	<u>91,265</u>
Noncurrent liabilities:					
Advances from other funds	-	-	3,012	3,012	-
Noncurrent portion of insurance claims	-	-	-	-	149,833
Noncurrent portion of accrued vacation and sick leave	91,734	2,094	96	93,924	22,137
Noncurrent portion of bonds payable	24,188	-	3,311	27,499	399,706
Net pension liability	1,448,496	31,827	1,326	1,481,649	-
Net OPEB liability	427,581	11,591	585	439,757	-
Total noncurrent liabilities	<u>1,991,999</u>	<u>45,512</u>	<u>8,330</u>	<u>2,045,841</u>	<u>571,676</u>
Total liabilities	<u>2,684,653</u>	<u>263,872</u>	<u>9,604</u>	<u>2,958,129</u>	<u>662,941</u>
<b>Deferred inflows of resources:</b>					
Pension items	43,368	953	40	44,361	-
OPEB items	97,945	2,655	134	100,734	-
Total deferred inflows of resources	<u>141,313</u>	<u>3,608</u>	<u>174</u>	<u>145,095</u>	<u>-</u>
<b>Net position:</b>					
Net investment in capital assets	81,852	65,382	15,775	163,009	28,265
Unrestricted	(1,378,852)	(38,813)	3,867	(1,413,798)	(344,796)
Total net position	<u>\$ (1,297,000)</u>	<u>\$ 26,569</u>	<u>\$ 19,642</u>	<u>(1,250,789)</u>	<u>\$ (316,531)</u>
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds.				(84,097)	
Net position of business-type activities				<u>\$ (1,334,886)</u>	

The notes to the basic financial statements are an integral part of this statement.

**COUNTY OF SANTA CLARA**

Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds

For the Fiscal Year Ended June 30, 2020  
(In thousands)

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental</b>
	<b>Valley</b>			<b>Total</b>	<b>Internal</b>
	<b>SCVMC</b>	<b>Health Plan</b>	<b>Other</b>		<b>Service Funds</b>
<b>Operating revenues:</b>					
Charges for services	\$ 2,006,464	\$ 621,282	\$ 5,971	\$ 2,633,717	\$ 414,986
Other program revenues	281,836	-	-	281,836	-
Net operating revenues	<u>2,288,300</u>	<u>621,282</u>	<u>5,971</u>	<u>2,915,553</u>	<u>414,986</u>
<b>Operating expenses:</b>					
Salaries and benefits	1,583,838	34,744	1,209	1,619,791	317,993
Services and supplies	244,236	581,541	1,096	826,873	108,295
General and administrative	95,832	-	-	95,832	13,425
Professional services	427,258	-	1,125	428,383	1,927
Depreciation	16,683	6,722	583	23,988	9,999
Leases and rentals	13,908	-	-	13,908	94
Utilities	21,165	-	-	21,165	-
Insurance claims and premiums	22,702	-	46	22,748	80,740
Other	20,861	2	3,098	23,961	-
Total operating expenses	<u>2,446,483</u>	<u>623,009</u>	<u>7,157</u>	<u>3,076,649</u>	<u>532,473</u>
Operating loss	<u>(158,183)</u>	<u>(1,727)</u>	<u>(1,186)</u>	<u>(161,096)</u>	<u>(117,487)</u>
<b>Nonoperating revenues (expenses):</b>					
Investment income (expenses)	(3,458)	4,549	237	1,328	7,746
Interest expense	(603)	-	(236)	(839)	(24,576)
Gain (loss) on disposal of capital assets	(235)	-	-	(235)	227
Capital assets transferred to governmental activities	(13,848)	-	-	(13,848)	-
Other, net	<u>(14,673)</u>	<u>-</u>	<u>-</u>	<u>(14,673)</u>	<u>2,140</u>
Total nonoperating revenues (expenses), net	<u>(32,817)</u>	<u>4,549</u>	<u>1</u>	<u>(28,267)</u>	<u>(14,463)</u>
Income (loss) before transfers and capital contributons	<u>(191,000)</u>	<u>2,822</u>	<u>(1,185)</u>	<u>(189,363)</u>	<u>(131,950)</u>
Capital contributions	6,585	-	-	6,585	-
Transfers in	221,950	1,383	29	223,362	143,466
Transfers out	<u>(103,399)</u>	<u>-</u>	<u>-</u>	<u>(103,399)</u>	<u>-</u>
<b>Change in net position</b>	<u>(65,864)</u>	<u>4,205</u>	<u>(1,156)</u>	<u>(62,815)</u>	<u>11,516</u>
Net position, beginning of year	<u>(1,231,136)</u>	<u>22,364</u>	<u>20,798</u>	<u>(1,187,974)</u>	<u>(328,047)</u>
Net position, end of year	<u>\$ (1,297,000)</u>	<u>\$ 26,569</u>	<u>\$ 19,642</u>	<u>\$ (1,250,789)</u>	<u>\$ (316,531)</u>
Change in net position of enterprise funds				\$ (62,815)	
Adjustment to reflect the consolidation of internal service funds to enterprise funds.				<u>(17,412)</u>	
Change in net position of business-type activities				<u>\$ (80,227)</u>	

The notes to the basic financial statements are an integral part of this statement.

**COUNTY OF SANTA CLARA**

Statement of Cash Flows  
Proprietary Funds

For the Fiscal Year Ended June 30, 2020  
(In thousands)

	Business-type Activities - Enterprise Funds				Governmental
	SCVMC	Valley		Total	Internal
		Health Plan	Other		Service Funds
<b>Cash flows from operating activities:</b>					
Cash receipts from customers and users	\$ 2,093,683	\$ 599,446	\$ 5,972	\$ 2,699,101	\$ 420,342
Cash payment to suppliers for goods and services	(896,276)	(534,397)	(5,278)	(1,435,951)	(123,029)
Cash payment to employees for services	(1,337,064)	(30,615)	(1,097)	(1,368,776)	(178,344)
Cash payment for retirement benefits	-	-	-	-	(128,838)
Cash payment for judgments and claims	-	-	-	-	(70,254)
Other receipts (payments)	(14,673)	-	-	(14,673)	2,140
Net cash provided by (used in) operating activities	(154,330)	34,434	(403)	(120,299)	(77,983)
<b>Cash flows from noncapital financing activities:</b>					
Cash receipt from (payment to) other funds	86,979	(175)	(138)	86,666	2,357
Principal paid on pension obligation bonds	-	-	-	-	(5,382)
Interest paid on pension obligation bonds	-	-	-	-	(23,113)
Transfers in	221,950	1,383	29	223,362	142,306
Transfers out	(103,399)	-	-	(103,399)	-
Net cash provided by (used in) noncapital financing activities	205,530	1,208	(109)	206,629	116,168
<b>Cash flows from capital and related financing activities:</b>					
Principal paid on bonds	(6,338)	-	(190)	(6,528)	-
Interest paid	(1,598)	-	(181)	(1,779)	-
Acquisition of capital assets	(59,868)	(3,216)	(767)	(63,851)	(10,986)
Proceeds from sale of capital assets	-	-	-	-	302
Capital contributions received	5,609	-	-	5,609	-
Net cash used in capital and related financing activities	(62,195)	(3,216)	(1,138)	(66,549)	(10,684)
<b>Cash flows from investing activities:</b>					
Investment income received	-	4,549	237	4,786	7,940
Investment expenses paid	(3,511)	-	-	(3,511)	(194)
Net cash provided by (used in) investing activities	(3,511)	4,549	237	1,275	7,746
Net change in cash and cash equivalents	(14,506)	36,975	(1,413)	21,056	35,247
Cash and cash equivalents, beginning of year	56,735	146,022	11,081	213,838	271,173
Cash and cash equivalents, end of year	<u>\$ 42,229</u>	<u>\$ 182,997</u>	<u>\$ 9,668</u>	<u>\$ 234,894</u>	<u>\$ 306,420</u>
Cash and cash equivalents:					
Cash and investments:					
Unrestricted	\$ 42,227	\$ 182,997	\$ 9,007	\$ 234,231	\$ 296,507
Restricted with fiscal agents	2	-	661	663	9,913
Total cash and cash equivalents	<u>\$ 42,229</u>	<u>\$ 182,997</u>	<u>\$ 9,668</u>	<u>\$ 234,894</u>	<u>\$ 306,420</u>

(Continued)

The notes to the basic financial statements are an integral part of this statement.

**COUNTY OF SANTA CLARA**

Statement of Cash Flows  
Proprietary Funds

For the Fiscal Year Ended June 30, 2020  
(In thousands)

	Business-type Activities - Enterprise Funds				Governmental
	SCVMC	Valley		Total	Internal
		Health Plan	Other		Service Funds
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities:</b>					
Operating loss	\$ (158,183)	\$ (1,727)	\$ (1,186)	\$ (161,096)	\$ (117,487)
Adjustments to reconcile operating loss to net cash provided (used in) by operating activities:					
Depreciation	16,683	6,722	583	23,988	9,999
Provision for bad debts	17,130	-	-	17,130	-
Miscellaneous nonoperating revenues (expenses), net	(14,673)	-	-	(14,673)	2,140
Decrease (increase) in assets:					
Receivables	(37,406)	(25,367)	22	(62,751)	5,250
Due from other governmental agencies	(125,930)	-	-	(125,930)	106
Inventories	(19,982)	-	-	(19,982)	(18)
Prepaid rent/insurance	(515)	107	-	(408)	1,218
Other assets	-	-	45	45	-
Due from third-party payers	(31,028)	-	-	(31,028)	-
Increase (decrease) in liabilities:					
Accounts payable	(5,707)	28,813	25	23,131	265
Accrued salaries and benefits	15,801	506	14	16,321	-
Accrued liabilities	(24,110)	18,226	17	(5,867)	3,069
Due to third-party payers	-	-	-	-	-
Accrued vacation and sick leave	21,187	407	22	21,616	7,742
Insurance claims	-	-	-	-	9,733
Due to other governmental agencies	(41,889)	-	-	(41,889)	-
Estimated third-party payer settlements	(87,358)	-	-	(87,358)	-
Unearned revenue	111,864	3,531	(21)	115,374	-
Changes in pension items:					
Deferred outflows of resources	(17,638)	(133)	-	(17,771)	-
Deferred inflows of resources	9,067	169	6	9,242	-
Net pension liability	180,111	2,839	93	183,043	-
Changes in OPEB items:					
Deferred outflows of resources	(14,510)	(311)	(11)	(14,832)	-
Deferred inflows of resources	32,994	788	34	33,816	-
Net OPEB liability	19,762	(136)	(46)	19,580	-
Net cash provided by (used in) operating activities	<u>\$ (154,330)</u>	<u>\$ 34,434</u>	<u>\$ (403)</u>	<u>\$ (120,299)</u>	<u>\$ (77,983)</u>
<b>Supplemental disclosure of noncash capital and noncapital financing activities:</b>					
Noncash capital and related financing activities:					
Acquisition of capital assets through accounts payable	\$ 1,838	\$ -	\$ -	\$ 1,838	\$ -
Amortization of bond premiums (discounts)	864	-	(1)	863	-
Transfer of capital assets to the County's governmental activities	(13,848)	-	-	(13,848)	-
Noncash noncapital financing activities:					
Accretion of interest on capital appreciation bonds	-	-	-	-	7,020

The notes to the basic financial statements are an integral part of this statement.

**COUNTY OF SANTA CLARA**

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2020

(In thousands)

	<u>Investment Trust Funds</u>	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
<b>Assets:</b>			
Cash and investments:			
Unrestricted	\$ 5,470,462	\$ 53,434	\$ 89,000
Other restricted	5	-	2,532
Receivables:			
Property taxes	-	-	69,900
Interest	16,858	170	24,470
Other	-	24	-
Due from other agency funds	-	-	54,649
Due from other governmental agencies	-	-	2,004
Other assets	-	83,194	2,549
Total assets	<u>5,487,325</u>	<u>136,822</u>	<u>245,104</u>
<b>Liabilities:</b>			
Accounts payable	-	51,088	-
Other accrued liabilities	-	507	-
Due to other agency funds	-	-	54,649
Due to other governmental agencies	-	642	8,849
Deposits from others	-	83,711	-
Fiduciary liabilities	-	-	181,606
Total liabilities	<u>-</u>	<u>135,948</u>	<u>245,104</u>
<b>Net position:</b>			
Restricted for pool participants and trusts	<u>\$ 5,487,325</u>	<u>\$ 874</u>	<u>\$ -</u>

The notes to the basic financial statements are an integral part of this statement.

**COUNTY OF SANTA CLARA**

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

For the Fiscal Year Ended June 30, 2020  
(In thousands)

	<u>Investment Trust Funds</u>	<u>Private-Purpose Trust Fund</u>
<b>Additions:</b>		
Contributions to pooled investments	\$ 14,240,393	\$ -
Interest and investment income	137,041	688
Total additions	<u>14,377,434</u>	<u>688</u>
<b>Deductions:</b>		
Distributions and administrative expenses	<u>14,079,491</u>	<u>-</u>
Total deductions	<u>14,079,491</u>	<u>-</u>
<b>Change in net position</b>	297,943	688
Net position, beginning of year	<u>5,189,382</u>	<u>186</u>
Net position, end of year	<u>\$ 5,487,325</u>	<u>\$ 874</u>

The notes to the basic financial statements are an integral part of this statement.

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## COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements

June 30, 2020

(Dollars in thousands)

### (1) Summary of Significant Accounting Policies

#### (a) *Description of the Reporting Entity*

The County of Santa Clara (County), California (State), was established on June 1, 1850. The County's powers are exercised through a Board of Supervisors (the Board), which is the governing body of the County. The Board is responsible for the legislative and executive control of the County. The County provides various services on a County-wide basis and certain services only to unincorporated areas. Services provided include law and justice, education, detention, social services, health, hospital, fire protection, sanitation, road construction and maintenance, park and recreation facilities, elections and records, communications, planning, zoning, treasury, and tax collection.

The governmental reporting entity consists of the County (Primary Government) and its component units. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the County's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the County. Financial accountability is also defined as the fiscal dependency of the component units on the County and the potential for the component unit to provide a financial benefit to or impose a financial burden on the County regardless of the organization of the governing board of the component unit.

The basic financial statements include both blended and discretely presented component units. The blended component units are, although legally separate entities, in substance part of the County's operations and so data from these units are combined with data of the primary government. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government.

For financial reporting purposes, the County's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the County's Board. The financial statements of the individual component units may be obtained from the County's Controller-Treasurer Department located at 70 West Hedding Street, 2<sup>nd</sup> Floor, East Wing, San Jose, California 95110.

#### ***Blended Component Units***

The Board serves as the governing board of the entities listed below. The County has financial and operational responsibility for these component units and the services provided by these entities benefit the County. Accordingly, these entities are presented as blended component units of the County.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
 June 30, 2020  
 (Dollars in thousands)

**(1) Summary of Significant Accounting Policies (Continued)**

The following component units are blended in the County’s basic financial statements:

<b>Component unit</b>	<b>Blended in the basic financial statements under the category of:</b>
Santa Clara County Central Fire Protection District South Santa Clara County Fire District Los Altos Hills County Fire District	Nonmajor governmental funds - all fire districts are reported together in a special revenue fund.
Santa Clara County Library	Nonmajor governmental fund
Santa Clara County Vector Control District	Nonmajor governmental fund
County Sanitation District 2 - 3 of Santa Clara County	Nonmajor enterprise fund
Santa Clara County Financing Authority	SCCFA is included in the financial statements for the Santa Clara Valley Medical Center (SCVMC) and nonmajor governmental funds
Silicon Valley Tobacco Securitization Authority	Nonmajor governmental fund
Santa Clara County Tobacco Securitization Corporation	Nonmajor governmental fund

***Discretely Presented Component Units***

The FIRST 5 Santa Clara County (FIRST 5) was created on March 30, 1999, 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, two 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. FIRST 5 is financially accountable to the County as the County appoints a voting majority of FIRST 5’s governing board, and the County is able to impose its will on FIRST 5. 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. Complete financial statements for FIRST 5 can be obtained directly from its administrative office at 4000 Moorpark Avenue, Suite 200, San Jose, California 95117.

The Santa Clara County Housing Authority (Housing Authority) was established in 1967 by the Board. The purpose of the Housing Authority is to provide affordable housing to low-income families, elderly and handicapped people in Santa Clara County. It accomplishes its objectives by providing management, administrative and educational services to tenants and landlords to facilitate the operation of the various federal and state pretax assistance programs. Most of the housing programs administered by the Housing Authority are funded by contributions from the U.S. Department of Housing and Urban Development (HUD).

The Board appoints a voting majority of the Housing Authority’s Board of Commissioners and can remove appointed members at will. The Housing Authority’s governing body is not substantially the same as that of the County, and the Housing Authority does not provide services entirely or almost entirely to the County. The Housing Authority is presented as a discretely presented component unit of the County. The financial data included for the Housing Authority represents the aggregated data of its business-type activities and its component units. Complete financial statements for the Housing Authority can be obtained directly from its administrative office at 505 W. Julian Street, San Jose, CA 95110.

## COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

### (1) Summary of Significant Accounting Policies (Continued)

The Santa Clara County Health Authority, doing business as Santa Clara Family Health Plan, and the Santa Clara Community Health Authority Joint Powers Authority (collectively, the Health Authority), was established by the Board pursuant to Section 14087.38 and 14087.54, respectively, of the Welfare and Institutional Code. The Health Authority was created for the purpose of developing the Local Initiative Plan for the expansion of Medi-Cal Managed Care. The majority of the Health Authority's revenues are generated from a contract with the State of California Medi-Cal Program and a contract with the Centers for Medicare and Medicaid Services (CMS) for a Medicare program.

The Health Authority is a legally separate entity governed by a thirteen-member governing board appointed by the County. In April 2012, the County adopted an ordinance, which granted the County the ability to remove the Health Authority's governing board at will. Due to the nature and significance of Health Authority's relationship with the County, the Health Authority is included in the County's basic financial statements as a discretely presented component unit. The Health Authority is a nonprofit entity that is separate and apart from the County, and is not considered to be an agency, division, or department of the County. Furthermore, the Health Authority is not governed by, nor is it subject to, the Charter of the County and is not subject to the County's policies or operational rules. The Health Authority's debts are not expected to be repaid with County resources. Therefore, the Health Authority's data are presented separately from the data of the primary government.

The Health Authority acquired a license under the Knox-Keene Health Care Services Plan Act, and is regulated by the State's Department of Health Care Services (DHCS), California's Department of Managed Health Care (DMHC), and CMS. Complete financial statements for the Health Authority can be obtained directly from its administrative offices at 6201 San Ignacio Avenue, San Jose, CA 95119.

#### (b) *Basis of Presentation*

##### *Government-wide Financial Statements*

The statement of net position and statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. 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 and between the County and its discretely presented component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other non-exchange transactions, 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 direct and indirect 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. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: 1) charges paid by the recipients of goods or services

## COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

### (1) Summary of Significant Accounting Policies (Continued)

offered by the programs, including fines and penalties, and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes imposed by the County, are presented instead as general revenues.

When both restricted and unrestricted net position is available, unrestricted resources are used only after restricted resources are depleted.

#### *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 is displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the County's enterprise and internal service funds are charges for customer services including: medical center charges for services, sanitation and airport fees, insurance charges, employee retirement, healthcare, information services, vehicle and maintenance services and printing support charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County reports the following major governmental and enterprise funds:

- *General Fund* is the general operating fund of the County. It accounts for all financial resources except those required to be accounted for in another fund.
- *General Capital Improvement Fund* accounts for general improvements to County facilities, including the reconstruction and expansion of major capital facilities owned or leased by the County. Revenue sources consist of proceeds from the use and sale of property, interest earnings, and contributions from other County funds.
- *SCVMC Enterprise Fund* accounts for hospital and clinic services provided to County residents. Revenues consist primarily of patient service fees. The fund activities are mainly comprised of operations for the SCVMC-Bascom Hospital, O'Connor Hospital, and Saint Louise Regional Hospital. An annual operating subsidy is provided by the General Fund to supplement SCVMC programs.
- *Valley Health Plan Enterprise Fund* accounts for health care services provided to large employer groups, including the County and individuals insured under various plans such as Covered California, and is delegated by Santa Clara Family Health Plan (SCFHP) to provide health insurance to Medi-Cal members. Revenues are primarily received from employer groups, individual premiums, and other sources.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(1) Summary of Significant Accounting Policies (Continued)**

The County reports the following additional fund types:

- *Internal Service Funds* provide for information technology, vehicle and maintenance, and printing services provided to County departments; life and dental insurance benefits, workers' compensation, unemployment, retirement healthcare, and pension financing costs for County employees; and other liability claims against the County.
- *Investment Trust Funds* account for commingled pool assets held in trust for schools, other special districts and other agencies which use the County Treasury as their depository, as well as account for separate investments acquired for the San Jose-Evergreen Community College District, Mountain View-Los Altos School District, and Foothill-De Anza Community College District.
- *Private Purpose Trust Fund* are used to account for resources for conservatees managed by the public guardians and administrators. These resources are restricted to a specified purpose that benefits individuals.
- *Agency Funds* are custodial in nature and do not involve measurement of results of operations and account for assets held by the County as an agent for various local governments and individuals. Included are funds for child support payments; employees' long-term disability and supplemental life insurance premiums; and apportioned taxes for other local governmental agencies.

**(c) Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements (excluding agency funds). The agency funds do not have a measurement focus but use the accrual basis of accounting for reporting of their assets and liabilities. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when "susceptible to accrual" (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means that revenues are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues are recognized in the current year if they are collected

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(1) Summary of Significant Accounting Policies (Continued)**

within 60 days of year-end. For all other revenues, the County considers revenues to be available if they are collected within 120 days of the end of the current fiscal period. Revenues not considered available are recorded as deferred inflows of resources. The County's other primary revenue sources: investment income, intergovernmental revenues, and charges for services have been treated as "susceptible to accrual" under the modified accrual basis. Licenses and permits, fines, forfeitures and penalties, and other revenue are not considered "susceptible to accrual" under the modified accrual basis and are recorded as revenues when received. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

**(d) Federal, State, and Local Grant Funds**

Proprietary funds' federal, state, and local grants are accounted for in accordance with the purpose for which the grants are intended. Approved grants for the acquisition of land, buildings, and equipment are reported as capital contributions and grants for operating assistance are recorded as non-operating revenues in the year in which the grants are applicable and the related grant conditions are met.

**(e) County Commingled Investment Pool**

The County Treasurer manages a common cash and investment pool for the County, school and community college districts, special districts, and other local public agencies. Investments made by the Treasurer are regulated by the California Government Code and by a County investment policy approved annually by the Board after receiving recommendations from the County Treasury Oversight Committee. Adherence to the statutes and policies is monitored by the Board and the Treasury Oversight Committee.

The pool consists of cash and investments that are either unrestricted or legally restricted to certain trust, bond issue, and specific expenditure purposes. The pool is not registered with the SEC as an investment company. State law requires that the County and its public school districts invest with the County Treasury. These involuntary external members' shares comprise 60% of the pool.

Investments of the pool are stated at fair value. The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2020 to support the value of shares in the pool.

The value of the participants' pool shares that may be withdrawn is determined on an amortized cost basis, which is different from the fair value of the participants' positions in the pool.

## COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

### (1) Summary of Significant Accounting Policies (Continued)

#### *Separate Investments*

The County Treasurer oversees separate investments for most of the County's reserve, payment, and capital resources arising from the issuance of various construction and technology bonds. In addition, self-insurance trusts and benefit plans for the County, Park Charter Fund, and certain school districts own additional separate investments managed by the Treasurer. All of these investments are classified as either unrestricted or restricted for other purposes on the accompanying balance sheets and statements of net position. The Santa Clara County Financing Authority (Financing Authority) maintains restricted cash and investments in separate bank accounts. Separate investments held by the County Treasury are also stated at fair value.

#### *Investment Income*

Realized earnings are allocated quarterly to the commingled investment pool participants based on the participants' average daily cash balance relative to the entire pool. A negative average cash balance results in negative earnings that are netted against interest income. Changes in fair value are included in investment income for financial statement reporting purposes.

The County follows legal or contractual provisions regarding the assignment of interest revenue to certain other funds. Interest on bond monies held in the non-major governmental funds have such arrangements. The assignment of other interest is based on management's discretion. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, interest revenue is reported in the fund in which it is earned. Subsequent assignments are reported as transfers.

#### *Fair Value Measurements*

Under accounting principles generally accepted in the United States of America (GAAP) and in accordance with GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the County. Unobservable inputs, if any, reflect the County's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities that the County has the ability to access at measurement date. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(1) Summary of Significant Accounting Policies (Continued)**

Level 2 – Valuation based on significant inputs that are observable, either directly or indirectly or quoted prices in markets that are not active, that is markets in which there are few transactions, the prices are not current or price quotations vary substantially either over time or among market makers.

Level 3 – Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less than observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed, and the differences could be material.

**(f) *Statement of Cash Flows***

For purposes of the accompanying statement of cash flows, the County considers all highly liquid investments (including restricted assets) with a maturity of three months or less from the original purchase to be cash equivalents. The majority of the proprietary funds' deposits in the County Treasurer's commingled pool is in substance, demand deposits and is, therefore, considered cash equivalents for purposes of the statement of cash flows.

**(g) *Inventories***

Inventories are stated at cost (using the first-in, first-out method), which approximates market, and consist of expendable supplies that are reduced as consumed. Inventories reported in governmental funds are offset by a corresponding nonspendable fund balance, which indicates that they are not in spendable form even though they are a component of current assets.

**(h) *Loans Receivable***

For the purpose of the fund financial statements, governmental expenditures relating to long-term loan receivables arising from loan subsidy programs are charged to operations upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans, with an offset to a deferred inflows of resources account. The balance of the long-term receivable includes loans that may be forgiven if certain terms and conditions of the loans are met.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(1) Summary of Significant Accounting Policies (Continued)**

**(i) Capital Assets**

The County defines capital assets as assets with an initial, individual cost of more than \$150 for infrastructure and buildings and improvements, \$5 for internally generated software, and \$5 for equipment and vehicles with an estimated useful life in excess of one year. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at their acquisition value. Capital assets used in operations are depreciated or amortized (assets under capital leases and other intangible assets) using the straight-line method over the capital lease period or their estimated useful lives in the government-wide statements and proprietary fund statements. Certain assets, for which actual historical costs are not available, have been reported using methods that approximate their historical costs. Depreciation of exhaustible capital assets is charged as an expense against the County's operations, over their estimated useful lives in the government-wide statements and proprietary fund statements.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Infrastructure.....	5 to 50 years
Buildings and improvements.....	5 to 50 years
Equipment and vehicles.....	3 to 30 years

Interest is capitalized on proprietary funds' construction in progress. Interest capitalized is the total interest cost from the date of the borrowing net of any interest earned on temporary investments of the proceeds of those borrowings until the specified asset is ready for its intended use.

**(j) Property Tax Levy, Collection, and Maximum Rate**

The State's Constitution, Article XIII A provides that the combined maximum amount of any ad valorem property tax rate on real property shall not exceed 1% of the full cash value of such property. This limitation shall not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on indebtedness. Such indebtedness shall have voter approval unless incurred prior to June 6, 1978. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be increased no more than 2% per year unless the property is sold or transferred. Whenever there are changes in ownership, completed construction, or demolition, properties are subject to supplemental assessment based on the change in assessed valuation. Supplemental taxes are levied on the value change and prorated for the balance of the tax year. The State Legislature, through Assembly Bill 8 of 1979 and subsequent legislation, defined the methodology for distributing the 1% tax levy and collections among the County, cities, schools, and other local jurisdictions such as districts providing water, fire and library services.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
 June 30, 2020  
 (Dollars in thousands)

**(1) Summary of Significant Accounting Policies (Continued)**

The County assesses property values and levies, bills and collects the related taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Lien dates.....	January 1	January 1
Levy dates.....	October 1	July 1
Due dates.....	50% on November 1 50% on February 1	Upon receipt of billing
Delinquent after.....	December 10 (for November) April 10 (for February)	August 31

Annually, the Board sets the rates to be applied to the tax roll for the benefit of local taxing jurisdictions as provided by the State code. These taxes are secured by liens on the property being taxed. Taxes secured by land and improvements are levied on the Secured Tax Roll, while those taxes secured by personal property are levied on the Unsecured Tax Roll.

In 1994, the Board adopted the Alternative Method of Tax Apportionment (the Teeter Plan). Under this method, the County distributes 100% of the secured tax levy to participating jurisdictions, regardless of collections. To cover losses on delinquent tax sales, counties using the Teeter Plan must maintain a Tax Losses Reserve Fund. The Tax Losses Reserve Fund is included in the County’s “Apportioned Tax Resources” Agency Fund. When the balance in this fund exceeds the minimum balance required by the State code, the excess may be transferred to the General Fund.

**(k) Interfund Transactions**

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans reported as receivables and payables, as appropriate, are subject to elimination upon consolidation. The fund financial statements referred to these loans 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 statements as “internal balances”. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur 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.

**(l) Bond Issuance Costs, Original Issue Discounts and Premiums, and Losses on Refunding of Debt**

Bond premiums, discounts and prepaid insurance costs for the government-wide statement of net position and proprietary fund types are recorded and amortized over the term of the bonds using a method that approximates the interest method. Bond premiums and discounts in the government-wide statements and in proprietary fund types are presented as an increase or

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(1) Summary of Significant Accounting Policies (Continued)**

reduction of the face amount of bonds payable, whereas prepaid insurance costs are recorded as an asset. The County also has losses on refunding of debt, which result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is recorded as a deferred outflow of resources and amortized over the shorter of the life of the refunded or the refunding debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively. Issuance costs, including prepaid insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**(m) Leases**

The County leases various assets under both operating and capital lease agreements. For governmental fund types, assets under capital leases and the related long-term lease obligations are reported as capital assets and long-term liabilities in the governmental-wide statement of net position, respectively. For proprietary fund types, the assets and related capital lease obligations are recorded in the appropriate proprietary fund.

**(n) Accrued Vacation and Sick Leave**

Accumulated unpaid vacation and sick leave are recorded as a liability when future payments for such compensated absences have been earned by employees based on pay and salary rates in effect at year-end. This liability is recorded in the government-wide statement of net position and in the various proprietary funds to reflect the County's obligation to fund such costs from future operations. The County includes its share of Social Security and Medicare payments made on behalf of the employees in its accrual for compensated absences. Unused vacation and sick leave are paid out upon separation from the County based on the terms stated in the Memorandum of Understanding between the employees' bargaining units and the County. The County does not accrue for compensated absences in its governmental fund statements and recognizes liabilities for compensated absences only if they are due and payable in an event such as termination.

**(o) Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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 financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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. The County also reports deferred inflows of resources in the governmental funds balance sheet when revenues from property taxes, from the federal and State, and other sources are not available. These amounts are deferred and recognized as revenues in the period the amounts become available.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(1) Summary of Significant Accounting Policies (Continued)**

**(p) Pension and Other Postemployment Benefits (OPEB) Plans**

For purposes of measuring the net pension liability (asset) and net OPEB liability (asset), deferred outflows/inflows of resources related to pension and OPEB, and pension and OPEB expenses, information about the fiduciary net position of the County's pension and OPEB plans and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) and the California Employer's Retiree Benefit Trust Fund Program (CERBT). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. CalPERS plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

**(q) Effects of New Pronouncements**

During the year ended June 30, 2020, the County implemented the following GASB Statement:

- In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The objective is accomplished by postponing the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to become effective for period beginning after June 15, 2018, and later. Implementation of this statement did not have a significant impact on the County's financial statements for the year ended June 30, 2020.

The County is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement provides recognition and measurement guidance for situations in which a government is a beneficiary of these agreements. The requirements of this statement are effective for the County's financial statement for the year ending June 30, 2021.
- In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment

## COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

### (1) Summary of Significant Accounting Policies (Continued)

provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the County's financial statement for the year ending June 30, 2022.

- In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this statement are 1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and 2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for the County's financial statement for the year ending June 30, 2022.
- In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No.14 and No.61*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for the County's financial statement for the year ending June 30, 2021.
- In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosure. The requirements of this statement are effective for the County's financial statement for the year ending June 30, 2023.
- In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The requirements of this statement are effective for the County's financial statement for the year ending June 30, 2022.
- In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate. The requirements of this statement are effective for the County's financial statement for the year ending June 30, 2022.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(1) Summary of Significant Accounting Policies (Continued)**

- In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this statement are effective for the County's financial statement for the year ending June 30, 2023.
- In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for the County's financial statement for the year ending June 30, 2023.
- In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No 32*. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this statement are effective for the County's financial statement for the year ending June 30, 2022.

**(r) Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(2) Stewardship, Compliance and Accountability**

***Deficit Net Position and Fund Balance***

At June 30, 2020, the County's governmental activities, business-type activities, and the SCVMC enterprise fund have a deficit net position of \$19.6 million, \$1.3 billion, and \$1.3 billion, respectively, due primarily to the reporting of the net pension liability and net OPEB liability pursuant to GASB Statements No. 68 and No.75, respectively. The County is committed to fully funding the actuarially determined contributions annually.

At June 30, 2020, the Pension Obligation Internal Service Fund has a deficit net position of \$419.2 million. The deficit net position will be reduced through repayment of pension obligation bonds with final maturity date of August 1, 2036.

At June 30, 2020, the Nonmajor Governmental Housing 2016 Measure A Fund has a deficit fund balance of \$29.0 million. The deficit is due primarily to expenditures for six additional affordable housing projects started in current year. The deficit is expected to reduce in fiscal year 2021 through transfers of proceeds of Housing General Obligation Bonds from Nonmajor Capital Projects Funds.

**(3) Cash and Investments**

***(a) Description***

The County Treasurer maintains common cash and investment pools in which cash may be invested by individual County funds and certain independent local governmental agencies. In addition, investments are held separately by the Treasurer for other County funds, including County Parks, Workers' Compensation Internal Service Fund, and certain school districts. Each fund type's share of the common pool is combined with cash and investments held separately and shown on the accompanying balance sheet and statement of net position as "unrestricted cash and investments".

Cash and investments - restricted with fiscal agents represent monies held by trustees that are legally restricted for the retirement of long-term debt. Cash and investments - other restricted includes monies held in the County Treasury restricted by debt covenants for construction projects and professional services and restricted for specific purposes consisting primarily of reserves for insurance and certain other debt service funds.

***(b) Investment Policies***

The objectives of the County's investment policy, in order of priority, are safety of principal to ensure preservation of capital in the overall portfolio, maintenance of liquidity sufficient to meet anticipated operating requirements, to attain a market rate of return throughout budgetary and economic cycles, taking into account the County's investment risk constraints and cash flow characteristics, and to create a positive impact by investing in socially responsible corporations and agencies as defined by priorities set by the Board. The objectives of the policy also ensure mitigation of interest rate risk, credit risk, and concentration of credit risk.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(3) Cash and Investments (Continued)**

The table below identifies the investment types that are authorized for the County by the California Government Code (or the County's investment policy, where more restrictive). This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements, rather than the general provisions of the California Government Code or the County's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment In One Issuer</u>	<u>Credit Ratings Minimum (2 Ratings)</u>
U.S. Treasury Obligations	5 years	None	None	N/A
U.S. Agency Securities	5 years	None	None	N/A
State Local Agency Investment Fund (LAIF)	N/A	None	\$75 million	N/A
Repurchase Agreements	92 days	None	None	N/A
Reverse Repurchase Agreements	92 days	20%	\$90 million *	None
Securities Lending	92 days	20% *	None	N/A
Collateralized Bank Deposits	5 years	None	None	None
Negotiable Certificates of Deposit	5 years	30%	5%	A-1/P-1/F1 *
Bankers' Acceptances	180 days	40%	5%	A-1/P-1/F1 *
Commercial Paper	270 days	40%	5%	A-1/P-1/F1 *
Medium-Term Corporate Notes	5 years	30%	5%	Aa3/AA-/AA- *
Municipal Obligations	5 years	10% *	None	MIG-1/SP-1/F1 A3/A-/A-
Money Market Funds - Taxable	N/A	20%	10%	Aaa/AAA/AAA
Money Market Funds - Tax-Exempt	N/A	20%	10%	Aaa/AAA/AAA **
Federal Agency Mortgage Backed Securities	5 years	20% *	None	None
Asset Backed Securities	5 years	20%	None	A3/A-/A- for issuer, Aa3/AA-/AA- for security
Supranational Debt Obligations	5 years	10%	None	AAA

\* Represents restriction in which the County's investment policy is more restrictive than the California Code

\*\* Minimum of one credit rating required for Tax-Exempt Money Market Funds

In accordance with Government Code Sections 53620-53622, the assets of the Santa Clara County Retiree Healthcare Plan, which are reported in an Internal Service Fund, may be invested in bonds that have a final maturity of 30 years or less from purchase date, and in bonds with a Moody's credit rating of A3 or higher, a Standard and Poor's rating of A- or higher, or a Fitch rating of A- or higher at time of purchase. Additionally, the Board has determined that up to 67% of the Retiree Healthcare Plan assets, excluding near-term liability payouts, may be invested in equities through mutual funds or through the direct purchase of common stocks by a money management firm(s) approved by the Board.

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

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
 June 30, 2020  
 (Dollars in thousands)

**(3) Cash and Investments (Continued)**

**(c) Summary of Cash and Investments**

Total County cash and investments are reported as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Primary Government	\$ 3,272,860	\$ 169,842	\$ 3,442,702
Component Units	519,190	33,567	552,757
Investment Trust Funds	5,470,462	5	5,470,467
Private-Purpose Trust Fund	53,434	-	53,434
Agency Funds	<u>89,000</u>	<u>2,532</u>	<u>91,532</u>
Total cash and investments	<u>\$ 9,404,946</u>	<u>\$ 205,946</u>	<u>\$ 9,610,892</u>

The County's cash and investments are as follows:

Cash and deposits:		
Cash on hand		\$ 71
Deposits of the County		10,103
Restricted deposits		2,682
Deposits with component units:		
Housing Authority		90,532
FIRST 5		5,152
Health Authority		<u>28,012</u>
Total cash and deposits		<u>136,552</u>
Investments:		
With Treasurer		9,034,026
With Treasurer - FIRST 5		57
With Treasurer - Health Authority		105,759
With fiscal agents		11,253
With Housing Authority		77,974
With Health Authority		199,883
With FIRST 5		<u>45,388</u>
Total investments		<u>9,474,340</u>
Total cash, deposits and investments		<u>\$ 9,610,892</u>

**(d) Custodial Credit Risk – Deposits**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
June 30, 2020  
(Dollars in thousands)

**(3) Cash and Investments (Continued)**

**(e) Investment Composition**

As of June 30, 2020, the major classes of the County's investments consisted of the following:

	Interest Rates	Par Value	Fair Value	Investment Maturities (in years)			
				0 - 1	1 - 3	3 - 5	5 - 10
<b>With Treasurer:</b>							
<b>Commingled pool:</b>							
U.S. Treasury Notes	1.63% - 2.63%	\$ 205,000	\$ 209,891	\$ 55,078	\$ 122,991	\$ 31,822	\$ -
U.S. Agencies - Coupon	0.19% - 3.38%	3,189,385	3,239,154	980,967	1,266,094	992,093	-
U.S. Agencies - Discount	0.26% - 0.71%	161,000	160,864	160,864	-	-	-
Medium-Term Corporate Notes	0.75% - 4.25%	643,933	669,760	138,516	357,190	174,054	-
Asset Backed Securities	0.38% - 3.32%	660,404	673,713	-	256,437	417,276	-
Mortgage Backed Securities	1.97% - 3.84%	375,295	391,970	13,748	250,266	106,626	21,330
Municipal Bonds	1.50% - 5.00%	25,415	26,325	15,106	11,219	-	-
Commercial Paper - Discount	0.15% - 2.25%	1,310,475	1,309,964	1,309,964	-	-	-
Negotiable Certificate of Deposit	0.33% - 1.92%	1,075,000	1,077,240	1,077,240	-	-	-
Money Market Mutual Funds	0.06% - 0.11%	1,082,564	1,082,564	1,082,564	-	-	-
LAIF	1.22%	42,764	42,764	42,764	-	-	-
Supranationals	1.27% - 2.75%	197,000	200,003	-	141,065	58,938	-
Subtotal commingled pool		<u>8,968,235</u>	<u>9,084,212</u>	<u>4,876,811</u>	<u>2,405,262</u>	<u>1,780,809</u>	<u>21,330</u>
<b>Separate Investments:</b>							
U.S. Agencies - Coupon		18,700	19,194	-	11,025	8,169	-
Mortgage Backed Securities		3,478	3,642	-	495	3,147	-
Municipal Bonds		15,405	16,933	2,436	10,840	3,657	-
Money Market Mutual Funds		11,619	11,619	11,619	-	-	-
Money Market Mutual Funds - Tax Exempt		4,242	4,242	4,242	-	-	-
Subtotal separate investments		<u>53,444</u>	<u>55,630</u>	<u>18,297</u>	<u>22,360</u>	<u>14,973</u>	<u>-</u>
Subtotal with Treasurer		<u>9,021,679</u>	<u>9,139,842</u>	<u>4,895,108</u>	<u>2,427,622</u>	<u>1,795,782</u>	<u>21,330</u>
<b>With fiscal agents:</b>							
U.S. Treasury Notes		3,590	3,776	-	1,830	1,946	-
U.S. Agencies - Coupon		4,600	4,774	1,178	1,681	1,915	-
Medium-Term Corporate Notes		745	776	353	374	49	-
Asset Backed Securities		405	411	-	289	122	-
Money Market Mutual Funds		1,415	1,415	1,415	-	-	-
Supranationals		100	101	-	-	101	-
Subtotal with fiscal agents		<u>10,855</u>	<u>11,253</u>	<u>2,946</u>	<u>4,174</u>	<u>4,133</u>	<u>-</u>
<b>With Housing Authority:</b>							
U.S. Agencies - Coupon		2,477	2,477	936	-	1,541	-
Medium-Term Corporate Notes		10,078	10,078	403	4,560	5,115	-
Municipal Bonds		1,446	1,446	-	-	1,446	-
Negotiable Certificate of Deposit		5,986	5,986	2,506	1,849	1,631	-
Money Market Mutual Funds		1,560	1,560	1,560	-	-	-
LAIF		56,427	56,427	56,427	-	-	-
Subtotal with Housing Authority		<u>77,974</u>	<u>77,974</u>	<u>61,832</u>	<u>6,409</u>	<u>9,733</u>	<u>-</u>
<b>With Health Authority:</b>							
U.S. Treasury Notes		42,051	42,051	42,051	-	-	-
U.S. Agencies - Coupon		101,825	101,825	101,825	-	-	-
Medium-Term Corporate Notes		34,790	34,790	34,790	-	-	-
Asset Backed Securities		1,203	1,203	1,203	-	-	-
Municipal Bonds		9,019	9,019	9,019	-	-	-
Commercial Paper - Discount		10,995	10,995	10,995	-	-	-
Subtotal with Health Authority		<u>199,883</u>	<u>199,883</u>	<u>199,883</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>With FIRST 5:</b>							
U.S. Treasury Notes		13,010	11,677	5,407	5,397	873	-
U.S. Agencies - Coupon		14,411	12,631	4,017	7,068	1,546	-
Medium-Term Corporate Notes		11,525	9,878	2,692	4,367	2,819	-
Asset Backed Securities		2,402	798	-	798	-	-
Mortgage Backed Securities		3,140	3,309	242	904	2,163	-
Money Market Mutual Funds		1,749	7,095	7,095	-	-	-
Subtotal with FIRST 5		<u>46,237</u>	<u>45,388</u>	<u>19,453</u>	<u>18,534</u>	<u>7,401</u>	<u>-</u>
Total Investment		<u>\$ 9,356,628</u>	<u>\$ 9,474,340</u>	<u>\$ 5,179,222</u>	<u>\$ 2,456,739</u>	<u>\$ 1,817,049</u>	<u>\$ 21,330</u>

## COUNTY OF SANTA CLARA

### Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

### (3) Cash and Investments (Continued)

#### Custodial Credit Risk - Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

#### Interest Rate Risk

Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by limiting the weighted average maturity of its commingled pool to eighteen months. At June 30, 2020, the County's weighted average maturity of its commingled pool is 517 days. The County invested in callable Federal Agency Bonds (\$1,481,322 of the County's U.S. Agencies coupon position of \$3,239,154) within its commingled pool. These investments are highly sensitive to interest rate changes and are callable at par prior to maturity based on these rate changes.

#### Credit Risk

Credit risk is the risk that a debt issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The following is a summary of the credit quality distribution for securities with credit exposure as a percentage of investments with Treasury (Commingled Pool and Separate), fiscal agent, Housing Authority, Health Authority, and FIRST 5 as rated by Moody's Investors Service:

Investment	Moody's Rating	Commingled	Separate	Investments	Investments	Investments	
		Pool Investments with the Treasury	Investments with the Treasury	with Fiscal Agents	with Housing Authority	with Health Authority	Investments with FIRST 5
U.S. Treasury Notes	Exempt	2.31%	0.00%	33.54%	0.00%	21.04%	25.73%
U.S. Agencies - Coupon	Aaa	35.44%	34.50%	40.35%	1.89%	50.95%	27.82%
U.S. Agencies - Coupon	Unrated	0.22%	0.00%	2.05%	1.28%	0.00%	0.00%
U.S. Agencies - Discount	P-1	0.73%	0.00%	0.00%	0.00%	0.00%	0.00%
U.S. Agencies - Discount	Unrated	1.05%	0.00%	0.00%	0.00%	0.00%	0.00%
Asset Backed Securities	Aaa	4.44%	0.00%	3.15%	0.00%	0.60%	1.76%
Asset Backed Securities	Unrated	2.98%	0.00%	0.51%	0.00%	0.00%	0.00%
Mortgage Backed Securities	Aaa	4.32%	6.55%	0.00%	0.00%	0.00%	7.29%
Municipal Bonds	Aaa	0.06%	10.98%	0.00%	0.00%	0.00%	0.00%
Municipal Bonds	Aa1	0.00%	14.01%	0.00%	0.00%	0.84%	0.00%
Municipal Bonds	Aa2	0.23%	4.49%	0.00%	1.86%	1.28%	0.00%
Municipal Bonds	A1	0.00%	0.95%	0.00%	0.00%	0.38%	0.00%
Municipal Bonds	A3	0.00%	0.00%	0.00%	0.00%	2.01%	0.00%
Medium-term Corporate Notes	Aaa	1.15%	0.00%	1.51%	0.66%	1.02%	1.35%
Medium-term Corporate Notes	Aa1	1.46%	0.00%	1.37%	0.00%	11.38%	2.19%
Medium-term Corporate Notes	Aa2	2.09%	0.00%	4.01%	1.33%	3.99%	1.17%
Medium-term Corporate Notes	Aa3	0.77%	0.00%	0.00%	0.77%	1.01%	1.26%
Medium-term Corporate Notes	A1	1.90%	0.00%	0.00%	2.51%	0.00%	4.68%
Medium-term Corporate Notes	A2	0.00%	0.00%	0.00%	3.81%	0.00%	7.36%
Medium-term Corporate Notes	A3	0.00%	0.00%	0.00%	3.84%	0.00%	3.76%
Commercial Paper - Discount	P-1	13.87%	0.00%	0.00%	0.00%	5.50%	0.00%
Commercial Paper - Discount	Unrated	0.55%	0.00%	0.00%	0.00%	0.00%	0.00%
Negotiable Certificate of Deposit	P-1	11.86%	0.00%	0.00%	0.00%	0.00%	0.00%
Negotiable Certificate of Deposit	Unrated	0.00%	0.00%	0.00%	7.68%	0.00%	0.00%
Money Market Mutual Funds	Aaa	11.92%	17.04%	12.61%	0.00%	0.00%	15.63%
Money Market Mutual Funds	Unrated	0.00%	3.84%	0.00%	2.00%	0.00%	0.00%
Money Market Mutual Funds - Tax Exempt	Unrated	0.00%	7.62%	0.00%	0.00%	0.00%	0.00%
LAF	Unrated	0.47%	0.00%	0.00%	72.37%	0.00%	0.00%
Supranationals	Aaa	2.20%	0.00%	0.90%	0.00%	0.00%	0.00%
<b>Total Investments</b>		<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

## COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

### (3) Cash and Investments (Continued)

#### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investor's holdings in a single issuer. The County diversifies its portfolio by limiting the percentage of the portfolio that can be invested in any one issuer's name. Investments in U.S. Treasuries, U.S. Agency securities explicitly backed by the U.S., and mutual and pooled funds are not subject to this limitation.

More than 5% of the County's commingled pooled investments are invested with the Federal Home Loan Mortgage Corporation, Federal Farm Credit Bank, Federal Home Loan Bank, and Federal National Mortgage Association which represent 12.99%, 11.32%, 9.29% and 6.88%, respectively, of the County's commingled pooled investments.

More than 5% of the County's separate pooled investments are invested with the Federal Farm Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation, which represent 14.37%, 11.97%, 9.26% and 5.45%, respectively, of the County's separate pooled investments.

More than 5% of the investments with fiscal agents are invested with the Federal National Mortgage Association, Federal Home Loan Bank, and Federal Home Loan Mortgage Corporation, which represent 16.97%, 15.22%, and 10.23%, respectively, of the investments with fiscal agents.

More than 5% of the FIRST 5's investments are invested with the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Federal Home Loan Bank, which represent 15.49%, 11.82% and 7.81%, respectively, of the First 5's investments.

#### Local Agency Investment Fund

Government Code Section 16429.1 authorizes each local government agency to invest funds in the State Treasurer's Local Agency Investment Fund (LAIF) administered by the California State Treasurer. The total amount recorded by all public agencies in LAIF at June 30, 2020, was approximately \$32.1 billion. LAIF is part of the State's Pooled Money Investment Account (PMIA). PMIA has a total of approximately \$101.0 billion as of June 30, 2020. Of that amount, 96.63% was invested in non-derivative financial products and 3.37% in structured notes and asset backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the County's position in the pool.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(3) Cash and Investments (Continued)**

*(f) Condensed Financial Information*

In lieu of separately issued financial statements for the external pool, condensed financial information is presented below as of and for the year ended June 30, 2020:

Assets:	
U.S. Treasury Notes	\$ 209,891
U.S. Agencies - Coupon	3,258,348
U.S. Agencies - Discount	160,864
Medium-Term Corporate Notes	669,760
Asset Backed Securities	673,713
Mortgage Backed Securities	395,612
Municipal Bonds	43,258
Commercial Paper - Discount	1,309,964
Negotiable Certificate of Deposit	1,077,240
Money Market Mutual Funds	1,094,183
Money Market Mutual Funds - Tax Exempt	4,242
LAIF	42,764
Supranationals	200,003
Total investments	<u>9,139,842</u>
Other assets (Interest receivable)	35,719
Total assets	<u><u>\$ 9,175,561</u></u>
Net Position	
Equity of internal pool participants	\$ 3,688,236
Equity of individual investment accounts	21,962
Equity of external pool participants	<u>5,465,363</u>
Total net position	<u><u>\$ 9,175,561</u></u>
Statement of Changes in Net Position	
Net position at July 1, 2019	\$ 8,668,750
Net change in investments by pool participants	<u>506,811</u>
Net position at June 30, 2020	<u><u>\$ 9,175,561</u></u>
Net position composition of the equity of external pool participants is as follows:	
Participants units outstanding (\$1 par)	\$ 5,533,659
Undistributed and unrealized gain/(loss)	<u>68,296</u>
Net position at June 30, 2020	<u><u>\$ 5,465,363</u></u>
Participants net position value at fair value price per share (\$5,465,363 divided by 5,533,659 units)	
	<u><u>\$ 0.9877</u></u>

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
June 30, 2020  
(Dollars in thousands)

**(3) Cash and Investments (Continued)**

**(g) Fair Value Hierarchy**

As of June 30, 2020, the County's fair value hierarchy for its investments was as follows:

With Treasurer:	
Commingled pool:	
Investments subject to fair value hierarchy - Level 2 Investments	
U.S. Treasury Notes	\$ 209,891
U.S. Agencies - Coupon	3,239,154
U.S. Agencies - Discount	160,864
Medium-Term Corporate Notes	669,760
Asset Backed Securities	673,713
Mortgage Backed Securities	391,970
Municipal Bonds	26,325
Commercial Paper - Discount	1,309,964
Negotiable Certificate of Deposit	1,077,240
Supranationals	<u>200,003</u>
Total investments subject to fair value heirarchy	7,958,884
Investments not subject to fair value hierarchy	
Money Market Mutual Fund	1,082,564
LAIF	<u>42,764</u>
Subtotal Commingled Pool	<u>9,084,212</u>
Separate Investments:	
Investments subject to fair value hierarchy - Level 2 Investments	
U.S. Agencies - Coupon	19,194
Mortgage Backed Securities	3,642
Municipal Bonds	<u>16,933</u>
Total investments subject to fair value heirarchy	39,769
Investments not subject to fair value hierarchy	
Money Market Mutual Fund	<u>15,861</u>
Subtotal Separate Investments	<u>55,630</u>
Subtotal with Treasurer	<u>9,139,842</u>
With Fiscal Agents:	
Investments subject to fair value hierarchy - Level 2 Investments	
U.S. Treasury Notes	3,776
U.S. Agencies - Coupon	4,774
Medium-Term Corporate Notes	776
Asset Backed Securities	411
Supranationals	<u>101</u>
Total investments subject to fair value heirarchy	9,838
Investments not subject to fair value hierarchy	
Money Market Mutual Fund	<u>1,415</u>
Subtotal with Fiscal Agents	<u>11,253</u>
With Housing Authority:	
Investments subject to fair value hierarchy - Level 2 Investments	
U.S. Agencies - Coupon	2,477
Medium-Term Corporate Notes	10,078
Municipal Bonds	1,446
Negotiable Certificate of Deposit	<u>5,986</u>
Total investments subject to fair value heirarchy	19,987
Investments not subject to fair value hierarchy	
Money Market Mutual Fund	1,560
LAIF	<u>56,427</u>
Subtotal with Housing Authority	<u>77,974</u>
With Health Authority:	
Investments subject to fair value hierarchy - Level 2 Investments	
U.S. Treasury Notes	42,051
U.S. Agencies - Coupon	101,825
Medium-Term Corporate Notes	34,790
Asset Backed Securities	1,203
Municipal Bonds	9,019
Commercial Paper - Discount	<u>10,995</u>
Subtotal Health Authority	<u>199,883</u>

(Continued)

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
June 30, 2020  
(Dollars in thousands)

**(3) Cash and Investments (Continued)**

(Continued)	
With FIRST 5:	
Investments subject to fair value hierarchy - Level 2 Investments	
U.S. Treasury Notes	\$ 11,677
U.S. Agencies - Coupon	12,631
Medium-Term Corporate Notes	9,878
Asset Backed Securities	798
Mortgage Backed Securities	3,309
Total investments subject to fair value hierarchy	<u>38,293</u>
Investments not subject to fair value hierarchy	
Money Market Mutual Fund	<u>7,095</u>
Subtotal with FIRST 5	<u>45,388</u>
Total investments	<u><u>\$ 9,474,340</u></u>

Fixed income investments are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, and other market related data and classified in Level 2 of the fair value hierarchy.

Money market mutual funds and LAIF have maturities of one year or less from fiscal year end and are not subject to GASB Statement No. 72.

**(4) Receivables**

Receivables at year-end for the County's major individual funds, nonmajor and internal service funds, and governmental and business-type activities in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

Receivables -	General	Nonmajor	Internal	Government-Wide	
				Service	Total
Governmental Activities	Fund	Governmental	Service	Concession	Governmental
		Funds	Funds	Arrangement	Activities
Property tax	\$ 374	\$ -	\$ -	\$ -	\$ 374
Loans receivable	-	196,641	-	-	196,641
Other	115,514	6,712	5,582	3,164	130,972
Gross receivables	115,888	203,353	5,582	3,164	327,987
Less: allowance for uncollectibles	(81,990)	(376)	-	-	(82,366)
Total receivables, net	<u>\$ 33,898</u>	<u>\$ 202,977</u>	<u>\$ 5,582</u>	<u>\$ 3,164</u>	<u>\$ 245,621</u>
Receivables -	SCVMC	Valley	Nonmajor	Total	
Business-type Activities		Health	Enterprise	Business-type	
		Plan	Funds	Activities	
Patient accounts receivable	\$ 1,291,181	\$ -	\$ -	\$ 1,291,181	
Other	347	36,599	75	37,021	
Gross receivables	1,291,528	36,599	75	1,328,202	
Less allowance for uncollectibles	(974,534)	-	-	(974,534)	
Total receivables, net	<u>\$ 316,994</u>	<u>\$ 36,599</u>	<u>\$ 75</u>	<u>\$ 353,668</u>	

Net loan receivables from housing programs in the amount of \$196,641 are not expected to be collected within the subsequent year. The other receivables of General Fund in the amount of \$115,514 represent receivables of various County departments and a significant portion of the balances were allowed for at year-end.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
 June 30, 2020  
 (Dollars in thousands)

**(4) Receivables (Continued)**

At June 30, 2020, the General Fund’s due from other governmental agencies of \$316,881 is net of allowances for uncollectible accounts in the amount of \$31,830. Included in due from governmental agencies are agreements with the former Milpitas Redevelopment Agency. In June 2003, the Milpitas Redevelopment Agency (the MRDA) entered into an agreement to purchase and sell approximately 35 acres of Elmwood surplus land in the amount of (1) \$135,000 payable in installments over a 20-year period; (2) the aggregate sum of the developer negotiated value for all parcels comprising the property; and (3) 10 years of additional payments, estimated at \$3,500 per year, negotiated under the Sales and Use Tax Sharing Agreement based on 50% of the sales tax revenue generated by the additional redevelopment project area together with the Elmwood commercial area. In August 2003, the County approved the agreement with KB Home South Bay, Inc. (KB Home) for the base land value of \$57,750 (developer negotiated value) enabling the County’s disposition of the Elmwood surplus lands and the MRDA’s purchase and re-sale of the property.

On June 28, 2011, Assembly Bill X1 26 (AB X1 26) was enacted. This legislation is referred to herein as the Redevelopment Dissolution Law. On December 29, 2011, the California Supreme Court upheld the constitutionality of AB X1 26 and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. As such the obligation of MRDA transferred to the Successor Agency to the Milpitas Redevelopment Agency and the enforceable obligation was approved by its Oversight Board and updated to increase the additional payments by another 2 years through 2033. The following table shows the estimated cash flows related to the sale of the Elmwood surplus lands:

Fiscal year ending June 30,	Developer	Milpitas Redevelopment Agency			Total
	Negotiated Value	Other	Installment Payments	Additional Payments	
From Fiscal Year 2019 and prior	\$ 57,750	\$ 419	\$ 91,000	\$ -	\$ 149,169
2020	-	-	6,000	-	6,000
2021	-	-	6,000	-	6,000
2022	-	-	6,000	-	6,000
2023	-	-	6,000	-	6,000
2024	-	-	-	3,500	3,500
2025	-	-	-	3,500	3,500
2026-2030	-	-	-	17,500	17,500
2031-2034	-	-	-	10,500	10,500
<b>Total</b>	<b>57,750</b>	<b>419</b>	<b>115,000</b>	<b>35,000</b>	<b>208,169</b>
Less amount received prior to June 30, 2019	(57,750)	(419)	(91,000)	-	(149,169)
Receivable at June 30, 2019	-	-	24,000	35,000	59,000
Less amount received during current year	-	-	(6,000)	-	(6,000)
<b>Receivable at June 30, 2020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,000</b>	<b>\$ 35,000</b>	<b>\$ 53,000</b>

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
 June 30, 2020  
 (Dollars in thousands)

**(4) Receivables (Continued)**

At June 30, 2020, the County’s General Fund receivable balance of \$53,000 represents the remaining estimated future cash flow related to the sale of the Elmwood surplus lands. During the year ended June 30, 2020, the County recognized proceeds from the sale in the amount of \$6,000 as revenue in the General Fund. At June 30, 2020, the deferred inflows of resources balance related to this balance is \$53,000.

***Deferred Inflows of Resources – Unavailable Revenue***

Governmental funds report deferred inflows of resources in connection with due from other governmental agencies and other receivables for revenues not considered available to liquidate liabilities of the current period. At June 30, 2020, the deferred inflows of resources balance consist of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Due from other governmental agencies	\$ 77,677	\$ -	\$ 77,677
Other receivables	3,499	196,641	200,140
Total deferred inflows of resources	<u>\$ 81,176</u>	<u>\$ 196,641</u>	<u>\$ 277,817</u>

**(5) Interfund Transactions**

Interfund receivables, payables, and transfers as of and for the fiscal year ended June 30, 2020, by individual fund/fund type are summarized as follows:

**Due to/from other funds:**

Receivable Fund	Payable Fund	Amount
General Fund	SCVMC	\$ 242,281
General Fund	Internal Service Funds	1,173
General Capital Improvement	General Fund	5,316
SCVMC	Internal Service Funds	2,309
VHP	General Fund	175
Internal Service Funds	General Fund	1,153
Internal Service Funds	Nonmajor Governmental Funds	7
Nonmajor Governmental Funds	General Fund	1,428
Nonmajor Governmental Funds	Nonmajor Governmental Funds	28,920
Agency Funds	Agency Funds	54,649
		<u>\$ 337,411</u>

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(5) Interfund Transactions (Continued)**

The General Fund is due \$242,281 from SCVMC for working capital. The General Capital Improvement Fund is due \$5,316 to reimburse costs incurred for capital improvement. In addition, the interfund balances of \$28,920 between the Nonmajor Governmental Funds and \$54,649 between Agency Funds represent current borrowings for working capital expected to be repaid during the following year.

All remaining interfund balances resulted from 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.

**Advances to/from other funds:**

In February 2013, the Board approved an interfund loan from the General Fund to the Child Support nonmajor special revenue fund for tenant improvements in the amount of \$1,000 to be repaid over the ten-year term of the lease. The actual amount of the loan was \$693. The terms of the loan include a maturity of June 30, 2023 and interest is based on the quarterly rate of return of the County Commingled Pool. At June 30, 2020, the advance balance was \$191.

In August 2017, the Board approved an interfund loan of \$21,300 from the General Fund to the Roads nonmajor special revenue fund for the repair of roads damaged by storms. The terms of the loan include a maturity of December 31, 2027 and interest is based on the quarterly rate of return of the County Commingled Pool. At June 30, 2020, the advance balance was \$17,157.

In August 2017, the Board approved an interfund loan of \$3,000 from the General Fund to the Airport nonmajor enterprise fund for pavement maintenance at Reid-Hillview and San Martin Airports. The terms of the loan include a maturity of December 31, 2027 and interest is based on the quarterly rate of return of the County Commingled Pool. At June 30, 2020, the advance balance was \$3,012.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
June 30, 2020  
(Dollars in thousands)

**(5) Interfund Transactions (Continued)**

**Transfer in/out between funds:**

The following schedule summarizes the County's transfer activities:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
<b>Between Governmental and Business-type Activities:</b>			
General Fund	SCVMC	\$ 101,631	Transfer funds for subsidy.
General Fund	SCVMC	111,185	Transfer subsidy funds for Technology Services and Solutions (TSS).
General Fund	SCVMC	7,136	Transfer funds for the CARES Act Covid-19 payroll reimbursement.
General Fund	SCVMC	3	Transfer funds for CRF/FEMA reimbursement.
General Fund	SCVMC	400	Transfer funds for VMC Permanent Supportive Housing Clinic.
General Fund	SCVMC	1,595	Transfer fund for distribution of Public Safety Realignment 2011 - AB 109.
General Fund	VHP	1,154	Transfer funds for Primary Care Access Pilot Program.
General Fund	VHP	163	Transfer funds for the CARES Act Covid-19 payroll reimbursement.
General Fund	VHP	66	Transfer funds for CRF/FEMA reimbursement.
General Fund	Nonmajor Enterprise Fund	29	Transfer funds for the CARES Act Covid-19 payroll reimbursement.
SCVMC	General Fund	897	Transfer funds for community health.
SCVMC	General Fund	1,650	Transfer funds for TSS for hardware upgrade.
SCVMC	Nonmajor Governmental Funds	500	Transfer funds for green energy rebates.
SCVMC	Internal Service Fund	100,352	Transfer funds for TSS expenses.
	<b>Subtotal: Between Governmental or Business-type Activities:</b>	<u>326,761</u>	
<b>Between Funds within the Governmental or Business-type Activities*:</b>			
General Fund	Internal Service Fund	36,278	Transfer funds for TSS expenses.
		917	Transfer funds for the CARES Act Covid-19 payroll reimbursement.
		4,556	Transfer funds for CRF/FEMA reimbursement.
		<u>41,751</u>	
General Fund	General Capital Improvement	272,344	Transfer funds to finance facilities and fleet department capital projects.
		5,316	Transfer funds for CRF/FEMA reimbursement.
		920	Transfer fund for distribution of Public Safety Realignment 2011 - AB 109.
		<u>278,580</u>	
General Fund	Nonmajor Governmental Fund	100	Transfer funds for the Historic Grant Program.
		51	Transfer fund for special program for library.
		190	Transfer funds to the household waste program.
		45	Transfer funds for school crossing guard project.
		143	Transfer funds to pay for expenditures of the tobacco program.
		223	Transfer funds for the Park Alviso expenditures.
		10	Transfer funds for employee service awards.
		64	Transfer funds for the expenditures incurred for the Casa Loma Fire
		118	Transfer funds for the All Inclusive Playground Grant
		3,918	Transfer funds for the CARES Act Covid-19 payroll reimbursement.
		279	Transfer funds for CRF/FEMA reimbursement.
		<u>5,141</u>	
General Capital Improvement	General Fund	36,244	Transfer funds related to facilities and fleet department capital projects.
Nonmajor Governmental Fund	General Fund	1,558	Transfer funds to pay for debt service.
		186	Transfer fund for specified ongoing operations.
		122,708	Transfer funds for planning, administrative, and program costs for the mental health services programs.
		1,384	Transfer funds for benefit costs.
		<u>125,836</u>	
Nonmajor Governmental Fund	Internal Service Fund	1,363	Transfer funds for TSS expenses.
Nonmajor Governmental Fund	General Capital Improvement	8,113	Transfer bond proceeds to reimburse for healthcare facilities acquisitions.
		3	Transfer NCREB bond proceeds to capital project funds.
		<u>8,116</u>	
Nonmajor Governmental Fund	Nonmajor Governmental Fund	3,690	Transfer funds for parks capital projects.
		115	Transfer funds for the Household Hazardous Waste Program.
		25,222	Transfer bond proceeds to reimburse for Central Fire capital projects.
		38,409	Transfer funds for the reimbursements of projects funded by Housing Bonds.
		<u>67,436</u>	
	<b>Subtotal: Within the Governmental or Business-type Activities:</b>	<u>564,467</u>	
	<b>Total Transfers:</b>	<u>\$ 891,228</u>	

\*These transfers were eliminated in the consolidation, by column, for the Governmental and Business-type activities.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(6) Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance, July 1, 2019	Additions	Reductions/ Adjustments	Transfers	Balance, June 30, 2020
<b>Governmental activities</b>					
<i>Capital assets, not being depreciated:</i>					
Land	\$ 418,736	\$ -	\$ -	\$ 22,400	\$ 441,136
Construction in progress	397,550	222,230	-	(121,469)	498,311
Total capital assets, not being depreciated	816,286	222,230	-	(99,069)	939,447
<i>Capital assets, being depreciated:</i>					
Infrastructure	454,557	-	-	45,799	500,356
Buildings, easements and improvements	2,981,314	-	-	34,726	3,016,040
Equipment, software and vehicles	310,948	16,168	(9,415)	33,584	351,285
Total capital assets, being depreciated	3,746,819	16,168	(9,415)	114,109	3,867,681
<i>Less accumulated depreciation for:</i>					
Infrastructure	(205,477)	(17,500)	-	-	(222,977)
Buildings, easements and improvements	(1,110,559)	(92,156)	-	164	(1,202,551)
Equipment, software and vehicles	(227,096)	(29,192)	9,109	(1,356)	(248,535)
Total accumulated depreciation	(1,543,132)	(138,848)	9,109	(1,192)	(1,674,063)
Total capital assets, being depreciated, net	2,203,687	(122,680)	(306)	112,917	2,193,618
Governmental activities, capital assets, net	<u>\$ 3,019,973</u>	<u>\$ 99,550</u>	<u>\$ (306)</u>	<u>\$ 13,848</u>	<u>\$ 3,133,065</u>
<b>Business-type activities</b>					
<i>Capital assets, not being depreciated:</i>					
Land	\$ 28,189	\$ -	\$ -	\$ -	\$ 28,189
Construction in progress	34,386	59,806	-	(23,192)	71,000
Total capital assets, not being depreciated	62,575	59,806	-	(23,192)	99,189
<i>Capital assets, being depreciated:</i>					
Buildings and improvements	62,910	129	-	637	63,676
Equipment and vehicles	314,027	3,213	(4,663)	8,667	321,244
Total capital assets, being depreciated	376,937	3,342	(4,663)	9,304	384,920
<i>Less accumulated depreciation for:</i>					
Buildings and improvements	(18,096)	(1,238)	-	-	(19,334)
Equipment and vehicles	(248,271)	(22,750)	4,428	40	(266,553)
Total accumulated depreciation	(266,367)	(23,988)	4,428	40	(285,887)
Total capital assets, being depreciated, net	110,570	(20,646)	(235)	9,344	99,033
Business-type activities, capital assets, net	<u>\$ 173,145</u>	<u>\$ 39,160</u>	<u>\$ (235)</u>	<u>\$ (13,848)</u>	<u>\$ 198,222</u>

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
June 30, 2020  
(Dollars in thousands)

**(6) Capital Assets (Continued)**

Capital asset activity for the Housing Authority for the fiscal year ended June 30, 2020, was as follows:

	Balance, July 1, 2019	Additions	Reductions/ Adjustments	Balance, June 30, 2020
<i>Capital assets, not being depreciated:</i>				
Land *	\$ 114,661	\$ 11,250	\$ -	\$ 125,911
Construction in progress	2,110	2,814	-	4,924
Total capital assets, not being depreciated	<u>116,771</u>	<u>14,064</u>	<u>-</u>	<u>130,835</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements *	131,776	637	-	132,413
Furniture and equipment *	6,645	1,004	-	7,649
Total capital assets, being depreciated	<u>138,421</u>	<u>1,641</u>	<u>-</u>	<u>140,062</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements *	(68,291)	(3,802)	-	(72,093)
Furniture and equipment *	(4,891)	(418)	-	(5,309)
Total accumulated depreciation	<u>(73,182)</u>	<u>(4,220)</u>	<u>-</u>	<u>(77,402)</u>
Total capital assets, being depreciated, net	<u>65,239</u>	<u>(2,579)</u>	<u>-</u>	<u>62,660</u>
Housing Authority's business-type activities	182,010	\$ 11,485	\$ -	193,495
Housing Authority's discrete component units' capital assets, as of December 31, 2018 and 2019 *	350,590			378,945
Housing Authority capital assets, net	<u>\$ 532,600</u>			<u>\$ 572,440</u>

\* During the fiscal year ended June 30, 2020, the Housing Authority reclassified three of its component units' presentation from discretely presented to blended upon change of its governance. A copy of each of the Housing Authority's component units' separately issued audited financial statements can be obtained from the Housing Authority's management.

Capital asset activity for the FIRST 5 for the fiscal year ended June 30, 2020, was as follows:

	Balance, July 1, 2019	Additions	Reductions/ Adjustments	Balance, June 30, 2020
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,358	\$ -	\$ -	\$ 2,358
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	4,395	-	-	4,395
Furniture and equipment	277	-	-	277
Total capital assets, being depreciated	<u>4,672</u>	<u>-</u>	<u>-</u>	<u>4,672</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(3,048)	(215)	-	(3,263)
Furniture and equipment	(277)	-	-	(277)
Total accumulated depreciation	<u>(3,325)</u>	<u>(215)</u>	<u>-</u>	<u>(3,540)</u>
Total capital assets, being depreciated, net	<u>1,347</u>	<u>(215)</u>	<u>-</u>	<u>1,132</u>
FIRST 5 capital assets, net	<u>\$ 3,705</u>	<u>\$ (215)</u>	<u>\$ -</u>	<u>\$ 3,490</u>

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
 June 30, 2020  
 (Dollars in thousands)

**(6) Capital Assets (Continued)**

Capital asset activity for the Health Authority for fiscal year ended June 30, 2020, was as follows:

	July 1, 2019	Additions	Adjustments	Transfers	June 30, 2020
<i>Capital assets, not being depreciated:</i>					
Land	\$ 3,508	\$ -	\$ -	\$ -	\$ 3,508
Constuction in progress	628	-	(31)	(31)	566
Total capital assets, not being depreciated	4,136	-	(31)	(31)	4,074
<i>Capital assets, being depreciated:</i>					
Furniture and equipment	12,012	850	(6)	(185)	12,671
Buildings and improvements	17,268	1,569	(13)	185	19,009
Software	11,342	409	(150)	31	11,632
Total capital assets, being depreciated	40,622	2,828	(169)	31	43,312
<i>Less accumulated depreciation for:</i>					
Furniture and equipment	(9,652)	(626)	(592)	-	(10,870)
Buildings and improvements	(1,349)	(805)	592	-	(1,562)
Software	(6,365)	(1,941)	-	-	(8,306)
Total accumulated depreciation	(17,366)	(3,372)	-	-	(20,738)
Total capital assets, being depreciated, net	23,256	(544)	(169)	31	22,574
Health Authority capital assets, net	\$ 27,392	\$ (544)	\$ (200)	\$ -	\$ 26,648

**Depreciation**

Depreciation expense was charged to governmental functions for the year ended June 30, 2020, as follows:

General government	\$ 102,470
Public protection	6,055
Public ways	14,119
Health and sanitation	581
Public assistance	176
Education	964
Recreation	4,484
Amount reported in the internal service funds	9,999
Total depreciation expense - governmental functions	<u>\$ 138,848</u>

Depreciation expense was charged to the business-type functions for the year ended June 30, 2020 as follows:

SCVMC	\$ 16,683
Valley Health Plan	6,722
Airport	505
Sanitation District	78
Total depreciation expense - business-type functions	<u>\$ 23,988</u>

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
 June 30, 2020  
 (Dollars in thousands)

**(6) Capital Assets (Continued)**

**Capital Projects Commitments**

As of June 30, 2020, the enterprise funds have active construction projects that include construction and improvements projects for SCVMC and VHP, and infrastructure and facility improvement of airport projects.

The County’s commitments for business-type activities as of June 30, 2020, are as follows:

Projects	Expended to June 30, 2020	Committed as of June 30, 2020
SCVMC Projects	\$ 67,271	\$ 12,000
VHP Projects	237	-
Airport Projects	3,492	2
Total	\$ 71,000	\$ 12,002

Nonmajor governmental funds (Special Revenue and Capital Projects Funds) also have active construction projects as of June 30, 2020. They are as follows:

- Road projects include: road, highway and bridge repair, maintenance and improvements; neighborhood protection projects; spot safety projects; and pedestrian and bicycle route improvements.
- Parks projects include: Martial Cottle Park development; Guadalupe watershed project; Calero & Rancho San Vicente Trails master plan implementation; Grant Ranch historic building rehabilitation; Almaden Quicksilver project; utility infrastructure system and improvement to County park facilities.
- General capital projects include: Jail improvements and new jail facility design and construction, South County animal shelter construction, SB-81 James Ranch project, construction of new Adolescent Psychiatric Facility, SCVMC building repairs and improvements; development of Vietnamese-American Service Center, improvements at West Tasman Drive, energy services project; repair, rehabilitation and improvement of County buildings.

The County’s governmental activities commitments at June 30, 2020, are as follows:

Projects	Expended to June 30, 2020	Committed as of June 30, 2020
Road projects	\$ 88,092	\$ 7,354
Park projects	30,380	20,929
General capital projects	379,839	119,881
Total	\$ 498,311	\$ 148,164

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(7) Long-Term Liabilities**

As of June 30, 2020, outstanding long-term obligations consisted of the following:

Type of indebtedness (purpose)	Final Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2020
<b>Governmental Activities:</b>					
2007 Taxable Pension Funding Bonds	8/1/20 - 8/1/36	5.98% - 6.11%	\$5,597 - \$51,560	\$ 389,485	\$ 346,998
2013 Series B General Obligation Bonds	8/1/20 - 8/1/43	3.00% - 5.00%	\$9,825 - \$29,340	490,000	450,020
2017 Series C General Obligation Bonds	8/1/20 - 8/1/39	3.00% - 5.00%	\$3,730 - \$28,180	290,510	284,075
2017 Series A Housing General Obligation Bonds	8/1/20 - 8/1/47	2.12% - 3.55%	\$1,115 - \$55,215	250,000	147,360
Direct Financing - 2016 New Clean Renewable Energy Bonds	10/1/20 - 10/1/30	3.87%	\$2,290 - \$2,456	33,000	26,174
<b>Financing Authority:</b>					
2008 Series M Lease Revenue Bonds	5/15/21 - 5/15/35	(1)	\$5,350 - \$8,300	143,105	100,800
2011 Series A Lease Revenue Bonds	2/1/21 - 2/1/26	5.90%	\$1,072 - \$1,393	20,368	7,500
2011 Series B Lease Revenue Bonds	2/1/21 - 2/1/26	4.91%	\$265 - \$282	3,639	1,642
2012 Series A Lease Revenue Bonds	2/1/21 - 2/1/24	4.00% - 5.00%	\$1,901 - \$2,180	19,316	8,174
2014 Series O Lease Revenue Bonds	5/15/21 - 5/15/23	3.00% - 4.00%	\$1,390 - \$1,490	11,715	4,325
2015 Series P Lease Revenue Bonds	5/15/21 - 5/15/31	5.00%	\$5,770 - \$9,400	102,435	81,985
2016 Series Q Lease Revenue Bonds	5/15/21 - 5/15/37	2.25% - 5.00%	\$3,920 - \$18,315	168,345	158,770
2016 Series A Lease Revenue Bonds	11/15/23 - 11/15/25	3.00% - 5.00%	\$13,265 - \$14,620	41,810	41,810
2018 Series A Lease Revenue Bonds Refunding	11/15/20 - 11/15/22	5.00%	\$13,415 - \$14,795	55,090	42,305
2018 Series A Lease Revenue Bonds	04/01/21 - 04/01/44	3.00% - 5.00%	\$3,835 - \$10,085	164,355	160,705
2019 Series A Lease Revenue Bonds	05/01/21 - 05/01/49	3.00% - 5.00%	\$545 - \$14,705	261,100	261,100
2019 Series A Lease Revenue Bonds Taxable	05/01/21 - 05/01/22	2.05% - 2.10%	\$4,575 - \$5,020	16,080	9,595
2020 Series A Lease Revenue Bonds	05/01/21 - 05/01/50	2.00% - 5.00%	\$670 - \$1,400	29,585	29,585
<b>Silicon Valley Tobacco Securitization Authority:</b>					
Tobacco Settlement Asset-Backed Bonds	6/1/36 - 6/1/56	5.63% - 6.85%	\$11,339 - \$43,604	102,030	102,030
Total governmental activities				<u>\$ 2,591,968</u>	<u>\$ 2,264,953</u>
<b>Business-Type Activities</b>					
<b>SCVMC:</b>					
<b>Financing Authority:</b>					
2012 Series A Lease Revenue Bonds	2/1/21 - 2/1/24	4.00% - 5.00%	\$6,654 - \$7,630	\$ 67,604	\$ 28,611
<b>Airport:</b>					
ABAG Series 2002-1 Lease Revenue Bonds	7/1/20 - 7/1/32	5.00%	\$200 - \$355	6,780	3,520
Total business-type activities				<u>\$ 74,384</u>	<u>\$ 32,131</u>

<sup>(1)</sup> Variable rate, 0.08% effective as of June 30, 2020.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(7) Long-Term Liabilities (Continued)**

The following is a summary of long-term liabilities transactions for the fiscal year ended June 30, 2020:

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Amounts Due Within One Year
<b>Governmental activities:</b>					
Lease Revenue Bonds	\$ 920,471	\$ 29,585	\$ (41,760)	\$ 908,296	\$ 42,608
Unamortized premium	74,565	2,072	(5,726)	70,911	5,778
Tobacco Settlement asset-Backed Bonds	102,030	-	-	102,030	-
Accreted interest on capital appreciation bonds	108,258	12,613	-	120,871	-
Taxable Pension Funding Bonds	352,380	-	(5,382)	346,998	5,597
Accreted interest on capital appreciation bonds	63,391	7,020	(5,608)	64,803	6,498
General Obligation Bonds	947,220	-	(65,765)	881,455	68,770
Unamortized premium	67,162	-	(3,069)	64,093	3,061
Direct Financing - New Clean Renewable Energy Bonds	28,464	-	(2,290)	26,174	2,305
Subtotal governmental bonds	<u>2,663,941</u>	<u>51,290</u>	<u>(129,600)</u>	<u>2,585,631</u>	<u>134,617</u>
Capital Lease Obligations	787	-	(787)	-	-
Accrued litigation liability	8,200	33	-	8,233	-
Insurance claims (Note 12)	182,412	51,808	(42,075)	192,145	42,312
Pollution Remediation Obligations (Note 14)	13,740	-	-	13,740	-
Accrued vacation & sick leave	187,371	150,383	(118,094)	219,660	25,071
Total governmental activities	<u>\$ 3,056,451</u>	<u>\$ 253,514</u>	<u>\$ (290,556)</u>	<u>\$ 3,019,409</u>	<u>\$ 202,000</u>
<b>Business-type activities:</b>					
SCVMC Lease Revenue Bonds	\$ 34,949	\$ -	\$ (6,338)	\$ 28,611	\$ 6,654
Unamortized premium	3,956	-	(864)	3,092	861
Subtotal SCVMC bonds	<u>38,905</u>	<u>-</u>	<u>(7,202)</u>	<u>31,703</u>	<u>7,515</u>
Airport Lease Revenue Bonds	3,710	-	(190)	3,520	200
Unamortized discount	(11)	-	1	(10)	(1)
Subtotal Airport bonds	<u>3,699</u>	<u>-</u>	<u>(189)</u>	<u>3,510</u>	<u>199</u>
Accrued vacation & sick leave	95,362	112,453	(90,837)	116,978	23,054
Total business-type activities	<u>\$ 137,966</u>	<u>\$ 112,453</u>	<u>\$ (98,228)</u>	<u>\$ 152,191</u>	<u>\$ 30,768</u>
<b>Component Units:</b>					
Housing Authority:					
Notes payable	\$ 973	\$ -	\$ -	\$ 973	\$ 20
Other blended component unit debt *	87,415	-	(1,115)	86,300	2,618
Payment in lieu of taxes	3	-	(3)	-	-
Accrued vacation & sick leave	1,440	473	(78)	1,835	175
Interest payable *	10,610	3,560	(3,711)	10,459	1,771
Housing Authority's business type activity	<u>100,441</u>	<u>\$ 4,033</u>	<u>\$ (4,907)</u>	<u>99,567</u>	<u>4,584</u>
Housing Authority's discrete component units'					
long-term obligations as of December 31, 2018 and 2019					
Notes, loans, and bonds payable *	174,035	-	-	191,417	4,308
Long-term interest payable *	5,275	-	-	5,189	1,228
Housing Authority's discrete component units	<u>179,310</u>	<u>-</u>	<u>-</u>	<u>196,606</u>	<u>5,536</u>
Total Housing Authority	<u>\$ 279,751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,173</u>	<u>\$ 10,120</u>
<b>FIRST 5:</b>					
Notes payable	\$ -	\$ 1,103	\$ -	\$ 1,103	\$ 427
Accrued vacation & sick leave	266	21	-	287	-
Total First 5	<u>\$ 266</u>	<u>\$ 1,124</u>	<u>\$ -</u>	<u>\$ 1,390</u>	<u>\$ 427</u>

\* During the fiscal year ended June 30, 2020, the Housing Authority reclassified three of its component units' presentation from discretely presented to blended upon change of its governance. A copy of each of the Housing Authority's component units separately issued audited financial statements can be obtained from the Housing Authority's management.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(7) Long-Term Liabilities (Continued)**

**(a) Governmental Activities**

***2007 Taxable Pension Funding Bonds***

In July 2007, the County issued 2007 Taxable Pension Funding Bonds in the amount of \$389,485 to refinance a portion of the County's statutory obligations to make payments to the State of California Public Employees' Retirement System (CalPERS) for certain amounts arising as a result of retirement benefits accruing to County employees. The bonds were comprised of current interest bonds and capital appreciation bonds. The current interest bonds were issued for \$302,180 and bear fixed interest rates ranging from 5.344% to 6.001% and have a final maturity date of August 1, 2036. The capital appreciation bonds were issued for \$87,305 with interest rates ranging from 5.74% to 6.14% and have a final maturity date of August 1, 2029.

***2009 Series A, 2013 Series B And 2017 Series C General Obligation Bonds***

On November 4, 2008, the County voters approved Measure A – Hospital Seismic Safety and Medical Facilities authorizing the issuance of \$840,000 in general obligation bonds to rebuild and improve the seismically deficient medical facilities.

On May 27, 2009, the County issued 2009 Series A General Obligation Bonds in the amount of \$350,000. The bonds bear fixed interest rates ranging from 3.00% to 5.00% which are payable semi-annually commencing February 1, 2010 and have a final maturity of August 1, 2039. \$304,000 of the bonds were refunded with the issuance of 2017 Series C General Obligation Bonds. The remaining unrefunded portion was paid off on August 1, 2019.

On March 6, 2013, the County issued 2013 Series B General Obligation Bonds in the amount of \$490,000. The bonds bear fixed interest rates ranging from 3.00% to 5.00% and have a final maturity on August 1, 2043.

On November 16, 2017, the County issued 2017 Series C General Obligation Bonds in the amount of \$290,510 to partially advance refund the outstanding 2009 Series A General Obligation Bonds of \$304,000. The bonds bear fixed interest rates ranging from 3.00% to 5.00% and have a final maturity date of August 1, 2039. The outstanding defeased 2009 Series A General Obligation Bonds were paid off during the year ended June 30, 2020.

***2017 Series A Housing General Obligation Bonds***

On November 8, 2016, the County voters approved Measure A, the Affordable Housing Bond Measure, authorizing the issuance of \$950,000 in general obligation bonds to provide funding to address the growing needs for local affordable housing and to reduce and prevent homelessness.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(7) Long-Term Liabilities (Continued)**

On November 9, 2017, the County issued the 2017 Series A Housing General Obligation Bonds in the amount of \$250,000. The bonds bear fixed interest rates ranging from 1.65% to 3.55% which are payable semi-annually commencing February 1, 2018 and have a final maturity of August 1, 2047.

***Silicon Valley Tobacco Securitization Authority***

In accordance with GASB Technical Bulletin 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*, the Silicon Valley Tobacco Securitization Authority (JPA) and the Santa Clara County Tobacco Securitization Corporation (Corporation) have been included in the basic financial statements as blended component units of the County. The Corporation borrowed from the JPA the proceeds of the Series 2007 Tobacco Settlement Asset-Backed Bonds issued by the JPA on January 12, 2007 for \$102,030 pursuant to a secured loan agreement. The Corporation then applied the loan proceeds to purchase the County's portion of its rights, title and interest in the Tobacco Settlement Revenues (TSRs) according to a purchase and sale agreement dated as of January 1, 2007 between the County and the Corporation (sale agreement). The Series 2007 Bonds are primarily secured by a portion of TSRs that are payable to the County and sold to the Corporation pursuant to the sale agreement.

The first Series A Capital Appreciation Bonds (CABs) were issued for \$43,604 with an interest rate of 5.63%, final turbo redemption date on June 1, 2031 and due date of June 1, 2036. The second Series A CABs were issued for \$11,338 with an interest rate of 5.68%, final turbo redemption date on June 1, 2033 and due date on June 1, 2041. The third Series A CABs were issued for \$13,618 with an interest rate of 5.70%, final turbo redemption date on June 1, 2036 and due date on June 1, 2047.

Series B CABs were issued for \$4,408 with an interest rate of 5.85%, final turbo redemption date on June 1, 2036 and due date of June 1, 2047. Series C CABs were issued for \$20,161 with an interest rate of 6.30%, final turbo redemption date on June 1, 2042 and due date of June 1, 2056. Series D CABs were issued for \$8,901 with an interest rate of 6.85%, final turbo redemption date on June 1, 2046 and due date of June 1, 2056.

On June 15, 2016, Fitch Ratings withdrew all ratings assigned to U.S. Tobacco Settlement Asset-Backed securities including the Authority's Tobacco Settlement Asset-Backed Bonds.

In the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Securitization debt, neither the JPA, the County, nor Corporation has any liability to make up any such shortfall.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(7) Long-Term Liabilities (Continued)**

***Direct Financing - 2016 Taxable New Clean Renewable Energy Bonds***

On October 22, 2015, in lieu of issuing \$33,000 of taxable New Clean Renewable Energy Bonds (NCREB) with a 15-year term to finance the acquisition and installation of six photovoltaic systems, the “renewable energy equipment,” that constitute “qualified renewable energy facilities” within the meaning of Section 54C of the Internal Revenue Code of 1986, the County sold and delivered to Banc of America Leasing & Capital, LLC, a Taxable NCREB Equipment Lease/Purchase Agreement. The aggregate principal component of rental payments total \$33,000, with a fixed interest rate of 3.87% and a final payment date of October 1, 2030. Interest payments total \$10,913, of which \$9,119 or 83.6% will be recouped from federal direct pay subsidies. Payments are paid from the County’s General Fund or other funds legally available for the agreement.

***Financing Authority***

The Financing Authority was formed in 1994 by a joint exercise of powers agreement between the County and the Santa Clara County Central Fire Protection District (Central Fire). The Financing Authority commenced operations in the County with the issuance of bonds pursuant to the Marks-Roos Local Bond Pooling Act of 1985. The County leases to, and then leases back from, the Financing Authority the projects financed along with the real property on which they are situated.

***2008 Series M Lease Revenue Bonds*** - On May 29, 2008, the Financing Authority issued \$143,105 of 2008 Series M Lease Revenue Bonds. The bond proceeds were used to refund the outstanding 2005 Series F and 2005 Series G Lease Revenue Bonds on June 4, 2008. The bonds initially bear variable interest based on the weekly interest rate as defined in the bond indenture and have a final maturity date of May 15, 2035.

The Financing Authority obtained an irrevocable letter of credit as a credit facility with Bank of America, N.A. The letter of credit is set to expire on August 13, 2021. Any unreimbursed draws made would convert to Bank Bonds with repayments made in accordance with the maturity schedule provided in the Trust Agreement and these Bank Bonds would bear interest at the Bank Rate which is up to 12% per annum. The Financing Authority is required to pay Bank of America, N.A. an annual commitment fee of 0.32% (0.35% before August 13, 2018) based on the outstanding principal amount of the bonds supported by the credit facility. For the year ended June 30, 2020, the Financing Authority paid an annual commitment fee in the amount of \$349.

## COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

### (7) Long-Term Liabilities (Continued)

#### **Interest Rate Swap Related to the 2008 Series M Lease Revenue Bonds**

In May 2005, the County through the Financing Authority issued 2005 Series F and 2005 Series G Lease Revenue Bonds (2005 Series F and G Bonds) in the amount of \$71,025 and \$71,025, respectively. The bonds were issued to provide funds for the Charcot Center, Valley Specialty Center and Morgan Hill Courthouse. In May 2008, the County through the Financing Authority issued lease revenue bonds 2008 Series M in the amount of \$143,105 to fully refund the 2005 Series F and G Bonds in the total amount of \$142,050. The difference of principal amount between the 2008 Series M Bonds and the refunded 2005 Series F and G Bonds in the amount of \$1,055 represents additional funding for the cost of issuance of 2008 Series M and was fully paid in fiscal year 2011. The payment schedule for the 2008 Series M starting fiscal year 2012 remains the same as the combined debt service schedule for the refunded 2005 Series F and G Bonds.

**Objective of the Interest Rate Swaps.** As a means to lower its borrowing costs, when compared with fixed-rate bonds at the time of issuance in May 2005, the Financing Authority entered into interest rate swap agreements with Citibank, N.A. (Citibank) in connection with its \$71,025 Series F and \$71,025 Series G variable rate lease revenue bonds. The intention of the swaps was to effectively change the Financing Authority's variable interest rates on the 2005 Series F and G Bonds to a synthetic fixed rate of 3.185%. The Financing Authority continued to hedge the 2008 Series M Bonds with the 2005 swap agreement.

**Significant Terms.** The bonds and related swap agreements both mature on May 15, 2035. The swaps' notional amount matches the outstanding principal amount of the 2008 Series M variable rate bonds. The swaps were entered into at the same time the 2005 Series F and G Bonds were issued in May 2005. Starting in fiscal year 2012, the notional value of the swaps declined as the principal amount of the associated debt began to be repaid. Under the swaps, the Financing Authority pays the counterparty a fixed payment of 3.185% and receives a variable payment computed as 56.5% of USD-LIBOR-BBA plus 0.33%.

**Fair Value.** The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the swaps. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. The fair value hierarchy of the interest rate swap is Level 2. Because interest rates have declined since the execution of the swaps, the swaps have a negative fair value of \$21,561 as of June 30, 2020.

## COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

### (7) Long-Term Liabilities (Continued)

**Credit Risk.** The aggregate fair value of the swaps represented the Financing Authority's credit exposure to the counterparties as of June 30, 2020. Should the counterparties fail to perform according to the terms of the swap contracts, the Financing Authority faces a maximum possible loss equivalent to the aggregate fair value of the swaps. At June 30, 2020, the Financing Authority was not exposed to credit risk because the swaps had a negative fair value of \$21,561. To mitigate the potential credit risk, the counterparties are required to post collateral, in the form of cash or federal government securities, if their credit ratings for long-term unsecured debt obligations fall below "A" by Moody's Investors Service or "A" by Standard and Poor's or Fitch Ratings. As of June 30, 2020, Citibank's ratings were Aa by Moody's, A by Standard and Poor's, and A by Fitch Ratings.

**Basis Risk.** The Financing Authority has chosen a variable index based on a percentage of LIBOR plus a spread, which historically has closely approximated the variable rates payable on the related bonds. However, the Financing Authority is subject to the risk that a change in the relationship between the LIBOR-based swap rate and the variable rates would cause a material mismatch between the two rates. Changes that cause the payments received from the counterparty to be insufficient to make the payments due on the associated bonds result in an increase in the synthetic interest rate on the bonds, while changes that cause the counterparty payments to exceed the payments due on the associated bonds result in a decrease in the synthetic interest rate on the bonds. As a result of changing basis between LIBOR and the rate on the Financing Authority's bonds during the course of the year, the synthetic fixed rate for the fiscal year ended June 30, 2020, was 2.826%.

**Termination Risk.** The Financing Authority or Citibank may terminate the swaps if the other party fails to perform under the terms of the contract. The swaps may be terminated by the Financing Authority if Citibank's credit rating of long-term, unsecured, unenhanced senior debt obligations is withdrawn, suspended or falls below "Baa1" as determined by Moody's Investors Service, or "BBB+" as determined by Standard and Poor's, or fail to have any rated long-term, unsecured, unenhanced senior debt obligations. The swaps may be terminated by Citibank if the County's rating of long-term, unsecured, unenhanced senior debt obligations or lease obligations of the County is withdrawn, suspended or falls below "Baa3" as determined by Moody's Investors Service, or "BBB-" as determined by Standard and Poor's, or the County fails to have any rated long-term, unsecured, unenhanced senior debt obligations or lease obligations.

**Counterparty Risk.** The Financing Authority is exposed to counterparty risk, which is related to credit and termination risk. The termination of the swaps may result in a payment to the counterparty. The Financing Authority may also be exposed to counterparty risk in a high interest rate environment in the event the counterparty is unable to perform its obligations on a swap transaction leaving the Financing Authority exposed to the variable rates on the associated debt.

**Interest Rate Risk.** The swaps are structured to reduce the County's exposure to interest rate risk.

**Rollover Risk.** The Financing Authority is not exposed to rollover risk as the swaps matched the terms of the 2008 Series M Bonds starting in fiscal year 2012.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
 June 30, 2020  
 (Dollars in thousands)

**(7) Long-Term Liabilities (Continued)**

**Swap Payments and Associated Debt Service Payments.** Using rates as of June 30, 2020, debt service requirements of the 2008 Series M bonds and net swap payments, assuming current interest rates remain the same for the term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Year Ending June 30,	Principal	Variable Interest <sup>(1)</sup>	Net Swap Interest <sup>(2)</sup>	Total Interest
2021	\$ 5,350	\$ 80	\$ 2,755	\$ 2,835
2022	5,500	76	2,608	2,684
2023	5,675	72	2,457	2,529
2024	5,875	67	2,300	2,367
2025	6,050	62	2,139	2,201
2026-2030	33,325	236	8,084	8,320
2031-2035	39,025	93	3,192	3,285
	<u>\$ 100,800</u>	<u>\$ 686</u>	<u>\$ 23,535</u>	<u>\$ 24,221</u>

<sup>(1)</sup> Variable interest on the 2008 Series M is estimated using interest rate on June 30, 2020 of 0.08%.

<sup>(2)</sup> Net swap interest on the 2008 Series M is estimated using USD-LIBOR-BBA rate on June 30, 2020 of 0.194%. Net swap interest on June 30, 2020, is calculated as follows: 3.185% minus (0.194% \* 56.5% + 0.33%) equals to 2.746%.

**Impact on Financial Statements.** The impact of the interest rate swaps on the financial statements for the year ended June 30, 2020, is as follows:

	Deferred outflows of resources	Derivative instrument liabilities
Balance at July 1, 2019	\$ 15,642	\$ 15,642
Change in fair value	5,919	5,919
Balance at June 30, 2020	<u>\$ 21,561</u>	<u>\$ 21,561</u>

Derivative instrument liabilities of \$21,561 as of June 30, 2020 represent the fair value of the interest rate swap agreements and deferred outflows on resources of \$21,561 as of June 30, 2020 represent accumulated decreases in fair value of hedging derivatives.

**2011 Series A & B Qualified Energy Conservation Bonds** – On February 10, 2011 the County through the Financing Authority, issued the taxable 2011 Series A Lease Revenue Bonds, Qualified Energy Conservation Bonds (QECB), in the amount of \$20,368 pursuant to an allocation to the County by the California Debt Limit Allocation Committee. On October 27, 2011, the Financing Authority issued another series of QECB, 2011 Series B Lease Revenue Bonds, in the amount of \$3,639. Series A was to finance acquisition, installation, implementation and construction of solar electric generation systems on four County sites, cost of issuance and related fees and expenses. Series B was to fund lighting upgrades and lighting controls with energy efficient systems. Both series will mature on February 1, 2026.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(7) Long-Term Liabilities (Continued)**

QECCBs are a form of taxable lease revenue bonds which receive a direct subsidy payment from the Federal government to help offset the cost of the borrowing. The subsidy is intended to promote qualified energy projects. The federal subsidy equates to approximately 70% of the interest cost of the financing. Effective March 1, 2013, due to sequester reductions, the federal interest subsidy was reduced. From October 1, 2018 to September 30, 2019, the sequestration rate was 6.2%. From October 1, 2019 to September 30, 2020, the sequestration rate was 5.9%. Absent of Congressional action, the sequester reductions will continue through and including federal fiscal year ended September 30, 2021. The sequester reduction percentage will vary between future years.

Debt service payments for the QECCBs are serviced by the General Fund. The actual savings will depend on the actual reduction in future utility costs as a result of the solar panel and energy efficient system projects.

**2012 Series A Lease Revenue Bonds** - On August 8, 2012, the Financing Authority issued \$86,920 of 2012 Series A Lease Revenue Bonds on behalf of the County and SCVMC. The bonds were issued to provide funds to finance various public capital improvements and projects related to the Santa Clara Valley Health and Hospital System Enterprise Core Health Care Information System. The 2012 Series A Lease Revenue Bonds bear fixed interest rates ranging from 4.00% to 5.00% and have a final maturity date of February 1, 2024. Based on the usage of the bond proceeds, 22.2% and 77.8% of the bonds allocated to the governmental activities and SCVMC, respectively.

**2014 Series O Lease Revenue Bonds** - On April 22, 2014, the Financing Authority issued \$11,715 of 2014 Series O Lease Revenue Bonds. The bond proceeds include premiums of \$909 and County contributions of \$1,408, of which \$1,090 was deposited into the refunding escrow that were used to current refund the outstanding 2003 Series C Lease Revenue Bonds. The bonds bear fixed interest rates ranging from 3.00% to 4.00% and have a final maturity date of May 15, 2023.

**2015 Series P Lease Revenue Bonds** - On June 3, 2015, the Financing Authority issued \$102,435 of 2015 Series P Lease Revenue Bonds. The bond proceeds including part of the bond premium received from the issuance totaled to \$117,941 was deposited into the refunding escrow to advance refund the outstanding 2006 Series I Lease Revenue Bonds of \$113,140. The bonds bear fixed interest rates of 5.00% and have a final maturity date of May 15, 2031.

**2016 Series Q Lease Revenue Bonds** - On June 8, 2016, the Financing Authority issued \$168,345 of 2016 Series Q Lease Revenue Bonds. The bond proceeds including part of the bond premium received from the issuance totaled \$192,789 and were deposited into the refunding escrow to advance refund the outstanding 2007 Series K and 2008 Series L Lease Revenue Bonds of \$78,965 and \$101,890, respectively. The bonds bear fixed interest rates ranging from 2.25% to 5.00% and have a final maturity date of May 15, 2037.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

(7) Long-Term Liabilities (Continued)

**2016 Series A Lease Revenue Bonds** - On September 20, 2016, the Financing Authority issued \$41,810 of 2016 Series A Lease Revenue Bonds. The bond proceeds, including bond premium of \$9,470 received from the issuance, and funds held by the Financing Authority of \$220, totaled to \$51,500, were deposited into the refunding escrow to fully refund the 1994 Series B Lease Revenue Bonds of \$51,500. The bonds bear fixed interest rates of 3.00% to 5.00% and have a final maturity date of November 15, 2025.

**2018 Series A Refunding Lease Revenue Bonds** - On August 21, 2018, the Financing Authority issued \$55,090 of 2018 Series A Refunding Lease Revenue Bonds. The bond proceeds, including part of the bond premium received from the issuance, and County contributions of \$13,649, totaled to \$74,016 and was deposited into the refunding escrow to pre-fund the outstanding principal of \$13,170 due on November 15, 2018 and fully refund the remaining 2008 Series A Lease Revenue Bonds of \$59,420. The bonds bear fixed interest rates of 5.00% with a final maturity date of November 15, 2022.

**2018 Series A Lease Revenue Bonds** - On September 26, 2018, the Financing Authority issued \$164,355 of 2018 Series A County Facilities Lease Revenue Bonds. The bond proceeds were used to finance the acquisition of four buildings for the Champion Point Campus. The bonds bear fixed interest rates ranging from 3.00% to 5.00% and have a final maturity date of April 1, 2044.

**2019 Series A & Series A-Taxable Lease Revenue Bonds** - On June 27, 2019, the Financing Authority issued \$261,100 and \$16,080, respectively, of 2019 Series A and Series A-Taxable County Facilities Lease Revenue Bonds. The bond proceeds were used to 1) finance the acquisition of all or a portion of (a) O'Connor Hospital in San Jose, California, and related interests and facilities, (b) Saint Louise Regional Hospital in Gilroy, California, and (c) De Paul Health Center in Morgan Hill, California, and related facilities (collectively, Acquired Healthcare Facilities), and 2) to finance the costs of certain capital improvements to, and equipping of, the Acquired Healthcare Facilities and SCVMC. The 2019 Series A Bonds bear fixed interest rates ranging from 3.00% to 5.00% and have a final maturity date of May 1, 2049. The 2019 Series A-Taxable Bonds bear fixed interest rates ranging from 2.00% to 2.10% and have a final maturity date of May 1, 2022.

**2020 Series A Lease Revenue Bonds** - On June 25, 2020, the Financing Authority issued \$29,585 of 2020 Series A Fire District Facilities Lease Revenue Bonds on behalf of Central Fire. The bond proceeds, including bond premium received from the issuance, totaled to \$31,657 and were used to finance the acquisition, capital improvement and equipping of a headquarters building for the Central Fire. The bonds bear fixed interest rates ranging from 2.00% to 5.00% and have a final maturity date of May 1, 2050.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(7) Long-Term Liabilities (Continued)**

**(b) Business-type Activities**

**SCVMC - Financing Authority**

The Governmental Activities section of this note at (a) describes the business-type activities portions of the Financing Authority's Lease Revenue Bonds.

**Airport**

On July 1, 2002, the Association of Bay Area Governments (ABAG) issued Series 2002-1 Lease Revenue Bonds, in the amount of \$13,370. These bonds were issued to finance or refinance certain capital improvements within their geographical boundaries. On June 4, 2002, the County Board approved a resolution to enter into a lease agreement with ABAG for \$6,780 of this debt via a lease/leaseback arrangement of one or more properties to ABAG. The proceeds of the debt provided financing for the acquisition, construction, and renovation of certain capital improvements at the County's airports.

**(c) Events of Default and Acceleration Clauses**

General, the County is considered to be in default for nonpayment by the County of the interest on and principal of or redemption premium, if any, on any bonds when due and payable. In the event of the occurrence and continuance of an event of default, the trustee may, upon the written request of the bondholders of not less than a majority in aggregate principal amount or accreted value of the outstanding bonds shall, declare the principal and accreted value of and interest on all outstanding bonds to be due and payable immediately.

**(d) Repayment Requirements**

As of June 30, 2020, the debt service requirements to maturity and the fund types from which principal payments will be made are as follows, excluding capital lease obligations, accrued litigation liability, insurance claims liabilities, pollution remediation obligations, and accrued vacation and sick leave.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
June 30, 2020  
(Dollars in thousands)

**(7) Long-Term Liabilities (Continued)**

**Governmental Activities**

Fiscal year ending June 30	Lease Revenue Bonds (1)		Tobacco Securitization Asset-Backed Bonds		General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 42,608	\$ 32,305	\$ -	\$ -	\$ 68,770	\$ 33,370
2022	44,322	30,709	-	-	16,225	32,056
2023	46,262	28,898	-	-	17,975	31,233
2024	46,411	26,942	-	-	19,830	30,321
2025	46,272	24,905	-	-	21,750	29,315
2026-2030	191,086	100,777	-	-	141,575	127,968
2031-2035	206,835	66,139	-	-	204,265	91,080
2036-2040	117,475	38,726	43,604	178,571	275,980	47,958
2041-2045	104,125	20,750	11,339	66,321	95,685	11,643
2046-2050	62,900	4,969	18,025	158,675	19,400	1,059
2051-2055	-	-	-	-	-	-
2056	-	-	29,062	648,788	-	-
<b>Total</b>	<b>\$ 908,296</b>	<b>\$ 375,120</b>	<b>\$ 102,030</b>	<b>\$ 1,052,355</b>	<b>\$ 881,455</b>	<b>\$ 436,003</b>

Fiscal year ending June 30	Taxable Pension Funding Bonds		Direct Financing - New Clean Renewable Energy Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 5,597	\$ 24,002	\$ 2,305	\$ 968
2022	5,761	24,984	2,319	879
2023	5,897	26,028	2,334	789
2024	6,008	27,136	2,349	698
2025	6,079	28,326	2,364	607
2026-2030	46,435	145,937	12,047	1,647
2031-2035	172,896	57,675	2,456	48
2036-2037	98,325	6,044	-	-
<b>Total</b>	<b>\$ 346,998</b>	<b>\$ 340,132</b>	<b>\$ 26,174</b>	<b>\$ 5,636</b>

(1) Variable interest on the 2008 Series M Lease Revenue Bonds was estimated using interest rate on June 30, 2020 of 0.08%.

Taxable Pension Funding Bonds are serviced by future charges to County departments. Accrued litigation liability, pollution remediation obligations, insurance claims liabilities, and accrued vacation and sick leave are typically liquidated by the General Fund. Governmental activities' share of net pension liability (Note 10) and net OPEB liability (Note 11) are typically liquidated by the General Fund and the Nonmajor Governmental Fire Districts Special Revenue Fund.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(7) Long-Term Liabilities (Continued)**

**Business-type Activities**

Fiscal year ending June 30:	SCVMC		Airport	
	Lease Revenue Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 6,654	\$ 1,281	\$ 200	\$ 171
2022	6,989	948	210	161
2023	7,338	599	220	150
2024	7,630	305	230	139
2025	-	-	240	127
2026-2030	-	-	1,400	437
2031-2033	-	-	1,020	78
<b>Total</b>	<b>\$ 28,611</b>	<b>\$ 3,133</b>	<b>\$ 3,520</b>	<b>\$ 1,263</b>

**(e) Pledged Revenues for Bonds**

The lease revenue bonds issued by the Financing Authority are payable by a pledge of revenues from the base rental payments payable by the County and SCVMC and Central Fire, pursuant to the Master Facility Lease Agreements between the County and the Financing Authority for the use of facilities acquired or constructed by the Financing Authority. Under California law, the County, SCVMC, and Central Fire cannot make lease payments until the County, SCVMC, and Central Fire have constructive use or occupancy of the property being financed. Once construction is completed, the leases act like direct financing leases with lease payments equal to debt service payments. Total debt service requirements remaining on the lease revenue bonds is \$1,315,160 payable through May 1, 2050. For the fiscal year ended June 30, 2020, the total lease payments made by the County, SCVMC, and Central Fire totaled to \$85,247 and total debt service payments paid by the Financing Authority totaled to \$84,279.

The County's Series 2007 Tobacco Settlement Asset-Backed Bonds are secured by the pledge of future tobacco settlement revenues made by participating cigarette manufacturers to the County. Tobacco settlement revenues due to the County on and after January 1, 2026 have been pledged until June 1, 2056, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately \$1,154,385. The County received \$17,523 in tobacco settlement revenues for the bonds and did not make any debt service payments on these bonds during the fiscal year ended June 30, 2020.

The County's General Obligation Bonds are payable from pledged ad valorem property taxes until August 1, 2043, the final maturity dates of the bonds. The total principal and interest remaining on these bonds is approximately \$1,110,718. For the fiscal year ended June 30, 2020, the County collected \$42,447 in ad valorem property taxes made total debt service payments in the amount of \$41,937 using taxes collected in current and previous years.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
June 30, 2020  
(Dollars in thousands)

**(7) Long-Term Liabilities (Continued)**

The County’s Housing General Obligation Bonds are payable from pledged ad valorem property taxes until August 1, 2047, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately \$206,740. For the fiscal year ended June 30, 2020, the County collected \$57,725 in ad valorem property taxes and made total debt service payments in the amount of \$58,955.

The Airport’s lease revenue bonds are secured by the pledge of revenues generated by the Airport and paid to ABAG as lease payments. The leases act like direct financing leases with lease payments received by ABAG equal to debt service payments made by the Airport. These revenues have been pledged until July 1, 2032, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately \$4,783. For the fiscal year ended June 30, 2020, the total principal and interest payment made by the Airport totaled to \$371.

**(f) Legal Debt Margin**

As of June 30, 2020, the County’s legal debt limit (1.25% of the total assessed valuation) was \$6.45 billion. At June 30, 2020, the County has debt in the amount of \$0.88 billion applicable to the limit outstanding and the legal debt margin was \$5.56 billion.

**(g) FIRST 5 Long-term Obligations**

FIRST 5 secured a \$1,103 loan under the Payroll Protection Program to secure payroll expenses for otherwise furloughed employees impacted by government imposed shelter in place orders.

The debt service requirements to maturity for the FIRST 5’s notes payable are as follows:

Fiscal year ending June 30:	Principal	Interest
2021	\$ 427	\$ 11
2022	676	6
Total	<u>\$ 1,103</u>	<u>\$ 17</u>

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(7) Long-Term Liabilities (Continued)**

**(h) Housing Authority Long-term Obligations**

Outstanding notes, loans, and bonds payable for the Housing Authority consisted of the following:

<u>Type of indebtedness (purpose)</u>	<u>Maturity</u>	<u>Rates</u>	<u>Installments</u>	<u>Amount</u>	<u>June 30, 2020</u>
Business-type activities - notes payable:					
City of San Jose (Morrone Gardens)	9/23/2024	4.00%	Deferred until Maturity	\$ 973	\$ 973
Other blended component unit notes, loans and bonds payable (as of December 31, 2019)					
AE Associates, Ltd.					4,427
Bascom HACSC Associates					12,005
Blossom River Associates, LP					10,504
HACSC/Choices Family Associates					14,920
HACSC/Choices Senior Associates					10,580
Helzer Associates, LP					13,908
Klamath Associates, LP					1,021
Poco Way HDC, Inc.					14,500
Rotary Plaza/HACSC HDC, Inc.					1,060
San Pedro Gardens Ltd					1,540
S.P.G. Housing, Inc.					1,835
Subtotal					<u>86,300</u>
Discrete component units (as of December 31, 2019):					
Bendorf Drive, L.P.					14,925
Branham Lane					732
Clarendon Street, L.P.					5,061
Fairground Luxury Family Apartments, L.P.					38,701
Fairground Senior Apartments, L.P.					18,295
Hermocilla LLC					1,316
Huff Avenue Associates					3,029
Julian Street Partners, L.P.					11,043
Laurel Grove Lane, L.P.					27,211
McCreery Avenue, L.P.					13,883
Park Avenue Seniors, L.P.					39,030
Rincon Gardens Associates, L.P.					12,415
South Drive LLC					2,268
Willow/HACSC Associates					3,508
Subtotal					<u>191,417</u>
Total Housing Authority					<u>\$ 278,690</u>

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
 June 30, 2020  
 (Dollars in thousands)

**(7) Long-Term Liabilities (Continued)**

The debt service requirements to maturity for the Housing Authority’s business-type activity’s notes payable are as follows:

Fiscal year ending June 30:	Principal	Interest
2021	\$ 20	\$ 39
2022	-	39
2023	-	39
2024	-	39
2025	953	9
Total	<u>\$ 973</u>	<u>\$ 165</u>

A copy of each of the Housing Authority’s blended and discretely presented component units’ separately issued audited financial statements can be obtained from the Housing Authority’s management.

**(8) Healthcare Programs**

**(a) Santa Clara Valley Medical Center**

**Net Patient Revenues** - The SCVMC provides a continuum of acute and outpatient care. The SCVMC grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered at the SCVMC, including estimated retroactive adjustments under reimbursement agreements due to future audits, reviews and investigations with federal and State government programs and other third-party payers (contractual allowances) and the uncollectible portion of patient service revenues (bad debts provision). Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Net patient service revenues are calculated for the fiscal year ended June 30, 2020, as follows:

Patient service revenues	\$ 5,983,343
Contractual allowances	(3,959,749)
Bad debts provision	<u>(17,130)</u>
Net patient service revenues	<u>\$ 2,006,464</u>

A substantial portion of the SCVMC’s patient service revenues are derived from services provided to patients eligible for benefits under the Medi-Cal and Medicare programs. Revenues from the Medi-Cal and Medicare programs represents approximately 65% and 18%, respectively, of net patient service revenue (excluding the effects of bad debts provision) for the fiscal year ended June 30, 2020. Reimbursement for services provided under these programs is currently based on various contractual arrangements.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(8) Healthcare Programs (Continued)**

**Third-Party Payers** - The SCVMC has agreements with third-party payers that provide for reimbursement to the SCVMC at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the SCVMC's established rates and amounts reimbursed by third-party payers. Major third-party payers with whom such agreements have been established are Medicare, Medi-Cal, and the State of California through the Medi-Cal Hospital/Section 1115 Medicaid Waiver and Short-Doyle mental health programs. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. The SCVMC believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigation involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

California's Section 1115 Medicaid Waiver (Waiver), titled the "Bridge to Health Care Reform" began in November 2010. The Waiver is intended to help sustain the State's Medicaid Program (known as Medi-Cal), test new innovations to help improve care and reduce costs, and to support the safety net in advance of health reform. Under the Waiver, payments for public hospitals are comprised of: 1) fee-for-service cost-based reimbursements for inpatient hospital services; 2) Disproportionate Share Hospital payments; 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP); 4) Delivery System Reform Incentive Program (DSRIP); and 5) the Low Income Health Program (LIHP). The non-federal share of these payments will be provided by the public hospitals, primarily through certified public expenditures, whereby the hospital would expend its local funding for services to draw down the federal financial participation.

The Bridge to Health Care Reform waiver expired October 31, 2015. On December 30, 2015, the Centers for Medicare and Medicaid Services (CMS) approved Medi-Cal 2020, a five-year renewal of California's Section 1115 Medicaid Waiver, which provides California public hospitals new federal funding through programs that are designed to shift the focus away from hospital-based and inpatient care, towards outpatient, primary and preventative care. A renewal of California's Medicaid Waiver was a fundamental component to public hospitals' ability to continue to successfully implement the Affordable Care Act (ACA) beyond the primary step of coverage expansion.

The Medi-Cal 2020 waiver features four new programs: (1) a pay-for-performance delivery system transformation and alignment program that is considered the successor to the 2010 Bridge to Reform waiver's DSRIP, known as PRIME (Public Hospital Redesign and Incentives in Medi-Cal); (2) Global Payment Program (GPP) for services to the uninsured in designated public hospital systems; (3) Whole Person Care Pilot Program which would be a county-based, voluntary program to target providing more integrated care for high-risk, vulnerable populations; and (4) Dental Transformation Incentive Program, an optional incentive program to increase the frequency and quality of dental care provided to children.

## COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

### (8) Healthcare Programs (Continued)

Payments received under Medi-Cal 2020 Waiver's GPP are utilization based and not dependent on Certified Public Expenditures (CPEs). However, GPP claims are subject to State and federal audit and final reconciliation. SCVMC has established reserves for the uncertainty of future financial impact of potential audit and reconciliation adjustments. Revenues recognized under PRIME, GPP, and Whole Person Care Pilot Program were approximately \$49.6 million, \$148.0 million, and \$25.7 million, respectively, for the fiscal year ended June 30, 2020.

CMS's Medicaid Managed Care Rule, which became effective on July 1, 2017, places restrictions on how healthcare providers may receive supplemental payments in the Medicaid Managed Care context. The rule limits the ability of states to direct payments to healthcare providers unless certain conditions are met. Among the exceptions are payments tied to performance and payments that provide a pre-determined increase over contracted managed care rates. The Quality Incentive Program (QIP) and Enhanced Payment Program (EPP) were approved by CMS to replace programs that were eliminated as a result of the Medicaid Managed Care Rule.

Under QIP, payments are tied to the achievement of performance on a set of clinically established quality measures for Medi-Cal Managed Care enrollees. The program takes a pooled distribution approach with the other public hospitals, with a reconciliation at the end of the program year. Under EPP, a funding pool is created that will be used to supplement the base rates receive through Medi-Cal Managed Care contracts. Initial estimates were based on historical data, and final payment will be determined using actual fiscal year data reported to the State. For the fiscal year ended June 30, 2020, SCVMC recognized approximately \$38.6 million and \$252.7 million in revenues under QIP and EPP, respectively, of which \$2.6 million and \$75.0 million, respectively, were true-up revenues for the prior years.

Qualified providers of health care, services, and support may receive Provider Relief Fund (PRF) payments for healthcare-related expenses or lost revenues due to COVID-19. For the fiscal year ended June 30, 2020, SCVMC received and recognized approximately \$100.3 million in PRF revenue. The SCVMC will have to submit reports documenting lost revenues and expenses incurred to support the federal grant funds, among other terms and conditions. On September 19, 2020 and October 22, 2020, the U.S. Department of Health and Human Services released updated information for health care providers that received PRF payments, which may impact revenue recognition for the purpose of substantiating lost revenues and expenses incurred during the reporting period.

**Transactions with VHP** - The SCVMC received a total of \$265.0 million in fiscal year 2020 from VHP and is reported as a component of net patient service revenues on the Statement of Revenues, Expenses and Changes in Net Position.

**Due from Other Governmental Agencies** - As of June 30, 2020, the SCVMC recorded approximately \$597.3 million in due from other governmental agencies, which was mainly comprised of receivable of \$343.2 million, \$74.6 million, and \$43.5 million for the EPP, QIP, and GPP programs, respectively.

**Due to Other Governmental Agencies** - As of June 30, 2020, the SCVMC recorded approximately \$128.4 million in due to other governmental agencies, which was mainly comprised of \$109.4 million in unearned credits related to receipts under SNCP and AB915 programs and \$19.0 million related to receipts under the SB1732 program.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)  
June 30, 2020  
(Dollars in thousands)

**(8) Healthcare Programs (Continued)**

**Unearned Revenues** – During the year ended June 30, 2020, the SCVMC received advance payments of \$105.8 million related to the Accelerated and Advance Payment Program, which is expected to be recognized as revenues in future years.

**Charity Care** - The SCVMC has a policy for providing charity care to patients who are otherwise unable to afford health care services. Generally, charity care recipients are those patients for which an indigency standard has been established and for which the patient qualifies. Inability to pay may be determined through an interview process by the SCVMC, by the Department of Revenue, or by an outside collection agency. Determination of charity care status may be made prior to or at the time of service, or any time thereafter.

The total amount of such charity care provided by the SCVMC for the fiscal year ended June 30, 2020, based on the cost incurred to perform these services, is as follows:

Charity care, at cost	\$	56,280
Percentage of operating expenses		2%

Charity care at cost is calculated excluding the impact of other revenue received listed above.

**(b) Valley Health Plan**

**Commercial Plan** - The Valley Health Plan (VHP) is a health care service plan licensed pursuant to the Knox-Keene Health Care Service Plan Act of 1975, as amended, and the regulations promulgated there under (collectively, “Knox-Keene Act”). VHP was licensed in September 1985 for the purpose of providing comprehensive health care services on a prepaid basis to the County’s active and retired employees, the Santa Clara County Valley Transportation Authority’s active and retired employees, and other non-profit agencies which have a contractual relationship with the County. Two other groups – the Council on Aging and the In-Home Supportive Services started their coverage in July 2000 and September 2000, respectively. Under the Affordable Care Act, Valley Health Plan started to enroll members through the State (Covered California) beginning January 1, 2014.

**Premium Revenues** - Membership contracts are on a yearly basis subject to cancellation by the employer group or VHP upon 30 days written notice. Premiums are due either bi-weekly or monthly and are recognized as revenue during the period in which VHP is obligated to provide services to members. VHP receives both premium payments from Covered California individuals and subsidies from the federal government on a monthly basis.

**Health Care Service Expense** - Prior to July 1, 2013, VHP contracted with the SCVMC under a capitation arrangement for the provision of certain medical care services to its members. VHP compensates the SCVMC through this capitation agreement which was an agreed upon percentage of the total premiums. This arrangement subjected the SCVMC to the full risk of all contracted providers. Beginning July 1, 2013, VHP’s capitation agreement with the SCVMC only includes payments to SCVMC less the projected payments to other medical groups for the provision of certain medical care services to its member. These other provider groups are paid for services directly from VHP, therefore the risk shifts from the SCVMC to VHP. VHP compensates the SCVMC an agreed upon per member per month rate, while other medical

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(8) Healthcare Programs (Continued)**

groups are reimbursed on a fee-for service basis. Thus, both VHP and SCVMC share the risk for all incurred but not reported claims and thus, the liabilities are recorded in each fund accordingly. Effective July 1, 2014, VHP assumes all the risk for the Commercial Group population. In addition, VHP assumes all the risk for the Covered California population.

**Medi-Cal Managed Care Plan** - In December 1996, VHP received approval to participate in the State Department of Health Services' Two-Plan Model for Medi-Cal managed care. VHP contracts with Medi-Cal prepaid health plans and providers to render medical services to eligible Medi-Cal beneficiaries. Beginning on July 1, 1998, VHP also provides coverage for the Healthy Families Program. As of February 2001, the County-Sponsored program, Healthy Kids, started its coverage with VHP. In addition, the plan started to provide coverage for Healthy Workers subscribers (IHSS) in April 2010.

*Capitation Revenue* - Medi-Cal prepaid health plans (HMOs) contract with VHP to provide medical health care services to Medi-Cal enrollees. VHP is compensated on a fixed payment per member per month.

*Capitation Expenses* - VHP pays hospitals and various clinics a fixed amount per member per month to render medical health care services to its members. VHP pays all federally qualified health clinics on a fee-for-service basis for primary care services rendered to its Medi-Cal members.

*Medical Incentive Pool* - Under contract, VHP will reserve an agreed upon amount per member per month for each pool based on aid category. Eligibility for annual payment of pro rata shares of the reserve pools will be based on participating clinics meeting VHP designated target goals.

**Stop-Loss Insurance** - VHP entered into a stop-loss insurance agreement with an insurance company to limit losses on individual claims for its commercial members. Under the terms of this agreement, the insurance company will reimburse approximately 90 percent of the cost of each member's annual hospital services, in excess of a \$375 deductible, up to a maximum of \$2,000 less applicable deductible per member per contract year.

**Malpractice Claims** - There have been no malpractice claims asserted against VHP and no incidents occurring through June 30, 2020 that management believes would result in the assertion of claims against VHP.

**(9) Net Position/Fund Balances**

**(a) Net Position Classifications**

The government-wide and proprietary funds financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

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

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

(9) Net Position/Fund Balances (Continued)

**Restricted Net Position** - This category consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted net position includes restrictions for parks, mental health, capital facilities, debt service, housing programs, roads, library, and other purposes.

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

(b) Fund Balances Classifications

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily to the extent which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances for government funds are comprised of the following:

**Nonspendable Fund Balance** - This category represents amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

**Restricted Fund Balance** - This category represents amounts that can be spent only for specific purposes stipulated by external parties, constitutionally or through enabling legislation.

**Committed Fund Balance** - This category represents amounts that can only be used for the specific purposes determined by a formal action of the County’s highest level of decision-making authority. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally. The Board is the County’s highest level of decision making. The highest level of formal action to commit resources is the passage of ordinances.

**Assigned Fund Balance** - This category represents amounts intended to be used by the County for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the Board, (b) standing committees of the Board, or (c) the Director of Finance. Assignments are established by the Board through resolutions and delegation to the Director of Finance to set aside amounts to cover purchase orders, contracts, and other commitments for the expenditures of monies for budgetary purposes.

**Unassigned Fund Balance** - This category represents the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
 June 30, 2020  
 (Dollars in thousands)

**(9) Net Position/Fund Balances (Continued)**

Fund balances for the governmental funds as of June 30, 2020, were distributed as follows:

	General Fund	General Capital Improvement Fund	Nonmajor Funds	Total
<b>Nonspendable:</b>				
Inventory	\$ 2,464	\$ -	\$ 686	\$ 3,150
Advances to other fund	20,360	-	-	20,360
Other assets	4,329	-	-	4,329
Subtotal	<u>27,153</u>	<u>-</u>	<u>686</u>	<u>27,839</u>
<b>Restricted for:</b>				
Child support programs	-	-	1,984	1,984
Clerk recorder programs	-	-	12,064	12,064
Debt service	-	-	154,067	154,067
Health and human services	116,060	-	-	116,060
Housing and community development programs	-	-	38,104	38,104
Law enforcement	80,687	-	-	80,687
Library services	-	-	59,341	59,341
Mental health services	-	-	96,627	96,627
Parks acquisition and development projects	-	-	348,562	348,562
Public ways and facilities	-	-	15,995	15,995
Stanford trails	-	-	11,064	11,064
Vector control programs	-	-	10,081	10,081
Other purposes	25,099	-	5,550	30,649
Total restricted	<u>221,846</u>	<u>-</u>	<u>753,439</u>	<u>975,285</u>
<b>Committed to:</b>				
County parks operations	-	-	42,435	42,435
Environmental health services	-	-	20,033	20,033
Fire protection services	-	-	28,500	28,500
General capital improvement projects	-	474,962	-	474,962
Public ways and facilities	-	-	484	484
Working capital	60,217	-	-	60,217
Education	11,814	-	-	11,814
Other purposes	19,150	-	558	19,708
Total committed	<u>91,181</u>	<u>474,962</u>	<u>92,010</u>	<u>658,153</u>
<b>Assigned to:</b>				
Fire protection services	-	-	74,624	74,624
General liability	8,233	-	-	8,233
Capital outlay	93,343	-	-	93,343
Other purposes	15,723	-	-	15,723
Total assigned	<u>117,299</u>	<u>-</u>	<u>74,624</u>	<u>191,923</u>
<b>Unassigned</b>				
Total	<u>\$ 1,065,461</u>	<u>\$ 474,962</u>	<u>\$ 891,743</u>	<u>\$ 2,432,166</u>

**County's Contingency Reserve Policy.** The Board adopted a contingency reserve policy that set the reserve at 5 percent of the General Fund's revenues, net of pass-through. The contingency reserve can be used to support costs on a one-time basis for unanticipated and unforeseen events as stated in the policy or to support ongoing costs as a financing mechanism, when presented with critical program initiatives that have a time requirement that cannot be deferred. As of June 30, 2020, the County has a balance in its contingency reserve in the amount of \$116,400 reported as part of the General Fund's unassigned fund balance.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(10) Pension Plans**

*(a) California Public Employees' Retirement System – Defined Benefit Plans*

**Plan Description**

All qualified permanent and probationary employees are eligible to participate in the County's CalPERS defined benefit pension plans. The County participates in six plans with CalPERS as follows:

CalPERS Plan	Type of Plan	Participants
County Miscellaneous Plan	Agent multi-employer plan	County non-safety members <sup>(1)</sup>
County Safety Plan	Agent multi-employer plan	County safety members
Central Fire Miscellaneous Plan	Cost sharing plan	Central Fire non-safety members
Central Fire Safety Plan	Agent multi-employer plan	Central Fire safety members
Housing Authority Miscellaneous Plan	Agent multi-employer plan	Housing Authority members
Health Authority Miscellaneous Plan	Cost sharing plan	Health Authority members

<sup>(1)</sup> Includes non-Judge employees and retirees of the Superior Court of California. The Superior Court of California is not part of the County's reporting entity as such the amounts disclosed for the County Miscellaneous Plan excludes amounts and allocations to the Superior Court of California. At June 30, 2020, the County's proportionate share of this plan is 96.54%.

CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. Benefit provisions and other requirements are established by State statute, employer contract with CalPERS and by 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 at [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Benefits**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are equal to the product of a benefit multiplier, the employee's retirement age and final compensation. The cost of living adjustments for the CalPERS plans are applied as specified by the Public Employees' Retirement Law. The California Public Employees' Pension Reform Act (PEPRA), which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. As such members who established CalPERS membership on or after January 1, 2013 are known as "PEPRA" members.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
June 30, 2020  
(Dollars in thousands)

**(10) Pension Plans (Continued)**

The CalPERS' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<b>County Miscellaneous Plan</b>		<b>County Safety Plan</b>	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 55, 2.5% @55	2% @ 62	2% @ 50, 3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	55-60	62	50	57
Required employee contribution rates	8.00%	6.75%	9.00%	11.25%
Required employer contribution rates	23.517%	23.517%	45.792%	45.792%

	<b>Central Fire Miscellaneous Plan</b>		<b>Central Fire Safety Plan</b>	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2.7% @ 55	2% @ 62	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	62	50	57
Required employee contribution rates	8.00%	7.25%	9.00%	10.25%
Required employer contribution rates	36.106%	8.246%	52.246%	52.246%

	<b>Housing Authority Miscellaneous Plan</b>		<b>Health Authority Miscellaneous Plan</b>	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 55	2% @ 62	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-55	62-67	55	62
Required employee contribution rates	7.00%	6.25%	7.00%	7.00%
Required employer contribution rates	8.584%	8.584%	8.00%	8.00%

**Employees Covered**

The following employees were covered by the benefit terms for each agent multi-employer plan as of June 30, 2019 the most recent information available:

	<b>County</b>		<b>Central Fire</b>	<b>Housing Authority</b>
	Miscellaneous Plan <sup>(1)</sup>	Safety Plan	Safety Plan	Miscellaneous Plan
Inactive employees or beneficiaries currently receiving benefits	13,702	2,522	450	78
Inactive employees entitled to but not yet receiving benefits	7,794	509	61	146
Active employees	17,446	2,046	235	139
<b>Total</b>	<b>38,942</b>	<b>5,077</b>	<b>746</b>	<b>363</b>

<sup>(1)</sup> Includes employees and retirees of the Superior Court of California.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
 June 30, 2020  
 (Dollars in thousands)

**(10) Pension Plans (Continued)**

**Contributions**

For the year ended June 30, 2020, the County’s actuarial determined contributions were as follows:

County Miscellaneous Plan	\$ 370,092
County Safety Plan	108,640
Central Fire Miscellaneous Plan	1,819
Central Fire Safety Plan	<u>19,569</u>
Total primary government	500,120
Housing Authority Miscellaneous Plan	1,145
Health Authority Miscellaneous Plan	<u>2,058</u>
Total County	<u><u>\$ 503,323</u></u>

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Public Employees Retirement Fund (PERF) 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 public employees during the year, with an additional amount to finance any unfunded accrued liability.

**Net Pension Liability (Asset)**

The table below shows how the net pension liability (asset) as of June 30, 2020, is distributed.

	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Governmental activities	\$ -	\$ 2,888,344
Business-type activities	-	<u>1,481,649</u>
Total primary government	-	4,369,993
Housing Authority	13,950	-
Health Authority	<u>1,017</u>	-
Total	<u><u>\$ 14,967</u></u>	<u><u>\$ 4,369,993</u></u>

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
 June 30, 2020  
 (Dollars in thousands)

**(10) Pension Plans (Continued)**

As of June 30, 2020, the County’s net pension liability (asset) is comprised of the following:

	<b>Proportionate Share</b>	<b>Share of Net Pension Liability (Asset)</b>
County Miscellaneous Plan.....	96.54%	\$ 3,200,681
County Safety Plan.....	n/a	976,792
Central Fire Miscellaneous Plan.....	0.16%	16,119
Central Fire Safety Plan.....	n/a	<u>176,401</u>
Total primary government		4,369,993
Housing Authority Miscellaneous Plan.....	n/a	(13,950)
Health Authority Miscellaneous Plan.....	-0.01%	<u>(1,017)</u>
Total County		<u>\$ 4,355,026</u>

The County’s net pension liability for the Central Fire miscellaneous plan (a cost-sharing plan) is measured as a proportionate share of the plan’s net pension liability. The County’s net pension liability of each of its plans is measured as of June 30, 2019, and the total pension liability for each of its plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. The County’s proportions of the net pension liability for the CalPERS plans were actuarially determined as of the valuation date.

The following table shows the proportionate share of the risk pool collective net pension liability over the measurement period.

	<b>Central Fire Miscellaneous Plan</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability (Asset)</b>
Balance at June 30, 2018 (MD).....	\$ 55,525	\$ 40,319	\$ 15,206
Net changes during measurement period.....	<u>3,589</u>	<u>2,676</u>	<u>913</u>
Balance at June 30, 2019 (MD)	<u>\$ 59,114</u>	<u>\$ 42,995</u>	<u>\$ 16,119</u>

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(10) Pension Plans (Continued)**

The County's net pension liability (asset) for each of its agent multiple employer plan is measured as the total pension liability less the fiduciary net position for each plan. The change in the net pension liability (asset) for each plan is as follows:

	County Miscellaneous Plan			County Safety Plan		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2018	\$ 10,539,134	\$ 7,565,383	\$ 2,973,751	\$ 3,029,923	\$ 2,092,335	\$ 937,588
Change in year:						
Service cost	255,369	-	255,369	69,081	-	69,081
Interest on the total pension liability	757,044	-	757,044	214,871	-	214,871
Differences between expected and actual experience	150,577	-	150,577	14,678	-	14,678
Plan to plan resource movement	-	(29)	29	-	30	(30)
Contributions from the employer	-	323,367	(323,367)	-	97,820	(97,820)
Contributions from employees	-	121,344	(121,344)	-	25,411	(25,411)
Net investment income	-	500,157	(500,157)	-	137,652	(137,652)
Benefit payments, including refunds of employee contributions	(482,788)	(482,788)	-	(147,901)	(147,901)	-
Administrative expenses	-	(5,405)	5,405	-	(1,492)	1,492
Other miscellaneous expenses (income)	-	17	(17)	-	5	(5)
Change in proportionate share	12,023	8,632	3,391	-	-	-
Net changes during measurement period	692,225	465,295	226,930	150,729	111,525	39,204
Balance at June 30, 2019	\$ 11,231,359	\$ 8,030,678	\$ 3,200,681	\$ 3,180,652	\$ 2,203,860	\$ 976,792

	Central Fire Safety Plan			Housing Authority Miscellaneous Plan		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2018	\$ 572,880	\$ 406,847	\$ 166,033	\$ 63,313	\$ 78,531	\$ (15,218)
Change in year:						
Service cost	10,912	-	10,912	1,942	-	1,942
Interest on the total pension liability	40,690	-	40,690	4,635	-	4,635
Differences between expected and actual experience	5,703	-	5,703	1,708	-	1,708
Plan to plan resource movement	-	(191)	191	-	-	-
Contributions from the employer	-	17,028	(17,028)	-	1,085	(1,085)
Contributions from employees	-	3,771	(3,771)	-	909	(909)
Net investment income	-	26,618	(26,618)	-	5,079	(5,079)
Benefit payments, including refunds of employee contributions	(29,909)	(29,909)	-	(2,317)	(2,317)	-
Administrative expenses (income)	-	(290)	290	-	(56)	56
Other miscellaneous expenses	-	1	(1)	-	-	-
Net changes during measurement period	27,396	17,028	10,368	5,968	4,700	1,268
Balance at June 30, 2019	\$ 600,276	\$ 423,875	\$ 176,401	\$ 69,281	\$ 83,231	\$ (13,950)

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
 June 30, 2020  
 (Dollars in thousands)

**(10) Pension Plans (Continued)**

**Pension Expense and Pension Related Deferred Outflows and Inflows of Resources**

For the year ended June 30, 2020, the County recognized pension expense as follows:

County Miscellaneous Plan	\$ 612,304
County Safety Plan	172,062
Central Fire Miscellaneous Plan	2,291
Central Fire Safety Plan	<u>10,552</u>
Total primary government	797,209
Housing Authority Miscellaneous Plan	1,854
Health Authority Miscellaneous Plan	<u>2,925</u>
Total County	<u><u>\$ 801,988</u></u>

Pension expense represents the change in the net pension liability (asset) during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	County Miscellaneous Plan		County Safety Plan		Central Fire Miscellaneous and Safety		Total Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 370,092	\$ -	\$ 108,640	\$ -	\$ 21,388	\$ -	\$ 500,120	\$ -
Changes of assumptions	152,226	(52,747)	53,595	(8,675)	5,941	(1,267)	211,762	(62,689)
Differences between expected and actual experiences	153,138	(2,530)	14,523	(2,454)	5,527	(3,539)	173,188	(8,523)
Net differences between projected and actual earnings on plan investments	-	(40,552)	-	(11,113)	-	(2,665)	-	(54,330)
Changes in employers proportions	-	-	-	-	122	(356)	122	(356)
Difference in actual and proportionated contributions	-	-	-	-	421	-	421	-
Total	<u>\$ 675,456</u>	<u>\$ (95,829)</u>	<u>\$ 176,758</u>	<u>\$ (22,242)</u>	<u>\$ 33,399</u>	<u>\$ (7,827)</u>	<u>\$ 885,613</u>	<u>\$ (125,898)</u>

	Housing Authority Miscellaneous Plan		Health Authority Miscellaneous Plan		Total Discrete Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,145	\$ -	\$ 2,058	\$ -	\$ 3,203	\$ -
Changes of assumptions	1,248	(284)	17	(48)	1,265	(332)
Differences between expected and actual experiences	1,577	(55)	5	(71)	1,582	(126)
Net differences between projected and actual earnings on plan investments	-	(187)	18	-	18	(187)
Changes in employers proportions	-	-	687	(1,246)	687	(1,246)
Difference in actual and proportionated contributions	-	-	2,511	(297)	2,511	(297)
Total	<u>\$ 3,970</u>	<u>\$ (526)</u>	<u>\$ 5,296</u>	<u>\$ (1,662)</u>	<u>\$ 9,266</u>	<u>\$ (2,188)</u>

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
 June 30, 2020  
 (Dollars in thousands)

**(10) Pension Plans (Continued)**

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic manner. At June 30, 2020, the primary government and discrete component units reported \$500.1 million and \$3.2 million, respectively, as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction to net pension liability in the year ending June 30, 2021.

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

<u>Year Ending June 30</u>	<u>County Miscellaneous Plan</u>	<u>County Safety Plan</u>	<u>Central Fire Miscellaneous and Safety</u>	<u>Total Primary Government</u>
2021	\$ 190,737	\$ 45,880	\$ 6,050	\$ 242,667
2022	(22,874)	(2,444)	(3,713)	(29,031)
2023	20,183	(1,888)	848	19,143
2024	21,489	4,328	999	26,816
Total	<u>\$ 209,535</u>	<u>\$ 45,876</u>	<u>\$ 4,184</u>	<u>\$ 259,595</u>

<u>Year Ending June 30</u>	<u>Housing Authority</u>	<u>Health Authority</u>	<u>Total Discrete Component Units</u>
2021	\$ 1,390	\$ 840	\$ 2,230
2022	317	637	954
2023	298	103	401
2024	294	(4)	290
Total	<u>\$ 2,299</u>	<u>\$ 1,576</u>	<u>\$ 3,875</u>

**Actuarial Assumptions**

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2019 is provided below:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Actuarial cost method	Entry-age normal
Discount rate	7.15%
Inflation	2.50%
Projected salary increases	Varies by entry age and service
Post retirement benefit increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter
Mortality *	Derived using CalPERS membership data for all funds

\* The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the 2017 CalPERS Experience Study that can be found on the CalPERS website.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(10) Pension Plans (Continued)**

All other actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the 2017 CalPERS Experience Study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the 2017 CalPERS 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 7.15 percent for each plan. The projection of cash flows used to determine the discount rate assumed that the contributions from plan members of each plan will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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. Using historical returns of all the funds' asset classes, expected compound geometric returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated and adjusted to account for assumed administrative expenses.

The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The long-term expected real rate of return by asset class and the target allocation adopted by the CalPERS Board effective on July 1, 2018, are as follows:

Asset Class	Assumed Asset allocation	Real Return Years 1-10 <sup>(1)</sup>	Real Return Years 11+ <sup>(2)</sup>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	-	-0.92

<sup>(1)</sup> An expected inflation of 2.00% used for this period.

<sup>(2)</sup> An expected inflation of 2.92% used for this period.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(10) Pension Plans (Continued)**

**Sensitivity of the Net Pension Liability (Asset) to Changes in Discount Rate**

The following presents the net pension liability (asset) of each of the County’s pension plans as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if they were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	<b>Net Pension Liability (Asset)</b>		
	Current		
	Discount Rate -1% (6.15%)	Discount Rate (7.15%)	Discount Rate +1% (8.15%)
County Miscellaneous Plan <sup>(1)</sup>	\$ 4,710,943	\$ 3,200,681	\$ 1,950,587
County Safety Plan	1,415,238	976,792	616,922
Central Fire Miscellaneous Plan <sup>(2)</sup>	24,071	16,119	9,556
Central Fire Safety Plan	254,918	176,401	111,518
Housing Authority Miscellaneous Plan	(3,942)	(13,950)	(22,181)
Health Authority Miscellaneous Plan <sup>(2)</sup>	5,574	(1,017)	(6,458)

<sup>(1)</sup> Excludes non-Judge employees and retirees of the Superior Court of California.

<sup>(2)</sup> Represents the Central Fire’s and Health Authority’s proportionate share of the net pension liability of the CalPERS Miscellaneous Plan.

**Pension Plan Fiduciary Net Position**

Detailed information about each of the pension plans’ fiduciary net position is available in the separately issued CalPERS financial reports.

**(b) County of Santa Clara Supplemental Benefit Plan**

During the fiscal year 2009, the County established a defined contribution retirement plan (County of Santa Clara Supplemental Benefit Plan (Supplemental Plan). The County employees hired or accepted written job offers before July 1, 2008 and with compensation in excess of the Internal Revenue Code (IRC) Section 401(a)(17) limitations are eligible to participate in the Supplemental Plan. The Supplemental Plan is a tax-deferred plan that is subject to an annual contribution limit under the IRC and any supplemental benefits in excess of the IRC limit will be paid to the employee as taxable income.

The County will contribute and deposit the supplemental benefits into the Supplemental Plan at the end of January, following the close of the Plan’s calendar year. Employer contributions become fully vested at the time of the County’s contribution. The Supplemental Benefit Plan had 127 participants and an ending fair value of \$37,827 at June 30, 2020. During the fiscal year ended June 30, 2020, the County made tax deferred contributions of \$2,248 to the Supplemental Plan and paid \$113 to eligible employees as taxable income.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(10) Pension Plans (Continued)**

**(c) *FIRST 5 Santa Clara County IRC 401(a) Plan***

In November 2001, FIRST 5's Board approved the implementation of an Internal Revenue Code Section 401(a) Retirement Plan (the "Plan") effective January 1, 2002 for all FIRST 5 employees. The Plan is a defined contribution plan administered by the Unified Trust Company. The Plan is open to all employees, excluding employees who work less than 20 hours per week. Currently, 51 employees are enrolled in the Plan. The Plan provides retirement benefits based on the employee's salary and years of service.

Effective January 1, 2008, the Plan had three different types of employer contributions which vest 100% after three years of employment service. The Plan requires employer contributions of 7% of employee's compensation. The employer's contribution under this requirement was \$321 for the year ended June 30, 2020. The employer also contributes a dollar for dollar match on the elective deferrals noted in the deferred compensation plan to a maximum of 5% of each employee's annual compensation. The employer's contribution was \$197 for the year ended June 30, 2020. Additional supplemental contributions may be made by the employer based on a compensation arrangement between employee and the employer. The contribution requirements of Plan members and FIRST 5 are established by and may be amended by the Unified Trust Company.

**(d) *Santa Clara County Health Authority Defined Contribution Plan***

In addition to the defined benefit pension plan, the Health Authority has a defined contribution plan under Section 401(a) of the Internal Revenue Code. Under the 401(a) Plan, for employees hired prior to January 1, 2013, participants must contribute 6% of their gross compensation and the Health Authority must contribute 3% of the participants' gross compensation. For employees hired on or after January 1, 2013, participants must contribute 6.25% of their gross compensation within a specific range and the Health Authority must contribute 6.533% of the participant's gross compensation within the same specific range. The Health Authority contributes greater than 3% of gross compensation for senior staff level employees. In return, senior staff level employees contribute less than 6% of their gross compensation. Contributions by the Health Authority totaled \$776 for the year ended June 30, 2020.

**(11) Other Postemployment Benefit (OPEB) Plans**

**Plan Description and Benefits Provided**

The County, Central Fire, Housing Authority, and Health Authority participate in CERBT, an agent multiple-employer postemployment health plan, to fund other postemployment benefits through CalPERS. Copies of CalPERS' annual financial report may be obtained from their executive office at 400 Q Street, Sacramento, California 95811. A separate report for the County's plans in CERBT is not available.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(11) Other Postemployment Benefit (OPEB) Plans**

**County OPEB Plan**

The County maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan (County OPEB Plan), which covers substantially all (excluding Central Fire, Housing Authority and Health Authority) of its employees and Judges of the Superior Court. Due to the relative insignificance of the other employer in the County OPEB Plan, the County presents disclosure information for the OPEB Plan as if it was a single-employer plan. The County OPEB Plan provides healthcare benefits to eligible County (excluding Central Fire, Housing Authority and Health Authority) employees and their surviving spouses. Central Fire, Housing Authority and Health Authority employees have separate defined benefit postemployment healthcare plans.

County employees hired prior to August 12, 1996 are eligible for health benefits upon attaining age 50 with 5 years of service. Employees hired on or after August 12, 1996 and before June 19, 2006 are eligible upon attaining age 50 with 8 years of service. Employees hired on or after June 19, 2006 are eligible upon attaining age 50 with 10 years of service. The County has established a 15-year retiree health benefit service requirement that applies to employees hired mostly on or after September 30, 2013. The specific effective date depends on each bargaining unit's agreement with the County. For all the above, employees must retire from CalPERS directly from the County.

Retirees retired prior to December 5, 1983 have their full premium cost subsidized by the County. In addition, the County subsidizes the Part B premium cost for retirees in Medicare status who are not receiving health-in-lieu benefits. For most of the retirees retired since December 5, 1983, the County contribution is limited to the cost of Kaiser under age 65 retiree only rate over the plan year. Retirees pay the difference between the County contribution and the premium rate required by their enrolled plan.

**Central Fire OPEB Plan**

The Central Fire maintains a separate OPEB plan from the County. Under this plan, Central Fire provides for lifetime medical coverage to retirees who meet eligibility requirements. Currently, employees who retire directly from the Central Fire, have accrued seven years of service and were hired between January 1, 1995 and December 31, 2006, inclusive, or retire directly from the Central Fire, have accrued 10 years of service and were hired after December 31, 2006 are eligible.

The Central Fire pays the cost of OPEB for the retirees and his/her spouse if the retiree retired on or before January 1, 1978. The Central Fire will pay for the spouse's coverage so long as the retiree maintains eligibility. An employee who retires after January 1, 1978 may include his/her dependent on the plan by self-paying the additional cost for that dependent.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(11) Other Postemployment Benefit (OPEB) Plans**

**Housing Authority OPEB Plan**

The Housing Authority maintains a separate OPEB plan from the County. The Housing Authority provides eligible employees with post-retirement medical healthcare benefits. Upon retirement, qualified employees and spouses/domestic partners are eligible for continued medical coverage up to the Employer Coverage Cap in effect on the date of the employee’s retirement. Medical provider at the time of retirement will be the same medical provider during the final year of employment unless the employee moves from the plan service area. In the event the employee moves out of the plan service area, a supplemental medical plan will be made available at that time. Participation in Part A and Part B of the Medicare plan available at the time of retirement is a requirement of the plan. The surviving spouse or domestic partner may continue to purchase medical coverage after the death of the retiree at the surviving spouse/partner’s expense. The Housing Authority participates in the CalPERS medical program as permitted under the Public Employees’ Medical and Hospital and Care Act (PEMHCA). As such, the Housing Authority is obligated to contribute toward the cost of retiree medical coverage for the retiree’s lifetime or until coverage is discontinued.

As provided by the PEMHCA, the Housing Authority has been under contract with CalPERS for medical plan coverage since 2008 and has chosen to satisfy its retiree medical benefit commitment using the unequal contribution method. The Housing Authority has made contributions toward the medical premiums of retirees who meet the conditions set forth in the following table.

Minimum Retirement Age *	Years of Service with the Housing Authority		
	At least 20 and less than 25	At least 25 and less than 30	30 or more
62	80%	90%	100%
63	85%	95%	100%
64	90%	100%	100%
65	100%	100%	100%

\* Employee must reach this age while employed.

In addition to its monthly contributions of up to the \$2 cap toward the cost of retiree medical coverage, the Housing Authority pays 100% of the cost of dental and vision insurance for those retirees that opted for the “early retirement option plans” offered by the Housing Authority in the past as an incentive for early retirement.

**Health Authority OPEB Plan**

The Health Authority also maintains a separate OPEB plan from the County. The Health Authority provides healthcare benefits to eligible employees and certain dependents. Retired employees who retire directly from Health Authority are eligible to receive contributions from the Health Authority toward their monthly PEMHCA account if they meet certain age and service eligibility requirements as outlined in the plan document approved by the Health Authority’s governing board.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
 June 30, 2020  
 (Dollars in thousands)

**(11) Other Postemployment Benefit (OPEB) Plans (Continued)**

Employees hired prior to May 1, 2018, who attain age 50, with a minimum of 5 years of CalPERS service, and employed by the Health Authority at the time of retirement, are eligible for coverage. Employees hired on or after May 1, 2018, who attain age 50, with a minimum of 12 continuous years of employment at the Health Authority, and are employed by the Health Authority at the time of retirement are also eligible for coverable. Retirees are required to fund 10% of the cost of their monthly premiums.

**Employees Covered**

The following employees were covered by the benefit terms for each OPEB plan as of June 30, 2019, the most recent information available:

	<u>County</u>	<u>Central Fire</u>	<u>Housing Authority</u>	<u>Health Authority</u>
Inactive employees or beneficiaries currently receiving benefits	10,852	269	45	54
Inactive employees entitled to but not yet receiving benefits	-	-	15	-
Active employees	<u>19,323</u>	<u>306</u>	<u>140</u>	<u>238</u>
Total	<u><u>30,175</u></u>	<u><u>575</u></u>	<u><u>200</u></u>	<u><u>292</u></u>

**Contributions**

The County’s OPEB funding policy is to contribute 100 percent or more of the actuarially determined contribution each year. The County’s contribution to the OPEB plan occurs as benefits are paid to the retirees or as contributions to CERBT. Benefit payments occur in the form of direct payments for premiums and taxes (explicit subsidies) and indirect payments to retirees in the form of higher premiums for active employees (implicit subsidies).

**Net OPEB Liability (Asset)**

The table below shows how the County’s net OPEB liability (asset) as of June 30, 2020 is distributed.

Governmental activities	\$ 753,988
Business-type activities	<u>439,757</u>
Total primary government	1,193,745
Housing Authority	(3,035)
Health Authority	<u>(1,031)</u>
Total	<u><u>\$ 1,189,679</u></u>

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(11) Other Postemployment Benefit (OPEB) Plans (Continued)**

The County's net OPEB liability (asset) for each of its OPEB plan is measured as the total OPEB liability less the fiduciary net position for each plan. The net OPEB liability (asset) is measured as of the measurement date of June 30, 2019. The change in the net OPEB liability (asset) for each plan is as follows:

	County Plan			Central Fire Plan		
	Increase (Decrease)			Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	\$ 2,276,963	\$ 1,015,929	\$ 1,261,034	\$ 52,998	\$ 25,610	\$ 27,388
Change in year:						
Service cost	67,733	-	67,733	1,213	-	1,213
Interest on the total OPEB liability	161,055	-	161,055	3,789	-	3,789
Changes of assumptions	18,866	-	18,866	(2,869)	-	(2,869)
Differences between expected and actual experience	(136,669)	-	(136,669)	1,698	-	1,698
Contributions from the employer	-	122,889	(122,889)	-	6,554	(6,554)
Contributions from employees	-	6,593	(6,593)	-	-	-
Net investment income	-	66,514	(66,514)	-	1,749	(1,749)
Benefit payments, including refunds of employee contributions	(87,821)	(87,821)	-	(3,149)	(3,149)	-
Administrative expenses	-	(224)	224	-	(14)	14
Other miscellaneous income	-	5,432	(5,432)	-	-	-
Net changes during measurement period	23,164	113,383	(90,219)	682	5,140	(4,458)
Balance at June 30, 2019	\$ 2,300,127	\$ 1,129,312	\$ 1,170,815	\$ 53,680	\$ 30,750	\$ 22,930

	Housing Authority Plan			Health Authority Plan		
	Increase (Decrease)			Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	\$ 12,276	\$ 13,237	\$ (961)	\$ 12,492	\$ 9,953	\$ 2,539
Change in year:						
Service cost	440	-	440	1,089	-	1,089
Interest on the total OPEB liability	684	-	684	902	-	902
Changes of assumptions	(286)	-	(286)	(91)	-	(91)
Differences between expected and actual experience	(1,437)	-	(1,437)	(2,076)	-	(2,076)
Contributions from the employer	-	548	(548)	-	2,601	(2,601)
Net investment income	-	930	(930)	-	795	(795)
Benefit payments, including refunds of Administrative expense	(548)	(548)	-	(438)	(438)	-
	-	(3)	3	-	(2)	2
Net changes during measurement period	(1,147)	927	(2,074)	(614)	2,956	(3,570)
Balance at June 30, 2019	\$ 11,129	\$ 14,164	\$ (3,035)	\$ 11,878	\$ 12,909	\$ (1,031)

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
 June 30, 2020  
 (Dollars in thousands)

**(11) Other Postemployment Benefit (OPEB) Plans (Continued)**

**OPEB Expense and OPEB Related Deferred Outflows and Inflows of Resources**

For the year ended June 30, 2020, the County recognized OPEB expense as follows:

County Plan	\$ 89,385
Central Fire Plan	<u>3,958</u>
Total primary government	93,343
Housing Authority Plan	213
Health Authority Plan	<u>1,009</u>
Total County	<u>\$ 94,565</u>

OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>County Plan</u>		<u>Central Fire Plan</u>		<u>Total Primary Government</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 134,151	\$ -	\$ 3,727	\$ -	\$ 137,878	\$ -
Changes of assumptions	43,529	(22,120)	-	(2,419)	43,529	(24,539)
Differences between expected and actual experiences	-	(238,443)	2,463	-	2,463	(238,443)
Net differences between projected and actual earnings on plan investments	-	(7,632)	-	(372)	-	(8,004)
Total	<u>\$ 177,680</u>	<u>\$ (268,195)</u>	<u>\$ 6,190</u>	<u>\$ (2,791)</u>	<u>\$ 183,870</u>	<u>\$ (270,986)</u>

	<u>Housing Authority Plan</u>		<u>Health Authority Plan</u>		<u>Total Discrete Component Units</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 497	\$ -	\$ 3,018	\$ -	\$ 3,515	\$ -
Changes of assumptions	1,500	(252)	88	(82)	1,588	(334)
Differences between expected and actual experiences	-	(2,467)	-	(1,876)	-	(4,343)
Net differences between projected and actual earnings on plan investments	-	(170)	-	(156)	-	(326)
Total	<u>\$ 1,997</u>	<u>\$ (2,889)</u>	<u>\$ 3,106</u>	<u>\$ (2,114)</u>	<u>\$ 5,103</u>	<u>\$ (5,003)</u>

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(11) Other Postemployment Benefit (OPEB) Plans (Continued)**

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net OPEB liability to be recognized in future periods in a systematic manner. At June 30, 2020, the primary government and discrete component units reported \$137.9 million and \$3.5 million, respectively, as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction to net OPEB liability in the year ending June 30, 2021.

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

<b>Year Ending June 30</b>	<b>Deferred Outflows/ (Inflows) of Resources</b>		
	<b>County Plan</b>	<b>Central Fire Plan</b>	<b>Total Primary Government</b>
2021	\$ (54,369)	\$ (111)	\$ (54,480)
2022	(54,369)	(111)	(54,480)
2023	(49,620)	17	(49,603)
2024	(30,597)	56	(30,541)
2025	(15,803)	(113)	(15,916)
Thereafter	(19,908)	(66)	(19,974)
Total	<u>\$ (224,666)</u>	<u>\$ (328)</u>	<u>\$ (224,994)</u>

<b>Year Ending June 30</b>	<b>Housing Authority Plan</b>	<b>Health Authority Plan</b>	<b>Total Discrete Component Units</b>
	2021	\$ (187)	\$ (266)
2022	(187)	(266)	(453)
2023	(177)	(226)	(403)
2024	(181)	(221)	(402)
2025	(166)	(205)	(371)
Thereafter	(491)	(842)	(1,333)
Total	<u>\$ (1,389)</u>	<u>\$ (2,026)</u>	<u>\$ (3,415)</u>

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
June 30, 2020  
(Dollars in thousands)

**(11) Other Postemployment Benefit (OPEB) Plans (Continued)**

**Actuarial Assumptions**

The actuarial assumptions and methods used to calculate the total OPEB liability as of the June 30, 2019 measurement date are summarized as follows:

	<u>County Plan</u>	<u>Central Fire Plan</u>
Valuation date	June 30, 2019	June 30, 2019
Measurement date	June 30, 2019	June 30, 2019
Actuarial cost method	Entry age normal cost method	Entry age normal cost method
Amortization method	30 years, closed, level percent of payroll	30 years, closed, level percent of payroll
Actuarial asset valuation method	Market value	Market value
Discount rate	7.00%	7.59%
Price inflation	2.50%	2.75%
Wage inflation	2.75%	2.75%
Projected payroll increases	Increase of 3.25% to 15.95% depending on age, service and type of employment.	Varies by entry age and service
Healthcare cost trend rate	Medicare and Non-Medicare cost trend rate of 6.25% and 6.75%, respectively, for initial year, graded down by 0.25% per year until 4.50% ultimate rate is reached. Medicare Part B cost trend rate of 4.5%.	Initial healthcare trend rate of 6.00% graded down until 4.0% ultimate rate is reached.
Mortality and other actuarial assumptions	CalPERS 2017 experience study report using data for the period from 1997 to 2015.	CalPERS 2014 experience study report using data for the period from 1997 to 2011.
	<u>Housing Authority Plan</u>	<u>Health Authority Plan</u>
Valuation date	June 30, 2019	June 30, 2018
Measurement date	June 30, 2019	June 30, 2019
Actuarial cost method	Entry age normal cost method	Entry age normal cost method
Actuarial asset valuation method	Market value	Market value
Discount rate	5.50%	6.75%
Price inflation	2.50%	2.75%
Wage inflation	3.00%	2.75%
Projected payroll increases	Varies by entry age and services	Varies by entry age and services
Healthcare cost trend rate	Medical premium: Healthcare cost trend rate of 6.5% for initial year, graded down by 0.5% per year until 5.3% ultimate rate is reached. PMEHCA: 4.00% Dental and vision premium: 3.5%	7.50% for 2019 - Non-Medicare, decreasing to 4.00% in 2076, 6.5% for 2019 - Medicare, decreasing to 4.00% in 2076
Mortality and other actuarial assumptions	CalPERS 2017 experience study report using data for the period from 1997 to 2015.	CalPERS 2017 experience study report using data for the period from 1997 to 2015.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(11) Other Postemployment Benefit (OPEB) Plans (Continued)**

**Change of Assumptions**

For the County OPEB plan, demographic assumptions were changed in accordance to the 2017 CalPERS Experience Study while healthcare cost trend rate was updated. For Central Fire OPEB plan, discount rate was increased from 7.25% to 7.59%, price inflation rate was decreased from 3.00% to 2.75%, and wage inflation rate was decreased from 3.00% to 2.75%. For the Housing Authority OPEB Plan, price inflation rate was decreased from 2.75% to 2.50% and demographic assumptions were changed in accordance to the 2017 CalPERS Experience Study. For the Health Authority OPEB Plan, demographic assumptions were changed in accordance to the 2017 CalPERS Experience Study.

**Discount Rate**

The discount rate used to measure the OPEB liability for the County, Central Fire, Housing Authority, and Health Authority OPEB plans were 7.00, 7.59, 5.50, and 6.75 percent, respectively. The projection of cash flows used to determine the discount rate assumed that the employer contribution will be made equal to the actuarially determined contribution. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments is applied to all periods of projected benefit payments to determine the total OPEB liability.

Using historical returns of all the asset classes, expected compound geometric returns were calculated using building-block approach. The long-term expected real rate of return by asset class and the target allocation are as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return			
		County Plan	Central Fire Plan	Housing Authority Plan	Health Authority Plan
Global Equity	59.00%	6.96%	5.25%	5.98%	4.82%
Fixed Income	25.00	1.96	2.25	2.62	1.47
Real Estate	8.00	4.76	4.50	5.00	3.76
Treasury Inflation Protected Securities	5.00	1.16	1.25	1.46	1.29
Commodities	3.00	4.96	1.25	2.87	0.84

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(11) Other Postemployment Benefit (OPEB) Plans (Continued)**

**Sensitivity of the Net OPEB Liability (Asset) to Changes in Discount Rate**

The following presents the net OPEB liability (asset) of each of the OPEB plans as of the measurement date, calculated using the discount rate of 7.00, 7.59, 5.50, and 6.75 percent for the County, Central Fire, Housing Authority, and Health Authority OPEB plans, respectively, as well as what the net OPEB liability would be if they were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	<b>Net OPEB Liability (Asset)</b>		
	Discount Rate	Current	Discount Rate
	-1%	Discount Rate	+1%
County Plan	\$ 1,502,038	\$ 1,170,815	\$ 899,601
Central Fire Plan	28,711	22,930	18,022
Housing Authority Plan	(1,537)	(3,035)	(4,283)
Health Authority Plan	676	(1,031)	(2,428)

**Sensitivity of the Net OPEB Liability (Asset) to Changes in Healthcare Cost Trend**

The following presents the net OPEB liability of each of the OPEB plans as of the measurement date, as well as what the net OPEB liability would be if they were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current rate:

	<b>Net OPEB Liability (Asset)</b>		
	Current		
	Healthcare Cost Trend Rate -1%	Healthcare Cost Trend Rate	Healthcare Cost Trend Rate +1%
County Plan	\$ 847,038	\$ 1,170,815	\$ 1,606,929
Central Fire Plan	17,515	22,930	29,423
Housing Authority Plan	(4,430)	(3,035)	(1,318)
Health Authority Plan	(2,685)	(1,031)	1,054

***OPEB Plan Fiduciary Net Position***

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued CERBT financial report.

**(12) Risk Management**

The County is exposed to various risks of loss related to torts; medical malpractice; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; unemployment; and health benefits to employees and retirees. The County is self-insured for its general liability, workers’ compensation, unemployment, retiree benefits, medical malpractice liability, and automobile liability. The County has chosen to establish risk financing internal service funds where assets are set aside for claim settlements associated with the above risks of loss up to certain limits.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(12) Risk Management (Continued)**

Excess coverage is provided by Public Risk Innovation, Solutions, and Management (PRISM) (formerly, California State Association of Counties' Excess Insurance Authority) (Insurance Authority), a joint powers authority, whose purpose is to develop and fund programs of excess insurance and provide the joint purchase of coverage from independent third parties for its member entities for the following types of coverage listed below. The Insurance Authority is governed by a Board of Directors consisting of representatives of its member entities.

Self-insurance and Insurance Authority limits are as follows:

Type of Coverage	Self-Insurance (per occurrence)	Self-Retained <sup>(1)</sup>	Purchase Insurance Policies (per occurrence)
Automobile	\$2,000 plus \$500 corridor <sup>(2)</sup>	\$0	\$48,000
General Liability	\$2,000 plus \$500 corridor <sup>(2)</sup>	\$0	\$48,000
Medical Malpractice	\$500	\$1,500 per occurrence	\$20,000
			\$50,000 annual aggregate
			\$33,000 excess insurance
Workers' Compensation	\$4,000	\$1,000 per occurrence	Statutory
Property Damage	Up to \$50 <sup>(3)</sup> (This is deductible)	\$3,000 per occurrence \$10,000 annual aggregate	Up to \$1,200,000 <sup>(4)</sup>
Flood	Up to \$100 (This is deductible)		Up to \$900,000 <sup>(5)</sup>
Earthquake	2% of insurable value per occurrence \$100 minimum deductible per occurrence		Up to \$665,000 <sup>(6)</sup>
Cyber Liability	\$100		\$250 to \$2,000 \$20,000 annual aggregate
Aircraft	None		\$15,000
Airport	None		\$50,000
Crime Bond	\$25		\$15,000
Pollution	\$250		\$10,000

<sup>(1)</sup> The self-retained layer acts as an additional amount to pay claims before a loss is paid by the insurance company. This self-retained layer is contributed to by the member entities and remains their asset. Once the self-retained layer is exhausted, the insurance company pays all claims above the County's self-insurance amount. Any funds left in the self-retained layer can be used to fund self-retained amounts in future years.

<sup>(2)</sup> Corridor is a finite amount of self-insurance shared by the Automobile and General Liability policies.

<sup>(3)</sup> Deductible for the Fairgrounds is \$5 per occurrence. All properties are insured at full replacement value.

<sup>(4)</sup> Insured values are split between 3 towers with limits of \$300,000 per tower shared with all other members in those same 3 towers, plus a rooftop of \$300,000 shared with all members in a total of 8 towers for a total of \$1,200,000.

<sup>(5)</sup> Insured values are split between 3 towers with limits of \$200,000 per tower shared with all other members in those same 3 towers, plus a rooftop of \$300,000 shared with all member in a total of 8 towers for a total of \$900,000.

<sup>(6)</sup> Insured values are split between 3 towers with limits of \$100,000 per tower shared with all other members in those same 3 towers, plus a rooftop of \$365,000 shared with all member in a total of 6 towers for a total of \$665,000.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
 June 30, 2020  
 (Dollars in thousands)

**(12) Risk Management (Continued)**

There have been no settlement amounts exceeding commercial or Insurance Authority insurance coverage since self-insurance was introduced in 1978. It is the County’s practice to obtain full actuarial studies annually for the self-insured property, general liability, automobile liability, medical malpractice, and workers’ compensation liability issues. The unpaid claims liabilities included in the self-insurance internal service funds for these risks are based on the results of actuarial studies and include amounts for claims incurred but not reported and loss adjustment expenses. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

The County computes its claims liability based on the expected value discounted at 1.0% for property, general and automobile liability claims, and discounted at 2.0% for medical malpractice and workers’ compensation claims. Changes in the balances of claims liabilities during the past two fiscal years ended June 30 for the County’s self-insurance internal service funds are as follows:

	<u>2020</u>	<u>2019</u>
Unpaid claims, beginning of year	\$ 182,412	\$ 172,735
Incurred claims and changes in estimate	51,808	36,463
Claim payments	<u>(42,075)</u>	<u>(26,786)</u>
Unpaid claims, end of year	<u>\$ 192,145</u>	<u>\$ 182,412</u>

Annual insurance premiums are recovered by charging covered departments using various allocation methods that include actual costs, trends in claims loss experience, and number of covered participants. Premiums paid by the self-insurance internal service funds totaled \$28,179 for the fiscal year ended June 30, 2020.

**(13) Commitments and Contingencies**

*(a) Commitments*

The County has various non-cancelable operating leases as lessees primarily for office space and equipment (accounted for principally in the General Fund). Approximate future minimum operating lease commitments are as follows:

<u>Fiscal year ended June 30,</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
2021	\$ 55,899	\$ 7,029	\$ 62,928
2022	46,362	5,512	51,874
2023	27,731	3,686	31,417
2024	22,261	3,550	25,811
2025	20,109	1,133	21,242
2026-2030	80,184	1,830	82,014
2031-2035	2,857	191	3,048
2036-2040	1,266	-	1,266
Total	<u>\$ 256,669</u>	<u>\$ 22,931</u>	<u>\$ 279,600</u>

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
 June 30, 2020  
 (Dollars in thousands)

**(13) Commitments and Contingencies (Continued)**

Rent expense for fiscal year 2020 was approximately \$43,949 and \$15,776 for the governmental activities and business-type activities, respectively.

The County has entered into operating leases as lessor on various properties with businesses and other governmental agencies (accounted for principally in the General Fund). The future minimum payments to be received are as follows:

Fiscal year ended June 30,	Governmental Activities	Business-Type Activities	Total
2021	\$ 4,527	\$ 429	\$ 4,956
2022	4,207	188	4,395
2023	4,307	123	4,430
2024	4,412	126	4,538
2025	4,518	130	4,648
2026-2030	23,845	-	23,845
2031-2035	24,685	-	24,685
2036-2040	25,006	-	25,006
2041-2045	205	-	205
2046-2050	226	-	226
2051-2055	250	-	250
2056-2060	276	-	276
2061-2065	304	-	304
2065-2066	130	-	130
Total	\$ 96,898	\$ 996	\$ 97,894

At June 30, 2020, the leased assets had a net book value of \$8,688. Rent income for fiscal year 2020 was approximately \$9,316 and \$2,673 for the governmental activities and business-type activities, respectively.

The County has entered into various service concession arrangements with governmental and nongovernmental entities (operators) to provide services to the public. Rental incomes received from these service concessions arrangements are included in the above table. As part of service concession arrangements, the County facilities were conveyed to the operators to provide services related to the primary function of the facility. The operators agreed to operate and maintain the County’s facilities and collect the related fees during the term of the agreements. The operators agreed to pay the County a certain percentage of revenues they collected and/or pay installment payments to the County. Some operators also agreed to construct new facilities or improve existing facilities. The County reported the new facilities or the improvements as capital assets at fair value when it is placed in operations.

The County has no contractual obligation related to the facilities or obligations related to the maintenance of a minimum level of the service in connection with the operations of the facilities. In accordance with GASB Statement No. 60, the County recognized the present value of the future installment payments as a receivable, the fair value of newly constructed facilities or improvements as capital assets, and offset the balances with deferred inflows of resources. The capital assets are depreciated using the straight-line method based on the useful lives in accordance with the County’s capital asset policy. Revenues are recognized over the term of the arrangements. At June 30, 2020, the governmental activities reported total deferred inflows of resources for the service concession arrangements of \$11,853, of which \$3,164 is related to the receivables and \$8,689 is related to the capital assets.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)

June 30, 2020

(Dollars in thousands)

**(13) Commitments and Contingencies (Continued)**

**(b) *Litigation***

The County accounts for claims in the internal service funds and the General Fund. As of June 30, 2020, the County had accrued amounts which management believes are adequate to provide for claims and litigation, which arose during the normal course of activities. There are other outstanding claims and litigation for which County management believes the ultimate outcome of these claims and litigation will not significantly impact the County's financial position.

**(c) *Conduit Debt - Multiple Family Mortgage Revenue Bonds***

The County, acting as coordinator with certain cities, issued Tax-Exempt Mortgage Revenue Bonds with periodic maturities through May 2040. Multiple family mortgage revenue bonds were issued to provide financing to developers of specified multiple family housing projects. These developers agree to rent a percentage of units to qualified families at below market rates. The bonds are not considered obligations of the County and are payable solely from payments made on the related secured mortgage loans. During the year ended June 30, 2020, the outstanding balance of these bonds were paid off.

**(d) *Conduit Debt - Insured Revenue Bonds***

On March 16, 2007, the Financing Authority served as the conduit issuer of the 2007 Insured Revenue Bonds Series A (\$50,000), Series B (\$50,000), and Series C (\$50,000) (collectively, "2007 Insured Revenue Bonds") in order to provide funds for the construction, renovation, and improvement of the El Camino Hospital, a nonprofit public corporation. These bonds were issued to fund a portion of the construction of a new five-level main hospital building and the purchase and installation of equipment (El Camino Hospital Project).

On May 15, 2008, the 2007 Insured Revenue Bonds were mandatory tendered at which time Series A (\$49,175), Series B (\$49,175), and Series C (\$49,175) (collectively, "2007 Remarketed Insured Revenue Bonds") were remarketed as fixed interest rate bonds. The 2007 Remarketed Insured Revenue Bonds bear fixed interest rates ranging from 4.00% to 5.75%, and have a final maturity date of February 1, 2041. At June 30, 2020, the total outstanding balance of these conduit bonds was \$111,075.

On March 30, 2009, the Financing Authority served as the conduit issuer of the 2009 Variable Rate Revenue Bonds (2009 Bonds) in the amount of \$50,000 in order to provide funds for the El Camino Hospital Project. The 2009 Bonds bear variable interest rate based on the Weekly Interest Rate as defined in the bond indenture. The 2009 Bonds have a final maturity date of February 1, 2044. At June 30, 2020, the total outstanding balance for the 2009 Bonds was \$50,000.

The Financing Authority and the County have no obligation for these bonds as the bonds are secured under the provisions of the Indenture and will be payable solely from payments made by the El Camino Hospital under the Loan Agreements. These bonds are not payable from any revenues or assets of the County. Neither the faith and credit nor the taxing power of the County, the State or any political subdivision thereof are pledged for the payment of the principal or interest on the bonds.

## COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)  
June 30, 2020  
(Dollars in thousands)

### (13) Commitments and Contingencies (Continued)

#### (e) *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 by the County as an extension of formal budgetary accounting in the General Fund, Special Revenue Funds, and Capital Projects Funds. Encumbrances still open at year end are not accounted for as expenditures and liabilities but as part of committed or assigned fund balance. At June 30, 2020, encumbrances totaled to \$11,392, \$119,881, \$44,870 and \$20,929 for the General Fund, General Capital Improvement Fund, Nonmajor Special Revenue Funds, and Nonmajor Capital Projects Funds, respectively.

### (14) Pollution Remediation

The Almaden Quicksilver County Park (Park) was established in the mid-1970s after the purchase of various properties in the Almaden foothills. From the mid 1800's to 1975, numerous companies that owned these properties extracted mercury from portions of these properties. One of the by-products of the mercury extraction process is a material called calcines. Calcines have been deposited in various areas in the Park and are considered by several regulatory agencies to be a source of mercury contamination in the watershed.

In 1987, the State Department of Toxic Substance Control issued a Remedial Action Order and required the Parks Department to remove calcine piles and re-work calcine and sediments containing mercury to allowable levels for human exposure. This work was completed by 2000. However, later in the year, the United States Department of Interior and California State Department of Fish and Game advised the County and Santa Clara Valley Water District that it intended to bring forth a Natural Resource Damage Assessment against both parties, as well as other potential responsible parties, for assessing damages for injuries to fish and bird life resulting from mercury contamination in Guadalupe River watershed. In 2005, these parties executed a Consent Decree that outlined specific obligations, including a calcines removal project at the Park. At this point in time, the County completed one of the projects related to Jacques Gulch and the County is in the permitting stage related to the second project, the Hacienda Deep Gulch cleanup, which is estimated to commence in Summer 2022.

In November 2009, the State Water Resources Control Board approved a Basin Plan Amendment for the Guadalupe River Watershed, which established a total maximum daily load (TMDL) for mercury mine wash and sediment and included an implementation plan to reduce mercury in the waters of the Guadalupe River watershed. In June 2009, the County received a §13267 order from Regional Water Quality Control Board (RWQCB) to conduct a site investigation by December 2010 and evaluate the erosion potential of mercury mining waste and the potential for seeps to discharge mercury from mining waste to surface waters. In November 2009, the RWQCB issued a second §13267 order requiring that the County develop and participate in a coordinated watershed monitoring plan.

The County concluded the required evaluation for erosion potential of mercury mining waste. As of June 30, 2020, it is estimated that approximately \$13,740 will be spent during the next five years to repair and remediate damaged areas. Further repair costs may be necessary, but such amounts cannot be estimated nor has funding been identified at this time.

**COUNTY OF SANTA CLARA**

Notes to the Basic Financial Statements (Continued)  
 June 30, 2020  
 (Dollars in thousands)

**(15) Vehicle Registration Fee**

The County receives vehicle registration fees (VRF) from the Santa Clara Valley Transportation Authority since August 2012. The amounts received have been spent on various dig-out and micro-surfacing projects on Lawrence Expressway (Homestead Road to State Route 237, Kifer Road to Enochs Street) and Capital Expressway (Tully Road to Quimby, US101 to Seven Trees Boulevard), pavement rehabilitation on Lawrence Expressway (Quito Road to Homestead Road), Capital Expressway (Capitol Auto Mall Parkway to McLaughlin Avenue), Mckean Road, and Uvas Road, San Tomas Expressway widening and pedestrian/bicycle trail, Camden Avenue and Bascom Avenue pavement project Juniperro Serra Boulevard traffic calming, and APS pedestrian push buttons.

Below is a summary of the County’s VRF receipts and expenditures:

	Year Ended June 30, 2020	From Inception To 6/30/2020 Cumulative Balance
Proceeds received	\$ 1,916	\$ 14,714
Total expenditures incurred	(353)	(12,989)
Unused proceeds	<u>1,563</u>	<u>1,725</u>
Prior year unused proceeds	<u>185</u>	<u>-</u>
Total proceeds available	<u>1,748</u>	<u>1,725</u>
Interest earned	<u>17</u>	<u>40</u>
Total available	<u><u>\$ 1,765</u></u>	<u><u>\$ 1,765</u></u>

**(16) Uncertainties**

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak which has continued to spread and related public health developments, has adversely affected organizations and its workforce. This has also impacted the economy, the financial markets globally and potentially leading to an economic downturn. It has also disrupted the normal operations of many governmental organizations, including the County. The County expects this outbreak to impact operations for future reporting periods. It is not possible for the County to predict the duration and magnitude of the results of the outbreak and its effects on the County’s operations at this time.

# **Required Supplementary Information**

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**COUNTY OF SANTA CLARA**  
 Required Supplementary Information (Unaudited)  
 Schedules of Changes in Net Pension Liability and Related Ratios  
 During the Measurement Period  
 (In thousands)

Fiscal Year	County Miscellaneous Plan					
	2020	2019	2018	2017	2016	2015
<b>Measurement period (1)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total pension liability</b>						
Service cost	\$ 255,369	\$ 248,356	\$ 237,931	\$ 201,494	\$ 193,108	\$ 194,389
Interest	757,044	709,959	679,153	647,932	611,717	576,809
Changes of assumptions	-	(98,498)	568,403	-	(149,993)	-
Differences between expected and actual experience	150,577	68,689	(9,450)	12,742	(12,698)	-
Benefit payments, including refunds of employee contributions	(482,788)	(449,006)	(415,816)	(388,854)	(360,951)	(334,427)
Change in proportionate share	12,023	(29,211)	4,668	26,538	45,338	-
Net change in total pension liability	692,225	450,289	1,064,889	499,852	326,521	436,771
Total pension liability, beginning	10,539,134	10,088,845	9,023,956	8,524,104	8,197,583	7,760,812
Total pension liability, ending	<b>\$ 11,231,359</b>	<b>\$ 10,539,134</b>	<b>\$ 10,088,845</b>	<b>\$ 9,023,956</b>	<b>\$ 8,524,104</b>	<b>\$ 8,197,583</b>
<b>Plan fiduciary net position</b>						
Contributions, employer	\$ 323,367	\$ 268,362	\$ 259,733	\$ 232,045	\$ 200,542	\$ 180,535
Contributions, employee	121,344	109,498	106,502	100,248	93,991	96,868
Net investment income	500,157	599,474	716,254	34,043	142,299	944,377
Plan to plan resource movement	(29)	12	(99)	168	(557)	-
Benefit payments, including refunds of employee contributions	(482,788)	(449,006)	(415,816)	(388,854)	(360,951)	(334,427)
Administrative expenses	(5,405)	(11,015)	(9,497)	(3,934)	(7,251)	-
Other miscellaneous expenses (income)	17	(20,919)	-	-	-	-
Change in proportionate share	8,632	(20,526)	3,326	20,036	35,022	-
Net change in plan fiduciary net position	465,295	475,880	660,403	(6,248)	103,095	887,353
Plan fiduciary net position, beginning	7,565,383	7,089,503	6,429,100	6,435,348	6,332,253	5,444,900
<b>Plan fiduciary net position, ending</b>	<b>\$ 8,030,678</b>	<b>\$ 7,565,383</b>	<b>\$ 7,089,503</b>	<b>\$ 6,429,100</b>	<b>\$ 6,435,348</b>	<b>\$ 6,332,253</b>
<b>Plan net pension liability</b>	<b>\$ 3,200,681</b>	<b>\$ 2,973,751</b>	<b>\$ 2,999,342</b>	<b>\$ 2,594,856</b>	<b>\$ 2,088,756</b>	<b>\$ 1,865,330</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>71.50%</b>	<b>71.78%</b>	<b>70.27%</b>	<b>71.24%</b>	<b>75.50%</b>	<b>77.25%</b>
<b>Covered payroll</b>	<b>\$ 1,491,465</b>	<b>\$ 1,450,851</b>	<b>\$ 1,366,788</b>	<b>\$ 1,276,163</b>	<b>\$ 1,196,655</b>	<b>\$ 1,143,056</b>
<b>Plan net liability as a percentage of covered payroll</b>	<b>214.60%</b>	<b>204.97%</b>	<b>219.44%</b>	<b>203.33%</b>	<b>174.55%</b>	<b>163.19%</b>

**Note to schedule:**

Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only six years of information is shown.

*Benefit Changes* - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2018 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* - During measurement period 2014, the discount rate was 7.50%. During measurement period 2015, the discount rate was increased from 7.50 percent to 7.65 percent. There was no change in assumptions during measurement period 2016. During measurement period 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. During measurement period 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There was no change in assumptions during measurement period 2019.

**COUNTY OF SANTA CLARA**  
Required Supplementary Information (Unaudited)  
Schedules of Changes in Net Pension Liability and Related Ratios  
During the Measurement Period  
(In thousands)

Fiscal Year	County Safety Plan					
	2020	2019	2018	2017	2016	2015
<b>Measurement period (1)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total pension liability</b>						
Service cost	\$ 69,081	\$ 66,572	\$ 63,070	\$ 54,447	\$ 51,239	\$ 51,470
Interest	214,871	204,544	196,190	188,295	179,112	169,583
Changes of assumptions	-	(15,100)	168,441	-	(44,951)	-
Differences between expected and actual experience	14,678	3,911	(7,712)	6,499	17,045	-
Benefit payments, including refunds of employee contributions	(147,901)	(137,334)	(128,579)	(121,936)	(114,909)	(110,678)
Net change in total pension liability	150,729	122,593	291,410	127,305	87,536	110,375
Total pension liability, beginning	3,029,923	2,907,330	2,615,920	2,488,615	2,401,079	2,290,704
Total pension liability, ending	<b>\$ 3,180,652</b>	<b>\$ 3,029,923</b>	<b>\$ 2,907,330</b>	<b>\$ 2,615,920</b>	<b>\$ 2,488,615</b>	<b>\$ 2,401,079</b>
<b>Plan fiduciary net position</b>						
Contributions, employer	\$ 97,820	\$ 83,273	\$ 79,270	\$ 68,666	\$ 60,423	\$ 58,722
Contributions, employee	25,411	22,962	21,074	19,875	19,683	22,482
Net investment income	137,652	166,258	199,327	9,264	40,380	272,598
Plan to plan resource movement	30	(113)	65	(129)	1	-
Benefit payments, including refunds of employee contributions	(147,901)	(137,334)	(128,579)	(121,936)	(114,909)	(110,678)
Administrative expenses (income)	(1,492)	(3,064)	(2,654)	(1,111)	(2,048)	-
Other miscellaneous expenses (income)	5	(5,818)	-	-	-	-
Net change in plan fiduciary net position	111,525	126,164	168,503	(25,371)	3,530	243,124
Plan fiduciary net position, beginning	2,092,335	1,966,171	1,797,668	1,823,039	1,819,509	1,576,385
<b>Plan fiduciary net position, ending</b>	<b>\$ 2,203,860</b>	<b>\$ 2,092,335</b>	<b>\$ 1,966,171</b>	<b>\$ 1,797,668</b>	<b>\$ 1,823,039</b>	<b>\$ 1,819,509</b>
<b>Plan net pension liability</b>	<b>\$ 976,792</b>	<b>\$ 937,588</b>	<b>\$ 941,159</b>	<b>\$ 818,252</b>	<b>\$ 665,576</b>	<b>\$ 581,570</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>69.29%</b>	<b>69.06%</b>	<b>67.63%</b>	<b>68.72%</b>	<b>73.26%</b>	<b>75.78%</b>
<b>Covered payroll</b>	<b>\$ 236,319</b>	<b>\$ 226,938</b>	<b>\$ 213,250</b>	<b>\$ 206,183</b>	<b>\$ 191,470</b>	<b>\$ 182,993</b>
<b>Plan net liability as a percentage of covered payroll</b>	<b>413.34%</b>	<b>413.15%</b>	<b>441.34%</b>	<b>396.86%</b>	<b>347.61%</b>	<b>317.81%</b>

**Note to schedule:**

Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only six years of information is shown.

*Benefit Changes* - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2018 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* - During measurement period 2014, the discount rate was 7.50%. During measurement period 2015, the discount rate was increased from 7.50 percent to 7.65 percent. There was no change in assumptions during measurement period 2016. During measurement period 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. During measurement period 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There was no change in assumptions during measurement period 2019.

**COUNTY OF SANTA CLARA**  
Required Supplementary Information (Unaudited)  
Schedules of Changes in Net Pension Liability and Related Ratios  
During the Measurement Period  
(In thousands)

Fiscal Year	Central Fire Safety Plan					
	2020	2019	2018	2017	2016	2015
Measurement period (1)	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>						
Service cost	\$ 10,912	\$ 9,846	\$ 10,048	\$ 8,681	\$ 8,357	\$ 8,571
Interest	40,690	38,844	37,901	37,172	36,014	34,357
Changes of assumptions	-	(2,238)	31,032	-	(8,633)	-
Differences between expected and actual experience	5,703	(5,008)	(7,354)	(4,405)	2,264	-
Benefit payments, including refunds of employee contributions	(29,909)	(28,327)	(26,497)	(25,561)	(24,442)	(23,106)
Net change in total pension liability	27,396	13,117	45,130	15,887	13,560	19,822
Total pension liability, beginning	572,880	559,763	514,633	498,746	485,186	465,364
Total pension liability, ending	<b>\$ 600,276</b>	<b>\$ 572,880</b>	<b>\$ 559,763</b>	<b>\$ 514,633</b>	<b>\$ 498,746</b>	<b>\$ 485,186</b>
<b>Plan fiduciary net position</b>						
Contributions, employer	\$ 17,028	\$ 14,645	\$ 12,953	\$ 12,006	\$ 11,070	\$ 10,233
Contributions, employee	3,771	3,301	3,072	3,102	2,986	3,886
Net investment income	26,618	32,474	40,218	1,838	8,111	55,532
Plan to plan resource movement	(191)	(1)	-	-	(3)	-
Benefit payments, including refunds of employee contributions	(29,909)	(28,327)	(26,497)	(25,561)	(24,442)	(23,106)
Administrative expenses	(290)	(602)	(528)	(222)	(412)	-
Other miscellaneous expenses (income)	1	(1,144)	-	-	-	-
Net change in plan fiduciary net position	17,028	20,346	29,218	(8,837)	(2,690)	46,545
Plan fiduciary net position, beginning	406,847	386,501	357,283	366,120	368,810	322,265
Plan fiduciary net position, ending	<b>\$ 423,875</b>	<b>\$ 406,847</b>	<b>\$ 386,501</b>	<b>\$ 357,283</b>	<b>\$ 366,120</b>	<b>\$ 368,810</b>
Plan net pension liability	<b>\$ 176,401</b>	<b>\$ 166,033</b>	<b>\$ 173,262</b>	<b>\$ 157,350</b>	<b>\$ 132,626</b>	<b>\$ 116,376</b>
Plan fiduciary net position as a percentage of the total pension liability	70.61%	71.02%	69.05%	69.42%	73.41%	76.01%
Covered payroll	\$ 40,179	\$ 35,749	\$ 33,459	\$ 33,375	\$ 31,992	\$ 31,131
Plan net liability as a percentage of covered payroll	439.04%	464.44%	517.83%	471.46%	414.56%	373.83%

**Note to schedule:**

Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only six years of information is shown.

*Benefit Changes* - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2018 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* - During measurement period 2014, the discount rate was 7.50%. During measurement period 2015, the discount rate was increased from 7.50 percent to 7.65 percent. There was no change in assumptions during measurement period 2016. During measurement period 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. During measurement period 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There was no change in assumptions during measurement period 2019.

**COUNTY OF SANTA CLARA**  
Required Supplementary Information (Unaudited)  
Schedules of Changes in Net Pension Liability and Related Ratios  
During the Measurement Period  
(In thousands)

Fiscal Year	Housing Authority Miscellaneous Plan					
	2020	2019	2018	2017	2016	2015
Measurement period (1)	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>						
Service cost	\$ 1,942	\$ 1,667	\$ 1,682	\$ 1,376	\$ 1,328	\$ 1,413
Interest	4,635	4,245	4,010	3,735	3,523	3,357
Changes of assumptions	-	(463)	3,589	-	(933)	-
Differences between expected and actual experience	1,708	204	400	(188)	(539)	-
Benefit payments, including refunds of employee contributions	(2,317)	(2,262)	(2,031)	(1,959)	(1,857)	(2,065)
Net change in total pension liability	5,968	3,391	7,650	2,964	1,522	2,705
Total pension liability, beginning	63,313	59,922	52,272	49,308	47,786	45,081
Total pension liability, ending	<b>\$ 69,281</b>	<b>\$ 63,313</b>	<b>\$ 59,922</b>	<b>\$ 52,272</b>	<b>\$ 49,308</b>	<b>\$ 47,786</b>
<b>Plan fiduciary net position</b>						
Contributions, employer	\$ 1,085	\$ 11,803	\$ 821	\$ 773	\$ 724	\$ 825
Contributions, employee	909	801	715	680	654	670
Net investment income	5,079	5,688	6,350	269	1,238	8,433
Benefit payments, including refunds of employee contributions	(2,317)	(2,262)	(2,031)	(1,959)	(1,857)	(2,065)
Administrative expenses	(56)	(98)	(84)	(35)	(64)	-
Other miscellaneous expenses	-	(186)	-	-	-	-
Net change in plan fiduciary net position	4,700	15,746	5,771	(272)	695	7,863
Plan fiduciary net position, beginning	78,531	62,785	57,014	57,286	56,591	48,728
Plan fiduciary net position, ending	<b>\$ 83,231</b>	<b>\$ 78,531</b>	<b>\$ 62,785</b>	<b>\$ 57,014</b>	<b>\$ 57,286</b>	<b>\$ 56,591</b>
Plan net pension liability (asset)	<b>\$ (13,950)</b>	<b>\$ (15,218)</b>	<b>\$ (2,863)</b>	<b>\$ (4,742)</b>	<b>\$ (7,978)</b>	<b>\$ (8,805)</b>
Plan fiduciary net position as a percentage of the total pension liability	120.14%	124.04%	104.78%	109.07%	116.18%	118.43%
Covered payroll	\$ 12,983	\$ 10,764	\$ 10,830	\$ 9,799	\$ 9,296	\$ 9,370
Plan net liability (asset) as a percentage of covered payroll	-107.45%	-141.38%	-26.44%	-48.39%	-85.82%	-93.97%

**Note to schedule:**

Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only six years of information is shown.

*Benefit Changes* - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2018 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* - During measurement period 2014, the discount rate was 7.50%. During measurement period 2015, the discount rate was increased from 7.50 percent to 7.65 percent. There was no change in assumptions during measurement period 2016. During measurement period 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. During measurement period 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There was no change in assumptions during measurement period 2019.

**COUNTY OF SANTA CLARA**  
Required Supplementary Information (Unaudited)  
Schedules of the Cost Sharing Plans' Proportionate Share of Net Pension Liability  
During the Measurement Period  
(In thousands)

Fiscal Year	Central Fire Miscellaneous Plan					
	2020	2019	2018	2017	2016	2015
<b>Measurement period (1)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Plan's proportion of the net pension liability (NPL)	0.16%	0.16%	0.16%	0.19%	0.17%	0.16%
Plan's proportion share of the NPL	\$ 16,119	\$ 15,206	\$ 15,763	\$ 13,975	\$ 11,707	\$ 10,002
Plan's covered payroll	\$ 8,982	\$ 7,943	\$ 7,205	\$ 6,608	\$ 5,625	\$ 5,636
Plan's proportionate share of the NPL as a percentage of its covered payroll	179.46%	191.44%	218.78%	211.49%	208.11%	177.45%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	75.26%	75.26%	73.31%	74.06%	78.40%	83.03%

Fiscal Year	Health Authority Miscellaneous Plan					
	2020	2019	2018	2017	2016	2015
<b>Measurement period (1)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Plan's proportion of the net pension liability (asset)	-0.01%	-0.02%	0.02%	0.08%	0.07%	0.08%
Plan's proportion share of the net pension liability (asset)	\$ (1,017)	\$ (1,979)	\$ 1,825	\$ 6,857	\$ 5,018	\$ 4,884
Plan's covered payroll	\$ 23,706	\$ 19,966	\$ 16,512	\$ 11,011	\$ 7,427	\$ 8,850
Plan's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-4.29%	-9.91%	11.05%	62.27%	67.56%	55.19%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	75.26%	75.26%	73.31%	74.06%	78.40%	83.03%

**Note to schedule:**

Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only six years of information is shown.

*Benefit Changes* - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2018 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* - During measurement period 2014, the discount rate was 7.50%. During measurement period 2015, the discount rate was increased from 7.50 percent to 7.65 percent. There was no change in discount rate during measurement period 2016. During measurement period 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. During measurement period 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There was no change in discount rate during measurement period 2019.

**COUNTY OF SANTA CLARA**  
 Required Supplementary Information (Unaudited)  
 Schedules of Pension Plans Contributions

June 30, 2020

(In thousands)

Fiscal Year Ended	<b>County Miscellaneous Plan</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contributions (ADC)	\$ 370,092	\$ 323,367	\$ 268,362	\$ 259,733	\$ 232,045	\$ 200,542	\$ 180,535
Contributions in relation to the ADC	(370,092)	(323,367)	(268,362)	(259,733)	(232,045)	(200,542)	(180,535)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,539,097	\$ 1,491,465	\$ 1,450,851	\$ 1,366,788	\$ 1,276,163	\$ 1,196,655	\$ 1,143,056
Contributions as a percentage of covered payroll	24.05%	21.68%	18.50%	19.00%	18.18%	16.76%	15.79%

Fiscal Year Ended	<b>County Safety Plan</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contributions (ADC)	\$ 108,640	\$ 97,820	\$ 83,273	\$ 79,270	\$ 68,666	\$ 60,423	\$ 58,722
Contributions in relation to the ADC	(108,640)	(97,820)	(83,273)	(79,270)	(68,666)	(60,423)	(58,722)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 240,467	\$ 236,319	\$ 226,938	\$ 213,250	\$ 206,183	\$ 191,470	\$ 182,993
Contributions as a percentage of covered payroll	45.18%	41.39%	36.69%	37.17%	33.30%	31.56%	32.09%

Fiscal Year Ended	<b>Central Fire Safety Plan</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contributions (ADC)	\$ 19,569	\$ 17,028	\$ 14,645	\$ 12,953	\$ 12,006	\$ 11,070	\$ 10,233
Contributions in relation to the ADC	(19,569)	(17,028)	(14,645)	(12,953)	(12,006)	(11,070)	(10,233)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 38,295	\$ 40,179	\$ 35,749	\$ 33,459	\$ 33,375	\$ 31,992	\$ 31,131
Contributions as a percentage of covered payroll	51.10%	42.38%	40.97%	38.71%	35.97%	34.60%	32.87%

*(Continued)*

See accompanying notes to the schedule of the pension plans contributions.

Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only seven years of information is shown.

**COUNTY OF SANTA CLARA**  
 Required Supplementary Information (Unaudited)  
 Schedules of Pension Plans Contributions

June 30, 2020  
 (In thousands)

	<b>Central Fire Miscellaneous Plan</b>						
Fiscal Year Ended	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution (actuarially determined)	\$ 1,819	\$ 2,084	\$ 1,826	\$ 1,721	\$ 1,551	\$ 1,363	\$ 1,275
Contributions in relation to the contractually required contribution	(1,819)	(2,084)	(1,826)	(1,721)	(1,551)	(1,363)	(1,275)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 10,027	\$ 8,982	\$ 7,943	\$ 7,205	\$ 6,608	\$ 5,625	\$ 5,636
Contributions as a percentage of covered payroll	18.14%	23.20%	22.99%	23.89%	23.47%	24.23%	22.62%

	<b>Housing Authority Miscellaneous Plan</b>						
Fiscal Year Ended	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contributions (ADC)	\$ 1,145	\$ 1,045	\$ (9,810)	\$ 821	\$ 773	\$ 724	\$ 825
Contributions in relation to the ADC	(1,145)	(1,045)	(1,085)	(821)	(773)	(724)	(825)
Contribution deficiency (excess)	\$ -	\$ -	\$ (10,895)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 13,706	\$ 12,983	\$ 10,764	\$ 10,830	\$ 9,799	\$ 9,296	\$ 9,370
Contributions as a percentage of covered payroll	8.35%	8.05%	10.08%	7.58%	7.89%	7.79%	8.80%

	<b>Health Authority Miscellaneous Plan</b>						
Fiscal Year Ended	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution (actuarially determined)	\$ 2,058	\$ 1,670	\$ 1,198	\$ 1,287	\$ 911	\$ 886	n/a
Contributions in relation to the contractually required contribution	(2,058)	(1,670)	(4,427)	(7,188)	(911)	(886)	n/a
Contribution deficiency (excess)	\$ -	\$ -	\$ (3,229)	\$ (5,901)	\$ -	\$ -	\$ -
Covered payroll	\$ 26,732	\$ 23,706	\$ 19,966	\$ 16,512	\$ 11,011	\$ 7,427	\$ 8,850
Contributions as a percentage of covered payroll	7.70%	7.04%	22.17%	43.53%	8.27%	11.93%	n/a

See accompanying notes to the schedule of the pension plans contributions.

Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only seven years of information is shown.

**COUNTY OF SANTA CLARA**

Required Supplementary Information (Unaudited)  
Notes to the Schedules of Pension Plans Contributions

June 30, 2020

(In thousands)

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2020 for all of the County's pension plans were as follows:

Actuarially determined contribution for fiscal year.....	June 30, 2020
Actuarial valuation date.....	June 30, 2017
Actuarial cost method.....	Entry age normal
Asset valuation method.....	Actuarial value of assets
Inflation.....	2.625%
Salary increases.....	Varies by entry age and service
Payroll growth.....	2.75%
Investment rate of return.....	7.25%, net of pension plan investment and administrative expenses, includes inflation
Retirement age.....	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period 1997 to 2015.
Mortality.....	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre- retirement and post-retirement mortality rates include 5 years of projected mortality improvement using 90% Scal MP-2016 published by the Society of Actuaries.

**COUNTY OF SANTA CLARA**

Required Supplementary Information (Unaudited)  
Schedules of Changes in Net OPEB Liability and Related Ratios

During the Measurement Period

(In thousands)

Fiscal Year	County Plan		
	2020	2019	2018
<b>Measurement period (1)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Total OPEB liability</b>			
Service cost	\$ 67,733	\$ 59,565	\$ 65,781
Interest	161,055	151,194	157,259
Changes of assumptions	18,866	39,454	(41,189)
Differences between expected and actual experience	(136,669)	(32,527)	(182,885)
Benefit payments, including refunds of employee contributions	(87,821)	(82,140)	(76,669)
Net change in total OPEB liability	23,164	135,546	(77,703)
Total OPEB liability, beginning	2,276,963	2,141,417	2,219,120
Total OPEB liability, ending	<u><u>\$ 2,300,127</u></u>	<u><u>\$ 2,276,963</u></u>	<u><u>\$ 2,141,417</u></u>
<b>Plan fiduciary net position</b>			
Contributions, employer	\$ 122,889	\$ 167,142	\$ 147,324
Contributions, employee	6,593	6,315	6,024
Net investment income	66,514	68,397	75,815
Benefit payments, including refunds of employee contributions	(87,821)	(82,140)	(76,669)
Administrative expenses	(224)	(1,607)	(386)
Other miscellaneous income	5,432	-	-
Net change in plan fiduciary net position	113,383	158,107	152,108
Plan fiduciary net position, beginning	1,015,929	857,822	705,714
<b>Plan fiduciary net position, ending</b>	<u><u>\$ 1,129,312</u></u>	<u><u>\$ 1,015,929</u></u>	<u><u>\$ 857,822</u></u>
<b>Plan net OPEB liability</b>	<u><u>\$ 1,170,815</u></u>	<u><u>\$ 1,261,034</u></u>	<u><u>\$ 1,283,595</u></u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>49.10%</b>	<b>44.62%</b>	<b>40.06%</b>
<b>Covered payroll</b>	<b>\$ 1,827,470</b>	<b>\$ 1,675,731</b>	<b>\$ 1,589,148</b>
<b>Plan net liability as a percentage of covered payroll</b>	<b>64.07%</b>	<b>75.25%</b>	<b>80.77%</b>

Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only three years of information is shown.

*Changes of Assumptions* - During measurement period 2018, price inflation rate decreased from 2.75 percent to 2.50 percent, wage inflation decreased from 3.00% to 2.75 percent, and projected payroll increases as well as medical cost trend rate were adjusted. During measurement period 2019, demographic assumptions were changed in accordance to the 2017 CalPERS Experience Study while healthcare cost trend rate was updated.

**COUNTY OF SANTA CLARA**

Required Supplementary Information (Unaudited)  
Schedules of Changes in Net OPEB Liability and Related Ratios

During the Measurement Period

(In thousands)

Fiscal Year	Central Fire Plan		
	2020	2019	2018
<b>Measurement period (1)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Total OPEB liability</b>			
Service cost	\$ 1,213	\$ 1,200	\$ 1,200
Interest	3,789	3,618	3,541
Changes of assumptions	(2,869)	-	-
Differences between expected and actual experience	1,698	1,225	-
Benefit payments, including refunds of employee contributions	(3,149)	(4,242)	(3,138)
Net change in total OPEB liability	682	1,801	1,603
Total OPEB liability, beginning	52,998	51,197	49,594
Total OPEB liability, ending	<u><u>\$ 53,680</u></u>	<u><u>\$ 52,998</u></u>	<u><u>\$ 51,197</u></u>
<b>Plan fiduciary net position</b>			
Contributions, employer	\$ 6,554	\$ 7,331	\$ 5,953
Net investment income	1,749	1,816	1,905
Benefit payments, including refunds of employee contributions	(3,149)	(4,242)	(3,138)
Administrative expenses	(14)	(12)	(10)
Net change in plan fiduciary net position	5,140	4,893	4,710
Plan fiduciary net position, beginning	25,610	20,717	16,007
<b>Plan fiduciary net position, ending</b>	<u><u>\$ 30,750</u></u>	<u><u>\$ 25,610</u></u>	<u><u>\$ 20,717</u></u>
<b>Plan net OPEB liability</b>	<u><u>\$ 22,930</u></u>	<u><u>\$ 27,388</u></u>	<u><u>\$ 30,480</u></u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>57.28%</b>	<b>48.32%</b>	<b>40.47%</b>
<b>Covered payroll</b>	<b>\$ 47,282</b>	<b>\$ 43,683</b>	<b>\$ 40,282</b>
<b>Plan net liability as a percentage of covered payroll</b>	<b>48.50%</b>	<b>62.70%</b>	<b>75.67%</b>

Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only three years of information is shown.

*Changes of Assumptions* - There was no change in assumptions during measurement period 2018. During measurement period 2019, discount rate was increased from 7.25% to 7.59%, price inflation rate was decreased from 3.00% to 2.75%, wage inflation rate was decreased from 3.00% to 2.75%, and demographic assumptions were changed in accordance to the 2017 CalPERS Experience Study.

**COUNTY OF SANTA CLARA**

Required Supplementary Information (Unaudited)  
Schedules of Changes in Net OPEB Liability and Related Ratios

During the Measurement Period

(In thousands)

Fiscal Year	Housing Authority Plan		
	2020	2019	2018
<b>Measurement period (1)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Total OPEB liability</b>			
Service cost	\$ 440	\$ 426	\$ 238
Interest	684	654	731
Changes of assumptions	(286)	-	2,479
Differences between expected and actual experience	(1,437)	-	(1,984)
Benefit payments, including refunds of employee contributions	(548)	(567)	(624)
Net change in total OPEB liability	(1,147)	513	840
Total OPEB liability, beginning	12,276	11,763	10,923
Total OPEB liability, ending	<u>\$ 11,129</u>	<u>\$ 12,276</u>	<u>\$ 11,763</u>
<b>Plan fiduciary net position</b>			
Contributions, employer	\$ 548	\$ 3,181	\$ 1,059
Net investment income	930	605	664
Benefit payments, including refunds of employee contributions	(548)	(567)	(624)
Administrative expenses	(3)	(19)	(5)
Net change in plan fiduciary net position	927	3,200	1,094
Plan fiduciary net position, beginning	13,237	10,037	8,943
<b>Plan fiduciary net position, ending</b>	<u>\$ 14,164</u>	<u>\$ 13,237</u>	<u>\$ 10,037</u>
<b>Plan net OPEB liability (asset)</b>	<u>\$ (3,035)</u>	<u>\$ (961)</u>	<u>\$ 1,726</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>127.27%</b>	<b>107.83%</b>	<b>85.33%</b>
<b>Covered payroll</b>	<b>\$ 13,348</b>	<b>\$ 12,060</b>	<b>\$ 11,058</b>
<b>Plan net liability (asset) as a percentage of covered payroll</b>	<b>-22.74%</b>	<b>-7.97%</b>	<b>15.61%</b>

Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only three years of information is shown.

*Changes of Assumptions* - There was no change in assumptions during measurement period 2018. During measurement period 2019, price inflation rate was decreased from 2.75% to 2.50% and demographic assumptions were changed in accordance to the 2017 CalPERS Experience Study.

**COUNTY OF SANTA CLARA**

Required Supplementary Information (Unaudited)  
Schedules of Changes in Net OPEB Liability and Related Ratios  
During the Measurement Period  
(In thousands)

<b>Fiscal Year</b>	<b>Health Authority Plan</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Measurement period (1)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Total OPEB liability</b>			
Service cost	\$ 1,089	\$ 1,119	\$ 756
Interest	902	805	708
Changes of assumptions	(91)	-	132
Differences between expected and actual experience	(2,076)	-	(15)
Benefit payments, including refunds of employee contributions	(438)	(478)	(542)
Net change in total OPEB liability	(614)	1,446	1,039
Total OPEB liability, beginning	12,492	11,046	10,007
Total OPEB liability, ending	<u><u>\$ 11,878</u></u>	<u><u>\$ 12,492</u></u>	<u><u>\$ 11,046</u></u>
<b>Plan fiduciary net position</b>			
Contributions, employer	\$ 2,601	\$ 3,588	\$ 1,142
Net investment income	795	518	552
Benefit payments, including refunds of employee contributions	(438)	(478)	(542)
Administrative expenses	(2)	(12)	(4)
Net change in plan fiduciary net position	2,956	3,616	1,148
Plan fiduciary net position, beginning	9,953	6,337	5,189
<b>Plan fiduciary net position, ending</b>	<u><u>\$ 12,909</u></u>	<u><u>\$ 9,953</u></u>	<u><u>\$ 6,337</u></u>
<b>Plan net OPEB liability</b>	<u><u>\$ (1,031)</u></u>	<u><u>\$ 2,539</u></u>	<u><u>\$ 4,709</u></u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>108.68%</b>	<b>79.67%</b>	<b>57.37%</b>
<b>Covered payroll</b>	<b>\$ 24,360</b>	<b>\$ 20,046</b>	<b>\$ 17,217</b>
<b>Plan net liability as a percentage of covered payroll</b>	<b>-4.23%</b>	<b>12.67%</b>	<b>27.35%</b>

Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only three years of information is shown.

*Changes of Assumptions* - There was no change in assumptions during measurement period 2018. During measurement period 2019, demographic assumptions were changed in accordance to the 2017 CalPERS Experience Study.

**COUNTY OF SANTA CLARA**

Required Supplementary Information (Unaudited)  
Schedules of OPEB Plans Contributions

June 30, 2020

(In thousands)

Fiscal Year Ended	County Plan			
	2020	2019	2018	2017
Actuarially determined contributions (ADC)	\$ 139,293	\$ 134,660	\$ 128,588	\$ 154,902
Contributions in relation to the ADC	(134,151)	(122,889)	(167,142)	(147,324)
Contribution deficiency (excess)	\$ 5,142	\$ 11,771	\$ (38,554)	\$ 7,578
Covered payroll	\$ 1,877,725	\$ 1,827,470	\$ 1,675,731	\$ 1,589,148
Contributions as a percentage of covered payroll	7.14%	6.72%	9.97%	9.27%

Fiscal Year Ended	Central Fire Plan			
	2020	2019	2018	2017
Actuarially determined contributions (ADC)	\$ 3,727	\$ 6,554	\$ 7,331	\$ 5,953
Contributions in relation to the ADC	(3,727)	(6,554)	(7,331)	(5,953)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 48,322	\$ 47,282	\$ 43,683	\$ 40,282
Contributions as a percentage of covered payroll	7.71%	13.86%	16.78%	14.78%

Fiscal Year Ended	Housing Authority Plan			
	2020	2019	2018	2017
Actuarially determined contributions (ADC)	\$ 229	\$ 391	\$ 594	\$ 1,059
Contributions in relation to the ADC	(497)	(548)	(3,181)	(1,059)
Contribution deficiency (excess)	\$ (268)	\$ (157)	\$ (2,587)	\$ -
Covered payroll	\$ 13,748	\$ 13,348	\$ 12,060	\$ 11,058
Contributions as a percentage of covered payroll	3.62%	4.11%	26.38%	9.58%

Fiscal Year Ended	Health Authority Plan			
	2020	2019	2018	2017
Actuarially determined contributions (ADC)	\$ 1,063	\$ 1,269	\$ 1,427	\$ 1,142
Contributions in relation to the ADC	(3,018)	(2,601)	(3,588)	(1,142)
Contribution deficiency (excess)	\$ (1,955)	\$ (1,332)	\$ (2,161)	\$ -
Covered payroll	\$ 26,732	\$ 24,360	\$ 20,046	\$ 17,217
Contributions as a percentage of covered payroll	11.29%	10.68%	17.90%	6.63%

See accompanying notes to the schedule of the OPEB plans contributions.

\* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only three years of information is shown.

**COUNTY OF SANTA CLARA**

Required Supplementary Information (Unaudited)  
Notes to the Schedules of OPEB Plans Contributions

June 30, 2020

(In thousands)

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2020 for all of the County's OPEB plans were as follows:

	<b>County Plan</b>	<b>Central Fire Plan</b>	<b>Housing Authority Plan</b>	<b>Health Authority Plan</b>
Actuarially determined contribution for fiscal year.....	June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020
Actuarial valuation date.....	June 30, 2019	June 30, 2019	June 30, 2019	June 30, 2018
Actuarial cost method.....	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Asset valuation method.....	Market value	Market value	Market value	Market value
Inflation.....	2.50%	2.75%	2.50%	2.75%
Salary increases.....	Increase of 3.25% to 15.95% depending on age, service and type of employment.	Varies by entry age and service	3.25%	Varies by entry age and service
Payroll growth.....	2.75%	2.75%	3.00%	2.75%
Investment rate of return.....	7.00%	7.59%	5.50%	6.75%
Healthcare cost trend rate.....	Medicare and Non-Medicare cost trend rate of 6.25% and 6.75%, respectively, for initial year, graded down by 0.25% per year until 4.50% ultimate rate is reached. Medicare Part B cost trend rate of 4.5%.	Initial healthcare trend rate of 6.0% graded down until 4.0% ultimate rate is reached.	Medical premium: Healthcare cost trend rate of 6.5% for initial year, graded down by 0.5% per year until 5.3% ultimate rate is reached. PMEHC: 4.00% Dental and vision premium: 3.5%.	Initial healthcare trend rate of 7.5% and 6.5%, respectively, for Non-Medicare and Medicare, graded down until 4.00% ultimate rate is reached.
Mortality and other actuarial assumptions....	CalPERS 2017 experience study report using data for the period from 1997 to 2015.	CalPERS 2017 experience study report using data for the period from 1997 to 2015.	CalPERS 2017 experience study report using data for the period from 1997 to 2015.	CalPERS 2017 experience study report using data for the period from 1997 to 2015.

## **COUNTY OF SANTA CLARA**

### **General Fund**

The General Fund is the general operating fund of the County. It accounts for all financial activities except those required to be accounted for in another fund. The accompanying Budgetary Comparison Schedule represents the primary expense classification of services provided by the County through the General Fund.

**COUNTY OF SANTA CLARA**

Required Supplementary Information (Unaudited)  
 Budgetary Comparison Schedule  
 General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2020  
 (In thousands)

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Budgetary fund balances, beginning of year</b>	\$ 1,040,504	\$ 1,040,504	\$ 1,040,504	\$ -
<b>Resources (inflows):</b>				
Taxes	1,384,462	1,384,462	1,414,216	29,754
Licenses and permits	10,370	10,394	14,693	4,299
Fines, forfeitures, and penalties	30,753	30,753	30,790	37
Interest and investment income	50,964	50,964	74,921	23,957
Intergovernmental revenues	1,399,154	1,456,879	1,764,823	307,944
Charges for services	123,400	121,486	126,194	4,708
Other revenue	26,917	30,252	39,948	9,696
Other financing sources	6,000	6,000	6,000	-
Interfund transfers	513,753	616,445	164,627	(451,818)
Total resources (inflows) available for appropriation	<u>3,545,773</u>	<u>3,707,635</u>	<u>3,636,212</u>	<u>(71,423)</u>
<b>Charges to appropriations (outflows):</b>				
<b>General government:</b>				
Supervisorial District 1				
Salaries and benefits	1,822	1,822	1,609	213
Services and supplies	195	193	94	99
Total Supervisorial District 1	<u>2,017</u>	<u>2,015</u>	<u>1,703</u>	<u>312</u>
Supervisorial District 2				
Salaries and benefits	1,828	1,783	1,729	54
Services and supplies	189	238	219	19
Total Supervisorial District 2	<u>2,017</u>	<u>2,021</u>	<u>1,948</u>	<u>73</u>
Supervisorial District 3				
Salaries and benefits	1,822	1,818	1,800	18
Services and supplies	206	247	184	63
Total Supervisorial District 3	<u>2,028</u>	<u>2,065</u>	<u>1,984</u>	<u>81</u>
Supervisorial District 4				
Salaries and benefits	1,822	1,822	1,741	81
Services and supplies	195	193	96	97
Total Supervisorial District 4	<u>2,017</u>	<u>2,015</u>	<u>1,837</u>	<u>178</u>
Supervisorial District 5				
Salaries and benefits	1,976	1,756	1,710	46
Services and supplies	247	436	340	96
Total Supervisorial District 5	<u>2,223</u>	<u>2,192</u>	<u>2,050</u>	<u>142</u>
Clerk - Board of Supervisors				
Salaries and benefits	5,932	5,932	5,441	491
Services and supplies	11,468	12,073	9,328	2,745
Expenditure reimbursements	(112)	(112)	(64)	(48)
Total Clerk - Board of Supervisors	<u>17,288</u>	<u>17,893</u>	<u>14,705</u>	<u>3,188</u>

(Continued)

**COUNTY OF SANTA CLARA**  
Required Supplementary Information (Unaudited)  
Budgetary Comparison Schedule  
General Fund - Budgetary Basis  
For the Fiscal Year Ended June 30, 2020  
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>General government (continued):</b>				
Office of the County Executive				
Salaries and benefits	\$ 48,836	\$ 46,143	\$ 43,461	\$ 2,682
Services and supplies	45,261	85,735	37,742	47,993
Capital outlay	84	97	76	21
Expenditure reimbursements	(3,538)	(4,219)	(4,080)	(139)
Interfund transfers	-	25	25	-
Total Office of the County Executive	<u>90,643</u>	<u>127,781</u>	<u>77,224</u>	<u>50,557</u>
Risk Management				
Salaries and benefits	2,103	2,103	1,984	119
Services and supplies	275	291	203	88
Expenditure reimbursements	(2,193)	(2,193)	(2,187)	(6)
Total Risk Management	<u>185</u>	<u>201</u>	<u>-</u>	<u>201</u>
Controller-Treasurer				
Salaries and benefits	16,857	16,857	14,812	2,045
Services and supplies	17,635	11,340	44,584	(33,244)
Expenditure reimbursements	(180,639)	(194,180)	(193,120)	(1,060)
Interfund transfers	386	6,272	31,160	(24,888)
Total Controller-Treasurer	<u>(145,761)</u>	<u>(159,711)</u>	<u>(102,564)</u>	<u>(57,147)</u>
Department of Tax and Collections				
Salaries and benefits	19,267	18,007	16,925	1,082
Services and supplies	9,105	10,471	6,882	3,589
Expenditure reimbursements	(2,745)	(2,745)	(2,205)	(540)
Interfund transfers	3,423	3,336	3,336	-
Total Department of Tax and Collections	<u>25,627</u>	<u>25,733</u>	<u>24,938</u>	<u>795</u>
Office of the Assessor				
Salaries and benefits	40,955	39,964	37,319	2,645
Services and supplies	5,000	6,224	3,469	2,755
Capital outlay	-	617	330	287
Total Office of the Assessor	<u>45,955</u>	<u>46,805</u>	<u>41,118</u>	<u>5,687</u>
Purchasing				
Salaries and benefits	16,109	16,109	10,893	5,216
Services and supplies	6,647	6,403	3,237	3,166
Expenditure reimbursements	(646)	(646)	(455)	(191)
Total Purchasing	<u>22,110</u>	<u>21,866</u>	<u>13,675</u>	<u>8,191</u>
Office of Budget and Analysis - Special Programs				
Salaries and benefits	(10,000)	(10,000)	-	(10,000)
Services and supplies	2,949	3,253	1,691	1,562
Interfund transfers	136,947	225,665	216,309	9,356
Total Office of Budget and Analysis - Special Programs	<u>129,896</u>	<u>218,918</u>	<u>218,000</u>	<u>918</u>
Office of the County Counsel				
Salaries and benefits	47,653	47,453	43,225	4,228
Services and supplies	14,692	14,725	12,951	1,774
Capital outlay	-	175	74	101
Expenditure reimbursements	(26,710)	(26,720)	(25,572)	(1,148)
Total Office of the County Counsel	<u>35,635</u>	<u>35,633</u>	<u>30,678</u>	<u>4,955</u>

(Continued)

**COUNTY OF SANTA CLARA**

Required Supplementary Information (Unaudited)  
 Budgetary Comparison Schedule  
 General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2020  
 (In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>General government (continued):</b>				
Personnel				
Salaries and benefits	\$ 32,036	\$ 32,036	\$ 29,696	\$ 2,340
Services and supplies	10,327	10,493	9,162	1,331
Expenditure reimbursements	(15,294)	(15,294)	(12,757)	(2,537)
Total Personnel	<u>27,069</u>	<u>27,235</u>	<u>26,101</u>	<u>1,134</u>
Registrar of Voters				
Salaries and benefits	15,777	21,646	21,646	-
Services and supplies	13,062	23,572	21,861	1,711
Capital outlay	2,500	464	190	274
Total Registrar of Voters	<u>31,339</u>	<u>45,682</u>	<u>43,697</u>	<u>1,985</u>
Information Services				
Salaries and benefits	495	495	470	25
Services and supplies	118,921	126,380	62,053	64,327
Capital outlay	3,599	1,553	26	1,527
Expenditure reimbursements	(1,892)	(1,672)	(1,500)	(172)
Total Information Services	<u>121,123</u>	<u>126,756</u>	<u>61,049</u>	<u>65,707</u>
Communication				
Salaries and benefits	22,889	22,789	19,371	3,418
Services and supplies	9,975	7,927	6,999	928
Capital outlay	-	90	83	7
Expenditure reimbursements	(9,805)	(10,064)	(9,395)	(669)
Total Communication	<u>23,059</u>	<u>20,742</u>	<u>17,058</u>	<u>3,684</u>
Department of Planning & Development				
Salaries and benefits	16,491	15,948	14,556	1,392
Services and supplies	6,084	12,143	9,593	2,550
Capital outlay	317	704	700	4
Expenditure reimbursements	(97)	(97)	(59)	(38)
Total Department of Planning & Development	<u>22,795</u>	<u>28,698</u>	<u>24,790</u>	<u>3,908</u>

(Continued)

**COUNTY OF SANTA CLARA**

Required Supplementary Information (Unaudited)  
Budgetary Comparison Schedule  
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2020

(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>General government (continued):</b>				
Facilities and Fleet Department				
Salaries and benefits	\$ 47,739	\$ 47,739	\$ 45,337	\$ 2,402
Services and supplies	118,222	118,750	111,958	6,792
Capital outlay	760	889	261	628
Expenditure reimbursements	(75,538)	(79,730)	(78,276)	(1,454)
Interfund transfers	325,553	356,143	270,576	85,567
Total Facilities and Fleet Department	<u>416,736</u>	<u>443,791</u>	<u>349,856</u>	<u>93,935</u>
<b>General government - subtotals:</b>				
Salaries and benefits	332,409	332,222	313,725	18,497
Services and supplies	390,655	451,087	342,646	108,441
Capital outlay	7,260	4,589	1,740	2,849
Expenditure reimbursements	(319,209)	(337,672)	(329,670)	(8,002)
Interfund transfers	462,771	591,441	521,406	70,035
<b>Total general government</b>	<b><u>873,886</u></b>	<b><u>1,041,667</u></b>	<b><u>849,847</u></b>	<b><u>191,820</u></b>
<b>Public protection:</b>				
Clerk Recorder				
Salaries and benefits	8,202	8,202	7,620	582
Services and supplies	1,359	1,356	1,325	31
Capital outlay	-	11	11	-
Total Clerk Recorder	<u>9,561</u>	<u>9,569</u>	<u>8,956</u>	<u>613</u>
District Attorney				
Salaries and benefits	131,633	131,395	128,863	2,532
Services and supplies	23,096	27,188	24,825	2,363
Capital outlay	986	1,556	763	793
Expenditure reimbursements	(12,987)	(14,229)	(13,183)	(1,046)
Total District Attorney	<u>142,728</u>	<u>145,910</u>	<u>141,268</u>	<u>4,642</u>
Public Defender				
Salaries and benefits	63,919	64,339	63,956	383
Services and supplies	8,864	9,905	9,380	525
Capital outlay	24	30	30	-
Expenditure reimbursements	(258)	(260)	(260)	-
Total Public Defender	<u>72,549</u>	<u>74,014</u>	<u>73,106</u>	<u>908</u>
Pretrial Services				
Salaries and benefits	7,057	7,057	6,677	380
Services and supplies	2,624	2,870	2,479	391
Expenditure reimbursements	(106)	(106)	(17)	(89)
Total Pretrial Services	<u>9,575</u>	<u>9,821</u>	<u>9,139</u>	<u>682</u>
Criminal Justice Support				
Services and supplies	47,426	54,169	49,668	4,501
Interfund transfers	1,313	-	-	-
Total Criminal Justice Support	<u>48,739</u>	<u>54,169</u>	<u>49,668</u>	<u>4,501</u>

(Continued)

**COUNTY OF SANTA CLARA**

Required Supplementary Information (Unaudited)  
 Budgetary Comparison Schedule  
 General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2020

(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Public protection (continued):</b>				
Sheriff Administration				
Salaries and benefits	\$ 163,267	\$ 160,843	\$ 157,926	\$ 2,917
Services and supplies	31,126	31,470	28,535	2,935
Capital outlay	865	2,431	1,062	1,369
Expenditure reimbursements	<u>(4,803)</u>	<u>(4,803)</u>	<u>(7,662)</u>	<u>2,859</u>
Total Sheriff Administration	<u>190,455</u>	<u>189,941</u>	<u>179,861</u>	<u>10,080</u>
Sheriff - Department of Correction Services				
Salaries and benefits	<u>167,569</u>	<u>178,705</u>	<u>178,705</u>	<u>-</u>
Department of Correction				
Salaries and benefits	43,770	43,085	42,323	762
Services and supplies	25,576	26,577	25,084	1,493
Capital outlay	3,056	3,106	904	2,202
Expenditure reimbursements	<u>(187)</u>	<u>(187)</u>	<u>(236)</u>	<u>49</u>
Total Department of Correction	<u>72,215</u>	<u>72,581</u>	<u>68,075</u>	<u>4,506</u>
Probation Department				
Salaries and benefits	171,273	172,330	172,326	4
Services and supplies	26,153	38,977	24,797	14,180
Capital outlay	-	76	76	-
Expenditure reimbursements	<u>(403)</u>	<u>(403)</u>	<u>(211)</u>	<u>(192)</u>
Total Probation Department	<u>197,023</u>	<u>210,980</u>	<u>196,988</u>	<u>13,992</u>
Department of Agriculture/Weights & Measures/ Animal Control				
Salaries and benefits	14,642	14,524	14,468	56
Services and supplies	5,811	5,570	4,305	1,265
Interfund transfers	212	754	190	564
Expenditure reimbursements	<u>(5,106)</u>	<u>(5,106)</u>	<u>(5,072)</u>	<u>(34)</u>
Total Department of Agriculture/ Weights & Measures/Animal Control	<u>15,559</u>	<u>15,742</u>	<u>13,891</u>	<u>1,851</u>
Medical Examiner - Coroner				
Salaries and benefits	5,995	5,895	5,787	108
Services and supplies	1,167	1,277	1,269	8
Capital outlay	<u>25</u>	<u>25</u>	<u>-</u>	<u>25</u>
Total Medical Examiner - Coroner	<u>7,187</u>	<u>7,197</u>	<u>7,056</u>	<u>141</u>
<b>Public protection - subtotals:</b>				
Salaries and benefits	777,327	786,375	778,651	7,724
Services and supplies	173,202	199,359	171,667	27,692
Capital outlay	4,956	7,235	2,846	4,389
Interfund transfers	1,525	754	190	564
Expenditure reimbursements	<u>(23,850)</u>	<u>(25,094)</u>	<u>(26,641)</u>	<u>1,547</u>
<b>Total public protection</b>	<b><u>933,160</u></b>	<b><u>968,629</u></b>	<b><u>926,713</u></b>	<b><u>41,916</u></b>

(Continued)

**COUNTY OF SANTA CLARA**

Required Supplementary Information (Unaudited)  
 Budgetary Comparison Schedule  
 General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2020  
 (In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Health and sanitation:</b>				
Health Services Administration				
Salaries and benefits	76,265	76,951	72,002	4,949
Services and supplies	44,935	48,687	39,621	9,066
Capital outlay	-	42	35	7
Expenditure reimbursements	(3,549)	(4,013)	(2,816)	(1,197)
Total Health Services Administration	<u>117,651</u>	<u>121,667</u>	<u>108,842</u>	<u>12,825</u>
Custody Health Services				
Salaries and benefits	61,048	64,668	63,440	1,228
Services and supplies	35,053	38,621	37,888	733
Capital outlay	455	1,455	45	1,410
Expenditure reimbursements	(133)	(133)	-	(133)
Total Custody Health Services	<u>96,423</u>	<u>104,611</u>	<u>101,373</u>	<u>3,238</u>
Behavioral Health Services				
Salaries and benefits	120,940	121,945	103,200	18,745
Services and supplies	442,497	480,539	420,291	60,248
Interfund transfers	-	1,400	168	1,232
Expenditure reimbursements	(19,160)	(19,160)	(15,391)	(3,769)
Total Behavioral Health Services	<u>544,277</u>	<u>584,724</u>	<u>508,268</u>	<u>76,456</u>
Community Outreach Program				
Salaries and benefits	14,847	15,214	15,124	90
Services and supplies	8,285	8,837	7,254	1,583
Capital outlay	-	13	12	1
Expenditure reimbursements	(1,001)	(1,054)	(959)	(95)
Total Community Outreach Program	<u>22,131</u>	<u>23,010</u>	<u>21,431</u>	<u>1,579</u>
Emergency Medical Services				
Salaries and benefits	3,607	3,607	3,520	87
Services and supplies	3,723	3,818	2,293	1,525
Expenditure reimbursements	-	(190)	(371)	181
Total Emergency Medical Services	<u>7,330</u>	<u>7,235</u>	<u>5,442</u>	<u>1,793</u>

(Continued)

**COUNTY OF SANTA CLARA**

Required Supplementary Information (Unaudited)  
Budgetary Comparison Schedule  
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2020  
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Health and sanitation (continued):</b>				
Healthy Children				
Services and supplies	\$ 3,400	\$ 3,400	\$ 1,193	\$ 2,207
<b>Health and sanitation - subtotals:</b>				
Salaries and benefits	276,707	282,385	257,286	25,099
Services and supplies	537,893	583,902	508,540	75,362
Capital outlay	455	1,510	92	1,418
Interfund transfers	-	1,400	168	1,232
Expenditure reimbursements	<u>(23,843)</u>	<u>(24,550)</u>	<u>(19,537)</u>	<u>(5,013)</u>
<b>Total health and sanitation</b>	<b><u>791,212</u></b>	<b><u>844,647</u></b>	<b><u>746,549</u></b>	<b><u>98,098</u></b>
<b>Public assistance:</b>				
In-House Support Services				
Services and supplies	<u>215,852</u>	<u>219,568</u>	<u>219,297</u>	<u>271</u>
Office of Affordable Housing				
Salaries and benefits	7,089	5,830	5,805	25
Services and supplies	77,419	155,156	83,635	71,521
Capital outlay	345	282	252	30
Interfund transfers	400	400	400	-
Expenditure reimbursements	<u>(5,342)</u>	<u>(47,184)</u>	<u>(21,969)</u>	<u>(25,215)</u>
Total Office of Affordable Housing	<u>79,911</u>	<u>114,484</u>	<u>68,123</u>	<u>46,361</u>
Social Services Administration				
Salaries and benefits	407,183	406,901	388,972	17,929
Services and supplies	202,797	202,845	172,016	30,829
Capital outlay	-	79	72	7
Interfund transfers	28,200	28,121	26,670	1,451
Expenditure reimbursements	<u>(524)</u>	<u>(524)</u>	<u>(250)</u>	<u>(274)</u>
Total Social Services Administration	<u>637,656</u>	<u>637,422</u>	<u>587,480</u>	<u>49,942</u>
Categorical Aids Payments				
Services and supplies	<u>176,808</u>	<u>176,808</u>	<u>144,446</u>	<u>32,362</u>
<b>Public assistance - subtotals:</b>				
Salaries and benefits	414,272	412,731	394,777	17,954
Services and supplies	672,876	754,377	619,394	134,983
Capital outlay	345	361	324	37
Interfund transfers	28,600	28,521	27,070	1,451
Expenditure reimbursements	<u>(5,866)</u>	<u>(47,708)</u>	<u>(22,219)</u>	<u>(25,489)</u>
<b>Total public assistance</b>	<b><u>1,110,227</u></b>	<b><u>1,148,282</u></b>	<b><u>1,019,346</u></b>	<b><u>128,936</u></b>

(Continued)

**COUNTY OF SANTA CLARA**  
 Required Supplementary Information (Unaudited)  
 Budgetary Comparison Schedule  
 General Fund - Budgetary Basis  
 For the Fiscal Year Ended June 30, 2020  
 (In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Debt service:</b>				
County debt service				
Principal retirement	\$ 30,171	\$ 45,344	\$ 44,711	\$ 633
Interest and fiscal charges	35,593	35,593	35,481	112
<b>Total debt service</b>	<u>65,764</u>	<u>80,937</u>	<u>80,192</u>	<u>745</u>
<b>Reserves:</b>				
OMB Special Programs				
General government	132,621	63,972	-	63,972
Facilities and Fleet				
General government	376	1,253	-	1,253
Registrar of Voters				
General government	2,814	-	-	-
Health Services Administration				
Health and sanitation	352	352	-	352
Social Services Administration				
Public assistance	9,885	10,207	-	10,207
Appropriation Contingencies	<u>164,105</u>	<u>116,400</u>	<u>-</u>	<u>116,400</u>
<b>Total reserves</b>	<u>310,153</u>	<u>192,184</u>	<u>-</u>	<u>192,184</u>
<b>Total charges to appropriations</b>	<u>4,084,402</u>	<u>4,276,346</u>	<u>3,622,647</u>	<u>653,699</u>
<b>Budgetary fund balances, end of year</b>	<u>\$ 501,875</u>	<u>\$ 471,793</u>	<u>\$ 1,054,069</u>	<u>\$ 582,276</u>

(Continued)

**COUNTY OF SANTA CLARA**

Required Supplementary Information (Unaudited)  
Budgetary Comparison Schedule  
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2020  
(In thousands)

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

**Sources/inflows of resources**

Actual amounts (budgetary basis) "total resources" from the budgetary comparison schedule	\$ 3,636,212
Differences - budget to GAAP:	
Proceeds from sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes	(6,000)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(164,627)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - general fund	<u><u>\$ 3,465,585</u></u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,622,647
Differences - budget to GAAP:	
Encumbrances for services and supplies ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year services are incurred or goods received for financial reporting purposes	(11,392)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(548,834)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - general fund	<u><u>\$ 3,062,421</u></u>

The notes to the required supplementary information are an integral part of this statement.

## COUNTY OF SANTA CLARA

Notes to Required Supplementary Information  
June 30, 2020  
(Dollars in thousands)

### **Budgets and Budgetary Accounting**

The County is a charter county and, under the general laws of the State, adopts final annual operating budgets before September 1 for all governmental funds. From the effective date of the budgets, which are adopted by the Board after public hearings, the proposed expenditures become appropriations to the various County departments. Only the Board has the authority to approve new appropriations. The County Executive has a limited authority to approve appropriation transfers of \$100 between the objects within a budget unit. The Board must approve transfers among budget units and may amend the budget during the fiscal year. Unencumbered and unexpended appropriations lapse at fiscal year-end. During the year, the Board approved various supplemental appropriations.

The County also adopts budgets annually for capital projects funds. Such budgets are based on a project time frame, rather than a fiscal year, and unused appropriations are re-appropriated from year to year until project completion.

Budgeted revenues and expenditures in the budgetary comparison schedule represent the original budget and the final budget modified by authorized adjustments during the year. Final budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year that were contingent upon new or additional revenue sources and re-appropriated amounts for prior year encumbrances. Expenditures may not legally exceed budgeted appropriations at the budget unit level within each department. Interdepartmental expenditure reimbursements do not have the budgetary status of legal appropriations. Therefore, variances between estimated and actual reimbursements are not disclosed in the notes to the basic financial statements but are displayed in the supplemental section of the report.

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 Fund, special revenue funds, and capital projects funds.

### **Budgetary Results of Operations Reconciled to Results of Operations in Accordance with GAAP**

The County's budget is based upon accounting for certain transactions on a budget basis rather than accounting principles generally accepted in the United States of America (GAAP) basis. The results of operations on a budget basis for the general, special revenue, debt service, and capital projects funds differ from operations on a GAAP basis due to the proceeds from sales of capital assets, interfund transfers, and the inclusion of year-end encumbrances with expenditures on a budget basis. Accordingly, the results of operations presented in the accompanying budgetary comparison schedule reflect adjustments for proceeds from sales of capital assets, interfund transfers, other financing sources and encumbrances in order to provide a meaningful comparison with the adopted County budget.

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# **Federal Compliance Section**

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**Independent Auditor’s Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

The Board of Supervisors  
County of Santa Clara  
San José, California

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Santa Clara, California (County), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated December 28, 2020, except for our report on the schedule of expenditures of federal awards, as to which the date is September 13, 2021.

Our report includes a reference to other auditors who audited the financial statements of the FIRST 5 Santa Clara County; Santa Clara County Health Authority; the Santa Clara County Vector Control District; and the Santa Clara County Central Fire Protection District, the South Santa Clara County Fire District, and the Los Altos Hills County Fire District (collectively, “Fire Districts”), as described in our report on the County’s basic financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Santa Clara County Tobacco Securitization Corporation, the South Santa Clara County Fire District, and the Santa Clara County Health Authority were not audited in accordance with *Government Auditing Standards*.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the County’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Macias Gini E O'Connell LPA". The signature is written in a cursive, slightly slanted style.

Walnut Creek, California  
December 28, 2020



## **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

The Board of Supervisors  
County of Santa Clara  
San José, California

### **Report on Compliance for Each Major Federal Program**

We have audited the County of Santa Clara, California's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2020. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Housing Authority of the County of Santa Clara (Housing Authority), which expended \$396,192,768 in federal awards, which is not included in the schedule of expenditures of federal awards, during the year ended June 30, 2020. Our audit, described below, did not include the operations of the Housing Authority because we were engaged to perform an audit in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and report on the results separately to the Housing Authority.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

### ***Opinion on Each Major Federal Programs***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### **Report on Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Walnut Creek, California  
September 13, 2021

**COUNTY OF SANTA CLARA**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2020

Federal Grantor / Pass-through Entity / Program Title	Catalog of Federal Domestic Assistance (CFDA) Number	Grant Identifying Number / Pass-Through Entity Number	Federal Expenditures	Amount Passed to Subrecipients
<b>U.S. Department of Agriculture</b>				
<u>Passed Through California Department of Social Services</u>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	None	\$ 45,821,031	\$ -
<u>Passed Through California Department of Public Health</u>				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	15-10075A02	213,658	-
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	19-10187	3,998,197	-
Subtotal WIC Special Supplemental Nutrition Program for Women, Infants, and Children			4,211,855	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16-10160	420,597	25,334
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	19-10333	938,335	7,555
Subtotal Passed Through California Department of Public Health			5,570,787	32,889
<u>Passed Through California Department of Education</u>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	43-10439-6066435-01	109,870	-
National School Lunch Program	10.555	43-10439-6066435-01	172,711	-
Subtotal of Child Nutrition Cluster			282,581	-
<b>Total U.S. Department of Agriculture</b>			<b>51,674,399</b>	<b>32,889</b>
<b>U.S. Department of Housing and Urban Development</b>				
<u>Direct Programs</u>				
Community Development Block Grants / Entitlement Grants	14.218	B-19-UC-06-0007	1,214,145	623,613
Home Investment Partnerships Program	14.239	M19-DC060218	1,275,367	1,233,706
Continuum of Care Program	14.267	5022 (FY19-20)	1,711,634	1,710,818
Continuum of Care Program	14.267	5022 (FY20-21)	990,364	987,746
Continuum of Care Program	14.267	SAMARITAN (19-20)	228,162	224,278
Continuum of Care Program	14.267	SAMARITAN (20-21)	112,910	107,058
Continuum of Care Program	14.267	CCP (19-20)	3,107,859	3,058,648
Continuum of Care Program	14.267	CCP (20-21)	1,076,080	1,064,980
Continuum of Care Program	14.267	MED RESP (19-20)	330,231	292,431
Continuum of Care Program	14.267	MED RESP (20-21)	73,564	65,364
Continuum of Care Program	14.267	FAMILY HS (FY20)	421,489	395,035
Continuum of Care Program	14.267	CH-PSH (FY20)	398,787	394,619
Continuum of Care Program	14.267	RAP2 (19-20)	160,057	157,345
Continuum of Care Program	14.267	HCM (19-20)	119,738	107,738
Continuum of Care Program	14.267	HCM (20-21)	353,296	323,229
Continuum of Care Program	14.267	5320 (19-20)	78,710	78,710
Continuum of Care Program	14.267	5320 (20-21)	160,076	155,677
Continuum of Care Program	14.267	SECOND ST (FY20)	546,315	546,315
Continuum of Care Program	14.267	RENASCENT PL (FY20)	450,200	447,501
Continuum of Care Program	14.267	CASA (FY19-20)	124,858	-
Continuum of Care Program	14.267	CASA (FY20-21)	432,344	-
Continuum of Care Program	14.267	FAMILIES (FY19-20)	1,181,347	1,170,690
Continuum of Care Program	14.267	FAMILIES (FY20-21)	260,866	260,866
Continuum of Care Program	14.267	RRH RE-ENTRY (20)	23,987	23,987
Continuum of Care Program	14.267	DOMESTIC (19-20)	23,046	19,513
Continuum of Care Program	14.267	DOMESTIC (20-21)	191,462	183,898
Continuum of Care Program	14.267	DV COLLABORATIVE	35,468	32,908
Continuum of Care Program	14.267	COORD. ENTRY (19-20)	36,831	-
Continuum of Care Program	14.267	COORD. ENTRY (20-21)	68,095	-
Continuum of Care Program	14.267	HUD-HMIS (19-20)	685,836	-
Continuum of Care Program	14.267	HUD-HMIS (20-21)	62,325	-
Continuum of Care Program	14.267	HUD-HMIS EXPANSION (18-19)	2,534	-
Continuum of Care Program	14.267	HUD PLANNING 17 (20)	251,651	-
Continuum of Care Program	14.267	HUD PLANNING 18 (20)	449,394	-
Subtotal Continuum of Care Program			14,149,516	11,809,354
Subtotal Direct Programs			16,639,028	13,666,673
<u>Passed Through Superior Court of California</u>				
Home Investment Partnerships Program	14.239	SM080794	39,927	-
<u>Passed Through California Department of Housing and Community Development</u>				
Emergency Solutions Grant Program	14.231	18-ESG-12344	141,319	140,992
<b>Total U.S. Department of Housing and Urban Development</b>			<b>16,820,274</b>	<b>13,807,665</b>
<b>U.S. Department of Justice</b>				
<u>Direct Programs</u>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	--	81,669	-
DNA Backlog Reduction Program	16.741	--	208,183	-
Equitable Sharing Program	16.922	--	14,649	-
Subtotal Direct Programs			304,501	-

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COUNTY OF SANTA CLARA**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2020

**U.S. Department of Justice (Continued)**

<u>Passed Through City of San José</u>				
Missing Children's Assistance	16.543	None	\$ 1,754	\$ -
<u>Passed Through Board of State &amp; Community Correction</u>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	JA-2020-17277	60,840	-
<u>Passed Through California Governor's Office of Emergency Services</u>				
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ18 14 0430	47,622	-
Crime Victim Assistance	16.575	XV15010430	99,029	-
Crime Victim Assistance	16.575	UV19020430	102,167	-
Crime Victim Assistance	16.575	UV18030430	40,984	-
Crime Victim Assistance	16.575	UV19040430	151,857	-
Crime Victim Assistance	16.575	XC16010430	471,377	433,208
Crime Victim Assistance	16.575	XC19020430	159,974	93,618
Crime Victim Assistance	16.575	HA18010430	81,437	-
Crime Victim Assistance	16.575	HA19020430	81,962	-
Crime Victim Assistance	16.575	VW18370430	405,799	-
Crime Victim Assistance	16.575	VW19380430	1,281,359	-
COVID-19 - Crime Victim Assistance	16.575	VW19380430	1,886	-
Subtotal Crime Victim Assistance			<u>2,877,831</u>	<u>526,826</u>
Subtotal Passed Through California Governor's Office of Emergency Services			<u>2,925,453</u>	<u>526,826</u>
<b>Total U.S. Department of Justice</b>			<b><u>3,292,548</u></b>	<b><u>526,826</u></b>

**U.S. Department of Transportation**

<u>Direct Program</u>				
Highway Planning and Construction	20.205	--	299,867	46,229
<u>Passed Through California Department of Transportation</u>				
Highway Planning and Construction	20.205	BRLO 5937 (106)	131,983	-
Highway Planning and Construction	20.205	BRLO 5937 (176)	271,589	-
Highway Planning and Construction	20.205	BRLO 5937 (182)	119,826	-
Highway Planning and Construction	20.205	BRLO 5937 (205)	84,655	-
Highway Planning and Construction	20.205	BRLO 5937 (206)	88,474	-
Highway Planning and Construction	20.205	BRLO 5937 (207)	97,694	-
Highway Planning and Construction	20.205	BHLO 5937 (208)	29,948	-
Highway Planning and Construction	20.205	BHLO 5937 (209)	27,063	-
Highway Planning and Construction	20.205	BRLO 5937 (210)	14,506	-
Highway Planning and Construction	20.205	BRLO 5937 (211)	9,150	-
Highway Planning and Construction	20.205	BRLO 5937 (212)	8,218	-
Highway Planning and Construction	20.205	BRLS 5937 (124)	100,095	-
Highway Planning and Construction	20.205	BRLS 5937 (123)	48,057	-
Highway Planning and Construction	20.205	CML 5937 (196)	418,885	-
Highway Planning and Construction	20.205	CML 5937 (197)	85,064	-
Highway Planning and Construction	20.205	STPL 5937 (218)	51,412	-
Highway Planning and Construction	20.205	STPL 5937 (219)	112,119	-
Highway Planning and Construction	20.205	STPL 5937 (220)	94,554	-
Subtotal Passed Through California Department of Transportation			<u>1,793,292</u>	<u>-</u>
Subtotal Highway Planning and Construction			<u>2,093,159</u>	<u>46,229</u>
<b>Total U.S. Department of Transportation</b>			<b><u>2,093,159</u></b>	<b><u>46,229</u></b>

**U.S. Department of Treasury**

<u>Direct Programs</u>				
Equitable Sharing	21.016	--	87,185	-
COVID-19 - Coronavirus Relief Fund	21.019	--	62,617,026	-
<b>Total U.S. Department of Treasury</b>			<b><u>62,704,211</u></b>	<b><u>-</u></b>

**U.S. Department of Health and Human Services**

<u>Direct Programs</u>				
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	--	3,009,407	-
COVID-19 - Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H8DCS35629/H80CS01442	34,106	-
Subtotal Health Center Program (Community Health Center, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)			<u>3,043,513</u>	<u>-</u>
HIV Emergency Relief Project Grants	93.914	--	2,707,378	1,769,704
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00157-28	359,248	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H7CHA37311	51,781	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00157-29	361,341	-
Subtotal Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease			<u>772,370</u>	<u>-</u>
Subtotal Direct Programs			<u>6,523,261</u>	<u>1,769,704</u>

**COUNTY OF SANTA CLARA**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2020

**U.S. Department of Health and Human Services (Continued)**

Passed Through California Department of Public Health

Public Health Emergency Preparedness	93.069	17-10194 (CRI)	\$ 204,790	\$ -
Public Health Emergency Preparedness	93.069	17-10194 (LAB)	245,933	-
Public Health Emergency Preparedness	93.069	17-10194 (LAB Aspire)	8,149	-
Public Health Emergency Preparedness	93.069	17-10194 (PHEP NCE)	225,778	-
Public Health Emergency Preparedness	93.069	17-10194 (CRI NCE)	49,625	-
Public Health Emergency Preparedness	93.069	17-10194 (PHEP)	465,283	-
COVID-19 - Public Health Emergency Preparedness	93.069	17-10194 (PHEP)	520,633	-
Subtotal Public Health Emergency Preparedness			<u>1,720,191</u>	<u>-</u>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	None	549,506	17,250
COVID-19 - Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1943BASE00	38,168	-
Subtotal Project Grants and Cooperative Agreements for Tuberculosis Control Programs			<u>587,674</u>	<u>17,250</u>
Childhood Lead Poisoning Prevention Projects_State and Local Childhood				
Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	17-10244	135,517	-
Immunization Cooperative Agreements	93.268	17-10349 A01	943,988	-
COVID-19 - Immunization Cooperative Agreements	93.268	17-10349	11,319	-
Subtotal Immunization Cooperative Agreements			<u>955,307</u>	<u>-</u>
Refugee and Entrant Assistance_Discretionary Grants	93.576	18-43-90899-00	72,900	-
Medical Assistance Program	93.778	201943	303,249	-
Medical Assistance Program	93.778	201943 MCAH	1,720,630	-
Subtotal Medical Assistance Program			<u>2,023,879</u>	<u>-</u>
National Bioterrorism Hospital Preparedness Program	93.889	14-10542	392,837	-
COVID-19 - National Bioterrorism Hospital Preparedness Program	93.889	None	59,742	-
Subtotal National Bioterrorism Hospital Preparedness Program			<u>452,579</u>	<u>-</u>
HIV Care Formula Grants	93.917	18-10890	983,652	329,309
HIV Prevention Activities Health Department Based	93.940	15-10949	308,955	76,571
COVID-19 - HIV Prevention Activities Health Department Based	93.940	None	78,271	-
Subtotal HIV Prevention Activities Health Department Based			<u>387,226</u>	<u>76,571</u>
Maternal and Child Health Services Block Grant to the States	93.994	201943	214,807	-
Maternal and Child Health Services Block Grant to the States	93.994	201943 MCAH	209,412	-
Subtotal Maternal and Child Health Services Block Grant to the States			<u>424,219</u>	<u>-</u>
Subtotal Passed Through California Department of Public Health			<u>7,743,144</u>	<u>423,130</u>

Passed Through Sourcewise Community Resource Solutions of Santa Clara

<u>Aging Cluster:</u>				
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	AP-1920-10 - Congregate	1,489,068	-
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	AP-1920-10 - Meals-On-Wheels	489,038	-
COVID-19 - Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	None	340,432	-
Subtotal Special Programs for the Aging, Title III, Part C, Nutrition Services			<u>2,318,538</u>	<u>-</u>
Nutrition Services Incentive Program	93.053	AP-1920-10	1,016,689	-
Subtotal Aging Cluster			<u>3,335,227</u>	<u>-</u>

Passed Through Superior Court of California

Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	TI0802901	142,207	142,207
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	SM080794	35,266	31,654
Subtotal Substance Abuse and Mental Health Services_Projects of Regional and National Significance			<u>177,473</u>	<u>173,861</u>

Passed Through California Department of Health Care Services

Projects for Assistance in Transition from Homelessness (PATH)	93.150	None	248,697	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	DHCS1772A	222,406	5,713
Children's Health Insurance Program	93.767	CCS Admin	1,193,871	-
<u>Medical Assistance Program:</u>				
Medical Assistance Program	93.778	CCS Admin	3,759,350	-
Medical Assistance Program	93.778	CHDP	646,209	-
Medical Assistance Program	93.778	FOSTER CARE & HCPCFC	908,994	-
Medical Assistance Program	93.778	PMM&O	27,536	-
Subtotal Medical Assistance Program			<u>5,342,089</u>	<u>-</u>
Opioid STR	93.788	18-95471	80,107	-
Opioid STR	93.788	18-95362/19-96241	188,748	188,748
Subtotal Opioid STR			<u>268,855</u>	<u>188,748</u>
Block Grants for Community Mental Health Services	93.958	DHCS1772A	1,351,253	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	None	11,776,649	4,238,190
Subtotal Passed Through California Department of Health Care Services			<u>20,403,820</u>	<u>4,432,651</u>

**COUNTY OF SANTA CLARA**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2020

**U.S. Department of Health and Human Services (Continued)**

Passed Through California Department of Child Support Services

Child Support Enforcement	93.563	None	\$ 22,234,865	\$ -
<u>Passed Through California Department of Social Services</u>				
Guardianship Assistance	93.090	None	1,026,286	-
COVID-19 - Guardianship Assistance	93.090	None	52,222	-
Subtotal Guardianship Assistance			<u>1,078,508</u>	<u>-</u>
Promoting Safe and Stable Families	93.556	None	1,059,385	-
Temporary Assistance for Needy Families	93.558	None	88,817,961	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	None	118,701	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	RESS1809	29,543	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	RESS1907	337,204	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	ORSA1807	875	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	ORSA1907	4,125	-
Subtotal Refugee and Entrant Assistance State/Replacement Designee Administered Programs			<u>490,448</u>	<u>-</u>
Community-Based Child Abuse Prevention Grants	93.590	None	54,699	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	None	1,286,195	-
Foster Care, Title IV-E	93.658	None	40,107,034 *	-
COVID-19 - Foster Care, Title IV-E	93.658	None	518,828	-
Subtotal Foster Care, Title IV-E			<u>40,625,862</u>	<u>-</u>
Adoption Assistance	93.659	None	16,574,088	-
COVID-19 - Adoption Assistance	93.659	None	518,828	-
Subtotal Adoption Assistance			<u>17,092,916</u>	<u>-</u>
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	None	344,263	-
Medical Assistance Program	93.778	None	157,872,656	-
COVID-19 - Medical Assistance Program	93.778	None	518,828	-
Subtotal Medical Assistance Program			<u>158,391,484</u>	<u>-</u>
Subtotal Passed Through California Department of Social Services			<u>309,241,721</u>	<u>-</u>
<b>Total U.S. Department of Health and Human Services</b>			<b><u>369,659,511</u></b>	<b><u>6,799,346</u></b>

**U.S. Department of Homeland Security**

Passed Through California Governor's Office of Emergency Services

Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	SCCOC14	16,750	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	SCCOC15	4,609	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	SCCOC26	642,288	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	SCCOC34	15,539	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	SCCOC35	14,066	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	SCCOC36	689,260	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	SCCOC37	93	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	SCCOC39	29,630	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	SCCOC40	28,637	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	SCCOC43	32,935	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	SCCOC81	14,398	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	SCCOC82	289,079	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	SCCOC88	675,084	-
Subtotal Disaster Grants - Public Assistance (Presidentially Declared Disasters)			<u>2,452,368</u>	<u>-</u>
Emergency Management Performance Grants	97.042	2019-0003	191,758	-
Homeland Security Grant Program	97.067	HSGP 2017-0083	1,068,452	396,077
Homeland Security Grant Program	97.067	HSGP 2018-0054	893,593	366,618
Homeland Security Grant Program	97.067	HSGP 2019-0035	473,964	101,173
Homeland Security Grant Program	97.067	UASI 2019-0035	3,667	-
Subtotal Homeland Security Grant Program			<u>2,439,676</u>	<u>863,868</u>
Subtotal Passed Through California Governor's Office of Emergency Services			<u>5,083,802</u>	<u>863,868</u>
<u>Passed Through City and County of San Francisco</u>				
Homeland Security Grant Program	97.067	UASI 2018-0054	360,693	26,168
<u>Passed Through County of San Mateo</u>				
Homeland Security Grant Program	97.067	None	227,275	-
<b>Total U.S. Department of Homeland Security</b>			<b><u>5,671,770</u></b>	<b><u>890,036</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 511,915,872</u></b>	<b><u>\$ 22,102,991</u></b>

\* Foster Care, Title IV-E (CFDA No. 93.658) expenditures include transfers of \$2,545,729 from the Social Services Block Grant (CFDA No. 93.667).

**COUNTY OF SANTA CLARA**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2020

**Note 1 – General**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activities of the County of Santa Clara, California (County) under programs of the federal government, for the fiscal year ended June 30, 2020, except for the Housing Authority of the County of Santa Clara (Housing Authority) (see Note 4). The County’s reporting entity is defined in Note 1 to the County’s financial statements. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the SEFA presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, and cash flows of the County.

**Note 2 – Basis of Accounting**

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in Note 1 to the County’s basic financial statements. Such expenditures are recognized following the cost principles contained in 2 CFR Section 200, Subpart E (Cost Principles), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The County did not elect to use the 10% de minimis cost rate as covered in 2 CFR Section 200.414 Indirect (F&A) costs.

**Note 3 – Relationship to the Financial Statements**

Expenditures of federal awards are reported in the County’s basic financial statements as expenditures in the General Fund and nonmajor special revenue funds, and as expenses for noncapital expenditures and as additions to capital assets for capital related expenditures in the enterprise funds. Federal award expenditures agree or can be reconciled with the amounts reported in the County’s basic financial statements.

**Note 4 – Housing Authority (Discretely Presented Component Unit) Federal Expenditures**

The Housing Authority federal expenditures are excluded from the SEFA because the Housing Authority’s federal expenditures are separately audited. Expenditures for the programs of the Housing Authority listed below are taken from the separately issued single audit report. The programs of the Housing Authority are as follows:

Federal Grantor/ Pass-through Entity/ Program Title	Federal CFDA Number	Grantor Identifying Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
<i>Direct Programs</i>			
Lower Income Housing Assistance Program			
Section 8 Moderate Rehabilitation	14.856	n/a	\$ 1,496,331
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	14.871	n/a	22,228,811
Mainstream Vouchers	14.879	n/a	2,576,794
COVID-19 - Mainstream Vouchers	14.879	n/a	15,774
Subtotal Mainstream Vouchers			<u>2,592,568</u>
Total Housing Voucher Cluster			<u>24,821,379</u>
Family Self Sufficiency	14.896	n/a	388,979
Moving To Work Demonstration Program	14.881	n/a	365,828,264
COVID-19 - Pulic Housing CARES Act Funding	14.881	n/a	1,739
COVID-19 - Housing Choice Voucher CARES Act Funding	14.881	n/a	594,184
COVID-19 - CARES Act Funding Transferred to Moving To Work	14.881	n/a	3,061,892
Subtotal Moving To Work Demonstration Program			<u>369,486,079</u>
Total Expenditures of Federal Awards			<u>\$ 396,192,768</u>

**COUNTY OF SANTA CLARA**

Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2020

**Note 5 – Schedules of the California Emergency Management Agency and  
California Victim Compensation Board**

The following schedule represents expenditures for U.S. Department of Justice grants passed through the California Emergency Management Agency (CalEMA) as well as CalEMA funded grant expenditures for the year ended June 30, 2020. This information is included in the County’s single audit report at the request of CalEMA.

Program Title and Expenditure Category	Grant Award Number/Period (*)	Federal Award Amount	Federal Actual Amonut	State Actual Amonut	Actual Total
Unservd Victims Advocacy & Outreach Program	XV15010430				
Personal Services	4/1/2016-12/31/2019		\$ 99,029	\$ -	\$ 99,029
Total		\$ 586,764	\$ 99,029	\$ -	\$ 99,029
Underserved Victims Advocacy & Outreach Program:	UV19020430				
Personnel Services	1/1/2020-12/31/2020		\$ 92,880	\$ -	\$ 92,880
Operating Expenses			9,287	-	9,287
Total		\$ 175,000	\$ 102,167	\$ -	\$ 102,167
Underserved Victims Advocacy & Outreach Program:	UV18030430				
Personnel Services	10/1/2018-09/30/2019		\$ 36,327	\$ -	\$ 36,327
Operating Expenses			4,657	-	4,657
Total		\$ 175,000	\$ 40,984	\$ -	\$ 40,984
Underserved Victims Advocacy & Outreach Program:	UV19040430				
Personnel Services	10/1/2019-09/30/2020		\$ 138,054	\$ -	\$ 138,054
Operating Expenses			13,803	-	13,803
Total		\$ 218,750	\$ 151,857	\$ -	\$ 151,857
County Victim Services Program	XC16010430				
Personal Services	7/1/2016-12/31/2019		\$ 27,761	\$ -	\$ 27,761
Operating Expenses			443,616	-	443,616
Total		\$ 2,156,746	\$ 471,377	\$ -	\$ 471,377
County Victim Services Program	XC19020430				
Personal Services	1/1/2020-12/31/2020		\$ 51,849	\$ -	\$ 51,849
Operating Expenses			108,125	-	108,125
Total		\$ 593,990	\$ 159,974	\$ -	\$ 159,974
Human Trafficking Advocacy Program	HA18010430				
Personal Services	1/1/2019-12/31/2019		\$ 70,301	\$ -	\$ 70,301
Operating Expenses			11,136	-	11,136
Total		\$ 150,000	\$ 81,437	\$ -	\$ 81,437
Human Trafficking Advocacy Program	HA19020430				
Personal Services	1/1/2020-12/31/2020		\$ 74,512	\$ -	\$ 74,512
Operating Expenses			7,450	-	7,450
Total		\$ 150,000	\$ 81,962	\$ -	\$ 81,962
Victim Witness Assistance Program	VW18370430				
Personnel Services	10/1/2018-09/30/2019		\$ 337,891	\$ 22,476	\$ 360,367
Operating Expenses			67,908	50,974	118,882
Total		\$ 1,791,667	\$ 405,799	\$ 73,450	\$ 479,249
Victim Witness Assistance Program	VW19380430				
Personnel Services	10/1/2019-09/30/2020		\$ 1,128,015	\$ 173,197	\$ 1,301,212
Operating Expenses			155,230	6,800	162,030
Total		\$ 1,896,061	\$ 1,283,245	\$ 179,997	\$ 1,463,242

(\*) These grants are under the Crime Victim Assistance program (CFDA No. 16.575)

**COUNTY OF SANTA CLARA**

Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2020

**Note 5 – Schedules of the California Emergency Management Agency and California Victim Compensation Board (Continued)**

The following schedule represents the California Victim Compensation Board non-Federal grant expenditures for the fiscal year ended June 30, 2020. This information is included in the County’s single audit report at the request of the California Victim Compensation Board.

<u>Program Title and Expenditure Category</u>	<u>Grant Award Number/Period</u>	<u>Award Amount</u>	<u>Actual Non-match</u>	<u>Actual Match</u>	<u>Actual Total</u>
California Victim Compensation Board	VC-8060				
Personnel Services	7/1/2018-6/30/2021		\$ 1,115,703	\$ -	\$ 1,115,703
Total		\$ 3,347,109	\$ 1,115,703	\$ -	\$ 1,115,703
California Victim Compensation Board	VC-9083				
Personnel Services	7/1/2019-06/30/2022		\$ 262,351	\$ -	\$ 262,351
Operating Expenses			26,235	-	26,235
Total		\$ 865,758	\$ 288,586	\$ -	\$ 288,586

**Note 6 – Program Totals**

The following table summarizes programs funded by various sources whose totals are not shown on the SEFA:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<b><i>State Administrative Matching Grants for the Supplemental Nutrition Assistance Program</i></b>		
Passed Through California Department of Social Services	10.561	\$ 45,821,031
Passed Through California Department of Public Health	10.561	1,358,932
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		\$ 47,179,963
<b><i>Home Investment Partnerships Program</i></b>		
Direct	14.239	\$ 1,275,367
Passed Through Superior Court of California	14.239	39,927
Total Home Investment Partnerships Program		\$ 1,315,294
<b><i>Edward Byrne Memorial Justice Assistance Grant Program</i></b>		
Direct	16.738	\$ 81,669
Passed Through Board of State & Community Correction	16.738	60,840
Total Edward Byrne Memorial Justice Assistance Grant Program		\$ 142,509
<b><i>Substance Abuse and Mental Health Services Projects of Regional and National Significance</i></b>		
Passed Through Superior Court of California	93.243	\$ 177,473
Passed Through California Department of Health Care Services	93.243	222,406
Total Substance Abuse and Mental Health Services Projects of Regional and National Significance		\$ 399,879
<b><i>Medical Assistance Program</i></b>		
Passed Through California Department of Public Health	93.778	\$ 2,023,879
Passed Through California Department of Health Care Services	93.778	5,342,089
Passed Through California Department of Social Services	93.778	158,391,484
Total Medical Assistance Program		\$ 165,757,452
<b><i>Homeland Security Grant Program</i></b>		
Passed Through California Governor's Office of Emergency Services	97.067	\$ 2,439,676
Passed Through City and County of San Francisco	97.067	360,693
Passed Through County of San Mateo	97.067	227,275
Total Medical Assistance Program		\$ 3,027,644

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**COUNTY OF SANTA CLARA**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended June 30, 2020

**Section I – Summary of Auditor’s Results**

***Financial Statements:***

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

***Federal Awards:***

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	Yes
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major programs:

CFDA No. 14.267	Continuum of Care
CFDA No. 21.019	Coronavirus Relief Fund
CFDA No. 93.045 and 93.053	Aging Cluster
CFDA No. 93.224	Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)
CFDA No. 93.659	Adoption Assistance
CFDA No. 93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$3,000,000
Auditee qualified as low-risk auditee?	No

**Section II – Financial Statement Findings**

No current year financial statement findings are reported.

**COUNTY OF SANTA CLARA**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2020

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2020-001**

**Eligibility**

<b>Awarding Agency:</b>	United States Department of Health and Human Services
<b>Passed Through:</b>	California Department of Public Health California Department of Health Care Services California Department of Social Services
<b>Program Name:</b>	Medical Assistance Program
<b>CFDA Number:</b>	93.778
<b>Award Year:</b>	July 1, 2019 through June 30, 2020
<b>Classification of Finding:</b>	Significant Deficiency in Internal Control over Compliance

*Criteria*

In accordance to 42 CFR Section 431.10, the State Medicaid agency or its designee is required to determine client eligibility with eligibility requirements defined in the approved State plan.

Furthermore, the non-federal entity must establish and maintain internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal awards. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

*Condition/Context*

During our review of the eligibility requirements for the In-Home Supportive Services program (Program) funded by the Medical Assistance Program (CFDA No. 93.778), we selected and tested a statistically valid sample of 40 participants from a population of 28,019 participants who received in-home supportive services during the fiscal year ended June 30, 2020. The Program is administered by the County’s Social Services Agency (Agency). Each eligibility assessment is generally effective for a period of 12 months and the Agency should perform an eligibility reassessment before the end of the assessed period. For 2 of the participants tested, eligibility reassessments were performed between 9 to 22 months after the end of the assessed periods.

*Questioned Costs*

None – The selected participants are determined to be eligible to the Program.

*Cause*

In fiscal year 2020, the Program had 85 case management social workers to serve the population of 28,019 participants. Each social worker carried an annual caseload of 330 cases. Due to the limited time and resources, the Program did not perform the reassessments before the end of the prior assessed period.

*Effect*

The Agency may not be able to detect potential noncompliance with the eligibility requirements on a timely basis.

*Identification of Repeat Finding*

This is a repeat of a finding in the immediate prior audit.

**COUNTY OF SANTA CLARA**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2020

**Section III – Federal Award Findings and Questioned Costs (Continued)**

*Recommendation*

We recommend that the Agency review its existing policies and implement procedures and evaluate staffing resources to ensure that eligibility reassessments are performed on a timely basis.

*Views of Responsible Officials and Corrective Action Plan*

Management's response is reported in the "Corrective Action Plan" included in a separate section at the end of this report.

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# County of Santa Clara

Office of the County Executive

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70 West Hedding Street  
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In relation to the County of Santa Clara (County) annual financial statement audit and the single audit for the year ended June 30, 2020, the County hereby submits a summary schedule of prior audit findings and a corrective action plan, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Section 511 *Audit findings follow-up*.

## Schedule of Prior Audit Findings

### Reference Number:

### Financial Statement Finding 2019-001

*Schedule of Expenditures of Federal Awards Accuracy*

### Audit Finding:

The audit identified errors in the accuracy of the expenditures reported for three federal programs, which were subsequently corrected by the County:

- 1) For the Community Development Block Grants / Entitlement Grants (CFDA No. 14.218), the expenditures were overstated by \$46,482.
- 2) For the Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036), the expenditures were understated by \$231,618. In addition, the County should report expenditures incurred as of the year-end in which the County received award approval from the Federal Emergency Management Agency (FEMA) or pass-through agencies. The County received award approval from FEMA during the year ended June 30, 2018 and should report the 2018 expenditures of \$3,394,508 in 2018. The County subsequently received approval from FEMA to report the 2018 expenditures in 2019.
- 3) For the Homeland Security Grant Program (CFDA No. 97.067), the expenditures were understated by \$478,498 mainly due to late submission of reimbursement requests by the County's subrecipients.

### Recommendation:

The auditors recommended that the County provide training to its departments receiving federal assistance to ensure that departmental personnel understand the differences and internal expectations between SEFA expenditure reporting and County Financial Statements expenditure reporting methods.

### Status:

Corrective action plan is in progress. The County has strengthened its controls over the accuracy and completeness of SEFA reporting. There were adjustments needed to the SEFA in connection with the major program reconciliation process for the year ended June 30, 2020. However, these adjustments were not material to the SEFA as a whole or to the respective individual federal programs.

**Reference Number:** **Federal Award Finding 2019-002**  
*Reporting*

**Program Identification:** United States Department of Housing and Urban Development  
CFDA No. 14.218 – Community Development Block Grants /  
Entitlement Grants

**Audit Finding:** As a recipient of Community Development Block Grants / Entitlement Grants (CDBG) funding, the County is required to submit 1) SF-425 Federal Financial Report on a quarterly basis within 30 days after quarter ended, and 2) HUD Section 3 Summary Report, Economic Opportunities for low- and Very Low- Income Persons, on an annual basis within 90 days after year ended. During our testing of reporting requirements for the year ended June 30, 2019, the auditors selected the SF-425 Federal Financial Reports for the quarters ended December 31, 2018 and June 30, 2019, and the HUD Section 3 Summary Report for the year ended June 30, 2019 for testing. These 3 reports were submitted between 35 to 163 days after the deadlines.

**Recommendation:** The auditors recommended that the County ensure that all required reports are submitted to the federal agency on a timely basis and that evidence of submission and supporting documentation is maintained in accordance with required retention periods.

**Status:** Corrective action plan is in progress. The County Office of Supportive Housing had late submissions for two of its four quarterly SF-425 reports for the year ended June 30, 2020. However, the department’s policies and procedures have been updated to ensure continued compliance with HUD’s annual and quarterly reporting requirements and is now incorporating stronger tracking mechanisms by which to monitor submission deadlines going forward.

**Reference Number:** **Federal Award Finding 2019-003**  
*Eligibility*

**Program Identification:** United States Department of Health and Human Services  
Passed Through California Department of Public Health, California Department of Health Care Services, and California Department of Social Services  
CFDA No. 93.778 – Medical Assistance Program

**Audit Finding:** As part of the review of the eligibility requirements for the In-Home Supportive Services program (Program) under the Medical Assistance Program (CFDA No. 93.778), the auditors selected and tested a statistically valid sample of 40 participants from a population of 25,524 participants who received in-home supportive services during the fiscal year ended June 30, 2019. The Program is administered by the County’s Social Services Agency (Agency). Each eligibility assessment is generally effective for a period of 12 months and the Agency should perform an eligibility reassessment before the end of the assessed period. For five of the participants tested, eligibility reassessments were performed between 5 to 26 months after the end of the assessed periods.

**Recommendation:** The auditors recommended that the Agency review its existing policies and implement procedures to ensure that the proper reviews over annual eligibility reassessments were performed.

**Status:** Corrective action plan is in progress. Management experienced difficulties in addressing timely reassessments of its participant caseload for the year ended June 30, 2020 given the need to devote substantial department resources to the COVID-19 pandemic. However, management did have improvements in the rate of timely reassessments performed and is working to achieve a 90% compliance rate by July 31, 2022.

# County of Santa Clara

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## Corrective Action Plan

The following findings were reported to the County's Schedule of Findings and Questioned Costs for the Year Ended June 30, 2020. The County's Corrective Action Plan for the findings is as follows:

*Federal Award Funding 2020-001 – (Significant Deficiency in Internal Control over Compliance) – Eligibility – Medical Assistance Program (CFDA No. 93.778)*

Management concurs that in those cases subjected to face-to-face reassessments within 12 months, the IHSS program did not complete reassessment home visits within 12 months for 100% of cases. The current reassessment rate is 80.54%. Due to limited resources and extensive use of IHSS staff as Disaster Services Workers (DSW) as part of County's response to COVID 19 , the IHSS staff has been unable to reach its goal of 100% compliance.

In FY19/20, the program had 85 case management social workers to serve a population of 28,019 cases. Each social worker carried an annual caseload of cases, adjusting for illness, vacations, etc. The social work staff has been diligently working to raise the reassessment rate (improving from a low of 55%). However, 5% to 6% annual program growth means the challenge remains steep and growing.

IHSS management has received authorization to augment staffing to address the compliance rate and the program has received approval to hire 18 social worker and 2 social work supervisors. At the time of this writing, IHSS has hired 6 social workers and 2 social work supervisors. As noted, the effectiveness of the additional staff has been blunted by the fact that all 6 social workers have been designated to be assigned as DSW staff.

In addition, detailed process reviews (continuous process improvement) have been underway and the program continues to target any potential efficiency improvements. In all circumstances, management considers an improvement to 90% reassessment compliance to be a realistic goal in 2 years.

Assuming we will be able to hire behind all of the social worker vacancies and that all of the Disaster Services Workers are returned to us soon, these changes will be implemented on July 31, 2022.

Contact Person: Terri Possley, Social Services Program Manager III, In-Home Supportive Services, Social Services Agency  
Kingston Lum, Social Services Program Manager I, In-Home Supportive Services, Social Services Agency