

DOING MORE WITH LESS

2018 GENERAL BALANCE SHEET SUMMARY

THE STATE

The geographic and human diversity of Santa Catarina is surprising for a territory of only 95,700 square kilometers, the smallest state in the South of Brazil, which is also one of the Brazilian states with the best economic indexes. It is the 20th Brazilian state in area and the 11th in population, with 7,075,494 inhabitants.

The state has 295 cities, with Florianópolis as its capital. Joinville, Blumenau, Itajaí, Balneário Camboriú, Chapecó, Criciúma, Lages, and Jaraguá do Sul feature among the largest ones in the state.

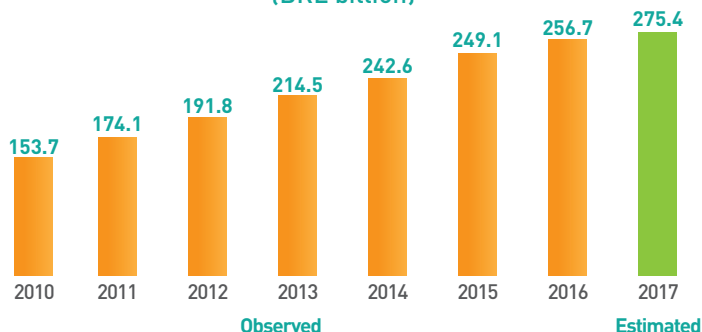
SANTA CATARINA ECONOMY

Santa Catarina has a very diversified economy and is organized in several centers distributed among the different regions in the state. Greater Florianópolis is known for its technology, tourism, services, and civil construction industries. The North of the state is a technological, furniture and metallurgy center. The West concentrates food production and furniture activities. The Mountain Plateau is known for its paper, pulp and timber industry. The South of the state features the clothing, disposable plastic, carboniferous and clay industries. In the Itajaí Valley, textile and clothing, naval and technology industries are predominant. Tourism is another strong base in the state's economy.

GROSS DOMESTIC PRODUCT (GDP)

In 2018, the economy of Santa Catarina continued its growth process, with an estimated 4% increase. However, facts such as the truck drivers' strike, the uncertainties of the election period, and the exchange rate fluctuation resulted in a below-satisfactory GDP for the state.

Gross Domestic Product for Santa Catarina – 2010
(BRL billion)

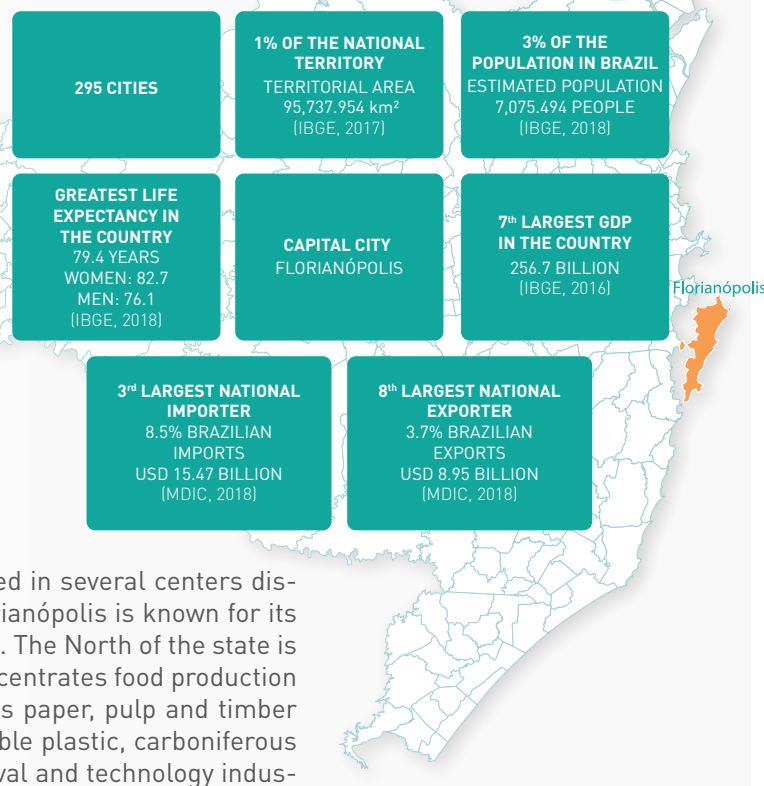


Source: IBGE, SPG/SC and SEF/Budgetary Planning Board of Directors

FOREIGN TRADE

(USD billion)

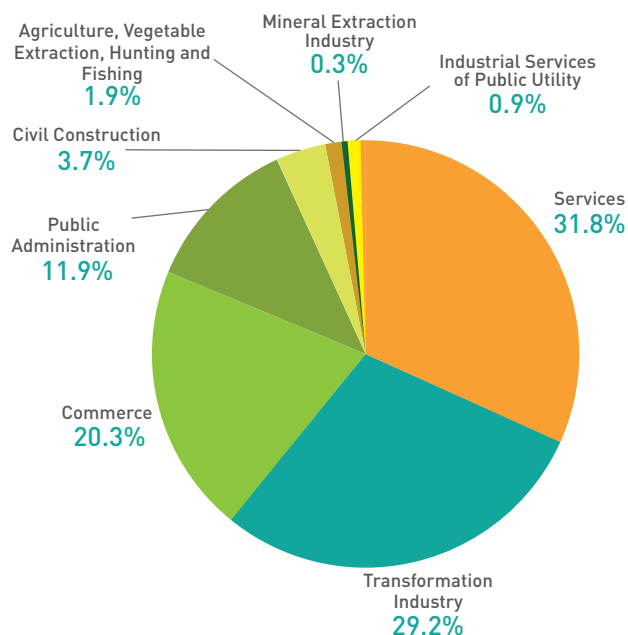
TRADE BALANCE	2018	2017
Imports	15.47	12.58
Exports	8.95	8.51
Trade Balance Results	-6.52	-4.07



EMPLOYMENT

In 2018, a total of 41,700 vacancies were created - 41.7% greater than the figures for 2017.

% of workers per economic activity in
Santa Catarina in 2017



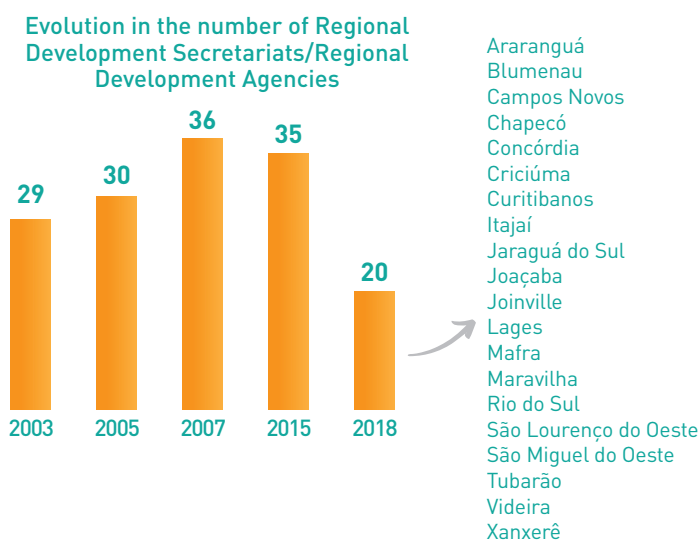
Source: Ministry of Labor and Employment - Annual List of Information (2017)

ADMINISTRATIVE MANAGEMENT

Extinction of administrative structures

In 2018, a total of 15 Regional Development Agencies (ADRs) were deactivated, and four executive secretariats (State Articulation, Supervision of Unrelated Resources, Foreign Affairs, and Strategic Affairs) were extinct.

The operations performed by the deactivated structures were absorbed by other active structures, representing the extinction of commissioned positions and gratified roles, as well as consequent savings related to the expenses with physical and operating arrangements.



Efficiency in Expenditures

At the beginning of 2018, a BRL 2-billion deficit was forecast for the year, which included remains to be paid in the amount of BRL 455 million from 2017. With efficient management, including the reduction of the public machinery, reduction of commissioned positions and gratified roles, and the decrease in the number of Regional Development Agencies (ADRs), that deficit decreased to BRL 617 million.

The State Government also decreased expenses with its payroll. In January 2018, the expenses with staff from the Executive Branch corresponded to 49.73% of the Current Net Revenue (RCL), an amount that exceeded the legal threshold established by the Fiscal Responsibility Law. At the end of 2018, expenses with payroll represented 48.76% of the RCL, thus within the legal limit.

Compre de SC

In 2018, the Compre de SC (Buy from SC) campaign was developed to encourage the sale of products from the state. The consumption of products from the state supports the entire



productive chain, valuing the producers, aiding the industry in generating more jobs, and returns to the society in the form of better services, since by prioritizing the consumption of local produce, the state is able to collect more taxes.

Tax Administration

Regarding the signs of economic recovery for 2017 (0.98%) and 2018 (1.3% forecast), some atypical events directly affected the collection of taxes, such as the truck drivers' strike, which generated BRL 374 million in losses to the public coffers.

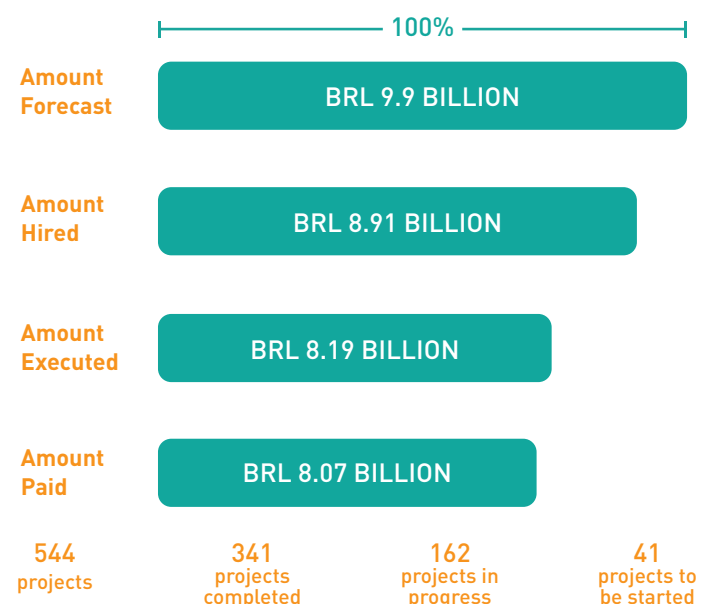
However, the intensification of the tax effort, which cascaded into several measures, provided a nominal growth of 8.3%, assisting the state in reaching the target of BRL 25 billion in gross tax revenue in 2018, against BRL 23 billion for the previous year.

Regarding the final activities, emphasis is given to the 385 tax inspection operations held during the year, which directly or indirectly contributed to the addition of BRL 21 billion in ICMS [Value-Added Tax] for the year, against BRL 19 billion from the previous tax year, representing a nominal growth of approximately 8.4%.

Pacto por Santa Catarina

The resources for Pacto por Santa Catarina Program (Pact for Santa Catarina Program) are intended to projects in the economic and social areas to meet the demands of the state's society. A total of 544 projects are currently part of the Pact, distributed in 14 governmental areas of the state, with BRL 9.9 billion in investments.

Total Amounts



Source: SICOP/Project Management. Visited on 3 December 2018

Efficiency Ranking

Santa Catarina was in first place in the Efficiency Ranking of States (REE-F), a tool created by newspaper Folha de S. Paulo and Datafolha to assess the performance of the state in the basic operations provided in law, such as education, health, infrastructure, and safety.

States that spend less to have more youngsters at school, physicians and beds in hospitals, water and sewage systems, better roads and lower crime rates, among other criteria, are featured at the top of the list. By crossing data with the economic activity of the states, the REE-F shows that those maintaining or expanding their industrial and service base in the composition of the Gross Domestic Product (GDP) with a positive impact on the collection of taxes, tend to be more efficient.

1st Place
in the State
Efficiency
Ranking

Competitiveness Ranking

Another study disclosed in 2018 shows Santa Catarina as the 2nd most competitive state in Brazil, according to the State Competitiveness Ranking developed from the analysis of a database from renown sources and validated by the Public Leadership Center, Tendências Consultoria (Consultancy company) and The Economist Group.

Among the indexes assessed, Santa Catarina is the safest state, with the best social sustainability, presenting the lowest child mortality rate, lowest unemployment rate, and the best training for the labor market.

Challenges of the State Management

Santa Catarina also reached the second place, in a tie with São Paulo, among the best state governments in services provided to the population. The position was obtained through the Challenges of the State Management study, developed by the consultancy company Macropan, assessing the deliveries to the people made by the state government, and presents a forecast for 2022 based on the trajectory of the states in the previous decade.

2nd place
in the State
Competitiveness
Ranking

2nd place
in the State
Management
Challenges Index

State Transparency

The Portal da Transparência do Poder Executivo (Transparency Portal from the Santa Catarina Executive Branch) is the primary tool for disclosing data and information from the Executive Branch, allowing the society to monitor the state collection and the itemized application of such resources.

In 2018, new queries to the Transparency Portal were made available: Detailed Revenue, Extra-Budgetary Payments, Creditor Service (SC Transparency APP), Bank Statements, Inventory and Warehouse.



The Portal was shortlisted in the Good Practices in Public Management Award, held by the Santa Catarina State University (Udesc), and was ranked as the 2nd best “good practice” among the participants in the state category under the Information Technology for Transparency mode.

The tool was also assessed by Escala Brasil Transparente (Transparent Brazil Scale) held by the Ministry of Transparency and the Office of the Comptroller-General (CGU) to check the state and municipal transparency, reaching the fourth place.

Additionally, studies were developed to expand the transparency in public companies (Epagri and CIASC) and in the Semi-Public Companies (BADESC, CASAN, Celesc, CEASA, and SCPAr), which started to implement their transparency portals with financial and administrative information.

Balanço Cidadão

In 2018, the first edition of the Balanço Cidadão de Santa Catarina (Santa Catarina Citizenship Balance) was launched, a publication on the state finances presented in a straightforward and didactic manner, with the purpose of expanding public transparency, raising the interest of the citizen in social control.



PERFORMANCE OF THE MAIN GOVERNMENTAL AREAS

Education

In 2018, the State Education Department intensified the investments in building new schools, as well as refurbishing and expanding the schools already existing in the state. With this action, the Government's reach was expanded, together with its commitment towards having schools that were able to meet the demands and current challenges of ensuring education with social quality. Schools with four labs, sports centers, auditoriums and pedagogic spaces with areas of more than 5,800 m² were planned and built. Faced with the challenge of a school that prioritizes processes for generating inventive, participant, cooperative subjects, prepared for diversification and social, political, cultural and labor insertion, the state invested in the continuous training of its professors and teachers, managers and other educational professionals. In order to provide support to that work, another focus of Santa Catarina in the education area was to implement the computerized management of data, which expanded and ensured improvements to the information storage, management, and sharing tools.

Health

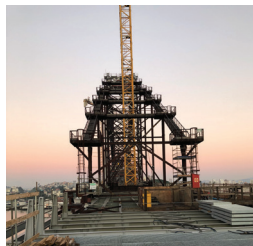
Santa Catarina strengthened its hospital regionalization and vocation in 2018. Approximately BRL 29 million were destined to the oncology sector, with emphasis to São Bento do Sul, Blumenau, Rio do Sul and São Miguel do Oeste. It also saw the consolidation and improvement of the SUS [Single Health System] Waiting List, improving the transparency of regulatory actions. Another significant move was the National Elective Surgery Campaign, with 42,175 procedures, making Santa Catarina reach 184% of the target established by the Ministry of Health, with emphasis to the 31,306 ophthalmologic surgeries performed until November 2018. The department reached the end



of the year with the state co-funding for the primary health care action payments on time, destining approximately BRL 84 million to the towns and cities in the state.

Infrastructure

In 2018, the unification of the management of the State Infrastructure Secretariat and two connected autarchies – the State Infrastructure Department (DEINFRA) and the Transport and Terminals Department (DETER) – allowed advances in the technical proposals for funding programs with BNDES [National Development Bank] and the IDB. These were necessary actions in the multimodal planning, air transportation plan, the inclusion of resources from land appropriations in all activities (projects, funding, among others) and greater agility in the regular maintenance programs, such as signaling, vegetation clearing, and conservation. Some works are worth mentioning, such as the expansion of the Santos Dumont Avenue in Joinville and the Highway Antônio Heil in Brusque, the implementation of the new entrance to the South of the island of Florianópolis, as well as the works in the evolutionary basins at the ports of Itajaí and Navegantes.



Justice and Citizenship

Santa Catarina has been investing in improvements, refurbishments, and building new prison systems to transform them into more humanized and modern structures. In addition to the new units, labor and education are safety strategies in the prison units. The investment in labor and education policies results in 6,011 (28%) of the prisoners working through 250 agreements signed with public companies and entities, as well as 6,752 (31%) studying, with 1,624 completing the Secondary Education National Examination (ENEM), from a total of 21,564 inmates. The state seeks to build an innovative administration equipped with technology such as hearings held by video-conference, ankle monitors and scans, as well as training its civil ser-

vants with training and qualification. A great example of the results obtained in the prison system in the state with the investment in education was the graduation of 13 inmates from the Vale do Itajaí Penitentiary in the Higher Education Technology Course in Logistics in 2018. They are part of a pioneer project in Santa Catarina and are the first to complete a university course entirely paid with the salaries received from the work performed within the unit, completing the re-socialization cycle with the offer of work and study. For the next phase, 60 other inmates are already enrolled.

Public Safety

The reduction of crime rates was one of the priorities of the State Government in 2018. Anticipation (understanding future possibilities), action (building winning strategies), and adaptation (adaptation ability) were prioritized. In the analysis of scenarios, emphasis was given to innovation, intelligence, and technology, with short-, medium- and long-term actions, such as the suffocation of criminal organizations, the imprisonment of criminal leaders, the seizure of drugs and firearms, and demonstration of strength and control. Regarding innovation, the options were: the regionalization of the public safety forces (controlled by the state); the redirection of resources; the valuation/motivation of staff; the approximation of the commands; and the building of the Public Safety State Plan, aligned with the plan designed by the Ministry of Public Safety. Regarding intelligence, the state opted for re-equipping, strengthening and valuing the agencies, as well as sharing and bi-directional capillarity of information. In the Technology area, there is a prevalence in the investments in the integration of the public and private camera systems, information programs and video-monitoring analysis, such as PMSC Mobile, database integration, individual cameras, drone management, system for hearing defendants in audio and video, virtual police station, electronic investigation, laboratory and equipment for the General Forensic Institute and Fire-cast Community. The implementation of these policies represented a significant decrease in some indexes, such as thefts, robberies, and homicides.

Civil Defense

The population is already noticing the results of the Civil Defense and Protection project being implemented by the state through actions that allow foreseeing and avoiding damages arising from natural catastrophes. The raising of the Vale do Itajaí's dams, the warnings forwarded to the citizens directly to their mobile phones and through social media, the expansion of the meteorological coverage by radars and the implementation of the Risk and Disaster Integrated Management Center (Cigerd) are among the actions worth mentioning.



Agriculture

Santa Catarina has a natural inclination: that of producing quality food. With approximately 1.12% of the national territory, the state excels in several areas. A synonym of sanitary excellence, it is the only state in Brazil recognized by the World Organization for Animal Health as an area free from foot-and-mouth disease without vaccination and, together with Rio Grande do Sul, free from classical swine fever. In 2018, the state government invested over BRL 600 million in agriculture in four large axes: trade, agricultural research and rural extension, animal and vegetable sanitary defense, and agricultural and farming development.



Sports

Santa Catarina has been consolidating its public sports management system and has been presenting relevant indexes at a national level. One of the factors that have propelled the sports practice in the state is the capacity of hosting ma-

jor events, including all kinds of sports, such as high performance, school and participatory. These events represent an incentive to the engagement of local communities in sports actions and programs, as well as fostering the improvement of sports facilities.

Sustainable Economic Development

Santa Catarina differs from all the other states in Brazil. Its entrepreneurship spirit is both nationally and internationally recognized. The state government supports this entrepreneurship with actions aimed at its economic and sustainable growth. In 2018, the government continued these actions expanding the building of Innovation Centers, the Interest Zero Program, and the SC+Energy Program, as well as consolidating the Santa Catarina Enterprise Development Program (PRO-DEC), generating income and employment in several regions of the state.

Tourism

The state fosters the development of tourism activities throughout its regions, offering attractions for several audiences, such as wine tourism, beer route, experience, history and culture tourism, ecotourism, adventure sports, events, gastronomy, spas, shopping, leisure and entertainment, beaches and nature. During 2018, several projects were implemented adding value to the sector, such as support to events and entities, the building of event and multi-purpose centers, implementation of touristic structuring projects, qualification courses and programs, and the creation of tourist equipment. In 2018, the works for the construction of the Events Center in Balneário Camboriú were completed, offering 28 convention rooms, with the primary purpose of meeting the regional demand for a fully-catered space destined to medium and large events, thus fostering the development of the state's economy.

Social Assistance



Data shows that social assistance in Santa Catarina improved as a public policy, reaching better results in access to social protection. The expansion of the coverage and the services provided by this system reflected on the reduction of the vulnerability in the state, preventing risk situations and allowing access to citizenship rights. New works were performed in the Social Assistance Reference Centers (CRAS), Reference Centers Specializing in Social Assistance (CREAS) and at the welcoming centers, improving the service provided to the population in the state. Santa Catarina held a State Conference in Social Assistance, which was attended by 750 people. The state was also present at the National Conference, guaranteeing rights and defining priorities.

Culture

Valuing the culture is investing in an economic sector that has presented a significant growth, generating both employment and income in Santa Catarina. In this sense, actions performed by the state government foster the entire production chain of the creative economy. That is the case of the Santa Catarina Cinema Award and Cultural Station Project. The Joinville Dance Festival, considered as the most important in Brazil, also receives financial support from the state government.



TOTAL EXPENSES		
26,943.05		
		6,625.39
		Fixed advantages and maturities
	16,333.07	5,292.93
	Personnel and social charges	Retirements, reforms and pensions
		1,707.84
		Employer obligations
	7,286.21	2,706.92
		Other
	Maintenance of public services	
	982.95	
	Interests and charges over debt	
	808.52	
	Amortization of debt	
	1,532.31	834.86
	Investments	Construction works and installations
		215.03
		Equipment and permanent material
		194.42
		Assistance
		288.00
		Other investments

2018 Budget

Pluri-annual Plan (PPA) 2016-2019

Law Nº. 16.859/2015

Defined guidelines, objectives and targets

Budgetary Guidelines Law (LDO)

Law Nº. 17.219/2017

Guided the budget with priorities and targets

Annual Budgetary Law (LOA)

Law Nº. 17.447/2017

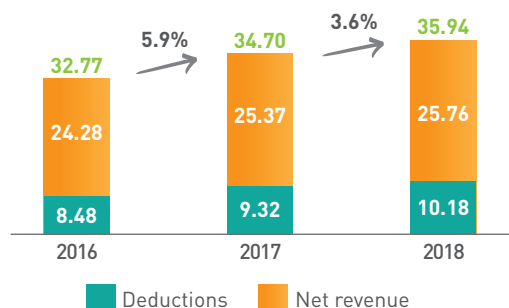
Estimated the revenue and established expenses

(BRL billion)

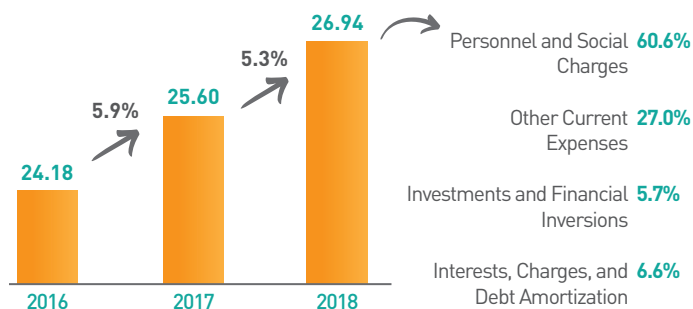
INDEX	GROSS REVENUE	NET REVENUE	EXPENSES EXECUTED
Forecast	36.31	26.43	26.43
Execution	35.94	25.76	26.94 ¹
% Execution/ Forecast	98.98%	97.45%	101.94%

¹ Authorized Expenses in the year: BRL 30.21 billion (BRL 26.43 in LOA and BRL 3.78 additional credit)

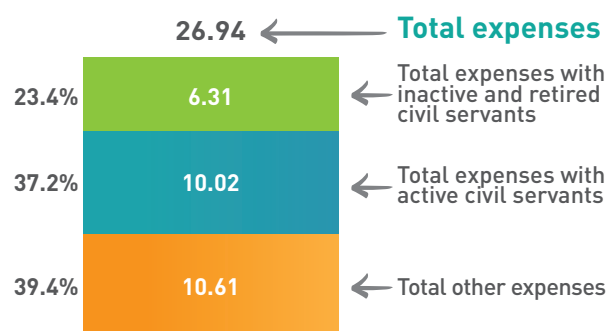
Collected Revenue (BRL billion)



Executed Expenses (BRL billion)



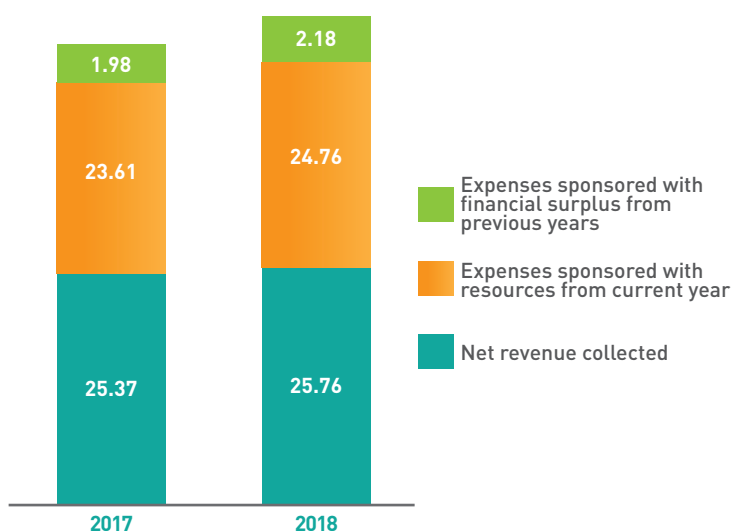
Expenses Detailing (BRL billion)



Budgetary Result

Regarding the total net revenue collected minus the total expenses executed, the budgetary execution presents a negative result of BRL - 1.19 billion. It means the budgetary expenses accomplished in the year were higher than the budgetary revenue collected in the same period. However, it is essential to emphasize that from the total expenses performed in 2018, BRL 2.18 billion were sponsored with resources from the financial surplus from previous years, that is, part of the committed costs was funded with resources from past years. If that amount was not included and if only the resources collected in 2018 were considered, as well as the expenses financed with those resources, the state would present a budgetary execution surplus of BRL 993.12 million.

Budgetary execution (BRL billion)



Financial Surplus

The financial surplus or deficit is calculated by the difference between the values related to the Financial Assets and Liabilities, including third-party resources.

Financial Assets are understood as the sum of the numerical values, as well as credit and economic values that have not become numerical yet but are available regardless of budgetary authorization. On the other hand,

Financial Liabilities are the several financial obligations, such as debts with suppliers, labor obligations, and other commitments whose payments do not depend on budgetary authorization. The state presented an economic surplus of BRL 2.33 billion, indicating the financial assets meet the financial obligations.



Equity Position (BRL billion)

ASSETS			LIABILITIES	
CURRENT	Cash and Cash Equivalents	8.67	Labor, Social Security & Assistance Obligations Payable	0.44
	Credit Receivable	4.77	Loans and Financing	0.38
	Other Assets	0.68	Suppliers	0.59
			Other Liabilities	7.68
NON-CURRENT	Credit Receivable	1.84	Labor, Social Security & Assistance Obligations Payable	0.75
	Investments	3.48	Loans and Financing	19.88
	Fixed Assets	33.60	Suppliers	1.87
	Intangible	0.32	Other Liabilities	2.67
	Other Assets	0.27		
TOTAL	53.63 TOTAL ASSETS		TOTAL LIABILITIES	34.26
			TOTAL NET ASSETS/ EQUITY (PL)	19.37
			TOTAL LIABILITIES & NET ASSETS/ EQUITY	53.63

Amounts in 31/Dec/2018

At the end of 2018, the total Asset amount was BRL 53.63 billion and the Liability was BRL 34.26 billion for 2018, resulting in BRL 19.37 billion Net Equity, a 7.4% negative variation when compared to 2017.



The Equity Result, corresponding to the difference between the revenues and expenses under an equity focus, referred to Positive Changes in Equity (VPAs) and Negative Changes in Equity (VPDs), respectively, was negative in BRL 2.39

billion. It means the changes in equity taking place in the year resulted in a decrease in the State's Equity, considering that the VPDs were higher than the VPAs.

TAX AND ACCOUNTANCY INDEXES

INDICADOR	2018	2017
Nominal Result (BRL million)	-1,884.89	-104.25
Primary Result (BRL million)	276.03	-1,132.51
Equity Result (BRL million)	-2,392.37	5,871.83
Financial Result (BRL million)	-940.60	396.08
Budgetary Result (BRL million)	-1,186.88	-221.32
Net Assets/Equity (BRL million)	19,370.25	20,912.45
Net Current Revenue - RCL (BRL million)	22,773.76	21,132.26
Net Tax Revenue - RLI (BRL million)	20,179.62	18,474.41
Application in Education (% RLI)	27.15	26.94
Minimum to be applied (%)	25	25
Application in Health (% RLI)	14.10	13
Minimum to be applied (% RLI - State)	14	13
Expenses with Personnel (% RCL)		
General Consolidated	58.49	59.92
Prudential Limit	57.00	57.00
Maximum Limit	60.00	60.00
Executive Branch	48.76	49.73
Prudential Limit	46.55	46.55
Maximum Limit	49.00	49.00

IMPLEMENTATION OF IPSAS (INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS) IN THE STATE OF SANTA CATARINA

INTERNATIONAL PUBLIC SECTOR ACCOUNTANT STANDARDS (IPSAS)	IPSAS IMPLEMENTATION STATUS IN SANTA CATARINA
IPSAS 1 – Presentation of Financial Statements	Implemented. All Financial Statements required by the international standard are disclosed. The Brazilian legislation has specific characteristics for the Changes in Equity Statement (DVP) that differ from the international model.
IPSAS 2 – Cash Flow Statements	The direct method is implemented, without presenting the conciliation of the result for the period with the cash flow from operating activities, as encouraged by the IPSAS.
IPSAS 3 – Accounting Policies, Changes in Accounting Estimates and Errors	Partially implemented. There is no accounting policy for retrospective presentation.
IPSAS 4 – The Effects of Changes in Foreign Exchange Rates	Partially implemented. There is no exchange rate accounting policy for the financial statements.
IPSAS 5 – Borrowing Costs	Partially implemented. Borrowing costs are not capitalized, even for eligible items.
IPSAS 9 – Revenue from Exchange Transactions	Implemented. There are no Accounts receivable system for these transactions that allow the appropriate control of this asset.
IPSAS 10 – Financial Reporting in Hyperinflationary Economies	Not applicable.
IPSAS 11 – Construction Contracts	Not applicable.
IPSAS 12 – Inventories	Partially implemented. Some measurement requirements must be further developed.
IPSAS 13 – Leases	Not implemented.
IPSAS 14 – Events After the Reporting Date	Implemented. Accounting policy duly in place.
IPSAS 16 – Investment Property	Partially implemented. Only the Civil Servant Social Security System (RPPS) has the recognition of “properties for investment”. There is the need to adjust the presentation in the consolidated financial statements.
IPSAS 17- Property, Plant and Equipment	Partially implemented. There is the need to improve processes, systems, and subsequently, measuring requirements.
IPSAS 18 – Segment Reporting	Not implemented.
IPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets	Implemented.

IPSAS 20 – Related Party Disclosures	Partially implemented.
IPSAS 21 – Impairment of Non-Cash-Generating Assets	Not implemented.
IPSAS 22 – Disclosure of Financial Information about the General Government Sector	Not applicable.
IPSAS 23 – Revenue from Non-Exchange Transactions (Taxes and Transfers)	Implemented.
IPSAS 24 – Presentation of Budget Information in Financial Statements	Implemented.
IPSAS 26 – Impairment of Cash-Generating Assets	Not implemented.
IPSAS 27 – Agriculture	Not implemented.
IPSAS 28 – Financial Instruments: Presentation	Not implemented.
IPSAS 30 – Financial Instruments: Disclosures	Not implemented.
IPSAS 31 – Intangible Assets	Partially implemented.
IPSAS 32 – Service Concession Arrangements: Grantor	Not implemented.
IPSAS 33 – First-time Adoption of Accrual Basis IPSASs	Not applicable.
IPSAS 34 – Separate Financial Statements	Implemented with the specificities of the Brazilian legislation.
IPSAS 35 – Consolidated Financial Statements	Implemented with the specificities of the Brazilian legislation.
IPSAS 36 – Investments in Associates and Joint Ventures	Partially implemented.
IPSAS 37 – Joint Arrangements	Not implemented.
IPSAS 38 – Disclosure of Interests in Other Entities	Implemented.
IPSAS 39 – Employee Benefits	Partially implemented. The mathematical provision of the social security regime has no impact on the equity/net assets, and some long-term benefits (non-paid leave, for instance) are not recognized.
IPSAS 40 – Public Sector Combinations	Not implemented.
IPSAS 41 – Financial Instruments	Not implemented.
IPSAS 42 – Social Benefits	Not implemented.

Note: The IPSAS 6, 7, 8, 15, 25 and 29 have been replaced by the IPSAS 34, 35, 36, 39 and 41.



GOVERNO DE
SANTA CATARINA



SECRETARIA DE ESTADO
DA FAZENDA

DIRETORIA DE CONTABILIDADE GERAL