

**SANTA CRUZ COUNTY
REDEVELOPMENT SUCCESSOR AGENCY**

**BASIC FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2024**

SANTA CRUZ COUNTY
REDEVELOPMENT SUCCESSOR AGENCY
JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Supervisors of the
Santa Cruz County Redevelopment Successor Agency
Santa Cruz, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying basic financial statements of the Santa Cruz County Redevelopment Successor Agency (the Agency), a fiduciary fund of the County of Santa Cruz (the County), as of and for the fiscal year ended June 30, 2024, and the related notes to the basic financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency as of June 30, 2024, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control relating to the County. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Agency and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2024, or the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2024, on our consideration of the County's internal control over financial reporting relating to the Agency 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 relating to the Agency. 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 relating to the Agency.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 28, 2024

BASIC FINANCIAL STATEMENTS

**SANTA CRUZ COUNTY
REDEVELOPMENT SUCCESSOR AGENCY
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2024**

<u>ASSETS</u>	<u>2024</u>
Current Assets:	
Cash and investments	\$ 14,675,582
Total Current Assets	<u>14,675,582</u>
Noncurrent Assets:	
Restricted cash with fiscal agent	10,671
Prepaid insurance	917,364
Capital assets, net	<u>7,425,950</u>
Total Noncurrent Assets	<u>8,353,985</u>
Total Assets	<u>23,029,567</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Loss on refunding of debt	<u>186,601</u>
Total Deferred Outflows of Resources	<u>186,601</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable - claims	30,577
Interest payable	2,295,650
Long-term debt - due within one year	<u>9,986,442</u>
Total Current Liabilities	<u>12,312,669</u>
Long-Term Liabilities:	
Long-term debt - due in more than one year	<u>151,670,030</u>
Total Long-Term Liabilities	<u>151,670,030</u>
Total Liabilities	<u>163,982,699</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Gain on refunding of debt	<u>759,854</u>
Total Deferred Inflows of Resources	<u>759,854</u>
<u>NET POSITION</u>	
Net investment in capital assets	5,180,983
Restricted for:	
Debt service	12,533,477
Unrestricted	<u>(159,240,845)</u>
Total Net Position	<u>\$ (141,526,385)</u>

See accompanying notes to the basic financial statements.

**SANTA CRUZ COUNTY
REDEVELOPMENT SUCCESSOR AGENCY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	<u>2024</u>
Additions:	
Incremental property taxes	\$ 16,464,909
Interest, dividends, and other	467,765
Other additions:	
Other revenue	<u>317,097</u>
 Total Additions	 <u>17,249,771</u>
 Deductions:	
Interest expense	5,762,674
Administrative expenses	113,671
Other payments	<u>493,529</u>
 Total Deductions	 <u>6,369,874</u>
 Change in Net Position	 10,879,897
 Net Position - Beginning	 <u>(152,406,282)</u>
 Net Position - Ending	 <u><u>\$ (141,526,385)</u></u>

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**SANTA CRUZ COUNTY
REDEVELOPMENT SUCCESSOR AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Santa Cruz County Redevelopment Successor Agency (the Agency), a fiduciary fund of the County of Santa Cruz (the County), have been prepared in conformity with accounting principles generally accepted in the United States of America as they apply to private purpose trust funds. Private purpose trust funds report resources of trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Private purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. This fund is used to report the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and activities of the Agency. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

A. *Reporting Entity*

The County was incorporated in 1850 under the provisions of Article II, Section 3 of the California State Constitution and is a general law county. The Redevelopment Agency was activated by the Board of Supervisors with the adoption of Ordinance No. 3736 on April 1, 1986. The Board of Supervisors established the Live Oak/Soquel Community Improvement Project on May 12, 1987, by Ordinance No. 3836, pursuant to the California Community Redevelopment Law. The Redevelopment Agency was dissolved per Assembly Bill X1 26 on January 31, 2012. On January 10, 2012, per Resolution No. 5-2012, the County elected to assume the duties of the Agency.

The Agency is governed by the County Board of Supervisors serving in a separate capacity as the governing board of the Agency.

B. *Basis of Accounting and Measurement Focus*

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenditures/expenses. The Agency's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Agency's Government-Wide Financial Statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. These statements present summaries of Governmental Activities for the Agency.

The Government-Wide Financial Statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position are included in the accompanying Statement of Fiduciary Net Position. The Statement of Changes in Fiduciary Net Position presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Government-Wide Financial Statements (Continued)

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Fiduciary Net Position have been eliminated. The following interfund activities have been eliminated:

- Due to and from other funds
- Transfers in and out

C. Cash, Cash Equivalents, and Investments

The Agency maintains a cash balance in the County investment pool to meet current operating requirements. Cash in excess of current requirements is invested by the County Treasury in various interest-bearing securities and disclosed as part of the Agency's investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*, certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

D. Restricted Cash and Investments for Debt Service

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt.

E. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

F. Capital Assets

The Agency's assets are capitalized at historical cost or estimated historical cost. The Agency's policy has set the capitalization threshold for reporting capital assets at \$5,000 (for equipment and vehicles) and \$25,000 (for buildings and structures). Gifts or contributions of capital assets are recorded at fair market value when received.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and structures	10-50 years
Equipment and vehicles	3-15 years

The Agency had no infrastructure assets at June 30, 2024.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Deferred Outflows and Inflows of Resources*

The Agency recognizes deferred outflows of resources and deferred inflows of resources as prescribed by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. They are distinguished from assets and liabilities, and are defined as “a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period.”

H. *Long-Term Liabilities*

Long-term debt and other financed obligations are reported as liabilities in the Government-Wide Financial Statements. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are expensed as incurred.

I. *Compensated Absences*

At June 30, 2024, there were no Agency liabilities for compensated absences, as the Agency no longer has any direct employees.

J. *Fiduciary Net Position*

In the Government-Wide Financial Statements, fiduciary net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the capital assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Agency’s policy is to apply restricted net position first.

K. *Property Taxes*

All property taxes are levied, collected, and allocated by the County to the various taxing entities, including the Agency. All property taxes are determined annually on July 1 and attached as an enforceable lien on January 1. Secured property taxes are due in two installments on November 1 and February 1 and become delinquent, if unpaid, on December 10 and April 10, respectively. Property tax revenues include only property taxes resulting from increased assessed values within the boundaries of the Agency and are recognized in the fiscal year for which the taxes have been levied and apportioned to the Agency’s accounts by the County. The County bills and collects property taxes and remits them to the Agency.

Incremental property tax revenues represent excess taxes levied in the former redevelopment project area over that amount levied in the base year (the inception year of the former redevelopment project area). Starting January 2012, pursuant to Assembly Bill X1 26 and Assembly Bill 1484, the Agency must prepare Recognized Obligation Payment Schedules (ROPS), listing enforceable obligations of the Agency, for each six-month period. The County allocates to the Agency only the portion of incremental property tax revenues the Agency claims as necessary to pay the estimated installment payments on enforceable obligations on the ROPS for each six-month period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. *Property Taxes* (Continued)

The Agency participates in the County “Teeter Plan” method of property tax distribution. Under the Teeter Plan, the County remits property taxes to the Agency based upon assessments, not collections. Property tax revenue is recognized when it is available and measurable.

L. *Use of Estimates*

The preparation of the 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. *Effect of New GASB Pronouncements*

During the fiscal year ended June 30, 2024, the Agency implemented the following standard:

GASB Statement No. 100 – *Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62*. The requirements of this statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. There was no effect on the Agency’s accounting and financial reporting as a result of implementing this standard.

N. *Future GASB Pronouncements*

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The Agency has not fully judged the effect of the implementation of GASB Statement No. 101 as of the date of the financial statements.

GASB Statement No. 102 – *Certain Risk Disclosures*. The requirements of this statement are effective for fiscal years beginning after June 15, 2024. The Agency has not fully judged the effect of the implementation of GASB Statement No. 102 as of the date of the financial statements.

GASB Statement No. 103 – *Financial Reporting Model Improvements*. The requirements of this statement are effective for fiscal years beginning after June 15, 2025. The Agency has not fully judged the effect of the implementation of GASB Statement No. 103 as of the date of the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. *Summary of Deposit and Investment Balances*

Cash and investments consisted of the following at June 30, 2024:

	Restricted	Unrestricted	Total
Pooled cash and investments held by the County of Santa Cruz	\$ -	\$ 14,675,582	\$ 14,675,582
Cash with fiscal agent	10,671	-	10,671
Total	<u>\$ 10,671</u>	<u>\$ 14,675,582</u>	<u>\$ 14,686,253</u>

NOTE 2 – CASH AND INVESTMENTS (Continued)**B. Cash Held with the Santa Cruz County Treasury**

The Agency pools cash from all sources and all funds except cash and investments with fiscal agents with the County Treasurer so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. The County investment pool activity is governed by the California Government Code and the County Investment Policy. The County Treasurer is responsible for managing the investment pool with deposits from the County, County school districts, and various special districts pursuant to California Government Code Section 53600. Interest earned on the investment pool is distributed to the participating funds monthly using a formula based on the average daily cash balance of each fund. Interest earned through June 30, 2024, was distributed on June 30, 2024.

For further information regarding custodial credit risk related to deposits, credit risk and concentration of credit risk, interest rate risk, and fair value measurements of the County Treasurer's investment pool, refer to the County's Annual Comprehensive Financial Report, which can be obtained by writing to the County Auditor-Controller's Office at 701 Ocean Street, Rm. 100, Santa Cruz, CA 95060 or from the County Auditor-Controller's Audited Financial Statements page at <https://www.santacruzcountyca.gov/Departments/Auditor-ControllerHome/FinancialStatements.aspx>

C. Restricted Cash Held with Fiscal Agent

Restricted cash with fiscal agents in the amount of \$10,671 at June 30, 2024, included certain amounts which are held by fiscal agents to be used for payment of long-term debt. These funds have been invested as permitted by applicable County ordinance and resolutions.

NOTE 3 – CAPITAL ASSETS

Capital assets of the Agency for the fiscal year ended June 30, 2024, are presented in the table below.

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Non-depreciable assets:				
Land	\$ 7,425,950	\$ -	\$ -	\$ 7,425,950
Total non-depreciable assets	7,425,950	-	-	7,425,950
Depreciable assets:				
Buildings and improvement	-	-	-	-
Total depreciable assets	-	-	-	-
Less: accumulated depreciation for:				
Buildings and improvement	-	-	-	-
Total accumulated depreciation	-	-	-	-
Total depreciable assets, net	-	-	-	-
Total capital assets, net	\$ 7,425,950	\$ -	\$ -	\$ 7,425,950

There was no depreciation expense for the fiscal year ended June 30, 2024.

NOTE 4 – RELATED PARTY TRANSACTIONS

County personnel provide management, accounting, computer support, and legal services to the Agency. Total charges for such services for the fiscal year ended June 30, 2024, were approximately \$118,052.

NOTE 5 – LONG-TERM DEBT

Activity in long-term debt for the fiscal year ended June 30, 2024, was as follows:

Description	Original Issue Amount	Beginning Balance July 1, 2023	Additions	Retirements	Ending Balance June 30, 2024	Amounts Due Within One Year	Amounts Due In More Than One Year
Tax Allocation Bonds							
2007 Refunding	\$ 10,755,000	\$ 8,355,000	\$ -	\$ (855,000)	\$ 7,500,000	\$ 905,000	\$ 6,595,000
2014 Refunding	38,880,000	6,390,000	-	(3,110,000)	3,280,000	3,280,000	-
Unamortized bond premium	4,140,092	240,467	-	(240,467)	-	-	-
2015 Series A Refunding	59,390,000	58,595,000	-	(1,630,000)	56,965,000	1,710,000	55,255,000
Unamortized bond premium	9,687,149	5,747,269	-	(484,357)	5,262,912	484,357	4,778,555
2015 Series B Refunding	19,860,000	15,855,000	-	(380,000)	15,475,000	390,000	15,085,000
Unamortized bond discount	(299,892)	(177,920)	-	14,995	(162,925)	(14,995)	(147,930)
2016 Refunding Series A	49,200,000	43,985,000	-	(970,000)	43,015,000	990,000	42,025,000
Unamortized bond premium	8,669,198	5,642,103	-	(433,460)	5,208,643	433,460	4,775,183
2017A Refunding Tax Allocation Bonds	35,140,000	26,955,000	-	(1,765,000)	25,190,000	1,815,000	23,375,000
Unamortized bond discount	(121,224)	(83,538)	-	6,380	(77,158)	(6,380)	(70,778)
Total Governmental Activities		\$ 171,503,381	\$ -	\$ (9,846,909)	\$ 161,656,472	\$ 9,986,442	\$ 151,670,030

2007 Taxable Subordinate Tax Allocation Refunding Bonds

On May 8, 2007, the former Redevelopment Agency issued Subordinate Tax Allocation Refunding Bonds, 2007 Taxable (Live Oak/Soquel Community Improvement Project Area) in the original amount of \$10,755,000. Interest from 5.208% to 5.495% is paid semi-annually and principal payments are made by September 1. Payments are secured by the pledge of tax revenues. As of June 30, 2024, the total principal balance was \$7,500,000. Principal and interest paid for the current period was \$1,290,616.

2014 Tax Allocation Refunding Bonds

On January 28, 2014, the Agency issued 2014 Tax Allocation Refunding Bonds in the original amount of \$38,880,000. Interest from 3.00% to 5.00% is paid semi-annually and principal payments are made by September 1. Payments are secured by the pledge of tax revenues. As of June 30, 2024, the total principal balance was \$3,280,000 and the unamortized bond premium was \$0. Principal and interest paid for the current period was \$3,351,750.

2015 Series A Tax Allocation Refunding Bonds

On May 12, 2015, the Agency issued 2015 Series A Tax Allocation Refunding Bonds in the original amount of \$59,390,000. Interest from 2.00% to 5.00% is paid semi-annually and principal payments are made by September 1. Payments are secured by the pledge of tax revenues. As of June 30, 2024, the total principal balance was \$56,965,000 and the unamortized bond premium was \$5,262,912. Principal and interest paid for the current period were \$4,519,000.

2015 Series B Taxable Tax Allocation Refunding Bonds

On May 12, 2015, the Agency issued 2015 Series B Taxable Tax Allocation Refunding Bonds in the original amount of \$19,860,000. Interest from 0.65% to 4.25% is paid semi-annually and principal payments are made by September 1. Payments are secured by the pledge of tax revenues. As of June 30, 2024, the total principal balance was \$15,475,000 and the unamortized bond discount was \$162,925. Principal and interest paid for the current period were \$1,027,219.

2016 Series A Tax Allocation Refunding Bonds

On July 6, 2016, the Agency issued 2016 Tax Allocation Refunding Bonds, Series A, in the original amount of \$49,200,000. Interest from 2.00% to 5.00% is paid semi-annually and principal payments are made by September 1. Payments are secured by the pledge of tax revenues. As of June 30, 2024, the total principal balance was \$43,015,000 and the unamortized bond premium was \$5,208,643. Principal and interest paid for the current period were \$2,896,200.

NOTE 5 – LONG-TERM DEBT (Continued)2017 Series A Tax Allocation Refunding Bonds

On August 3, 2017, the Redevelopment Successor Agency issued 2017 Tax Allocation Refunding Bonds, Series A, in the original amount of \$35,140,000. Interest from 1.50% to 4.00% is paid semi-annually and principal payments are made by September 1. Payments are secured by the pledge of tax revenues. As of June 30, 2024, the total principal balance was \$25,190,000 and the unamortized bond discount was \$77,158. Principal and interest paid for the current period were \$2,705,731.

The debt service requirement to maturity for all tax allocation bonds combined, including interest, is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 9,090,000	\$ 6,683,973	\$ 15,773,973
2026	9,120,000	6,278,279	15,398,279
2027	9,455,000	5,860,715	15,315,715
2028	9,820,000	5,421,095	15,241,095
2029	10,670,000	4,938,169	15,608,169
2030-2034	62,265,000	16,396,289	78,661,289
2035-2037	41,005,000	2,491,144	43,496,144
Total	151,425,000	\$ 48,069,664	\$ 199,494,664
Unamortized Discounts	10,471,555		
Unamortized Premiums	(240,083)		
Tax Allocation Bonds	<u>\$ 161,656,472</u>		

Pledges of Future Revenues

The Agency has pledged to the repayment of the 2007 Taxable Subordinate Refunding Bonds, the 2014 Refunding Bonds, the 2015 Refunding Bonds, Series A, the 2015 Taxable Refunding Bonds, Series B, the 2016 Refunding Bonds, Series A, and the 2017 Taxable Refunding Bonds, Series A (the "Bonds") Tax Revenues of the Agency's Live Oak/Soquel Community Improvement Project Area pursuant to the various applicable Indentures of Trust, through the final maturity of the Bonds on March 1, 2037, or early retirement of the Bonds, whichever occurs first. Tax Revenues consist of tax increment revenues allocated to the Agency with respect to the Live Oak/Soquel Community Improvement Project Area pursuant to Section 34183 of the California Health & Safety Code. Annual principal and interest payments on the bonds are expected to require 93.20% percent of tax revenues. The total principal and interest remaining to be paid on the Bonds is \$199,494,663.

At June 30, 2024, the total tax revenues for the current period were \$16,464,909, and the total debt service payment was \$15,790,516. During the period ended June 30, 2024, bond debt service payments required 95.90% of the total tax increment revenues. The ratio of tax revenues to the bonds debt service payments due during the period ended June 30, 2024 was 1.042709 (104.2709%).

NOTE 6 – RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Agency is covered under the County's insurance policies. The County is self-insured for its general and auto liability, workers' compensation, medical malpractice, and employees' dental coverage. The County has chosen to establish risk-financing internal service funds where funds are set aside for claim settlements associated with the above risk of loss up to certain limits. Excess coverage is provided by the California State Association of Counties (CSAC) Excess Insurance Authority (Insurance Authority), a joint powers authority whose purpose is to develop and fund programs of excess insurance for its member counties. The Insurance Authority is governed by a Board of Directors consisting of representatives of the member counties. Self-insurance limits per occurrence and Insurance Authority limits per year are presented in the County's basic financial statements. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years for the Agency.

County-wide information concerning risks, insurance policy limits, deductible, and designation for the year ended June 30, 2024, may be found in the notes of the County's basic financial statements.

NOTE 7 – ARBITRAGE REBATE PAYABLE

Section 148 of the Internal Revenue Code requires issuers of most types of tax-exempt bonds to rebate investment earnings in excess of bond yield to the United States Internal Revenue Service in installment payments made at least once every five years, with the final installment made when the last bond in the issue is redeemed.

The 2014 Tax Allocation Refunding Bonds are subject to this requirement. The Interim Arbitrage Rebate Review was completed March 4, 2024. There was no rebate due.

Future computations of the rebate requirement for the tax allocation bonds and new bond issues will be calculated by a consulting firm as the Agency management considers appropriate. Agency management, as of June 30, 2024, believes there are no arbitrage rebate liabilities.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. Lawsuits

The Agency is presently involved in certain matters of litigation that have arisen in the normal course of conducting Agency business. Agency management believes, based upon consultation with the Agency Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the Agency. Additionally, Agency management believes that the Agency's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

B. Commitments

There were no commitments as of June 30, 2024. As of June 30, 2024, in the opinion of Agency management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the Agency.

NOTE 9 – RESTRICTED NET POSITION

Restricted net position is net position whose use is subject to constraints that are either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. At June 30, 2024, the Agency had \$0 restricted for capital projects and \$12,533,477 restricted for debt service.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 28, 2024, the date the financial statements were available to be issued.

OTHER REPORT

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of the Board of Supervisors of the
Santa Cruz County Redevelopment Successor Agency
Santa Cruz, California

We have audited, in accordance with the 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 basic financial statements of the Santa Cruz County Redevelopment Successor Agency (the Agency), a fiduciary fund of the County of Santa Cruz (the County), as of and for the fiscal year ended June 30, 2024, and the related notes to the basic financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 28, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the County's internal control over financial reporting (internal control) relating to the Agency 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 relating to the Agency. Accordingly, we do not express an opinion on the effectiveness the County's internal control relating to the Agency.

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 Agency'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's basic financial statements are free from material misstatement, we performed tests of the County's compliance relating to the Agency 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 County's internal control or on compliance relating to the Agency. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance relating to the Agency. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
October 28, 2024