

COUNTY OF SANTA CRUZ
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009



Coastline at N36 56.89 W122 01.56 in Santa Cruz County

Prepared Under the Direction of
Mary Jo Walker, CPA
AUDITOR-CONTROLLER

California coastline near Light House Point, Santa Cruz CA.

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www.californiacoastline.org. The photo was taken offshore at 500 feet. The entire coast was
photographed between 2002 and 2004, resulting in more than 12,000 distinct photographs of
California's coast as part of the California Coastal Records Project.

County of Santa Cruz, California

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2009

Prepared Under the Direction of
Mary Jo Walker
Auditor-Controller

County of Santa Cruz
For the year ended June 30, 2009

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COUNTY OF SANTA CRUZ

AUDITOR-CONTROLLER'S OFFICE

701 OCEAN STREET, SUITE 100, SANTA CRUZ, CA 95060-4073
(831) 454-2500 FAX: (831) 454-2660

December 22, 2009

The Honorable Board of Supervisors
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

Members of the Board and Fellow Citizens:

The Comprehensive Annual Financial Report (CAFR) of the County of Santa Cruz for the fiscal year ended June 30, 2009 is hereby submitted, in accordance with the statutes of the State of California. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County of Santa Cruz. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activity have been included. The independent auditors, Caporicci and Larson, who have rendered an unqualified opinion thereon, have audited these statements. Their report is provided herein.

In addition, the Governmental Accounting Standards Board requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County of Santa Cruz's MD&A can be found immediately following the report of the independent auditors.

The CAFR represents the culmination of all budgeting and accounting activities engaged in during the year, covering all funds of the County, its component units and its financial transactions.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 as amended and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including the schedule of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations are included in the single audit report, which is issued as a separate document. This report includes all funds and account groups of the County. The County provides the full range of services contemplated by statute or ordinance. These services include public protection, public ways and facilities, health and sanitation, public assistance, recreation and culture, education, and general government. In addition, various utility, maintenance, redevelopment and capital acquisition entities are included as part of the reporting entity based on financial accountability. School districts and autonomous special districts have not met the established criteria for inclusion in the reporting entity, and are therefore reported under the category of fiduciary fund types.

FINANCIAL INFORMATION

Management of the County is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) The cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

In accordance with the County Budget Act codified in the Government Code, the County prepares and adopts a budget on or before October 2 for each fiscal year. Budgets are adopted for the General Fund and Special Revenue Funds. In addition to the controls mentioned above, the County maintains budgetary controls, whose objective is to ensure compliance with legal provisions embodied in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the character level of salaries and benefits, services and supplies for each budget unit within each budgeted fund. Other charges, land, plant and improvements, and equipment are controlled on a line item basis within each budget unit. The County also maintains an encumbrance accounting system as one technique for accomplishing budgetary control. At year-end, encumbrances lapse, but are re-appropriated as part of the following year's budget. The encumbrance system is employed to record amounts committed for purchase orders or contracts. If appropriations are not sufficient, Board of Supervisors-approved appropriation transfers are required before commitments or expenditures are permitted. Encumbrances outstanding at year-end are shown as reservations of fund balance, except for grants. Grant encumbrances are canceled at year-end and re-budgeted with revenues in the new fiscal year.

PROFILE OF THE COUNTY

The County of Santa Cruz was established by an act of the State Legislature in 1850 as one of the original 27 counties of the State of California. The County is a general law county and is governed by a five-member Board of Supervisors who are elected by district to serve alternating four-year terms. The Board of Supervisors uses the appointed County Administrative Officer (Chief Executive) organizational structure to carry out its policies as set forth by County Ordinance. The Assessor-Recorder, Auditor-Controller, County Clerk, Treasurer-Tax Collector, District Attorney and Sheriff-Coroner are elected officials and all other departments' heads are appointed officials.

As required by County ordinance or by state or federal law, the County's principal functions include seven major areas: general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. In the public assistance and health areas, the state and federal governments mandate certain minimum levels of service.

Santa Cruz is located on the Central Coast of California, and is bordered by San Mateo County to the north, Santa Clara County to the east, San Benito and Monterey Counties to the South and the Monterey Bay National Marine Sanctuary to the West. The County of Santa Cruz is the second smallest county in California in terms of land mass and the 23rd of 58 counties in terms of population. The County's population is 268,637. Approximately half live in one of the County's four cities; Capitola, Santa Cruz, Scotts Valley, and Watsonville, with the other half living in the unincorporated portions of the County.

ECONOMIC CONDITIONS AND OUTLOOK

Regionally, the Santa Cruz area is similar to many parts of the country in that the economy has slowed dramatically. The area is experiencing a general slowing of economic activity, resulting in large part from a recession in the real estate and construction industry and the financial market meltdown. The Santa Cruz area had enjoyed a fairly healthy economy in the first half of the decade after recovering from the pronounced economic downturn in 2001. The subprime mortgage lending crisis significantly reduced home sales across the nation, including those in Santa Cruz County, beginning in early 2006. Since May 2009, real estate sales and prices have started to rebound for the first time since 2005. From fiscal year 2001-02 through 2007-08, real estate sales resulted in the assessed value of real property in the County increasing by about 8% per year. However, in fiscal year 2008-09, assessed values in the County slowed to 3.3% growth, and have actually declined by 3.0% for fiscal year 2009-10. Assessed values are likely to decline still more for fiscal year 2010-11, but will probably begin recovering the following year. Assessed value for property tax purposes tends to trail the sales market for real estate prices and volume. This decline affects every local agency and special district, and very significantly, the State since over 50% of property tax revenues funds are earmarked for K-12 education.

Another indicator of the local economy is retail sales. Countywide sales tax receipts declined during fiscal year 2008-09 by 10% over the previous year, and sales during the previous fiscal year finally surpassed the level that they were in 2000-01 before the prior economic downturn. Tourism is important to the local economy as well, and the Santa Cruz area experienced lower occupancy and weaker tourist spending than in prior years. Transient Occupancy Tax collections declined about 16% in the unincorporated County during fiscal year 2008-09 compared to the prior year, although it had been increasing steadily since 2003.

The County's fiscal year 2009-10 budget adopted by the County Board of Supervisors reflected the continuing recession in the real estate market, and the dismal state of the economy in all private and public sectors. For Santa Cruz County government, the result is significant declines in property related revenues, interest earnings, sales taxes and charges for services, particularly in the land use area. While the County receives only 13% of the property tax dollar, approximately 78% of the County's general purpose revenues are related to real estate, either through property tax revenues or vehicle license fee revenues which change in lock-step with property tax revenues. The assessed value of real property, and consequently property tax revenues, throughout the County declined by 3.0% in fiscal year 2009-10, which is the first decline since the County began tracking property tax growth in 1968. While real estate values have been declining for several years now, other revenues such as federal and state grants and building fees have declined more rapidly than previously projected. Economists differ on the length of the current recession, but generally anticipate at least another year to the start of any recovery.

The County's General Fund revenues declined about 3.4% from \$357.6 million in fiscal year 2007-08 to \$345.3 million in fiscal year 2008-09. The County was able to reduce its expenditures by about 2.3% from \$364.4 million in fiscal year 2007-08 to \$355.9 million in fiscal year 2008-09. To balance its fiscal year 2009-10 budget, the County drew upon its General Fund reserves. Total General Fund reserves and designations were \$10,965,196 at June 30, 2008, reduced to \$9,424,117 at June 30, 2009, not including \$2,582,815 in encumbrance reserves for future purchase orders or contracts. The largest portion of this decrease was from using \$1 million of the Working Capital Reserve and eliminating the \$508,489 designation for the Federally Qualified Health Care program phase out which was used to fund the Health Services Agency during fiscal year 2008-09. The General Fund reserves and designations are projected to be \$9,942,195 as of June 30, 2010.

At the State level, the California Legislative Analyst's Office is projecting a \$6.3 billion deficit for 2009-10 and another \$14.4 billion budget gap for fiscal year 2010-11. The State's struggling economy has severely reduced expected revenues. The California economy was fairly strong in the first half of the decade, based in part on the robust real estate market which peaked in 2006. The significant downturn in construction and other real estate activities since 2006 is primarily responsible for the State's weakening economy. Closing the projected \$20.7 billion budget shortfall will be a monumental task, and addressing this large shortfall will require painful choices, on top of the difficult choices the Legislature made earlier this year. The State's long term outlook will continue to mean uncertainty for local agencies.

The California Constitution was amended by Proposition 1A, approved by the voters in the November 2004 Election. It redefined the State's fiscal practices toward local government by limiting the State's ability to extract more local property tax revenues. The provisions of Proposition 1A may be suspended twice in ten years if the Governor declares a state of severe fiscal hardship, and each house of the Legislature approves this urgency statute by a two-thirds vote. In years of declared fiscal hardship, up to eight percent of local property tax revenues can be temporarily shifted from local agencies to the State. The State is required to repay this amount in full within three years.

To balance California's fiscal year 2009-10 budget, the Governor invoked the fiscal hardship clause in Proposition 1A on July 28, 2009, which set the wheels in motion to allow the State to borrow 8% of local government property tax revenues. This amounted to \$1.9 billion which will be used to fund K-12 schools, courts, prisons, Medi-Cal, and hospitals. The State is constitutionally required to repay the loan by June 30, 2013. Fortunately, the legislation also allowed local governments to bond against the State's promise to repay the funds. All 58 counties and about 95% of cities and special districts in the State participated in a bond pool which was managed by the California Communities Joint Powers Authority. If a local agency participated in the Proposition 1A bond pool, the bond proceeds will be transferred to those local agencies on January 15 and May 3, 2010, making those local agencies whole during the fiscal year, with the State paying the interest. If a local agency decided not to securitize the Proposition 1A loan, the State will pay the agency by June 30, 2013 along with interest at 2%.

The California Public Employees Retirement System (CALPERS) pension fund, which County employees participate in, realized a loss of 23.4% on its investments for the year ended June 30, 2009. The drop in the fund's market value of assets is due primarily to the impact of historic and unprecedented declines in the global financial markets and the worldwide liquidity crises that followed, generating a global economic recession. This is the most severe single year decline, but CALPERS realized 8.56% net income for the three months ended September 30, 2009, and believes that its long-term 20-year investment return remained positive at 7.75%.

In 2005, CALPERS approved a rate smoothing policy to reduce rate volatility by at least 50%, which in prior years was caused mostly by poor actuarial projections of the cost of plan amendments and the CALPERS investment losses. In June 2009, CALPERS adopted an additional rate smoothing methodology designed to ease the impact of expected investment losses from the past fiscal year by amortizing them over a fixed and declining 30-year period as opposed to the current rolling 30-year amortization period. County employees also participate in the CALPERS health insurance program, whose average premiums increased by 4.3% in 2008, and will increase by 2.9% for 2010.

The upcoming fiscal year will be challenging for the County, but in my opinion, the County's management has done an excellent job under difficult fiscal conditions in the past, and will no doubt continue to do so. Clearly, but for the State's impaired financial condition, the County could effectively manage its finance decisions at the local level.

MAJOR INITIATIVES

- The Agricultural Commissioner's Department is still fighting the Light Brown Apple Moth infestation, which was discovered in Santa Cruz County in April 2007. The Light Brown Apple Moth is a threat to the County's thriving agriculture business and the local environment. The State mandated aerial spraying to control and eradicate this pest, which caused much concern among citizen groups and local agencies, but the County of Santa Cruz prevailed in a lawsuit to stop the aerial spraying last year.
- The Assessor's Office has seen a dramatic increase in assessment appeals with the downturn in the real estate market, and many properties throughout the County received value reductions. A new Assessor-Recorder interface was implemented using automated work flow technology to route directly into the Assessor's database for processing. The Assessor's Office is also a key member of the team which is designing and implementing the County's new property tax system.
- The County Recorder's Office installed a new recording system to take advantage of current technology. The Recorder also completed the Digital Reel project which converts records stored on microfilm to digital images so they are instantly available, including over 15,000 old paper birth records and 33 deed books which had to be digitally scanned. The Recorder continues the multi-year Social Security Truncation Program to review all digitized and microfilm records and redact social security numbers from those records.
- The Auditor-Controller's Office is a key member of the team which is undertaking the large-scale project to modernize the County's property tax system. The Office implemented a new payroll system in the past year, and continues other technology projects in the current year to improve financial reporting and processing efficiencies.
- Child Support Services had to close a full-service facility due to funding cuts this past year, and relocate those staff members to a facility used by the County's Human Services Department. In the current year, Child Support Services expects to receive an increase in funding from the California Department of Child Support Services for the first time since 2002 due to Economic Stimulus funds. The additional funding will allow the Department to place an emphasis on early intervention efforts.
- The County Administrative Office focused its resources this past year on the serious financial issues facing the County during this economic recession. The major challenge which the County Administrative Office faced was developing a balanced budget for fiscal year 2009-10 with a 5.8% decline in revenues, and the Department expects to face a similar challenge this year while developing the fiscal year 2010-11 budget.
- The County Clerk's Office supported the June 2009 gubernatorial primary election which included federal, state and local contests using new voting equipment approved by the State of California. Staff continues to implement the requirements of the federal Help America Vote Act (HAVA), which establishes voting system standards and guidelines for accommodating persons with disabilities.

- County Counsel continues to focus on tort claim defense, land use activity defense, and child protective services, along with the mobile home rent adjustment ordinance, civil litigations and administrative hearings.
- The District Attorney's Office faced an unprecedented double-digit number of homicides which occurred and went to trial. The investigation and prosecution of many of these cases will continue through the current year, limiting resources available for other types of cases. The Office was an integral part of reorganizing the Narcotics Enforcement Team into the Anti-Crime Team to encompass not only narcotics but also violent gang activities. The Office also handled over 40 graffiti cases that were part of a joint graffiti task force, including juvenile gang violence from assaults to weapons possession.
- The General Services Department completed an extensive energy efficiency project at the County Government Center in the past year, including the replacement of heating, ventilation and elevator equipment with more efficient models, resulting in utility cost savings. The Purchasing Division will focus on procurement of environmental and energy friendly products and services, as well as other purchasing efficiencies. County Fire, which is a division of the General Services Department, added a fire station last year and will move its seasonal Cal Fire station to that new station.
- The Health Services Agency is grappling with a second year of major reductions to revenues and the resulting decreases in services. It is focusing its efforts on meeting legal mandates, complying with grant requirements, and maintaining patient and community safety. The Agency is facing significant reductions in State funding which is amplified through further reductions in leveraged federal revenues. The most significant impacts have been in the Mental Health, Substance Abuse, Public Health and MediCruz programs. The State of California will receive Economic Stimulus funds, which they have announced they will absorb into their own State budget so as to avoid further State reductions to Medi-Cal.
- The Human Services Department is heavily leveraged by federal and state funding, and with reductions from those funding sources, all programs are reducing services. Adult and Long-Term Care, CareerWorks, Benefits Services (Medi-Cal, Food Stamps, General Assistance, and Foster Care) and Family and Children's Services are negatively impacted. At the same time, the number of clients and service requests has increased. The Department places its first priority this year on maintaining the mandated and entitlement-based programs. The Department is expecting to receive \$1.5 million of Economic Stimulus funds, which have reduced staffing cuts.
- The Information Services Department continues to consolidate infrastructure and technical services in County departments to provide maximum system integration. This includes migrating key applications off the mainframe computer such as the Probation Case Management System and the Sheriff's Record Management and Jail Management Systems. Other major projects include continuing the development of the County's new Property Tax System and refining the County's new Payroll System which was successfully implemented in the past year.
- The Parks, Open Space and Cultural Services Department completed the installations at Jose Avenue Park and Valencia Hall, renovated the Simpkins Swim Center, developed a master plan for McGregor/Seacliff Park, and partnered with the County's Redevelopment Agency on Floral Park, Farm Park, Chanticleer Park and East Cliff Parkway. In the current year, they will begin construction of the Fell Street Park, complete improvements to the Anna Jean Cummings Park, and make preparations for construction of the McGregor Park.

- The Personnel Department and Risk Management Division worked closely with departments and employee unions to retain as many employees as possible, in response to a proposed reduction of 212 positions in the fiscal year 2009-10 budget. This is in addition to 208 positions eliminated in the previous year. Fortunately, almost all of the position reductions were met through attrition and employee redeployment, resulting in only 23 employees actually losing their jobs. The Department also negotiated and implemented the County's furlough plan, wherein employees agreed to reduce their hours by as much as 7.5% during the current fiscal year.
- The Planning Department continued its initiative to simplify the County's land use regulations and associated processes through enhancements to customer service, implementation of management and business initiatives, and development of new planning and policy directions. In the current year, the Department will continue its simplification efforts, implement the final phase of the Hansen land use tracking system, and continue a variety of affordable housing assistance efforts.
- The Probation Department absorbed a 19% budget reduction in the current year budget, including a 14% reduction in staffing, due to a similar decline in federal and state funding. A number of programs which the Department initiated in recent years were discontinued this year such as the Juvenile Mentally Ill Offender Crime Reduction program and the Warrant Reduction Advocacy Program. Nevertheless, the Department continues with development of a new electronic case management system, has remodeled Juvenile Hall, and introduced an integrated wellness program at Juvenile Hall including healthier and organic foods and increased physical exercise.
- The Public Works Department continues to repair 70 damaged sites from the heavy rain storms in 2006. The Department has been working with the Federal Emergency Management Agency and the California Office of Emergency Services to repair these sites at a cost expected to exceed \$15 million. The Pavement Management Program and the backlog of deferred road resurfacing work will also continue using Redevelopment Agency funds and State Proposition 42 and 1B. The Department continues its efforts to secure State funding to reinforce the levies along the Pajaro River to prevent future flooding in that area, and is aggressively pursuing Economic Stimulus funding for various projects.
- The Sheriff-Coroner's Office's continues to reduce jail overcrowding. The Main Jail's population was below the prior year, reflecting the Department's efforts to develop a multi-faceted approach to address the issue, including greater work release programs, transfer of inmates to another facility, and enhanced pretrial and case management tracking systems. A major focus this coming year will be to begin developing the Records Management and Detention Management Systems.
- The Treasurer-Tax Collector's Office continues its work to expand a delinquent court fine collection program in accordance with the provisions of SB 940. This comprehensive collection program provides appropriate follow-up activities for debt collection as well as additional revenues for the County and other local agencies. This Office is also a key member of the team which is updating the County's property tax system.

OTHER INFORMATION

State statutes require an annual audit by independent Certified Public Accountants. The firm of Caporicci and Larson was selected to audit the financial statements of the County's various funds and account groups, and has issued an unqualified opinion thereon. In addition to meeting the requirements of State law, the audit was also designed to comply with the federal Single Audit Act of 1984, and related OMB Circular A-133. The auditors' report on the financial statements is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in a separate Single Audit Report.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Santa Cruz for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

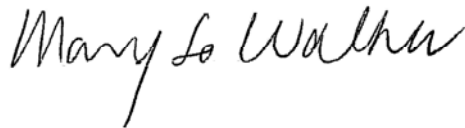
To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

AUDITOR-CONTROLLER ACKNOWLEDGMENTS

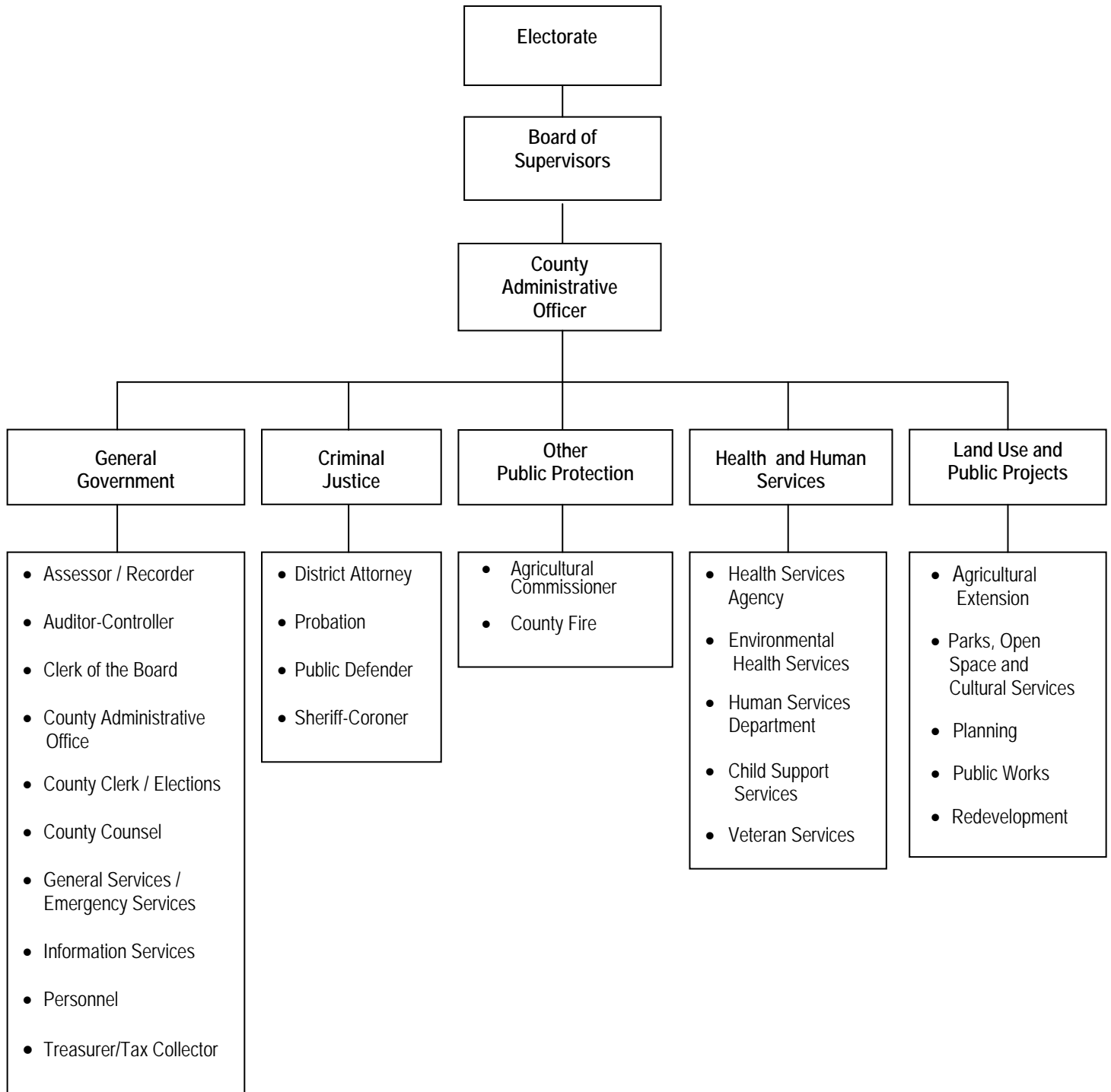
I wish to express my appreciation to my Accounting Division and Audit Division, the County departments that participated, and Caporicci and Larson for their contributions, assistance, and guidance in the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink that reads "Mary Jo Walker". The signature is written in a cursive, flowing style.

Mary Jo Walker, CPA
Auditor-Controller

COUNTY OF SANTA CRUZ



Directory of Public Officials

Elective Officers

		<u>Term ends</u>
Supervisor, 1st District	John Leopold	January 2013
Supervisor, 2nd District	Ellen Pirie	January 2013
Supervisor, 3rd District	Neal Coonerty	January 2011
Supervisor, 4th District	Tony Campos	January 2011
Supervisor, 5th District	Mark W. Stone	January 2013
State Senator, 11th District	S. Joseph Simitian	December 2012
State Senator, 15th District	Abel Maldonado	December 2012
State Assemblyman, 27th District	Bill Monning	December 2010
U.S. Congressman, 17th District	Sam Farr	January 2011
U.S. Senator	Dianne Feinstein	December 2012
U.S. Senator	Barbara Boxer	December 2010
U.S. Congresswoman	Anna G. Eshoo	December 2010
Assessor-Recorder	Sean Saldavia	January 2011
Auditor-Controller	Mary Jo Walker	January 2011
Treasurer-Tax Collector	Fred Keeley	January 2011
County Clerk-Elections	Gail Pellerin	January 2011
District Attorney-Public Administrator	Bob Lee	January 2011
Sheriff-Coroner	Phil Wowak	January 2011

Appointed Officers

Administrative Officer	Susan A. Mauriello
Affirmative Action Officer	Claire Schwartz
Agricultural Commissioner	Ken Corbishley
County Counsel	Dana McRae
Director of Agricultural Extension	Laura Tourte
Director of Child Support Services	Kathy Sokolik
Director of General Services	Nancy Gordon
Director of Information Services	Kevin Bowling
Director of Human Services Department	Cecilia Espinola
Director of Planning	Tom Burns
Director of Public Works/Road Commissioner	John J. Presleigh
Santa Cruz County Fire Chief	John Ferriera
Health Officer	Dr. Poki Namkung
Health Services Administrator	Rama Khalsa
Parks, Recreation and Cultural Services	Joe Schulz
Personnel Director	Michael McDougall
Probation Officer	Scott MacDonald
Redevelopment Agency Administrator	Betsey Lynberg
Veteran's Services Officer	Allan Moltzen

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Santa Cruz County
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Supervisors
of the County of Santa Cruz
Santa Cruz, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Santa Cruz, California (County), as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Subsequent to the basic financial statements date of June 30, 2009 and the year then ended, the State of California (State) has borrowed and proposed taking funds from local governments including the County. These actions by the State include:

- 8% of Property Taxes borrowed -- to be repaid in 3 years
- Gas tax payments deferred -- to be paid after January 1, 2010
- Redevelopment Agency funds -- prepared to be taken for fiscal year 2010

These above amounts are significant to the County and may affect its ongoing operations. Certain lawsuits are in process to stop such State actions. For more detailed information, see Note 19 in the Notes to Basic Financial Statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

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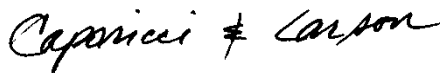
To the Honorable Board of Supervisors
of the County of Santa Cruz
Santa Cruz, California
Page 2

As described in Note 21 to the basic financial statements, the County adopted Statement of Governmental Accounting Standards Board No 49, *Accounting and Financial Reporting for Pollution Remediation Obligation*, No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2009 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 grants. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary comparison information and other information as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The accompanying Supplementary Information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Irvine, California
December 22, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS



County of Santa Cruz
Management's Discussion and Analysis
For the year ended June 30, 2009

This section of the County of Santa Cruz (the "County") Comprehensive Annual Financial Report presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2009. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at the close of the 2008-2009 fiscal year by \$340,505,651 (*net assets*). Of this amount, \$39,577,191 is unrestricted, \$31,743,236 is restricted for specific purpose (*restricted net assets*), and \$269,185,224 is invested in capital assets, net of related debt.
- The government's total net assets decreased by \$57,423,891, attributable to an increase in expenditures related to Other Post Employment Benefits (OPEB) per the Governmental Accounting Standards Board (GASB) Statement No. 45.
- As of June 30, 2009, the County's governmental funds reported combined ending fund balances of \$226,652,244, an increase of \$28,409,449 in comparison with the prior year. Approximately 73% of the combined fund balances, \$164,393,255, is available to meet the County's current and future needs (*unreserved fund balance*).
- At the end of the fiscal year, the general fund reported an ending fund balance of \$17,593,396, of which \$2,918,911 was reserved and \$9,088,021 was designated for various purposes as shown on page 29, with the remaining \$5,586,464 budgeted to be spent in the next year.
- The County's total long-term liabilities are \$366,861,606, an increase of \$79,988,552 in comparison with the prior year. The increase resulted primarily from the recognition of Other Post Employment Benefits Liability and new debt issuances.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of 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 the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the County is improving or deteriorating.

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2009

The *statement of activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only 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.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and culture. The business-type activities of the County include the County Disposal Sites CSA 9C, and the following Board of Supervisor Governed Districts: Boulder Creek CSA 7, Rolling Woods CSA 10, Septic Tank Maintenance CSA 12, Freedom County Sanitation District, Davenport Sanitation District, Place de Mer CSA 2, Sand Dollar Beach CSA 5, Trestle Beach CSA 20, Summit West CSA 54, and Graham Hill CSA 57 operations.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. The Santa Cruz County Sanitation District is reported as a discretely presented component unit of the County. The District is managed by the County Department of Public Works and provides sanitation services to a portion of the unincorporated areas of the County.

The government-wide financial statements can be found on pages 21-23 of this report.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related funds which are used to account for 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 compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are reported in the governmental funds. The governmental funds financial statements focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the County's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities.

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2009

The County maintains several individual governmental funds organized according to their type (general, special revenue, debt service, and capital projects). Information is presented separately in the governmental funds balance sheet and the statement of revenues, expenditures, and changes in fund balances for the general fund and the Redevelopment Agency, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental funds financial statements can be found on pages 29-32 of this report.

Proprietary funds are used to account for services for which the County charges customers – either outside customers or internal units or departments of the County. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The County maintains the following two types 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 enterprise funds used to account for the operations of the County include the County Disposal Sites CSA 9C, and the following Board of Supervisor Governed Districts: Boulder Creek CSA 7, Rolling Woods CSA 10, Septic Tank Maintenance CSA 12, Freedom County Sanitation District, Davenport Sanitation District, Place de Mer CSA 2, Sand Dollar Beach CSA 5, Trestle Beach CSA 20, Summit West CSA 54, and Graham Hill CSA 57 operations.
- **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 central duplicating, information services, public works, service center, and insurance (risk management, dental and health, liability and property, workers' compensation, employee benefit staffing, and state unemployment insurance) functions. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary funds financial statements can be found on pages 35-38 of this report.

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 those funds are not available to support the County's own programs. The fiduciary funds the County maintains are agency and investment trust funds. Since agency and trust funds are custodial in nature, they do not involve the measurement of results of operations.

The fiduciary funds financial statements can be found on pages 41-42 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 to the basic financial statements can be found on pages 47-95 of this report.

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2009

Required Supplementary Information (other than MD&A)

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the County's general fund budgetary comparison schedule and progress in funding its obligation to provide pension benefits to its employees and other post-employment obligations to retirees.

The County adopts an annual budget, which is a compilation of operating budgets from individual functional units within the General Fund, Special Revenue Funds, Capital Projects Funds and Proprietary Funds. Budgets are adopted for all funds except for Debt Service Funds, Fiduciary Funds and certain special revenue funds, namely the Public Finance Authority, Geological Hazard Abatement Districts, and Health Realignment Funds. A budgetary comparison schedule has been provided for the General Fund and Redevelopment Agency special revenue fund to demonstrate compliance with these budgets. These can be found on pages 101-112 of this report.

Combining Statements and Schedules

The combining and individual fund statements and schedules referred to earlier in connection with non-major governmental funds, enterprise and internal service funds, and fiduciary funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and other assets	\$ 357,460,689	\$ 334,162,574	\$ 13,657,163	\$ 12,576,130	\$ 371,117,852	\$ 346,738,704
Capital assets	463,537,627	464,604,841	26,740,934	28,333,335	490,278,561	492,938,176
Total assets	<u>820,998,316</u>	<u>798,767,415</u>	<u>40,398,097</u>	<u>40,909,465</u>	<u>861,396,413</u>	<u>839,676,880</u>
Liabilities:						
Current and other liabilities	152,898,321	156,131,616	1,130,835	1,062,399	\$ 154,029,156	\$ 157,194,015
Long-term liabilities	361,437,809	281,289,577	5,423,797	5,583,477	366,861,606	286,873,054
Total liabilities	<u>514,336,130</u>	<u>437,421,193</u>	<u>6,554,632</u>	<u>6,645,876</u>	<u>520,890,762</u>	<u>444,067,069</u>
Net Assets:						
Invested in capital assets, net of related debt	242,857,627	327,708,298	26,327,597	27,280,465	269,185,224	354,988,763
Restricted	31,660,088	55,167,127	83,148	186,590	31,743,236	55,353,717
Unrestricted	32,144,471	(21,529,203)	7,432,720	6,796,534	39,577,191	(14,732,669)
Total net assets	<u>\$ 306,662,186</u>	<u>\$ 361,346,222</u>	<u>\$ 33,843,465</u>	<u>\$ 34,263,589</u>	<u>\$ 340,505,651</u>	<u>\$ 395,609,811</u>

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the County, assets exceed liabilities by \$340,505,651 at the close of the 2008-2009 fiscal year.

The portion of the County's net assets invested in capital assets, net of related debt, \$269,185,224 (79%), reflects its investment in capital assets (e.g., land, building and structures, and equipment), less any debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2009

An additional portion of the County's net assets, \$31,743,236 (9%), represents resources that are subject to external restrictions on how they may be used.

The remaining \$39,577,191 (12%) represents the unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues:						
Charges for services	\$ 76,628,480	\$ 73,095,400	\$ 13,350,377	\$ 13,236,482	\$ 89,978,857	\$ 86,331,882
Operating grants and contributions	187,858,985	208,046,645	338,022	123,262	188,197,007	208,169,907
Capital grants and contributions	7,884,403	3,542,077	50,000	25,000	7,934,403	3,567,077
General Revenues:						
Property taxes	115,179,168	111,744,843	24,742	-	115,203,910	111,744,843
Other taxes	13,951,233	15,621,921	-	-	13,951,233	15,621,921
Investment earnings	5,804,364	11,857,710	174,417	755,917	5,978,781	12,613,627
Miscellaneous	2,546,346	13,401,887	1,068,184	3,048,136	3,614,530	16,450,023
Gain (Loss) on sale of assets	36,927	(78,576)	-	-	36,927	(78,576)
Total revenues	<u>409,889,906</u>	<u>437,231,907</u>	<u>15,005,742</u>	<u>17,188,797</u>	<u>424,895,648</u>	<u>454,420,704</u>
Expenses:						
General government	37,098,256	48,765,413	-	-	37,098,256	48,765,413
Public protection	146,283,328	117,000,939	-	-	146,283,328	117,000,939
Public ways and facilities	32,858,521	47,209,011	-	-	32,858,521	47,209,011
Health and sanitation	111,309,769	112,559,950	-	-	111,309,769	112,559,950
Public assistance	110,208,027	101,454,173	-	-	110,208,027	101,454,173
Education	5,153,520	5,209,160	-	-	5,153,520	5,209,160
Recreation and cultural services	8,499,047	8,558,160	-	-	8,499,047	8,558,160
Interest on long-term debt	13,097,778	13,210,576	-	-	13,097,778	13,210,576
County Disposal Sites CSA	-	-	14,317,040	16,088,197	14,317,040	16,088,197
Boulder Creek CSA	-	-	417,283	437,972	417,283	437,972
Rolling Woods CSA	-	-	93,013	77,928	93,013	77,928
Septic Tank Maintenance CSA	-	-	1,148,004	965,769	1,148,004	965,769
Freedom County Sanitation District	-	-	891,160	609,066	891,160	609,066
Davenport Sanitation District	-	-	549,906	419,465	549,906	419,465
Place Del Mer CSA	-	-	52,658	38,951	52,658	38,951
Sand Dollar Beach CSA	-	-	253,954	314,147	253,954	314,147
Trestle Beach CSA	-	-	60,875	72,824	60,875	72,824
Summit West CSA	-	-	136	31,471	136	31,471
Graham Hill CSA	-	-	27,264	13,288	27,264	13,288
Total expenses	<u>464,508,246</u>	<u>453,967,382</u>	<u>17,811,293</u>	<u>19,069,078</u>	<u>482,319,539</u>	<u>473,036,460</u>
Change in net assets	(54,618,340)	(16,735,475)	(2,805,551)	(1,880,281)	(57,423,891)	(18,615,756)
Net assets, beginning of year	361,346,222	378,081,697	34,263,589	36,143,870	395,609,811	414,225,567
Prior period adjustment	(65,696)	-	2,385,427	-	2,319,731	-
Net assets, end of year	<u>\$ 306,662,186</u>	<u>\$ 361,346,222</u>	<u>\$ 33,843,465</u>	<u>\$ 34,263,589</u>	<u>\$ 340,505,651</u>	<u>\$ 395,609,811</u>

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2009

Analysis of Change in Net Assets

The County's net assets decreased by \$57,423,891 during the current fiscal year. These decreases are explained in the government and business-type activity discussion below.

- *Governmental activities* decreased the County's net assets by \$54,618,340, accounting for 99% of the total decrease in net assets of the County, primarily resulting from increases in expenditures and recognition of Other Post-Employment Benefits (OPEB) liabilities and increase in expenditures in the Public Safety Sector.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with financial related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the County include the general fund, special revenue funds, debt service funds, and capital project funds.

At June 30, 2009, the County's governmental funds reported combined ending fund balances of \$226,652,244, an increase of \$28,409,449 in comparison with the prior year. Approximately 73% of the combined fund balances, \$164,393,255, is available to meet the County's current and future needs (*unreserved fund balance*). The remaining \$62,258,989 is reserved and not available for new spending because it has been committed: (1) \$11,447,446 to pay debt, (2) \$7,024,592 for asset acquisitions, (3) \$19,118,641 to liquidate contractual commitments of the period, and (4) \$24,668,310 for a variety of other purposes.

Revenues for governmental functions totaled \$411,783,485 in fiscal year 2008-2009, which represents a decrease of \$25,950,253, or 6% from fiscal year 2007-2008. Expenditures for governmental functions totaling \$443,337,038 decreased by \$9,301,322, or 2%, from fiscal year 2007-2008. In the fiscal year 2008-2009, expenditures for governmental functions exceeded revenues by \$31,553,553, which was offset by other financing sources of \$59,963,002.

The general fund is the primary operating fund of the County. At June 30, 2009, the general fund's total fund balance was \$17,593,396, of which \$2,918,911 was reserved and \$14,674,485 was unreserved. Of the unreserved fund balance, \$9,088,021 was designated for various purposes, with the remaining \$5,586,464 (along with \$2,582,815 of the reserve for encumbrances) budgeted to be spent in the next year. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved general fund balance represents 4.12% of the total general fund expenditures of \$355,950,058, while its total fund balance represents 4.94% of that same amount. The unreserved portion of the general fund balance reflects budget savings, without which would necessitate further budgetary reductions.

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2009

The Redevelopment Agency is a major special revenue fund of the County. At June 30, 2009, the unreserved but designated fund balance was \$134,318,650, while its total fund balance was \$168,737,844, an increase of \$41,874,004 from the prior year. Designations include \$90,529,151 for Redevelopment Agency projects and \$43,789,499 for Redevelopment Agency debt service.

The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year for all governmental funds:

Revenues Classified by Source					
Governmental Funds					
	2009	% of Total	2008	% of Total	Change
Taxes and assessments	\$ 129,130,401	31.36	\$ 127,366,765	29.10	\$ 1,763,636
Licenses and permits	9,176,400	2.23	10,084,237	2.30	(907,837)
Fines and forfeitures	5,088,385	1.24	4,911,102	1.12	177,283
Use of money and property	5,451,135	1.32	11,082,214	2.54	(5,631,079)
Intergovernmental	195,758,199	47.54	211,572,316	48.33	(15,814,117)
Charge for services	62,363,695	15.14	58,100,061	13.27	4,263,634
Other revenues	4,815,270	1.17	14,617,043	3.34	(9,801,773)
Total	\$ 411,783,485	100%	\$ 437,733,738	100%	\$ (25,950,253)

The changes are primarily due to growth in charges for services, offset by a reduction in interest income. The decrease in use of money and property and intergovernmental revenue is due to low interest rate earnings and reductions of both Federal and State revenues remitted to the County.

The following table presents expenditures by function compared to prior year amounts for all governmental funds:

Expenditures Classified by Function					
Governmental Funds					
	2009	% of Total	2008	% of Total	Change
General government	\$ 29,994,268	6.77	\$ 33,489,970	7.40	\$ (3,495,702)
Public protection	126,014,323	28.42	123,435,438	27.27	2,578,885
Public ways and facilities	45,023,363	10.16	37,736,152	8.34	7,287,211
Health and sanitation	103,920,299	23.44	109,152,045	24.11	(5,231,746)
Public assistance	101,562,373	22.91	102,975,548	22.75	(1,413,175)
Education	5,419,406	1.22	5,039,819	1.11	379,587
Recreation and culture	7,875,925	1.78	9,188,892	2.03	(1,312,967)
Capital outlay	3,379,748	0.76	10,671,475	2.36	(7,291,727)
Debt service - bond redemption	7,016,959	1.58	7,343,825	1.62	(326,866)
Debt service - issue cost	770,405	0.17	262,702	0.06	507,703
Debt service - interest and fiscal charges	12,359,969	2.79	13,342,494	2.95	(982,525)
Total	\$ 443,337,038	100%	\$ 452,638,360	100%	\$ (9,301,322)

The largest increase was in the public ways and facilities expenditures. The largest decrease was in capital outlay expenditures, followed by the decrease in health and sanitation expenditures. The increase in public ways and facilities expenditures was substantially due to the Live Oak/Soquel improvement projects which commenced during the 2008-2009 fiscal year. The decrease in capital outlay expenditures was the result of various construction projects having been completed during the 2007-2008 fiscal year. The decrease in health and sanitation expenditures was largely due to reduced state and federal funding that support health and sanitation programs.

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2009

Other financing sources and uses are presented below, including changes from the prior year. The transfer in from escrow account represents bond proceeds received in Debt Service Funds that were transferred to the Redevelopment Agency.

Other Financing Sources/(Uses)
Governmental Funds

	2009	% of Total	2008	% of Total	Change
Refunding bonds issued	\$ 60,491,655	100.88	\$ 7,370,000	950.04	\$ 53,121,655
Premium on long-term debt	-	0.00	224,669	28.96	(224,669)
Transfer in from escrow account	49,410,629	82.40	-	0.00	49,410,629
Payments to bond refunding escrow agents	-	0.00	(8,011,905)	(1032.78)	8,011,905
Transfers in	29,759,821	49.63	31,921,355	4114.85	(2,161,534)
Transfers out	(79,777,043)	(133.04)	(32,042,605)	(4130.48)	(47,734,438)
Sale of capital assets	(32,623)	(0.05)	1,254,579	161.72	(1,287,202)
Gain/(Loss) on land held for resale	-	0.00	(33,969)	(4.38)	33,969
Inception of lease purchase agreements	110,563	0.18	93,636	12.07	16,927
Total	\$ 59,963,002	100%	\$ 775,760	100%	\$ 59,187,242

The current year excess of revenues and other financing sources over expenditures and other financing uses is presented below:

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

	Major Funds		Nonmajor Funds			Total
	General Fund	Redevelopment Agency	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	
Revenues	\$ 345,333,970	\$ 26,434,069	\$ 39,336,684	\$ 55,989	\$ 622,773	\$ 411,783,485
Expenditures	(355,950,058)	(22,743,888)	(48,749,785)	(12,513,559)	(3,379,748)	(443,337,038)
Net other financing sources/(uses)	1,050,682	38,183,823	6,985,875	17,753,554	(4,010,932)	59,963,002
Net change in fund balances	(9,565,406)	41,874,004	(2,427,226)	5,295,984	(6,767,907)	28,409,449
Fund balances, beginning (restated)	27,158,802	126,863,840	29,768,363	4,179,138	10,272,652	198,242,795
Fund balances, ending	\$ 17,593,396	\$ 168,737,844	\$ 27,341,137	\$ 9,475,122	\$ 3,504,745	\$ 226,652,244

Proprietary Funds

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

The County Disposal Sites CSA 9C had total net assets of \$20,675,018 at June 30, 2009, of which \$74,419 was unrestricted.

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2009

The following table shows the enterprise funds' actual revenues, expenses and results of operations for the current fiscal year:

	<u>Major Funds</u>		
	County Disposal Sites CSA 9C	Nonmajor Funds	Total
Operating revenues	\$ 11,570,609	\$ 3,001,744	\$ 14,572,353
Operating expenses	(14,317,040)	(3,494,253)	(17,811,293)
Operating loss	(2,746,431)	(492,509)	(3,238,940)
Net non-operating revenues/(expenses)	335,721	201,460	537,181
Net income/(loss) before contributions	(2,410,710)	(291,049)	(2,701,759)
Capital contributions	-	50,000	50,000
Change in net assets	<u>\$ (2,410,710)</u>	<u>\$ (241,049)</u>	<u>\$ (2,651,759)</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

After the adoption of the 2008–2009 fiscal year budget, the original General Fund budget was increased by \$7,065,249 during the year, primarily due to additional financial resources made available from the State and Federal Agencies, primarily in the Health Services Agency and Human Services Department. Actual expenditures in the General Fund were \$8,168,847 less than the original budget, excluding appropriations for general contingencies. The 2008–2009 total expenditures were \$8,405,836, or 2.31%, less than the prior fiscal year in the general services and health and sanitation. General Fund actual revenues were \$19,698,844 lower than the original budget.

For additional information, readers should refer to the letter of transmittal.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2009 totaled \$490,278,561 (net of accumulated depreciation of \$300,033,857). These capital assets include land, construction in progress, infrastructure, buildings and structures, and equipment. The decrease in the County's capital assets for the 2008–2009 fiscal year was \$2,659,615, or .5%.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the 2008–2009 fiscal year. Fund financial statements record capital asset purchases as expenditures.

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2009

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 57,536,632	\$ 55,196,544	\$ 1,858,849	\$ 1,858,849	\$ 59,395,481	\$ 57,055,393
Construction in progress	2,541,601	887,935	2,165,274	4,402,489	4,706,875	5,290,424
Infrastructure	518,289,828	497,260,833	-	-	518,289,828	497,260,833
Buildings and structures	117,784,452	129,120,251	35,561,273	33,178,926	153,345,725	162,299,177
Equipment	43,969,980	44,857,997	10,604,529	10,390,304	54,574,509	55,248,301
Accumulated depreciation	(276,584,866)	(262,718,719)	(23,448,991)	(21,497,233)	(300,033,857)	(284,215,952)
Total	\$ 463,537,627	\$ 464,604,841	\$ 26,740,934	\$ 28,333,335	\$ 490,278,561	\$ 492,938,176

Additional information on the County's capital assets can be found in Note No. 6 on pages 69-71 of this report.

Long-term Debt

The County's long-term debt for governmental and business-type activities is presented below to illustrate changes from the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Tax allocation bonds	\$ 220,940,068	\$ 168,549,183	\$ -	\$ -	\$ 220,940,068	\$ 168,549,183
Refunding certificates of participation	29,888,985	31,086,390	-	-	29,888,985	31,086,390
Lease revenue bonds	7,290,000	7,840,000	-	-	7,290,000	7,840,000
Lease revenue refunding bonds	1,666,800	1,796,946	-	-	1,666,800	1,796,946
Certificates of participation	32,311,896	28,821,970	-	-	32,311,896	28,821,970
Revenue bonds	1,800,000	2,160,000	-	-	1,800,000	2,160,000
CA Health Facility	509,756	710,841	-	-	509,756	710,841
Loans payable	600,000	600,000	404,411	448,348	1,004,411	1,048,348
Capital leases	5,942,180	6,050,926	177,875	604,522	6,120,055	6,655,448
Total	\$ 300,949,685	\$ 247,616,256	\$ 582,286	\$ 1,052,870	\$ 301,531,971	\$ 248,669,126

For the governmental activities, the County had total long-term debt outstanding of \$300,949,685 as compared to \$247,616,256 the prior year (excluding compensated absences and estimated claims), an increase of \$53,333,429. During the year, retirement of debt amounted to \$7,293,563 and new debt issuance amounted to \$60,626,992.

For the business-type activities, the County had total long-term debt outstanding of \$582,286 as compared to \$1,052,870 in the prior year (excluding post-closure liability), a decrease of \$470,584, which represented the amount of retirement of debt for the year.

The County's total debt for all primary government activities increased by \$52,862,845 or 21.3%, during the current fiscal year (excluding compensated absences, estimated claims, and post-closure liability). This increase resulted primarily from the issuance of tax allocation bonds by the Redevelopment Agency.

The component unit, Santa Cruz Sanitation District, had total long-term debt outstanding of \$22,026,958 as compared to \$23,788,126 in the prior year. This amount was comprised of \$7,445,000 of Waste Water Revenue Refunding Bonds, \$725,000 of Limited Obligation Refunding Improvement Bonds, \$13,824,647 of Loans Payable, and \$32,311 of unamortized bond premium. During the year, retirement of debt amounted to \$1,761,168, and there were no additions to long-term debt for the component unit.

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2009

Additional information on the County's long-term debt can be found in Note No. 9 on pages 73-82 of this report.

REQUEST FOR INFORMATION

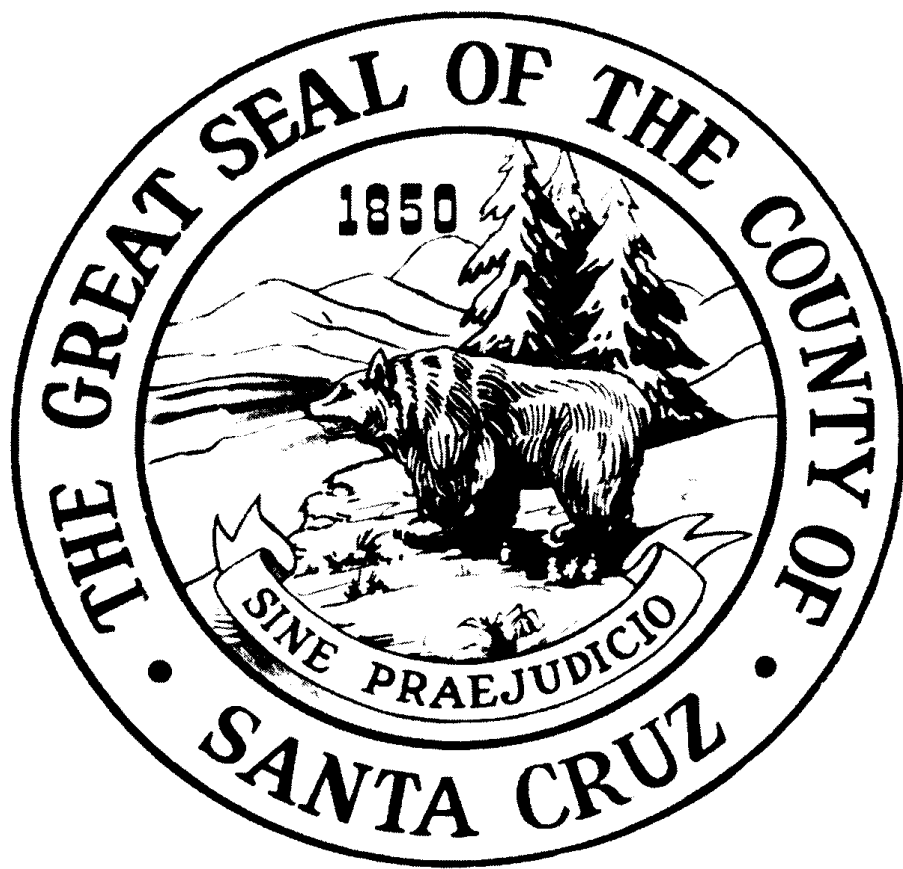
This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Auditor-Controller's Office, County of Santa Cruz, 701 Ocean Street, Room 100, Santa Cruz, CA 95060.



BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS



County of Santa Cruz
Statement of Net Assets
June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and investments	\$ 285,014,861	\$ 7,344,761	\$ 292,359,622	\$ 30,510,031
Restricted cash	16,705,887	5,315,909	22,021,796	1,520,933
Receivables, net	22,827,018	966,219	23,793,237	10,509
Loans receivable	24,332,214	-	24,332,214	55,077
Deposits with others	622,559	-	622,559	-
Inventory	677,831	37,135	714,966	42,312
Prepaid items	196,239	-	196,239	-
Land held for resale	2,321,074	-	2,321,074	-
Advances to other entities	791,206	-	791,206	-
Deferred charges	3,964,939	-	3,964,939	116,047
Internal balances	6,861	(6,861)	-	-
Capital assets:				
Nondepreciable assets	60,078,233	4,024,123	64,102,356	9,556,320
Depreciable assets, net	403,459,394	22,716,811	426,176,205	88,225,227
Total assets	820,998,316	40,398,097	861,396,413	130,036,456
LIABILITIES				
Payables	21,229,835	927,357	22,157,192	1,432,205
Accrued interest payable	3,711,431	-	3,711,431	467,007
Tax and revenue anticipation notes payable	51,495,833	-	51,495,833	-
Unearned revenue	32,825,235	-	32,825,235	-
Compensated absences:				
Due within one year	20,917,580	-	20,917,580	-
Due in more than one year	3,040,405	-	3,040,405	-
Estimated claims:				
Due within one year	14,652,805	-	14,652,805	-
Due in more than one year	20,643,344	-	20,643,344	-
Other long-term liabilities:				
Due within one year	8,065,602	203,478	8,269,080	1,814,317
Due in more than one year	292,884,083	5,423,797	298,307,880	20,212,641
Pollution remediation obligation	-	-	-	747,000
OPEB liability	44,869,977	-	44,869,977	-
Total liabilities	514,336,130	6,554,632	520,890,762	24,673,170
NET ASSETS				
Invested in capital assets, net of related debt	242,857,627	26,327,597	269,185,224	75,754,589
Restricted for:				
Debt service	9,475,122	75,922	9,551,044	1,520,933
Capital asset acquisition	3,504,745	-	3,504,745	-
Public safety	7,828,796	-	7,828,796	-
Health and public assistance	853,150	-	853,150	-
Public ways and public facilities	9,998,275	-	9,998,275	-
Deposit with others	-	7,226	7,226	-
Other	-	-	-	747,000
Unrestricted	32,144,471	7,432,720	39,577,191	27,340,764
Total net assets	\$ 306,662,186	\$ 33,843,465	\$ 340,505,651	\$ 105,363,286

See accompanying Notes to Basic Financial Statements.

County of Santa Cruz
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Total
		Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 37,098,256	\$ 18,494,371	\$ 2,952,067	\$ 270,295	\$ 21,716,733
Public protection	146,283,328	22,363,866	32,214,187	722,268	55,300,321
Public ways and facilities	32,858,521	6,075,361	6,291,951	6,871,823	19,239,135
Health and sanitation	111,309,768	26,490,171	66,291,599	-	92,781,770
Public assistance	110,208,027	646,846	80,030,529	15,060	80,692,435
Education	5,153,520	-	78,652	-	78,652
Recreation and cultural services	8,499,047	2,557,865	-	4,957	2,562,822
Interest on long-term debt	13,097,778	-	-	-	-
Total governmental activities	464,508,245	76,628,480	187,858,985	7,884,403	272,371,868
Business-type activities:					
County Disposal Sites CSA 9C	14,317,040	10,348,633	270,270	-	10,618,903
Boulder Creek CSA 7	417,283	362,136	-	-	362,136
Rolling Woods CSA 10	93,013	78,873	-	-	78,873
Septic Tank Maintenance CSA 12	1,148,004	917,937	-	-	917,937
Freedom County Sanitation District	891,160	629,767	-	-	629,767
Davenport County Sanitation District	549,906	557,640	67,752	50,000	675,392
Place de Mer CSA 2	52,658	77,884	-	-	77,884
Sand Dollar Beach CSA 5	253,954	250,743	-	-	250,743
Trestle Beach CSA 20	60,875	45,621	-	-	45,621
Summit West CSA 54	136	-	-	-	-
Graham Hill CSA 57	27,264	81,143	-	-	81,143
Total business-type activities	17,811,293	13,350,377	338,022	50,000	13,738,399
Total primary government	\$ 482,319,538	\$ 89,978,857	\$ 188,197,007	\$ 7,934,403	\$ 286,110,267
Component unit:					
Santa Cruz County Sanitation District	\$ 17,367,855	\$ 18,427,961	\$ 226,344	\$ -	\$ 18,654,305

General Revenues:

Taxes:

- Property taxes
- Property transfer fees
- Sales and use taxes
- Transient occupancy taxes
- Other taxes

Total taxes

Interest and investment earnings

Miscellaneous

Gain (Loss) on sale of assets

Total general revenues

Change in net assets

Net assets - beginning of year, as restated

Net assets - end of year

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (15,381,523)	\$ -	\$ (15,381,523)	
(90,983,007)	-	(90,983,007)	
(13,619,386)	-	(13,619,386)	
(18,527,998)	-	(18,527,998)	
(29,515,592)	-	(29,515,592)	
(5,074,868)	-	(5,074,868)	
(5,936,225)	-	(5,936,225)	
(13,097,778)	-	(13,097,778)	
<u>(192,136,377)</u>	<u>-</u>	<u>(192,136,377)</u>	
-	(3,698,137)	(3,698,137)	
-	(55,147)	(55,147)	
-	(14,140)	(14,140)	
-	(230,067)	(230,067)	
-	(261,393)	(261,393)	
-	125,486	125,486	
-	25,226	25,226	
-	(3,211)	(3,211)	
-	(15,254)	(15,254)	
-	(136)	(136)	
-	53,879	53,879	
<u>-</u>	<u>(4,072,894)</u>	<u>(4,072,894)</u>	
<u>(192,136,377)</u>	<u>(4,072,894)</u>	<u>(196,209,271)</u>	
			<u>\$ 1,286,450</u>
115,179,168	24,742	115,203,910	95,533
1,532,428	-	1,532,428	-
8,038,204	-	8,038,204	-
3,887,256	-	3,887,256	-
493,345	-	493,345	-
<u>129,130,401</u>	<u>24,742</u>	<u>129,155,143</u>	<u>95,533</u>
5,804,364	174,417	5,978,781	568,839
2,546,346	1,068,184	3,614,530	-
36,926	-	36,926	14,042
<u>137,518,037</u>	<u>1,267,343</u>	<u>138,785,380</u>	<u>678,414</u>
(54,618,340)	(2,805,551)	(57,423,891)	1,964,864
361,280,526	36,649,016	397,929,542	103,398,422
<u>\$ 306,662,186</u>	<u>\$ 33,843,465</u>	<u>\$ 340,505,651</u>	<u>\$ 105,363,286</u>



FUND FINANCIAL STATEMENTS



GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund - The General Fund is used to account for sources and uses of financial resources traditionally associated with governments, and which are not required to be accounted for in another fund.

Redevelopment Agency Fund - The Redevelopment Agency fund is used to account for all the activities of the County of Santa Cruz Redevelopment Agency. This includes the accumulation of resources for and the payment of interest and principal on debt issued to finance redevelopment activities and general redevelopment operations.

Other Governmental Funds - Other Governmental funds is the aggregate of all the non-major governmental funds.



County of Santa Cruz
Balance Sheet
Governmental Funds
June 30, 2009

	Major Funds		Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Redevelopment Agency		
ASSETS				
Cash and investments	\$ 95,566,815	\$ 143,975,990	\$ 23,658,725	\$ 263,201,530
Restricted cash	108,369	-	16,597,518	16,705,887
Receivables, net	21,476,466	-	1,137,363	22,613,829
Due from other funds	1,147,037	869,218	8,665,877	10,682,132
Loans receivable	-	24,332,214	-	24,332,214
Deposits with others	92,000	-	-	92,000
Inventory	104,589	-	-	104,589
Prepays	133,477	-	-	133,477
Land held for resale	-	2,321,074	-	2,321,074
Advances to other entities	50,000	-	-	50,000
Advances to other funds	-	-	1,725,000	1,725,000
Total assets	\$ 118,678,753	\$ 171,498,496	\$ 51,784,483	\$ 341,961,732
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 16,542,246	\$ 1,891,434	\$ 704,227	\$ 19,137,907
Tax and revenue anticipation notes payable	51,495,833	-	-	51,495,833
Due to other funds	373,231	869,218	10,608,064	11,850,513
Deferred revenue	32,674,047	-	151,188	32,825,235
Total liabilities	101,085,357	2,760,652	11,463,479	115,309,488
Fund Balances:				
Reserved for:				
Encumbrances	\$ 2,582,815	\$ 10,086,980	\$ 6,448,846	\$ 19,118,641
Inventory, prepaids and imprest cash	286,096	-	-	286,096
Advances and loans	50,000	24,332,214	-	24,382,214
Debt service	-	-	11,447,446	11,447,446
Capital asset acquisition	-	-	7,024,592	7,024,592
Unreserved:				
Designated, reported in:				
General fund				
Health Services Facility	499,600	-	-	499,600
Emergency reserve	1,251,089	-	-	1,251,089
Federal Qualified Health Program	-	-	-	-
Working Capital	5,000,000	-	-	5,000,000
Liabilities	1,000,000	-	-	1,000,000
Economic uncertainty	1,337,332	-	-	1,337,332
Special revenue funds				
RDA projects	-	90,529,151	-	90,529,151
RDA debt service	-	43,789,499	-	43,789,499
Undesignated, reported in:				
General fund				
General fund	5,586,464	-	-	5,586,464
Special revenue funds	-	-	12,219,462	12,219,462
Capital project funds	-	-	3,180,658	3,180,658
Total fund balances	17,593,396	168,737,844	40,321,004	226,652,244
Total liabilities and fund balances	\$ 118,678,753	\$ 171,498,496	\$ 51,784,483	\$ 341,961,732

See accompanying Notes to Basic Financial Statements.

County of Santa Cruz
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2009

Total Fund Balances - Total Governmental Funds \$ 226,652,244

Amounts reported for Governmental Activities in the Statement of Net Assets were different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. (Net of \$6,952,237 of internal service fund capital assets) 456,585,390

Bond issuance costs from issuing debt were expenditures in the governmental funds. However, they were deferred and subject to capitalization and amortization in the Government-Wide Financial Statements. 3,964,939

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Assets:

Internal service funds included in governmental activities	(9,193,200)
Transfer of internal service funds to business-type activities	(1,718,139)

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental funds.

Tax allocation bonds, including discount	(220,940,068)	
Refunding certificates of participation, including premium	(29,888,985)	
Lease revenue bonds	(7,290,000)	
Lease revenue refunding bonds, including premium	(1,666,800)	
Certificates of participation, including premium	(32,311,896)	
Compensated absences	(20,097,955)	
Revenue bonds	(1,800,000)	
California Health Facilities Financing Authority	(509,756)	
CA Transportation Finance Bank	(600,000)	
OPEB Liability	(44,869,977)	
Capital leases	(5,942,180)	(365,917,617)

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds. (3,711,431)

Net Assets of Governmental Activities \$ 306,662,186

County of Santa Cruz
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2009

	Major Funds		Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Redevelopment Agency		
REVENUES:				
Taxes	\$ 91,079,481	\$ 23,881,753	\$ 14,169,167	\$ 129,130,401
Licenses and permits	9,176,400	-	-	9,176,400
Fines, forfeits and penalties	5,169,016	34,679	(115,310)	5,088,385
Revenue from use of money and property	2,414,717	2,497,972	538,446	5,451,135
Aid from other governments	181,584,172	-	14,174,027	195,758,199
Charges for services	52,997,868	-	9,365,827	62,363,695
Other	2,912,316	19,665	1,883,289	4,815,270
Total revenues	345,333,970	26,434,069	40,015,446	411,783,485
EXPENDITURES:				
Current:				
General government	29,538,325	-	455,943	29,994,268
Public protection	113,556,706	-	12,457,617	126,014,323
Public ways and facilities	205,904	22,743,888	22,073,571	45,023,363
Health and sanitation	103,863,113	-	57,186	103,920,299
Public assistance	101,125,843	-	436,530	101,562,373
Education	163,427	-	5,255,979	5,419,406
Recreation and culture	6,668,758	-	1,207,167	7,875,925
Capital outlay	-	-	3,379,747	3,379,747
Debt service:				
Principal	-	-	6,836,144	6,836,144
Bond issue costs	-	-	770,405	770,405
Original issue discounts	-	-	180,815	180,815
Interest and fiscal charges	827,982	-	11,531,987	12,359,969
Total expenditures	355,950,058	22,743,888	64,643,091	443,337,037
REVENUES OVER (UNDER) EXPENDITURES	(10,616,088)	3,690,181	(24,627,645)	(31,553,552)
OTHER FINANCING SOURCES (USES):				
Refunding bonds issued	-	-	60,491,655	60,491,655
Inception of capital lease	110,563	-	-	110,563
Sale of capital assets	-	(32,623)	-	(32,623)
Transfers in	7,449,585	53,972,068	17,748,796	79,170,449
Transfers out	(6,509,466)	(15,755,622)	(57,511,955)	(79,777,043)
Total other financing sources (uses)	1,050,682	38,183,823	20,728,496	59,963,001
Net change in fund balances	(9,565,406)	41,874,004	(3,899,149)	28,409,449
FUND BALANCES:				
Beginning of year	27,158,802	126,863,840	44,285,849	198,308,491
Prior period adjustment	-	-	(65,696)	(65,696)
Beginning of year, as restated	27,158,802	126,863,840	44,220,153	198,242,795
End of year	<u>\$ 17,593,396</u>	<u>\$ 168,737,844</u>	<u>\$ 40,321,004</u>	<u>\$ 226,652,244</u>

See accompanying Notes to Basic Financial Statements.

County of Santa Cruz

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds \$ 28,409,449

Amounts reported for governmental activities in the Statement of Activities were different because:

Governmental funds reported acquisition of capital assets as part of capital outlay expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense:

Expenditures for general capital assets, infrastructure, and other related capital assets	31,279,710	
Retirements of capital assets	(15,634,462)	
Less current year depreciation	(16,641,904)	(996,656)

Issuance of long-term debt provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets. Also, governmental funds report the effect of issuance costs, premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Refunding tax allocation bonds issued	(60,595,000)	
Inception of capital lease	(110,563)	
Premium on long-term debt	78,571	(60,626,992)

Repayment of debt principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets:

Tax allocation bonds	3,390,000	
Refunding certificates of participation	1,195,000	
Certificates of participation	1,230,000	
Lease revenue bonds	550,000	
Lease revenue refunding bonds	121,201	
Revenue bonds	360,000	
California Health Facilities Financing Authority	201,085	
Capital leases	219,309	7,266,595

Some expenses reported in the Governmental-Wide Statement of Activities and Changes in Net Assets do not require the use of current financial resources. Therefore, they are not reported as expenditures in governmental funds:

Amortization of bond premium/discount	26,968	
Amortization of bond issuance costs	(221,834)	
Change in accrued interest payable	8,959	
Change in compensated absences	(780,723)	(966,630)

OPEB obligation costs do not require current resources, so it is not reported on the governmental funds (23,497,977)

Internal service funds were used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds was reported with governmental activities. (1,922,395)

Reverse of prior year transfer of internal service funds to business-type activities (565,595)
 Transfer of internal service funds to business-type activities (1,718,139)

Change in Net Assets of Governmental Activities \$ (54,618,340)

PROPRIETARY FUND FINANCIAL STATEMENTS

Enterprise Funds are used to account for County operations that are financed and operated in a manner similar to private business enterprises. The intent of the County in using this type of fund is to determine that the costs (expense, including depreciation) of providing these services to the general public on a continuing basis are financed or recovered primarily through user charges.

County Disposal Sites CSA 9C - Accounts for the activities of the County's refuse utility, which provides refuse pick-up services, recycling services, and a sanitary landfill for residents of the County.



County of Santa Cruz
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Business-Type Activities - Enterprise Funds			Governmental
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 1,607,702	\$ 5,737,059	\$ 7,344,761	\$ 21,813,331
Restricted cash	5,279,095	36,814	5,315,909	-
Receivables	610,420	355,799	966,219	213,189
Due from other funds	-	-	-	3,422,657
Deposits with others	-	-	-	530,559
Inventory	37,135	-	37,135	573,242
Prepaid items	-	-	-	62,762
Total current assets	7,534,352	6,129,672	13,664,024	26,615,740
Capital assets:				
Non-depreciable:				
Land	1,858,849	-	1,858,849	97,087
Construction in progress	1,793,012	372,262	2,165,274	594,830
Depreciable:				
Buildings and structures	23,798,317	11,762,958	35,561,275	2,864,685
Equipment	10,459,647	190,399	10,650,046	26,695,894
Accumulated depreciation	(17,309,226)	(6,185,284)	(23,494,510)	(23,300,259)
Total capital assets	20,600,599	6,140,335	26,740,934	6,952,237
Total assets	28,134,951	12,270,007	40,404,958	33,567,977
LIABILITIES				
Current liabilities:				
Payables	512,069	415,288	927,357	2,091,928
Due to other funds	-	-	-	1,513,070
Advances from other funds	1,725,000	-	1,725,000	-
Current portion of long-term debt	-	25,603	25,603	-
Current lease contracts	177,875	-	177,875	-
Claims liability	-	-	-	14,652,805
Compensated absences, due within one year	-	-	-	3,190,882
Total current liabilities	2,414,944	440,891	2,855,835	21,448,685
Noncurrent liabilities:				
Long-term debt	-	378,808	378,808	-
Claims liability	-	-	-	20,643,344
Closure and postclosure care costs liability	5,044,989	-	5,044,989	-
Compensated absences, due in more than one year	-	-	-	669,148
Total noncurrent liabilities	5,044,989	378,808	5,423,797	21,312,492
Total liabilities	7,459,933	819,699	8,279,632	42,761,177
NET ASSETS				
Invested in capital assets, net of related debt	20,600,599	5,726,998	26,327,597	6,952,237
Restricted for:				
Debt service	-	75,922	75,922	-
Deposit with others	-	7,226	7,226	-
Unrestricted	74,419	5,640,162	5,714,581	(16,145,437)
Total net assets	20,675,018	11,450,308	32,125,326	(9,193,200)
Total liabilities and Net Assets	\$ 28,134,951	\$ 12,270,007	\$ 40,404,958	\$ 33,567,977
Net Assets of Business-type Activities			\$ 32,125,326	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			1,718,139	
Net Assets of Business-type Activities per Government-Wide Financial Statements			<u>\$ 33,843,465</u>	

See accompanying Notes to Basic Financial Statements.

County of Santa Cruz
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2009

	Business-Type Activities - Enterprise Funds			Governmental
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
OPERATING REVENUES:				
Charges for services	\$ 10,348,633	\$ 3,001,744	\$ 13,350,377	\$ 65,747,554
Other revenues	1,221,976	-	1,221,976	315,332
Total operating revenues	11,570,609	3,001,744	14,572,353	66,062,886
OPERATING EXPENSES:				
Salaries and employee benefits	-	-	-	35,853,768
Services and supplies	12,624,871	3,197,139	15,822,010	14,037,450
Insurance and compensation claims	-	-	-	16,597,413
Depreciation and amortization	1,692,169	292,349	1,984,518	2,159,788
Other	-	4,765	4,765	359,874
Total operating expenses	14,317,040	3,494,253	17,811,293	69,008,293
OPERATING INCOME (LOSS)	(2,746,431)	(492,509)	(3,238,940)	(2,945,407)
NONOPERATING REVENUES (EXPENSES):				
Aid from other governments	270,270	67,752	338,022	-
Gain/(loss) on disposal of capital assets	-	-	-	94,323
Amortization of bond issuance costs	-	-	-	(12,169)
Amortization of bond discount	-	-	-	(6,031)
Interest and investment income	160,853	110,146	270,999	353,228
Interest expense	(95,402)	(11,282)	(106,684)	(12,933)
Property taxes	-	24,742	24,742	-
Other	-	10,102	10,102	-
Total nonoperating revenues	335,721	201,460	537,181	416,418
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(2,410,710)	(291,049)	(2,701,759)	(2,528,989)
OPERATING TRANSFERS:				
Capital contributions	-	50,000	50,000	-
Transfers in	-	-	-	606,594
Total operating transfers	-	50,000	50,000	606,594
Net income (loss)	(2,410,710)	(241,049)	(2,651,759)	(1,922,395)
NET ASSETS:				
Beginning of year	23,042,454	11,804,197	34,846,651	(7,288,272)
Prior period adjustment	43,274	(112,840)	(69,566)	17,467
Beginning balance, as restated	23,085,728	11,691,357	34,777,085	(7,270,805)
End of year	\$ 20,675,018	\$ 11,450,308	\$ 32,125,326	\$ (9,193,200)
Net loss of Business-type Activities			\$ (2,651,759)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(153,792)	
Net loss of Business-type Activities per Government-Wide Financial Statements			<u>\$ (2,805,551)</u>	

See accompanying Notes to Basic Financial Statements.

County of Santa Cruz
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2009

	Business-Type Activities - Enterprise Funds			Governmental
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 11,253,834	\$ 2,765,924	\$ 14,019,758	\$ 66,000,053
Receipts from interfund services provided	-	-	-	(7,638,492)
Payments to suppliers for goods and services	(6,948,918)	(1,655,133)	(8,604,051)	(17,878,333)
Payments to employees for services	-	-	-	(35,653,338)
Payments to interfund services used	(5,133,394)	(1,144,110)	(6,277,504)	-
Other receipts	-	-	-	(2,058,572)
Net cash provided (used) by operating activities	(828,478)	(33,319)	(861,797)	2,771,318
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	(83,957)	-	(83,957)	1,722,656
Transfers to other funds	(56,000)	-	(56,000)	(1,513,070)
Loan proceeds	-	-	-	1,513,070
Loan repayments	-	-	-	(1,116,064)
Property taxes	-	24,742	24,742	-
Subsidies from other governmental agencies	270,371	67,752	338,123	-
Net cash provided (used) by noncapital financing activities	130,414	92,494	222,908	606,592
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	-	-	-	110,507
Purchase of capital assets	(369,463)	(141,471)	(510,934)	(2,339,169)
Principal paid on long-term debt	(611,648)	(37,555)	(649,203)	(328,860)
Interest paid on long-term debt	(119,200)	(7,482)	(126,682)	(23,809)
Net cash provided (used) by capital and related financing activities	(1,100,311)	(186,508)	(1,286,819)	(2,581,331)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends received	160,854	110,146	271,000	353,228
Net cash provided (used) by investing activities	160,854	110,146	271,000	353,228
Net increase (decrease) in cash and cash equivalents	(1,637,521)	(17,187)	(1,654,708)	1,149,807
CASH AND CASH EQUIVALENTS:				
Beginning of year	8,524,318	5,791,060	14,315,378	20,663,524
End of year	\$ 6,886,797	\$ 5,773,873	\$ 12,660,670	\$ 21,813,331

County of Santa Cruz
Statement of Cash Flows, Continued
Proprietary Funds
For the year ended June 30, 2009

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY:				
Operating activities:				
Operating income (loss)	\$ (2,746,432)	\$ (492,509)	\$ (3,238,941)	\$ (2,945,407)
Adjustments to reconcile operating income (loss) to net cash (used) by operating activities:				
Depreciation	1,692,172	292,349	1,984,521	2,159,788
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	(140,851)	(123,258)	(264,109)	(58,951)
Inventory	3,487	-	3,487	(69,901)
Prepaid items	-	-	-	13,380
Due from other funds	-	-	-	(1,906,540)
Increase (decrease) in:				
Payables	(48,916)	290,099	241,183	5,380,607
Closure and postclosure care costs liability	412,062	-	412,062	19,163
Compensated absences	-	-	-	179,179
Net cash provided (used) by operating activities	\$ (828,478)	\$ (33,319)	\$ (861,797)	\$ 2,771,318

(Concluded)

FIDUCIARY FUND FINANCIAL STATEMENTS

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 those funds are not available to support the County's own programs.

Agency Funds are used to account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the County, acting in the capacity of an agent for distribution to other governmental entities or other organizations.

Investment Trust Funds are used to account for the investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities.



County of Santa Cruz
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Agency Funds	Investment Trust Fund
ASSETS		
Cash and investments	\$ 49,024,473	\$ 286,703,325
Receivables	23,889,195	-
Deposits with others	740,929	-
Total assets	73,654,597	286,703,325
LIABILITIES		
Due to other funds	741,206	-
Due to other governmental units	28,948,137	-
Agency funds held for others	43,965,254	-
Total liabilities	\$ 73,654,597	-
NET ASSETS		
Net assets held in trust for investment pool participants		\$ 286,703,325

See accompanying Notes to Basic Financial Statements.

County of Santa Cruz
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2009

	Investment Trust Fund
ADDITIONS:	
Contributions from investment pool	\$ 1,254,580,391
Use of money and property	10,343,894
Total additions	<u>1,264,924,285</u>
DEDUCTIONS:	
Distributions from investment pool	<u>1,299,852,728</u>
Total deductions	<u>1,299,852,728</u>
Change in net assets	(34,928,443)
NET ASSETS:	
Beginning of year	<u>321,631,768</u>
End of year	<u><u>\$ 286,703,325</u></u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS



County of Santa Cruz
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For the year ended June 30, 2009

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County of Santa Cruz
Notes to Basic Financial Statements
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The County of Santa Cruz (County) was established by an act of the State Legislature of California in 1850 and is governed by a five-member elected Board of Supervisors (the Board). The Board is responsible for the legislative and executive control of the County. The County provides various services on a countywide basis including law and justice, education, detention, social, health, hospital, fire protection, road construction, road maintenance, transportation, park and recreation facilities, elections and records, communications, planning, zoning, and tax collection.

As required by generally accepted accounting principles in the United States (GAAP), the accompanying basic financial statements present the County (the primary government) and its component units. Component units are legally separate entities for which the Board is considered to be financially accountable. Component units are entities that meet any one of the following tests:

1. The Board appoints the voting majority of the board and:
 - ♦ is able to impose its will on the component unit and/or
 - ♦ is in a relationship of financial benefit or burden with the component unit
2. The component unit is fiscally dependent upon the County.
3. The financial statements of the County would be misleading if data from the component unit were omitted.

The basic financial statements include both blended and discretely presented component units. The blended component units, although legally separate entities, are, 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 unit is reported in a separate column in the Government-Wide Financial Statements since it does not have a shared governing body nor is it of exclusive or almost exclusive benefit to the primary government.

Blended Component Units

The following entities serve citizens of the County and provide for the construction and maintenance of County parks and recreation, police protection, mosquito abatement, fire protection, street lighting, roads, flood control, sewer, and refuse disposal districts. They are reported as if they were part of the primary government because they are governed by the Board. The Board establishes the work program and adopts the budget. Administrative services are provided by various departments of the County.

Santa Cruz Flood Control and Water Conservation District – Zone 7

Santa Cruz Flood Control and Water Conservation District – Zone 7 (Zone 7) was established to provide funding for the local share of proposed Army Corps of Engineers flood control projects on the Pajaro River, Salsipuedes Creek, and Corralitos Creek. Zone 7 is governed by a seven-member board consisting of the Board and two additional members, one appointed by the City of Watsonville and another appointed by the Pajaro Valley Water Agency. Administrative services are provided by the County of Santa Cruz, Department of Public Works, 701 Ocean Street, Room 410, Santa Cruz, CA 95060.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

Blended Component Units, Continued

Santa Cruz County Redevelopment Agency

The Santa Cruz County Redevelopment Agency (Agency) was established by the Board for the purpose of financing improvement projects in the Live Oak/Soquel areas. The Agency is governed by the Board. The Board establishes the Agency's work program and adopts the Agency's budget. Administrative services are provided by the Agency, 701 Ocean Street, Room 510, Santa Cruz, CA 95060.

Santa Cruz County Public Financing Authority

The Santa Cruz County Public Financing Authority (Authority) facilitates financing for the County and Agency. The Authority is established and governed by the Board; it is not legally required to adopt a budget. Administrative services are provided by the County of Santa Cruz, 701 Ocean Street, Room 100, Santa Cruz, CA 95060.

Discretely Presented Component Unit

Santa Cruz County Sanitation District

The Santa Cruz County Sanitation District (District) is included as a discretely presented component unit of the County because: 1) the Board appoints the District's governing board, and 2) the District has an ongoing relationship with the County. The District is governed by a three-member board and managed by the County Department of Public Works under the direction of the District Board of Directors. The District, as a component unit, is presented separately from the primary government in the Government-Wide Financial Statements. Administrative services are provided by the County Department of Public Works and central support departments (i.e., personnel, purchasing, treasury, etc.). Complete financial statements may be obtained from the County of Santa Cruz, 701 Ocean Street, Room 410, Santa Cruz, CA 95060.

The following funds are grouped by the Special Revenue Fund under which they are reported in the combining statements:

- Library
- Fire Protection
- Off Highway, Road and Transportation
- Public Financing Authority
- Fish and Game
- Private Revitalization of Downtown
- Park Dedication and State Park Bonds
- Health Services Agency Capital Outlay
- Santa Cruz County Flood Control and Water Conservation Zone 7

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

Districts Governed by the Board of Supervisors

Public Protection

- Aptos Seascapes County Service Area (CSA) 3
- County Fire Protection CSA 48
- Police Protection CSA 38
- Pajaro Storm Drain Maintenance District
- Pajaro Dunes Fire Protection CSA 4
- Pajaro Dunes Station Maintenance Fund
- Pajaro Dunes Station Assessment District Reserve
- Santa Cruz County Flood Control and Water Conservation Zone 4
- Santa Cruz County Flood Control and Water Conservation Zone 5
- Santa Cruz County Flood Control and Water Conservation Zone 6
- Santa Cruz County Flood Control and Water Conservation Zone 8
- Santa Cruz County Flood Control and Water Conservation Zone - General

Health and Sanitation

- Pasatiempo Rolling Woods Sewer District

Recreation and Culture

- Streetscape CSA 9E
- Parks and Recreation District CSA 11
- CSA 11 Zone E
- CSA 11L Lompico Community

Public Ways and Facilities

- County Highway Lighting CSA 9
- County Highway Residential Lighting CSA 9 Zone A
- School Crossing Guard CSA 9 Zone B
- County Road Maintenance CSA 9D Zone 1
- County Road Maintenance CSA 9D Zone 2
- CSA 9D Zone 3
- Hutchinson Road CSA 13
- Oakflat Road CSA 13A
- Huckleberry Woods Road CSA 15
- Robak Drive CSA 16
- Empire Acres CSA 17
- Whitehouse Canyon CSA 18
- Westdale Drive CSA 21
- Kelly Hill CSA 22
- Old Ranch Road CSA 23
- Pineridge CSA 24
- Viewpoint Road CSA 25
- Hidden Valley CSA 26
- Lomond Terrace CSA 28
- Glenwood Acres CSA 30
- View Circle CSA 32
- Redwood Drive CSA 33
- Larsen Road CSA 34
- County Estates CSA 35
- Forest Glen CSA 36
- Roberts Road CSA 37
- Reed Street CSA 39
- Ralston Way CSA 40
- Loma Prieta CSA 41
- Sunlit Lane CSA 42
- Bonita-Encino Drive CSA 43
- Sunbeam Woods CSA 44
- Pinecrest CSA 46
- Braemoor CSA 47
- Vineyard CSA 50
- Hopkins Gulch CSA 51
- Upper Pleasant Valley CSA 52
- Mosquito Abatement CSA 53
- Riverdale Park Road CSA 55
- Felton Grove CSA 56
- Mansfield Street Assessment Dist.
- Underground Utilities #4-41st Ave.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

Geologic Hazard Abatement Districts (GHAD)

- Corralitos GHAD
- Mid-County GHAD
- Heartwood GHAD

The following Board of Supervisors Governed District funds are reported as Enterprise Funds (Sewer and Refuse Disposal Districts):

- Boulder Creek CSA 7
- Rolling Woods CSA 10
- Septic Tank Maintenance CSA 12
- Freedom County Sanitation District
- Davenport County Sanitation District
- County Disposal Sites CSA 9C
- Place De Mer CSA 2
- Sand Dollar Beach CSA 5
- Trestle Beach CSA 20
- Summit West CSA 54
- Graham Hill CSA 57

B. Basis of Accounting and Measurement Focus

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 County's accounting policies are described below. The accounting policies of the County conform to GAAP in the United States for local governmental units. The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purpose of which they are to be spent and means by which spending activities are controlled.

Government-Wide Financial Statements

The County's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental and business-type activities for the County accompanied by a total column, as well as its discretely presented component unit. Fiduciary activities of the County are not included in these statements.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the County's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. 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.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Certain types of transactions are reported as program revenues for the County in three categories:

- Fees, Fines, and Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column, if any. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

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

The County prepares a County-wide cost allocation plan in accordance with Federal OMB Circular A-87. Using this directive, all central support costs are allocated to County funds and departments using a step-down method so that the true cost of operations can be included in determining the rates to be charged to users.

The County applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The County has presented all major funds that met the applicable criteria.

The County reports the following major governmental funds:

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

Redevelopment Agency Fund - Accounts for a legal entity separate from the County, although the entity is reported as a blended component unit. The Agency was established by law to use tax increment financing for the purpose of curing blight in the Live Oak/Soquel improvement project areas.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recognized when “*measurable*” and “*available*”. Measurable means knowing or being able to reasonably estimate the amount. Available means having been earned and collectible within the current period or within 60 days after year end for property tax revenues, and 180 days after year end with limited exceptions extending the availability period for certain grant revenues. Expenditures (including capital outlay) are recorded when the related liability is incurred, except for debt service expenditures (principal and interest), as well as expenditures related to compensated absences, which are reported when due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Deferred revenue arises when potential revenues do not meet both the “*measurable*” and “*available*” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows for all proprietary funds. The County reports the following major proprietary funds:

County Disposal Sites Fund – Accounts for the operation and expansion of the County’s landfills and implementation of state mandated environmental health programs. User fees, service area charges and revenues from the waste recovery and recycling projects finance the fund.

Internal Service Funds – Accounts for central duplicating, information services, public works, fleet management, and self-insurance services provided to other departments, or to other governments, on a cost reimbursement basis. Internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

The other proprietary funds provide sewer collection, treatment, septic tanks, water treatment, and disposal services within their area of service, along with unincorporated parts of the County.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. 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.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Fiduciary Net Assets for all Agency Funds and Investment Trust Fund, and a Statement of Changes in Fiduciary Net Assets for the Investment Trust Fund. The County reports the following fiduciary funds:

Investment Trust Fund – Accounts for the external portion of the County Treasurer’s investment pool, which commingles resources of legally separate local governments with the County in an investment portfolio for the benefit of all participants.

Agency Funds – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are accounted for using accrual basis accounting. These funds, including State and County revenue funds, tax collection funds, deposit funds, and clearing and revolving funds, account for assets held by the County in an agency capacity for individuals or other government units.

C. Cash, Cash Equivalents and Investments

The County’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and 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.

The County participates in an investment pool managed by the State of California titled *Local Agency Investment Fund* (LAIF) which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF’s investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as well as to change in interest rates.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash, Cash Equivalents and Investments, Continued

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB No. 3)*, certain disclosure requirements, if applicable, are provided for deposit and investment risk in the following areas:

- Interest Rate Risk
- Credit Risk
 - ◆ Overall
 - ◆ Custodial Credit Risk
 - ◆ Concentration of Credit Risk
- Foreign Currency Risk

D. Interfund Transactions

Activity 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” (i.e., current portion of interfund loans) or “advances from/to other funds” (i.e., noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Governmental-Wide Financial Statements as “internal balances.”

E. Inventories and Prepaid Items

Inventories within the various fund types consist of materials and supplies which are valued at cost on a first-in, first-out basis. Cost is determined by the weighted average cost method. A reservation of fund balance has been reported in the governmental funds to show that inventories do not constitute “available spendable resources.”

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. A reservation of fund balance has been reported in the governmental funds to show that prepaid amounts do not constitute “available spendable resources.”

F. Capital Assets

Government-Wide Financial Statements

Capital assets, which include land, construction-in-progress, buildings and improvements, improvements other than buildings, machinery and equipment, autos and trucks, equipment under capitalized lease, and infrastructure assets (e.g., roads, bridges, traffic signals, and similar items), are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements. County policy has set the capitalization threshold for reporting capital assets at \$5,000 (for equipment and vehicles) and \$25,000 (for infrastructure, buildings and structures). Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated assets are valued at their estimated fair market value on the date donated.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets, Continued

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

Infrastructure	4-65 years
Buildings and structures	10-50 years
Equipment and vehicles	3-15 years

For infrastructure systems, the County elected to use the "Basic Approach" as defined by GASB Statement No. 34 for infrastructure reporting.

The fund financial statements do not present capital assets. As such, capital assets are shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

The County defines infrastructure as the basic physical assets that allow the County to function. The assets include streets, bridges, sidewalks, drainage systems, lighting systems, etc. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction-related debt incurred during the period of construction is capitalized as a cost of the constructed assets.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Fund Financial Statements

The Governmental Fund Financial Statements do not present General Government Capital Assets. Consequently, capital assets are shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

The capital assets of the enterprise funds in the Proprietary Funds Financial Statements are the same as those shown in the business-type activities of the Government-Wide Financial Statements. Internal Service Funds' capital assets are combined with governmental activities.

G. Land Held for Resale

Land held for resale is carried at cost. An amount equal to the carrying value of land is reserved in fund balance because such assets are not available to finance the County's current operations.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other financed obligations are reported as liabilities in Government-Wide Financial Statements and the proprietary fund financial statements.

Bond premiums and discounts, as well as issuance costs, are deferred and 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 reported as deferred charges.

Fund Financial Statements

The Governmental Fund Financial Statements do not present long-term debt. As such, long-term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

I. Compensated Absences

Government-Wide Financial Statements

For governmental and business-type activities, compensated absences are recorded as incurred and the related expenses and liabilities are reported.

Fund Financial Statements

In governmental funds, compensated absences are recorded as expenditures in the year paid, as it is the County's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund. Vested or accumulated compensated absences in proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees. The compensated absences liability will generally be liquidated through individual funds.

J. Claims Payable

The County records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers' compensation claims. The estimated liability for workers' compensation claims and general liability claims includes "incurred but not reported" (IBNR) claims. There is no fixed payment schedule to pay these liabilities.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Unearned and Deferred Revenue

Government-Wide Financial Statements - Unearned revenue is recognized for transactions for which revenue has not yet been earned. Unearned revenue includes monies received in advance from the fiscal agents on the amounts deposited in the reserve funds for various bonds and prepaid charges for services.

Fund Financial Statements - Deferred revenue represents money received during the current or previous years that has not been earned or is not considered available to finance expenditures of the current period.

L. Net Assets and Fund Balances

Government-Wide Financial Statements - In the Government-Wide Financial Statements, net assets are classified in the following:

Invested in Capital Assets, Net of Related Debt - 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 assets.

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

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

Fund Financial Statements - Reservations represent the portion of fund balance that is appropriable for expenditure or which are legally segregated for specific future use. Designated fund balance represents tentative plans for future use of financial resources. Undesignated fund balance represents the fund balance which is available for appropriation in future periods.

As of June 30, 2009, the reservations of fund balance are described below:

- *Encumbrances*- To reflect the outstanding contractual obligations for which goods and services have not been received.
- *Inventory, Prepaids and Imprest Cash* - To reflect the portion of assets which do not represent available spendable resources.
- *Advances and Loans* - To reflect the amount due from other funds that are long-term in nature. Such amounts do not represent available spendable resources.
- *Land held for Resale* - To reflect the amount held as land held for resale that do not represent available spendable resources.
- *Debt Service* - To reflect the funds held by trustees or fiscal agents for future payment of bond principal and interest. These funds are not available for general operations.
- *Capital Asset Acquisition* - To reflect the amount set aside for the purchase of capital assets from the issuance of loans by the public financing authority.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L Net Assets and Fund Balances, Continued

Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change and have not been legally authorized or may not result in expenditures. Fund balance designations were reported in the following funds:

- *General Fund* – To reflect management’s intent to expend certain funds for the health services facility, emergency reserve, federally qualified health program, working capital, liability reserve, and economic uncertainty.
- *Special Revenue* – To reflect management’s intent to expend certain funds to support the County’s redevelopment agency projects and debt service.

M. Use of Restricted and Unrestricted Net Assets

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

N. Property Tax Levy, Collection and Maximum Rates

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

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

	<u>Secured</u>	<u>Unsecured</u>
Levy Dates	July 1	July 1
Lien Dates	January 1	January 1
Due Dates	November 1 and February 1	August 1
Delinquent After	December 10 and April 10	August 31
Tax Rate per \$100		
Full Cash Value	\$1	\$1
Late Penalty	10%	10%
Delinquent Interest	1-1.5% per month	1-1.5% per month

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Property Tax Levy, Collection and Maximum Rates, Continued

These taxes are secured by liens on the property being taxed. The Board annually sets the rates of the County and district taxes and levies State, County, and district taxes as provided by law. The term "secured" refers to taxes on land and buildings, while "unsecured" refers to taxes on personal property other than land and buildings. During fiscal year 1993-1994, the Board adopted the Alternative Method of Tax Apportionment (the Teeter Plan). Under this method, the County allocates to all taxing jurisdictions under the County, 100% of the secured property taxes billed, even if it has not yet been collected. In return, the County retains the subsequent delinquent payments and associated penalties and interest. The penalties and interest are accumulated in an Agency Fund. The County may transfer to the General Fund any excess over the reserve required by the Board and the State.

Delinquent property taxes receivable are shown on the balance sheet of the property tax trust funds. Under California law, real property is not subject to sale for reasons of delinquent taxes until the end of the fifth year of delinquency, and the taxpayer may arrange to repay the delinquent taxes over a five year period and any time within the five year period, although the property is subject to a cash redemption up to the time of the sale.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by ¶ 4705 of the State of California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll.

Under the alternate apportionment method, specified amounts of penalties and interest collected on delinquent secured taxes are held in trust in the secured tax losses reserve fund to fund specified tax redemption short falls. This reserve is used to fund the apportionment of secured taxes.

O. Use of Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and the disclosure of contingent assets and liabilities at the date of the basic financial statements and the related reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. Cash and investments for most County activities are included in the investment pool. 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 June 30, 2009, is distributed July 1, 2009, and is shown as part of receivables on the financial statements.

The following is a summary of cash and investments at June 30, 2009:

Government-Wide Statement of Net Assets							
	Governmental	Business-Type		Sanitation	Agency	Investment	
	Activities	Activities	Total	District	Funds	Trust	
				Total	Total	Total	
							County
							Total
Cash and Investments	\$ 285,014,861	\$ 7,344,761	\$ 292,359,622	\$ 30,510,031	\$ 49,024,473	\$ 286,703,325	\$ 658,597,451
Restricted Cash and Investments	16,705,887	5,315,909	22,021,796	1,520,933	-	-	23,542,729
Total Cash and Investments	\$ 301,720,748	\$ 12,660,670	\$ 314,381,418	\$ 32,030,964	\$ 49,024,473	\$ 286,703,325	\$ 682,140,180

	Cash and Investments	Restricted Cash	Total
Primary Government and Fiduciary Funds:			
Cash on hand or imprest cash	\$ 1,776	\$ -	\$ 1,776
Deposits in treasury pool	31,378,667	-	31,378,667
Investments in treasury pool	601,993,298	-	601,993,298
Deposits in other banks	-	-	-
Investments in other pools	-	16,705,887	16,705,887
Restricted cash in treasury pool:			
Davenport County Sanitation District	-	29,588	29,588
Disposal Sites	(5,279,095)	5,279,095	-
Sand Dollar Beach	(7,226)	7,226	-
Total	628,087,420	22,021,796	650,109,216
Component Unit:			
Restricted cash in treasury pool	(550,996)	550,996	-
Investments in treasury pool	31,061,027	-	31,061,027
Investments in other banks	-	969,937	969,937
Total	30,510,031	1,520,933	32,030,964
Total cash and investments	\$ 658,597,451	\$ 23,542,729	\$ 682,140,180

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

It is the policy of the County to offset outstanding warrants through an agency fund, the result of which increased the agency fund's aggregate cash balance by \$24,918,271 at June 30, 2009.

At June 30, 2009, the County's cash on hand, deposits, and investments consisted of:

	Treasury Pool	Other Banks/ Investment Pools	Total
Primary Government and Fiduciary Funds:			
Cash on hand or imprest cash	\$ 1,776	\$ -	\$ 1,776
Deposits	31,378,667	29,588	31,408,255
Investments	601,993,298	16,705,887	618,699,185
Total Primary Government	633,373,741	16,735,475	650,109,216
Component Unit:			
Investments	30,510,031	1,520,933	32,030,964
Total Component Unit	30,510,031	1,520,933	32,030,964
Total reporting entity	\$ 663,883,772	\$ 18,256,408	\$ 682,140,180

The carrying amounts of the County's cash deposits were \$31,408,255 at June 30, 2009. Bank balances at June 30, 2009 were \$26,161,567 which were fully insured or collateralized with securities held by the pledging financial institutions in the County's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the County's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the County's name.

The market value of pledged securities must equal at least 110% of the County's cash deposits. California law also allows institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the County's total cash deposits. The County may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The County, however, has not waived the collateralization requirements.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

A. Investments

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. The table also identifies certain provisions of the County's investment policy that address interest rate risk, credit risk, and concentration risk.

Authorized Investment Types	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local agency bonds	5 years	10%	None
U.S. Treasury obligations	5 years	None	None
U.S. Government Agency obligations	5 years	40%	15%
State of California obligations	5 years	10%	None
Banker's acceptances	180 days	40%	10%
Commercial paper	270 days	40%	10%
Negotiable certificates of deposit	5 years	30%	None
Non-negotiable certificates of deposit	180 days	None	None
Repurchase agreements	90 days	None	None
Medium-term notes	5 years	30%	None
Mutual funds/money market mutual funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority investment funds	None	25%	None

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at cost, as the fair market value adjustment at the year end was immaterial.

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

A. Investments, Continued

At June 30, 2009, the County had the following investments:

	Interest Rates	Maturities	Par	Cost	Fair Value
Investments in investment pool:					
U.S. government agencies	0.22%-6.262%	07/09/09-2/11/11	\$ 477,169,000	\$ 479,974,415	\$ 480,670,805
Medium-term notes	1.25%-3.07%	07/06/10-06/03/11	70,000,000	70,079,910	69,035,400
Medium-Term Note - Teeter note	0.25%	7/31/2009	23,000,000	23,000,000	23,000,000
Money market mutual funds	0.40%-0.80%	On demand	40,000,000	40,000,000	40,000,000
Local Agency Investment Fund (LAIF)		On demand	20,000,000	20,000,000	20,000,000
Demand deposits and cash		On demand	31,380,402	31,380,443	31,380,402
Total investments in investment pool			\$ 661,549,402	\$ 664,434,768	\$ 664,086,607
Investments outside investment pool:					
<i>Bank of New York:</i>					
Money market mutual funds	Various	On demand	\$ 9,475,082	\$ 9,475,082	\$ 9,475,082
Investment agreements	4.79%	9/1/2019	969,937	969,937	969,937
Certificates of deposit	0.25%	01/11/10	29,588	29,628	29,588
Total			10,474,607	10,474,647	10,474,607
<i>Public Finance Authority:</i>					
<i>Bank of New York:</i>					
Money market mutual funds	Various	On demand	7,122,396	7,122,396	7,122,396
Total			7,122,396	7,122,396	7,122,396
U.S. Treasury money market mutual funds	1.45%	On demand	108,369	108,369	108,369
Total investments outside investment pool			\$ 17,705,372	\$ 17,705,412	\$ 17,705,372

B. Interest Rate Risk

The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

B. Interest Rate Risk, Continued

At June 30, 2009, the County had the following investment maturities:

<u>Investment Type</u>	Cost	Investment Maturities (In Years)				4 or more
		Less than 1	1 to 2	2 to 3	3 to 4	
Demand deposits and cash	\$ 31,380,443	\$ 31,380,443	\$ -	\$ -	\$ -	\$ -
Investment Pool	550,054,325	372,538,878	177,515,447			
Medium-Term Note - Teeter note	23,000,000	23,000,000	-	-	-	-
Money market mutual funds	56,705,847	56,705,847	-	-	-	-
Local Agency Investment Fund (LAIF)	20,000,000	20,000,000	-	-	-	-
Investment Agreements	969,937	-	-	-	-	969,937
Certificates of Deposit	29,628	29,628	-	-	-	-
Total	\$ 682,140,180	\$ 503,654,796	\$ 177,515,447	\$ -	\$ -	\$ 969,937

C. Concentration of Credit Risk

At June 30, 2009, in accordance with State law and the County's Investment Policy, the County did not have 5% or more of its net investment in commercial paper, corporate bonds or medium term notes of a single organization, nor did it have 10% or more of its net investment in any one money market mutual fund. Investments in obligations of the U.S. government, U.S. government agencies, or government-sponsored enterprises are exempt from these limitations.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County Investment Pool's fair value at June 30, 2009.

	S & P	Moody's	% of Portfolio
Investments in investment pool:			
U.S. Government agencies	AAA	Aaa	75.82%
Medium-term notes	AA-AAA	Aa-Aaa	11.07%
Teeter note/other	Unrated	Unrated	3.63%
Money market mutual funds	Unrated	Unrated	6.32%
Local Agency Investment Fund (LAIF)	Unrated	Unrated	3.16%
Total investments in investment pool			100.00%
Investments outside investment pool:			
Money market mutual funds	AAA	Aaa	94.35%
Investment agreements	AA	Aa3	5.48%
Certificates of deposit	AA	Aa1	0.17%
Total investments outside investment pool			100.00%

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

D. Custodial Credit Risk

For investments and deposits held with fiscal agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year end, the County's investment pool and cash with fiscal agents had no securities exposed to custodial credit risk.

E. Local Agency Investment Fund

The County is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The County's investments with LAIF at June 30, 2009, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2009, the County had \$20,000,000 invested in LAIF, which had invested 14.71% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 14.72% in the previous year. LAIF provided a fair value factor of 1.001304743 to calculate the fair value of the investments in LAIF. However, an adjustment was not made to reflect the fair market value of LAIF, as the fair market value adjustment was considered immaterial.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

F. County Investment Pool Summary

The following represents a summary of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2009:

Statement of Net Assets:	
Net assets held for pool participants	\$ 664,434,768
Equity of internal pool participants	<u>377,731,443</u>
Equity of external pool participants	<u>286,703,325</u>
Total net assets	\$ 664,434,768
Statement of Changes in Net Assets:	
Net assets held for pool participants at July 1, 2008	\$ 645,990,360
Net change in balance by pool participants	<u>18,444,408</u>
Net assets held for pool participants at June 30, 2009	<u>\$ 664,434,768</u>

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

3. RESTRICTED CASH AND INVESTMENTS

Cash and investments at June 30, 2009 that are restricted by legal or contractual requirements are comprised of the following:

<u>Governmental Activities</u>		
General Fund:		
Used for Government Center energy project		\$ 108,369
Non-major Governmental Funds:		
Used for debt service		16,597,518
Subtotal		<u>16,705,887</u>
<u>Business-Type Activities</u>		
County Disposal Site CSA 9C:		
Used for landfill deposits		5,279,095
Non-major Enterprise Funds:		
Used for debt service and bond reserves		36,814
Subtotal		<u>5,315,909</u>
<u>Component Unit</u>		
Santa Cruz County Sanitation District:		
Used for debt service		1,520,933
Total restricted cash and investments		<u>\$ 23,542,729</u>

4. RECEIVABLES

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

	General Fund	Redevelopment Agency	Non-major Funds	Internal Service Funds	Total Governmental Activities
Governmental Activities:					
Accounts	\$ 27,189,374		\$ 1,137,363	\$ 213,189	\$ 28,539,926
Taxes	1,317,961	-	.	-	1,317,961
Gross receivables	28,507,335	-	1,137,363	213,189	29,857,887
Less: allowance for uncollectibles	(7,030,869)	-	-	-	(7,030,869)
Net receivables	<u>\$ 21,476,466</u>	<u>\$ -</u>	<u>\$ 1,137,363</u>	<u>\$ 213,189</u>	<u>\$ 22,827,018</u>

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

4. RECEIVABLES, Continued

	County Disposal Sites CSA	Non-major Funds	Total Business-Type Activities
Business-Type Activities:			
Accounts receivable	\$ 610,420	\$ 355,799	\$ 966,219

5. INTERFUND TRANSACTIONS

A. Government-Wide Financial Statements

Long-Term Internal Balances

At June 30, 2009, the County had the following long-term internal balances:

Internal Balances Payable	
Governmental Activities	
Internal Balances Receivable	
Business-Type Activities	\$ 6,861

This balance consisted of a long-term advance between the Public Financing Authority Fund and the County Disposal Site CSA 9 C Fund of \$1,725,000 and an adjustment to reflect the consolidation of internal service fund activities related to enterprise funds of (\$1,718,139).

B. Fund Financial Statements

Due to/from

The County had the following due to/from other funds as of June 30, 2009:

	Due from Other Funds				
	General Fund	Redevelopment Agency Fund	Non-Major Governmental Funds	Internal Service Funds	Total
	\$ 373,231	\$ -	\$ -	\$ -	\$ 373,231
Redevelopment Agency Fund	-	869,218	-	-	869,218
Non-major Governmental Funds	773,806	-	7,892,071	1,942,187	10,608,064
Internal Service Funds	-	-	773,806	739,264	1,513,070
Agency Funds	-	-	-	741,206	741,206
Total	\$ 1,147,037	\$ 869,218	\$ 8,665,877	\$ 3,422,657	\$ 14,104,789

These balances resulted from short-term loans used to cover operating cash deficits at year-end. These amounts will be repaid in the following fiscal year.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Long-Term Advances

The County had the following long-term advances as of June 30, 2009:

Advances from Other Funds		Advances to Other Funds
		Public Financing Authority Fund
	County Disposal Site CSA 9 Fund	\$ 1,725,000

This balance consists of a long-term advance between the Public Financing Authority Fund and the County Disposal Site CSA 9 C Fund of \$1,725,000.

Transfers In/Out

The County had the following transfers for the year ending June 30, 2009:

Transfers Out	Transfers In				
	General Fund	Redevelopment Fund	Non-Major		Total
			Governmental Funds	Internal Service Funds	
General Fund	\$ 38,050	\$ -	\$ 6,382,284	\$ 89,132	\$ 6,509,466
Redevelopment Fund	-	4,561,438	11,194,184	-	15,755,622
Non-Major Governmental Funds	7,411,535	49,410,630	172,328	517,462	57,511,955
Total	\$ 7,449,585	\$ 53,972,068	\$ 17,748,796	\$ 606,594	\$ 79,777,043

Transfers are contributions to other funds to finance various programs in accordance with budgetary authorizations.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

6. CAPITAL ASSETS

A. Government-Wide Financial Statements

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2008	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2009
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 55,196,544	\$ 2,340,088	\$ -	\$ -	\$ 57,536,632
Construction-in-progress	887,935	1,920,872	(267,206)		2,541,601
Total capital assets, not being depreciated	56,084,479	4,260,960	(267,206)	-	60,078,233
Capital assets, being depreciated:					
Infrastructure	497,260,833	21,028,995	-	-	518,289,828
Buildings	129,120,251	4,805,787	(16,141,586)		117,784,452
Machinery and equipment	44,857,997	3,296,707	(4,354,359)	169,635	43,969,980
Total capital assets, being depreciated	671,239,081	29,131,489	(20,495,945)	169,635	680,044,260
Less accumulated depreciation for:					
Infrastructure	(171,342,326)	(11,817,596)	-	-	(183,159,922)
Buildings	(53,469,175)	(3,861,733)	1,150,062	-	(56,180,846)
Machinery and equipment	(37,907,218)	(3,098,868)	3,966,442	(204,454)	(37,244,098)
Total accumulated depreciation	(262,718,719)	(18,778,197)	5,116,504	(204,454)	(276,584,866)
Total capital assets, being depreciated, net	408,520,362	10,353,292	(15,379,441)	(34,819)	403,459,394
Governmental activities capital assets, net	\$ 464,604,841	\$ 14,614,252	\$ (15,646,647)	\$ (34,819)	\$ 463,537,627

Depreciation expense was charged to governmental functions as follows:

	Total
<u>Governmental Activities:</u>	
General government	\$ 1,585,688
Public protection	1,717,066
Public ways and facilities	11,624,677
Health and sanitation	739,456
Public assistance	363,192
Education	163,590
Recreation and culture	471,259
Subtotal	16,664,928
Capital assets held by the County's internal services funds are charged to the various functions based on their usage of the assets	2,113,269
Total	\$ 18,778,197

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2008	Additions	Retirements	Adjustments/ Transfers	Balance June 30, 2009
Business-Type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,858,849	\$ -	\$ -	\$ -	\$ 1,858,849
Construction-in-progress	4,402,489	151,245	-	(2,388,460)	2,165,274
Total capital assets, not being depreciated	<u>6,261,338</u>	<u>151,245</u>	<u>-</u>	<u>(2,388,460)</u>	<u>4,024,123</u>
Capital assets, being depreciated:					
Buildings	33,178,926	139,487	(145,600)	2,388,460	35,561,273
Machinery and equipment	10,390,304	214,225	-	-	10,604,529
Total capital assets, being depreciated	<u>43,569,230</u>	<u>353,712</u>	<u>(145,600)</u>	<u>2,388,460</u>	<u>46,165,802</u>
Less accumulated depreciation for:					
Buildings	(14,066,075)	(1,264,782)	32,760	-	(15,298,097)
Machinery and equipment	(7,431,158)	(719,736)	-	-	(8,150,894)
Total accumulated depreciation	<u>(21,497,233)</u>	<u>(1,984,518)</u>	<u>32,760</u>	<u>-</u>	<u>(23,448,991)</u>
Total capital assets, being depreciated, net	<u>22,071,997</u>	<u>(1,630,806)</u>	<u>(112,840)</u>	<u>2,388,460</u>	<u>22,716,811</u>
Business-Type activities capital assets, net	<u>\$ 28,333,335</u>	<u>\$ (1,479,561)</u>	<u>\$ (112,840)</u>	<u>\$ -</u>	<u>\$ 26,740,934</u>

Depreciation expense was charged to business-type functions as follows:

	Total
<u>Business-Type Activities:</u>	
County Disposal Sites CSA 9C	\$ 1,692,169
Boulder Creek CSA 7	55,940
Rolling Woods CSA 10	7,969
Freedom County Sanitation District	125,752
Davenport Sanitation District	83,522
Place de Mer CSA 2	5,542
Sand Dollar Beach CSA 5	12,267
Trestle Beach CSA 20	1,357
Summit West CSA 54	-
Total	<u>\$ 1,984,518</u>

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

6. CAPITAL ASSETS, Continued

B. Component Unit - Santa Cruz County Sanitation District (SCCSD)

	Balance July 1, 2008	Additions	Retirements	Adjustments/ Transfers	Balance June 30, 2009
Capital assets, not being depreciated:					
Construction-in-progress	\$ 9,113,666	\$ 3,014,764	\$ -	\$ (2,572,110)	\$ 9,556,320
Total capital assets, not being depreciated	9,113,666	3,014,764	-	(2,572,110)	9,556,320
Capital assets, being depreciated:					
Pumping stations	35,985,546	496,548	-	1,580,330	38,062,424
Transmission systems	65,367,072	244,486	-	55,462	65,667,020
Sewage treatment plants	33,830,970	98,295	-	936,318	34,865,583
Mobile equipment	3,025,647	32,565	(1,797)	-	3,056,415
Other equipment	2,276,968	387,051	-	-	2,664,019
Total capital assets, being depreciated	140,486,203	1,258,945	(1,797)	2,572,110	144,315,461
Less accumulated depreciation for:					
Pumping stations	(15,895,752)	(799,018)	-	-	(16,694,770)
Transmission systems	(25,433,717)	(1,465,115)	-	-	(26,898,832)
Sewage treatment plants	(7,603,198)	(935,474)	-	-	(8,538,672)
Mobile equipment	(1,796,526)	(242,105)	-	-	(2,038,631)
Other equipment	(1,756,170)	(163,159)	-	-	(1,919,329)
Total accumulated depreciation	(52,485,363)	(3,604,871)	-	-	(56,090,234)
Total capital assets, being depreciated, net	88,000,840	(2,345,926)	(1,797)	2,572,110	88,225,227
Total capital assets, net	\$ 97,114,506	\$ 668,838	\$ (1,797)	\$ -	\$ 97,781,547

Depreciation expense for the District at June 30, 2009 is \$3,604,871.

7. SHORT-TERM DEBT - TAX AND REVENUE ANTICIPATION NOTES

The County issues tax and revenue anticipation notes annually to meet current expenses, capital expenditures, and other obligations or indebtedness until sufficient taxes or revenues are collected to fund the County's operations.

Tax and revenue anticipation notes payable debt activity for the year ended June 30, 2009 was as follows:

Fiscal Year	Interest Rate	Beginning Balance	Additions	Deletions	Accrued Interest	Ending Balance
2008	4.5%	\$ -	\$ 48,000,000	\$ (50,154,000)	\$ 2,154,000	\$ -
2009	3.0%	-	50,000,000	-	1,495,833	51,495,833

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

8. CAPITAL LEASES

The County has entered into certain capital lease agreements under which the related equipment, computers, vehicles, and furniture become the property of the County. The leased assets are presented as components of capital assets and the lease liabilities are presented as components of long-term debt.

	Stated Interest Rate	Present Value of Remaining Payments as of June 30, 2009
<u>Governmental Activities:</u>		
Health Services Agency-Analyzer	4.80%	\$ 31,384
Energy efficient infrastructure	4.42%	5,813,595
Human Services Department-Server	4.45%	97,201
Total capital lease obligations		\$ 5,942,180
<u>Business-Type Activities:</u>		
Landfill Compactor	4.50%	177,875
Total capital lease obligations		\$ 177,875

Equipment, computers, vehicles, furniture, and accumulated amortization under capital lease are as follows:

	Governmental Activities	Business-Type Activities
Equipment, computers, furniture, and vehicles	\$ 204,199	\$ 1,547,501
Structures and Improvements	5,672,544	-
Total assets under capital lease	5,876,743	1,547,501
Less: accumulated depreciation	393,904	625,415
Net	\$ 5,482,839	\$ 922,086

As of June 30, 2009, capital lease annual amortization is as follows:

Year Ending June 30,	Governmental Activities	Business-Type Activities
2010	\$ 529,289	\$ 185,879
2011	496,398	-
2012	496,398	-
2013	496,398	-
2014	479,928	-
2015-2019	2,358,467	-
2020-2024	2,358,467	-
2025-2027	1,415,080	-
Total Requirements	8,630,425	185,879
Less: Interest	2,688,245	8,004
Present Value of Remaining Payments	\$ 5,942,180	\$ 177,875

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

9. LONG-TERM DEBT

The following is a summary of long-term liabilities transactions for the year ended June 30, 2009:

	Balance July 1, 2008	Debt Issued	Debt Retired	Balance June 30, 2009	Due in One Year	Due in More Than One Year
Governmental Activity Debt:						
PFA-1996 Refunding Certificates of Participation	\$ 19,825,000	\$ -	\$ (620,000)	\$ 19,205,000	\$ 655,000	\$ 18,550,000
PFA-2002 Refunding Certificates of Participation	2,295,000	-	(50,000)	2,245,000	55,000	2,190,000
2002 Unamortized bond premium	105,190	-	(6,311)	98,879	4,208	94,671
Subtotal	2,400,190	-	(56,311)	2,343,879	59,208	2,284,671
PFA-2005 Refunding Certificates of Participation	8,915,000	-	(525,000)	8,390,000	545,000	7,845,000
2005 Unamortized bond discount	(53,800)	-	3,906	(49,894)	(4,339)	(45,555)
Subtotal	8,861,200	-	(521,094)	8,340,106	540,661	7,799,445
PFA-2001B Lease Revenue Bonds	7,840,000	-	(550,000)	7,290,000	200,000	7,090,000
PFA-2002A Lease Revenue Refunding Bonds	1,741,975	-	(121,201)	1,620,774	128,331	1,492,443
2002A Unamortized bond premium	54,971	-	(8,945)	46,026	3,068	42,958
Subtotal	1,796,946	-	(130,146)	1,666,800	131,399	1,535,401
PFA-1995B Revenue Bonds	1,800,000	-	(320,000)	1,480,000	335,000	1,145,000
PFA-1999 Local Agency Revenue Bonds	360,000	-	(40,000)	320,000	25,000	295,000
PFA-2004 Certificates of Participation	20,140,000	-	(920,000)	19,220,000	945,000	18,275,000
2004 Unamortized bond premium	21,902	-	(1,369)	20,533	1,369	19,164
Subtotal	20,161,902	-	(921,369)	19,240,533	946,369	18,294,164
2006 Certificates of Participation	8,715,000	-	(310,000)	8,405,000	320,000	8,085,000
2006 Unamortized bond discount	(54,932)	-	(2,541)	(57,473)	(2,090)	(55,383)
Subtotal	8,660,068	-	(312,541)	8,347,527	317,910	8,029,617
PFA-2008 Certificates of Participation	-	4,625,000	-	4,625,000	295,000	4,330,000
2008 Unamortized bond premium	-	102,244	(3,408)	98,836	6,816	92,020
Subtotal	-	4,727,244	(3,408)	4,723,836	301,816	4,422,020
CA Health Facility	710,841	-	(201,085)	509,756	216,280	293,476
CA Transportation Finance Bank	600,000	-	-	600,000	600,000	-
Redevelopment Agency Bonds	168,100,000	55,970,000	(3,390,000)	220,680,000	3,455,000	217,225,000
Unamortized bond discount	(197,655)	(180,815)	16,996	(361,474)	(17,921)	(343,553)
Unamortized bond premium	646,838	-	(25,296)	621,542	30,590	590,952
Subtotal	168,549,183	55,789,185	(3,398,300)	220,940,068	3,467,669	217,472,399
Compensated absences	19,317,229	17,818,814	(17,038,088)	20,097,955	17,726,698	2,371,257
Capital leases	6,050,926	110,563	(219,309)	5,942,180	269,290	5,672,890
Total governmental activity	\$ 266,933,485	\$ 78,445,806	\$ (24,331,651)	\$ 321,047,640	\$ 25,792,300	\$ 295,255,340

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

9. LONG-TERM DEBT, Continued

	Balance July 1, 2008	Debt Issued	Debt Retired	Balance June 30, 2009	Due in One Year	Due in More Than One Year
Governmental Activity Debt, Continued:						
Internal Service Funds						
Loans payable	\$ 334,891	\$ -	\$ (334,891)	\$ -	\$ -	\$ -
Unamortized bond discount	(6,031)	-	6,031	-	-	-
Subtotal	328,860	-	(328,860)	-	-	-
Compensated absences	3,680,854	3,228,060	(3,048,884)	3,860,030	3,190,882	669,148
Estimated claims	29,707,778	5,633,500	(45,129)	35,296,149	14,652,805	20,643,344
Capital leases	-	-	-	-	-	-
Total Internal Service Funds	\$ 33,717,492	\$ 8,861,560	\$ (3,422,873)	\$ 39,156,179	\$ 17,843,687	\$ 21,312,492
Government-Wide Activities						
Compensated absences	22,998,083	21,046,874	(20,086,972)	23,957,985	20,917,580	3,040,405
Estimated claims	29,707,778	5,633,500	(45,129)	35,296,149	14,652,805	20,643,344
Other long-term liabilities	247,945,116	60,626,992	(7,622,423)	300,949,685	8,065,602	292,884,083
Total Government-Wide Activities	\$ 300,650,977	\$ 87,307,366	\$ (27,754,524)	\$ 360,203,819	\$ 43,635,987	\$ 316,567,832
Business-Type Activities						
<i>Enterprise Funds</i>						
Loans payable						
Sand Dollar Beach	\$ 19,000	\$ -	\$ (19,000)	\$ -	\$ -	\$ -
Davenport Sanitation	429,348	-	(24,937)	404,411	25,603	378,808
Total Loans Payable	448,348	-	(43,937)	404,411	25,603	378,808
<i>Capital Leases</i>						
Enterprise Fund - County disposal sites	604,522	-	(426,647)	177,875	177,875	-
<i>Postclosure Liability</i>						
Enterprise Fund - County disposal sites	5,001,190	362,554	(318,755)	5,044,989	-	5,044,989
Total Business-Type Activities	\$ 6,054,060	\$ 362,554	\$ (789,339)	\$ 5,627,275	\$ 203,478	\$ 5,423,797
Component Unit - Santa Cruz County						
Sanitation District						
2005 Wastewater Revenue Refunding Bonds	\$ 7,960,000	\$ -	\$ (515,000)	\$ 7,445,000	\$ 535,000	\$ 6,910,000
2005 Limited Obligation Refunding						
Improvement Bonds	785,000	-	(60,000)	725,000	60,000	665,000
Loan payable	15,008,579	-	(1,183,932)	13,824,647	1,217,082	12,607,565
Unamortized bond premium	34,547	-	(2,236)	32,311	2,235	30,076
Total Component Unit	\$ 23,788,126	\$ -	\$ (1,761,168)	\$ 22,026,958	\$ 1,814,317	\$ 20,212,641

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

9. LONG-TERM DEBT, Continued

Descriptions of the long-term liabilities at June 30, 2009 are as follows:

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2009
Governmental Activities:					
Public Financing Authority					
<i>Refunding Certificates of Participation</i>					
1996 Issue (financed construction of the County Emeline Avenue Health Services building and an infirmary in the County Medium Security Detention Facility)					
Serial certificates	9/1/97-9/1/26	4.00-5.65%	\$190,000-\$1,065,000	\$ 20,955,000	\$ 15,305,000
Term bonds	3/1/21-9/1/23	5.60%	\$1,230,000-\$1,370,000	3,900,000	3,900,000
				Total 1996 Issue	19,205,000
2002 Issue (refinanced road improvements, a detention facility, a library, equipment, purchase of parkland and construction of a transfer station)					
Serial certificates	8/1/03-8/1/22	4.00-5.15%	\$50,000-\$730,000	4,380,000	985,000
Term bonds	8/1/23-8/1/32	5.25%	\$100,000-\$155,000	1,260,000	1,260,000
Unamortized bond premium				126,230	98,879
				Total 2002 Issue	2,343,879
2005 Issue (defeased 1995A Lease Revenue Refunding Bonds and financed construction and improvements of the Santa Cruz County Water Street and Roundtree Lane detention facility)					
Serial certificates	8/1/05-8/1/20	2.75-4.25%	\$500,000-\$910,000	10,580,000	8,390,000
Unamortized bond premium				(67,249)	(49,894)
				Total 2005 Issue	8,340,106
			Total Refunding Certificates of Participation		29,888,985
			Net Premiums/(Discounts)		48,985
			Outstanding Balance		29,840,000
<i>Lease Revenue Bonds</i>					
2001 Series B Lease Revenue Bonds (financed equipment for the Santa Cruz County Department of Public Works, County Counsel, Agricultural Commissioner, and improvements to the Health Services building)					
Serial bonds	8/1/02-8/1/26	2.10-4.625%	\$200,000-\$760,000	\$ 9,675,000	\$ 5,065,000
Term bonds	2/1/27-8/1/31	4.75%	\$405,000-\$485,000	2,225,000	2,225,000
				Total 2001 Issue	7,290,000
<i>Lease Revenue Refunding Bonds</i>					
2002 Series A (financed construction and equipment costs for the Santa Cruz County Consolidated Emergency Communication Center)					
Serial bonds	6/15/04-6/15/12	2.00-3.50%	\$76,000-\$295,000	1,449,665	\$ 332,710
Term bonds	6/15/13-6/15/24	5.25%	\$81,000-\$140,214	1,288,063	1,288,064
Unamortized bond premium				65,966	46,026
				Total 2002 Issue	1,666,800
			Total Lease Revenue Refunding Bonds		1,666,800
			Net Premiums/(Discounts)		46,026
			Outstanding Balance		1,620,774

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

9. LONG-TERM DEBT, Continued

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2009
Governmental Activities, Continued:					
Public Financing Authority, Continued					
<i>Revenue Bonds</i>					
1995 Series B Issue (financed improvements to existing drainage facilities of the Santa Cruz County Flood Control Zone No. 7)					
Serial bonds	8/1/97-8/1/10	4.20-6.35%	\$175,000-\$360,000	\$ 3,565,000	\$ 695,000
Term bonds	2/1/11-8/1/12	6.50%	\$380,000-\$405,000	785,000	785,000
				Total 1995 Issue	1,480,000
<i>Local Agency Revenue Bonds</i>					
1999 Issue (defeased 1992 Place de Mer and 1993 Sand Dollar Beach Districts and financed construction of the Sunset Beach Water Main Extension Project)					
Local obligation bonds	9/2/00-9/2/19	4.00-5.50%	\$20,000-\$85,000	895,000	320,000
<i>Certificates of Participation</i>					
2004 Series Issue (financed payments due for settlement of lawsuits arising from damage to property caused by flooding of the Pajaro River)					
Serial certificates	6/1/05-6/1/24	2.25-5.00%	\$525,000-\$1,720,000	23,000,000	19,220,000
Unamortized bond premium				27,378	20,533
				Total 2004 Issue	19,240,533
2006 Series Issue (financed improvements to Watsonville Courthouse and Buena Vista Landfill)					
Serial certificates	8/1/07-8/1/28	3.50-4.50%	\$180,000-\$410,000	6,225,000	5,630,000
Term certificates	8/1/29-8/1/32	4.50%		1,265,000	1,265,000
Term certificates	8/1/33-8/1/36	4.625%		1,510,000	1,510,000
Unamortized bond discount				(62,698)	(57,473)
				Total 2006 Issue	8,347,527
2008 Series Issue (finance purchase of computer software systems for various County departments)					
Serial certificates	8/1/09-8/1/23	3.00-4.30%	\$215,000-\$405,000	4,625,000	4,625,000
Unamortized bond premium				102,244	98,836
				Total 2008 Issue	4,723,836
				Total Certificates of Participation	32,311,896
				Net Premiums/(Discounts)	61,896
				Outstanding Balance	32,250,000
<i>CA Health Facilities Financing Authority (CHFFA)</i>					
1987 (financed capital projects for County health facilities)					
Notes	1987-2011	7.20%	\$60,000-\$757,000	3,829,696	509,756
<i>Loan Payable</i>					
CA Transportation Finance Bank					
2004 (financed road storm damage repair)					
Loan	2004-2010	1%	Interest Only	600,000	600,000

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

9. LONG-TERM DEBT, Continued

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2009
Governmental Activities, Continued:					
Redevelopment Agency					
<i>Redevelopment Agency Tax Allocation Bonds</i>					
2000 Issue Subordinate Tax Allocation Refunding Bonds					
Serial bonds	9/1/01-9/1/22	4.25-5.25%	\$490,000-\$1,280,000	17,855,000	13,285,000
2000 Issue Series A Subordinate Tax Allocation Bonds					
Serial bonds	9/1/02-9/1/22	5-5.25%	\$140,000-\$2,035,000	\$ 6,525,000	\$ 5,395,000
Term bonds	9/1/23-9/1/27	5.25%	\$2,150,000-\$2,660,000	11,990,000	11,990,000
Term bonds	9/1/28-9/1/30	5.375%	\$2,810,000-\$3,125,000	8,900,000	8,900,000
2003 Tax Allocation Refunding Bonds					
Serial bonds	9/1/04-9/1/24	2.00-5.00%	\$1,665,000-\$3,500,000	48,435,000	39,655,000
Unamortized bond discount				(194,382)	(142,547)
2005 Issue Series A Subordinate Tax Allocation Bonds					
Serial bonds	9/1/25-9/1/27	4/5-4.625%	\$2,140,000-\$2,325,000	6,690,000	6,690,000
Term bonds	9/1/28-9/1/29	4.625%	\$2,425,000-\$2,530,000	4,955,000	4,955,000
Term bonds	9/1/30-9/1/32	5.00%	\$2,650,000-\$6,380,000	15,105,000	15,105,000
Term bonds	9/1/33-9/1/35	5.00%	\$6,695,000-\$7,385,000	21,110,000	21,110,000
Unamortized bond premium				468,371	421,535
2005 Taxable Series B Subordinate Tax Allocation Bonds					
Term bonds	9/1/06-9/1/15	5.00%	\$205,000-\$430,000	2,695,000	1,845,000
Term bonds	9/1/16-9/1/20	5.50%	\$325,000-\$405,000	1,820,000	1,820,000
Term bonds	9/1/21-9/1/25	5.60%	\$195,000-\$685,000	1,815,000	1,815,000
Term bonds	9/1/26-9/1/35	5.65%	\$735,000-\$2,350,000	14,670,000	14,670,000
Unamortized bond discount				(45,159)	(40,644)
2007 Taxable Housing Tax Allocation Refunding Bonds					
Term bonds	9/1/07-9/1/17	5.208%	\$70,000-\$165,000	1,080,000	845,000
Term bonds	9/1/18-9/1/30	5.495%	\$120,000-\$1,250,000	9,675,000	9,675,000
2007 Series A Tax Allocation Refunding Bonds					
Serial bonds	09/1/08-09/1/22	4-5.25%	\$375,000-\$640,000	7,370,000	6,955,000
Unamortized bond premium				224,669	200,007
2009 Issue Series A Tax Allocation Bonds					
Serial bonds	09/1/10-09/1/20	3.25-6.125%	\$380,000-\$605,000	5,205,000	5,205,000
Term bonds	09/1/21-09/1/29	6.625%	\$635,000-\$3,640,000	13,030,000	13,030,000
Term bonds	09/1/30-09/1/36	7.00%	\$3,875,000-\$10,000,000	37,735,000	37,735,000
Unamortized bond discount				(180,815)	(178,283)
Total Redevelopment Agency Bonds					220,940,068
Net Premiums/(Discounts)					260,068
Outstanding Balance					220,680,000

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

9. LONG-TERM DEBT, Continued

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2009
Governmental Activities, Continued:					
<i>Internal Service Funds</i>					
Loan payable - Santa Cruz County Public Financing Authority					
Loans payable	8/1/88-8/1/06	2.10-4.75%	\$330,000-\$560,000	3,249,566	-
Unamortized bond discount				(42,217)	-
Total Internal Service Funds					-
Total Governmental Activities					\$ 300,949,685
Business-Type Activities:					
<i>Loans Payable</i>					
Enterprise Fund - Sand Dollar Beach (refund original assessment bonds and improvements at Sand Dollar Beach)					
Santa Cruz County Public Financing Authority	9/1/99-9/1/08	4.99-6.09%	\$10,000-\$20,000	\$ 135,000	\$ -
Enterprise Fund - Davenport Sanitation District					
California State Department of Water Resources (used to upgrade existing water facilities)	1/1/88-1/1/22	2.5%	\$4,550-\$10,575	250,000	118,670
California Technology, Trade & Commerce Agency (used to fund sanitation system improvements)	2/28/95-7/1/25	2.50%	\$3,550-\$4,817	310,691	194,211
California State Water Resources Control Board - revolving loan (fund sewer reconstruction project)	5/31/01-5/31/20	2.60%	\$5,940-\$9,429	151,547	91,530
				Total	404,411
				Total Loans	404,411
<i>Capital Leases</i>					
County Disposal Site					177,875
Landfill post closure					5,044,989
Total Business-Type Activities					\$ 5,627,275

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

9. LONG-TERM DEBT, Continued

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Installments	Amount	June 30, 2009
Component Unit - Santa Cruz County Sanitation District (SCCSD)					
2005 Wastewater Revenue Refunding Bonds (financed the SCCSD's share of the improvements to the City of Santa Cruz sewer treatment facility)					
Serial bonds	9/1/05-9/1/19	2.80-5.0%	\$140,000-\$940,000	9,335,000	7,445,000
2004 Issue Limited Obligation Improvement Bonds - Freedom Boulevard Sewer Assessment District (financed construction of sewer facility)					
Serial bonds	9/2/05-9/2/18	1.85-5.25%	\$55,000-\$90,000	950,000	725,000
Loans payable - City of Santa Cruz (construct treatment plant expansion)					
Unamortized bond premium	2000-2019	2.80%	\$928,354-\$1,564,248	24,374,832	13,824,647
				41,252	32,311
Total Component Unit					\$ 22,026,958

A. Governmental Activities

At June 30, 2009, annual debt service requirements of governmental activities to maturity are as follows:

Public Financing Authority

Year Ending June 30,	Refunding Certificates of Participation		Lease Revenue Refunding Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 1,255,000	\$ 1,462,553	\$ 128,331	\$ 78,787	\$ 1,560,000	\$ 1,375,162
2011	1,300,000	1,408,814	128,331	74,616	1,630,000	1,321,221
2012	1,375,000	1,350,928	76,048	70,285	1,680,000	1,261,528
2013	1,425,000	1,288,740	80,801	67,623	1,740,000	1,197,428
2014	1,510,000	1,222,225	83,178	63,381	1,820,000	1,129,885
2015-2019	8,825,000	4,933,009	496,689	245,415	9,690,000	4,472,878
2020-2024	8,420,000	2,634,945	627,396	102,433	10,060,000	2,345,825
2025-2029	5,150,000	627,873			1,295,000	783,990
2030-2034	580,000	62,738			1,620,000	458,091
2035-2039					1,155,000	81,978
Total	\$ 29,840,000	\$ 14,991,825	\$ 1,620,774	\$ 702,540	\$ 32,250,000	\$ 14,427,986

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

9. LONG-TERM DEBT, Continued

A. Governmental Activities, Continued

Year Ending June 30,	Lease Revenue Bonds		Revenue Bonds		Local Agency Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 200,000	\$ 323,676	\$ 335,000	\$ 84,270	\$ 25,000	\$ 16,670
2011	205,000	316,334	360,000	62,455	20,000	15,513
2012	215,000	308,456	380,000	38,675	25,000	14,330
2013	220,000	300,026	405,000	13,163	25,000	12,999
2014	230,000	290,966			30,000	11,520
2015-2019	1,305,000	1,298,044			160,000	32,443
2020-2024	1,585,000	971,360			35,000	963
2025-2029	1,935,000	567,766				
2030-2034	1,395,000	101,294				
2035-2039						
Total	\$ 7,290,000	\$ 4,477,922	\$ 1,480,000	\$ 198,563	\$ 320,000	\$ 104,438

The Lease Revenue Refunding Bonds, Refunding Certificates of Participation, Certificates of Participation, and Lease Revenue Bonds retirements and related interest payments are paid from revenues from the General Fund. The Revenue Bonds retirements and related interest payments are paid from revenues generated from the Flood Control Zone No. 7 Special Revenue Fund. The Local Agency Revenue Bonds retirements and related interest payments are paid from revenues generated from property owner's assessments.

California Health Facilities Financing Authority (CHFFA)

Year Ending June 30,	Principal	Interest	Total
2010	\$ 216,280	\$ 29,659	\$ 245,939
2011	232,623	13,555	246,178
2012	60,853	731	61,584
Total	\$ 509,756	\$ 43,945	\$ 553,701

California Transportation Finance Bank

Year Ending June 30,	Principal	Interest	Total
2010	\$ 600,000	\$ 5,737	\$ 605,737
Total	\$ 600,000	\$ 5,737	\$ 605,737

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

9. LONG-TERM DEBT, Continued

A. Governmental Activities, Continued

Redevelopment Agency

Year Ending June 30,	Principal	Interest	Total
2010	\$ 3,455,000	\$ 12,011,823	\$ 15,466,823
2011	3,960,000	11,673,475	15,633,475
2012	4,115,000	11,513,986	15,628,986
2013	4,290,000	11,340,010	15,630,010
2014	4,465,000	11,153,097	15,618,097
2015-2019	25,515,000	52,462,012	77,977,012
2020-2024	32,325,000	45,429,258	77,754,258
2025-2029	41,565,000	35,925,885	77,490,885
2030-2034	61,480,000	21,321,669	82,801,669
2035-2037	39,510,000	3,490,294	43,000,294
Total	<u>220,680,000</u>	<u>\$ 216,321,509</u>	<u>\$ 437,001,509</u>
Unamortized Premiums	621,542		
Unamortized Discounts	(361,474)		
Total	<u>\$ 220,940,068</u>		

The Tax Allocation Bonds retirements and related interest payments are secured by the pledge of tax revenues. The loan payable principal and interest are paid from Agency revenues.

B. Business-Type Activities

At June 30, 2009, annual debt service requirements for loans payable of business-type activities to maturity are as follows:

Year Ending June 30,	Loans Payable	
	Principal	Interest
2010	\$ 25,603	\$ 10,959
2011	26,257	10,282
2012	26,950	9,586
2013	27,655	8,873
2014	28,399	8,140
2015-2019	153,613	29,014
2020-2024	112,977	8,756
2025	2,957	41
Total	<u>\$ 404,411</u>	<u>\$ 85,651</u>

Loans payable principal and interest are paid from various enterprise fund revenues.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

9. LONG-TERM DEBT, Continued

C. Component Unit

At June 30, 2009, annual debt service requirements of the District to maturity are as follows:

Year Ending June 30,	2005 Wastewater Revenue Bonds		2004 Limited Obligation Refunding Improvement Bonds		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 535,000	\$ 298,628	\$ 60,000	\$ 32,730	\$ 1,217,082	\$ 387,090
2011	705,000	280,733	60,000	30,390	1,251,160	353,012
2012	730,000	256,263	65,000	27,825	1,286,193	317,979
2013	765,000	229,231	65,000	25,030	1,322,206	281,966
2014	800,000	196,800	70,000	21,990	1,359,228	244,944
2015-2019	3,770,000	436,450	405,000	53,978	7,388,778	632,080
2020-2024	140,000	2,800				
Total	\$ 7,445,000	\$ 1,700,905	\$ 725,000	\$ 191,943	\$ 13,824,647	\$ 2,217,071

During 2005, the District issued \$9,335,000 of 2005 Wastewater Revenue Refunding Bonds which refunded the 1977 Sewer Revenue Bonds, Series A, and the 1994 COPs issued for the wastewater treatment plant. The bonds are obligations of the District, and are payable from and secured by a pledge of net revenues.

During 2005, the District issued Limited Obligation Refunding Improvement Bonds to refinance the 2004 Freedom Boulevard Sewer Special Assessment bonds, pay costs related to the issuance of the bonds and to make a deposit to a Reserve Fund.

The Loans Payable – County of Santa Cruz principal and related interest payments are payable from the District’s net revenues after provision has been made for payment on the District’s 1977 Revenue Bonds.

D. Legal Debt Limit

The County’s legal annual debt service limit as of June 30, 2009, is \$406,646,459. The County’s legal debt service limit is 1.25% of the total full cash valuation of all real and personal property within the County.

E. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. The County has hired a consultant to perform calculations of excess investment earnings on various bonds and financings.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

10. PLEDGE OF FUTURE REVENUES

PFA 2002A Lease Revenue Refunding Bonds

The revenues of the Santa Cruz Consolidated Emergency Communications Center (SCCECC) have been pledged to repay \$5,760,000 in lease revenue refunding bonds issued in January 2003. The SCCECC was formed in a Joint Powers Authority Agreement with the cities of Santa Cruz, Watsonville, and Capitola and the County of Santa Cruz. Proceeds from the bonds provided funds to refinance an existing lease and to fund equipment purchases. The bonds are payable from use payments paid to the SCCECC by the different governmental agencies. Annual principal and interest payments on the bonds continue through 2024 and are expected to require less than 12 percent of revenues. The total principal and interest remaining to be paid on the bonds is \$2,323,315. Principal and interest paid for the current year and total customer revenues were \$428,413 and \$4,578,122, respectively.

PFA 1995 Series B Revenue Bond

The County has pledged future revenues of the Flood Control Zone No. 7 District to repay \$4.35 million in revenue bonds issued in August 1995. Proceeds from the bonds provided financing for improvements relating to flood control facilities and levees within Flood Control Zone No. 7. The bonds are payable solely from service charges to be levied against property in the Flood Control Zone No. 7 District and are payable through 2012. Annual principal and interest payments on the bonds are expected to require less than 35 percent of revenues. The total principal and interest remaining to be paid on the bonds is \$1,678,563. Principal and interest paid for the current year and total customer revenues were \$423,404 and \$1,547,327, respectively.

RDA Tax Increment Bond

The County has pledged to the repayment of the 2000 Refunding Bonds, the 2000 Series A Bonds, the 2003 Refunding Bonds, the 2005 Series A Bonds, the 2005 Series B Bonds, the 2007 Taxable Refunding Bonds, and the 2007 Series A Refunding Bonds (the "Bonds") Tax Revenues of the County's Live Oak/Soquel Community Improvement Project Area pursuant to the various applicable Indentures of Trust, through the final maturity of the Bonds on September 1, 2035, or early retirement of the Bonds, whichever occurs first. Tax Revenues consist of tax increment revenues allocated to the County with respect to the Live Oak/Soquel Community Improvement Project Area pursuant to Section 33670 of the Redevelopment Law excluding (i) that portion of such Tax Increment Revenues required to be paid under the Tax-Sharing Agreements, unless the payment of such amounts has been subordinated to the payment of Debt Service on the Bonds; (ii) the School District Election Amount; and (iii) amounts required to be paid as Statutory Tax Sharing. Annual principal and interest payments on the Bonds are expected to require less than 48 percent of Tax Revenues. The total principal and interest remaining to be paid on the Bonds is \$437,001,509.

At June 30, 2009, the total Tax Revenues for the current year were \$23,881,753, and total debt service payment was \$11,562,339. The ratio of Tax Revenues to the Bonds debt service payments required 48% of the total tax increment revenues.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

11. LANDFILL CLOSURE AND POSTCLOSURE COSTS

The County operates the Buena Vista Landfill for the disposal of municipal waste and a transfer station at the site of the closed Ben Lomond Landfill. State and federal laws and regulations, including the California Integrated Waste Management Board Title 14, California State Water Resources Control Board Title 23, and the Environmental Protection Agency Subtitle D of the Codified Federal Regulations 40, require the County to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that landfills stop accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on the County landfill's capacity used as of June 30 of each year.

As of June 30, 2009, a liability for closure and postclosure maintenance in the amount of \$5,044,989 is reflected in the County Disposal Sites Enterprise Fund based upon landfill capacity used to date. As of June 30, 2009, Ben Lomond Landfill was filled to 100% capacity, and the County estimates that the Buena Vista Landfill is filled to 57.3% of capacity with an estimated remaining useful life of 13 years. The Ben Lomond Landfill was closed during 1989 and the closure and postclosure care costs have been fully paid. The County will recognize the remaining estimated cost of closure and postclosure maintenance of \$3,814,469 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2009. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The estimates will also be adjusted annually for inflation or deflation, in accordance with State guidelines.

The County is required by State and Federal laws and regulations to make annual contributions to a fund to finance closure and postclosure maintenance. The County is in compliance with these requirements, and at June 30, 2009, cash of \$5,279,095 is held for this purpose, reported as restricted assets on the Statement of Net Assets. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users.

Postclosure maintenance for both the Buena Vista and closed Ben Lomond Landfills are provided for through a "Pledge of Revenue." The Board adopted resolutions pledging future Refuse Disposal District (CSA 9-C) revenues annually through the prescribed postclosure maintenance period. An initial postclosure cost was estimated at the time of adoption of the Pledge of Revenue resolutions and is adjusted for inflation on an annual basis.

12. DEFICIT NET ASSETS AND FUND BALANCES

The following governmental funds had a deficit fund balance at June 30, 2009:

Off Highway Road and Transportation	\$ 890,187
-------------------------------------	------------

The Off Highway Road and Transportation Fund had deficit net assets of \$890,187 that resulted from current year losses. This deficit is due to a combination of not accruing the Prop 42 funds and the engineering department not applying for the 1B funds in a timely manner. This will be closely monitored to prevent this from happening in the subsequent years.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

12. DEFICIT NET ASSETS AND FUND BALANCES, Continued

Individual proprietary fund deficit net assets at June 30, 2009 are as follows:

Internal Service Funds:	
Central Duplicating	\$ 417,044
Self-Insurance - Worker's Compensation	20,046,202
State Unemployment Insurance	41,663

The Central Duplicating Fund had deficit net assets of \$417,044 that resulted from current year losses. Each fiscal year, rates are calculated and any deficit balance from the prior year is reflected in the subsequent years' calculation.

The Workers' Compensation Fund had deficit net assets of \$20,046,202, related to the losses payable for claims and the inclusion of estimates for incurred but not reported (IBNR) claims. Management anticipates that the County will have sufficient funds to pay annual requirements. This fund will normally show up as a deficit since the County is set up on a pay-as-you go program.

The State Unemployment Insurance Fund had deficit net assets of \$41,633 that resulted from current year losses. Each fiscal year, rates are calculated and any deficit balance from the prior year is reflected in the subsequent years' calculation.

13. DEFINED BENEFIT PENSION PLAN

A. Plan Description

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

B. Funding Policy

Active plan members are required by State statute to contribute 7% and 9% of annual covered salary for miscellaneous and safety employees respectively. The County makes the contributions required of County employees on their behalf and for their account for Service Employees International Union employees only, other employees pay their own contributions. The County is required to contribute for fiscal year 2008-2009 at an actuarially determined rate of 12.197% for miscellaneous employees, 14.201% for safety employees, and 25.642% for safety sheriff employees. Separately funded plans have been established for each employee group. Benefit provisions and all other requirements are established by State statute and County contracts with employee bargaining groups. The contribution requirements of plan members and the County are established by PERS.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

13. DEFINED BENEFIT PENSION PLAN, Continued

C. Annual Pension Costs

The County's annual pension cost for the current year and two previous years was \$33,906,000, \$33,186,000, and \$31,079,000, respectively. These were equal to the County's required and actual contributions. The required contribution was determined as part of the June 30, 2006, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included; (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.25% to 14.45% for miscellaneous employees, 3.25% to 13.15% for safety employees and 3.25% to 13.15% for sheriff safety employees depending on age, service, and type of employment, and (c) 3.0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period. PERS unfunded actuarial accrued liabilities (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2006 was 26 years for miscellaneous employees and 32 years for safety employees for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2007	\$ 31,079,000	100%	\$ -
6/30/2008	33,186,000	100%	-
6/30/2009	33,906,000	100%	-

The County contributes to the California Public Employees' Retirement System (CalPERS), under an agent multiple - employer public employee defined benefit pension plan. The amounts reflected herein represent the County's portion as reported by CalPERS.

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Liability as a Percentage of Covered Payroll
2008	\$ 777,973,719	\$ 896,535,343	\$ 118,561,624	86.8%	\$ 172,139,238	68.9%

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

14. POST-RETIREMENT HEALTH CARE BENEFITS

Plan Description. Employees of the County who retire through PERS, their spouse, and eligible dependents may receive health plan coverage through the Public Employees' Medical & Hospital Care Program (PEMHCA) Plan (Plan). The Plan is a defined benefit plan which provides the retirees a monthly medical contribution that is not to exceed the cost of the plan selected. The cost of the plan to the County for each bargaining group will be determined through PERS regulations and requirements.

Retirees of certain bargaining units may choose to enroll in the Operating Engineers Health & Welfare Trust Medical Plan (Operating Engineers Plan). The Operating Engineers Plan shall have the same requirements as the PEMHCA Plan regarding eligibility, application for enrollment, coverage for employees and retirees, and current and new dependents, termination of coverage of enrollees, available plans, plan design, and all other provisions related to medical plans offered by PERS. The provisions of the Operating Engineers Plan shall terminate upon meeting any of the following conditions:

1. Death of the retired employee
2. Eligibility of the retired employee for Medicare
3. Employment with another employer with whom the retired employee is eligible for health coverage.

In subsequent years, the monthly retiree contributions shall increase by the minimum 5% statutory requirements until it is equal to active contributions, with a maximum increase of \$100 per year.

Eligibility. All of the County's employees became participants in accordance with the Memorandum of Understanding (MOU) as negotiated by each group or bargaining unit. In order to receive benefits, eligible employees must meet the minimum requirements defined in their MOU.

PEMHCA Plan - the plan is eligible to plan members who retire directly from the County through CalPERS at age 50 with at least 5 years of service.

Operating Engineers Plan - the plan is eligible to plan members who retire directly from the County through PERS at age 50 with at least 20,800 hours of continuous service with the County at the time of separation.

The numbers of participants in the Plans are as follows:

Participants as of January 1, 2007*	Total
Active employees	2,402
Retirees	653
Total	3,055

* Most recent information available.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

14. POST-RETIREMENT HEALTH CARE BENEFITS, Continued

Funding Policy. The contribution requirements for the County are established by a Memorandum of Understanding as negotiated by each group or bargaining unit. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2009, the County contributed \$3,819,923 to the plan distributed as follows:

	<u>Amount</u>
Miscellaneous	\$ 3,599,684
Safety	220,239
Total	<u>\$ 3,819,923</u>

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost (expense) is calculated based on the *Annual Required Contribution of the Employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the Plan:

	<u>Total</u>
Annual required contribution	\$ 25,412,000
Interest on net OPEB obligation	1,905,900
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>27,317,900</u>
Contributions made	<u>(3,819,923)</u>
Increase in net OPEB obligation	23,497,977
Net OPEB obligation - beginning of year	21,372,000
Net OPEB obligation - end of year	<u>\$ 44,869,977</u>

The County's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Contribution</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2008	\$ 24,612,000	\$ 3,240,000	13.2%	\$ 21,372,000
6/30/2009	27,317,900	3,819,923	14.0%	23,497,977

Funded Status and Funding Progress. As of January 1, 2007, the most recent actuarial valuation date, the plan was zero percent funded. The Actuarial Accrued Liability for benefits was \$216,766,000, and the actuarial value of assets was \$0, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$216,766,000. The covered payroll (annual payroll of active employees covered by the plan) was \$153,806,000 and the ratio of UAAL to the covered payroll was 140.90%.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

14. POST-RETIREMENT HEALTH CARE BENEFITS, Continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial Accrued Liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial assumptions involve estimates and assumptions that extend far into the future. These assumptions are subject to future revisions as new facts become known.

In the January 1, 2007 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 7.75% investment rate of return which is based on the expected return on funds invested by CalPERS, and an annual healthcare cost trend rate ranging from 9.7% to 10.9% initially and reduced to an ultimate rate of 4.5% thereafter. The actuarial assumption for inflation was 3%, and the aggregate payroll increases were 3.25%. The Unfunded Actuarial Accrued Liability (UAAL) is being amortized as level percentage of projected payroll on a closed basis. The remaining amortization as of 6/30/2009 was 29 years.

OTHER POSTEMPLOYMENT OBLIGATIONS

SCHEDULE OF FUNDING PROGRESS

The table below shows a one-year analysis of the actuarial value of assets as a percentage of the actuarial accrual liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30, 2009. This is the first year of the post employment obligation information being presented and so prior year's information is not available.

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Liability as a Percentage of Covered Payroll
01/01/07	\$ -	\$ 216,766,000	\$ 216,766,000	0.0%	\$ 153,807,000	140.9%

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

15. DEFERRED COMPENSATION PLAN

The County offers all of its full-time employees a deferred compensation plan (the Plan) created in accordance with Section 457 of the Internal Revenue Code. The Plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or emergency. Employees direct the investment of plan assets into certificates of deposits and various mutual funds. The County has insignificant administrative duties.

As of June 30, 2009, the Plan's assets of \$77,807,963 are not recorded in the County's financial statements as they are deposited with a third party administrator independent of the County.

16. COMMITMENTS AND CONTINGENCIES

As of June 30, 2009, the County has construction contract commitments in the Department of Public Works and in Special Revenue and Capital Project Funds in the amount of \$680,416 and \$2,000,723, respectively.

A. *Litigation*

There are several lawsuits and unresolved disputes involving the County or its employees in which the County is represented by the County Counsel. However, in the opinion of the County Counsel these actions will not, in the aggregate, have a material adverse effect upon the operations or financial position of the County.

B. *Federal and State Grants*

The County participates in a number of Federal and State grant programs subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. However, management does not believe that audit disallowances, if any, would have a significant effect on the financial position of the County.

C. *Medicare and Medi-Cal Reimbursements*

The County's Medicare and Medi-Cal cost reports for certain prior years are in various stages of review by the third-party intermediaries and have not been settled as a result of certain unresolved reimbursement issues. The County believes that it has adequately provided for any potential liabilities which may arise from the intermediaries' review.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

17. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, injuries to employees, natural disasters, medical malpractice, unemployment coverage, and dental benefits to employees. The County is self-insured for its general and auto liability, workers' compensation, property, and employees' dental coverage. The County has chosen to establish risk-financing internal service funds, where assets 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 as presented in the Statistical Section of this report.

Amounts in excess of these limits are self-insured. None of the insurance settlements over the past three years has exceeded the amount of insurance coverage. As of June 30, 2009, the workers' compensation liability limit per occurrence was \$500,000.

The unpaid claims liability included in each of the Self-Insurance Internal Service Funds are based on the results of actuarial studies and include amounts for claims incurred but not reported. 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. It is the County's practice to obtain full actuarial studies bi-annually. Annual premiums are charged by each self-insurance fund using various allocation methods which include actual costs, claims experience, and number of participants.

The change in the balance of claims liabilities during the fiscal years ended June 30, 2009 and two prior years for all self-insurance Internal Service Funds combined is as follows:

	2009	2008	2007
Unpaid claims and claim adjustment expenses, beginning of the fiscal year	\$ 29,707,778	\$ 29,707,778	\$ 26,699,093
Incurred claims and claim adjustment expenses	15,084,586	8,478,164	12,439,326
Claim payments	<u>(9,496,215)</u>	<u>(8,478,164)</u>	<u>(9,430,641)</u>
Unpaid claims and claim adjustment expenses, end of the fiscal year	<u>\$ 35,296,149</u>	<u>\$ 29,707,778</u>	<u>\$ 29,707,778</u>

At June 30, 2009, the Self-Insurance Funds held a total of \$17,765,067 in cash for the payment of these claims.

A. Worker's Compensation

The Workers' Compensation self-insurance program is funded on a cash flow plus contingency reserve basis. The County is liable for the first \$500,000 and carries catastrophic insurance coverage. At June 30, 2009, the estimated future liabilities were \$30,294,000. As permitted by State and Federal guidelines, the Workers' Compensation program is funded on a pay-as-you-go basis. The funding is closely monitored to ensure that claims are paid when due or required by law.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

17. RISK MANAGEMENT, Continued

B. Dental and Medical

On September 30, 1994, the County discontinued its medical self-insurance program. On January 5, 1991, the County established a self-insurance program to provide dental benefits. At June 30, 2009, the County had an estimated future liability of \$39,649 for dental. The County is fully insured for its alternative capitation dental program and for medical coverage for employees represented by Operating Engineers Union Local 3.

C. Liability and Property

The County has a self-insured retention of \$1 million with excess insurance coverage for the general liability program. At June 30, 2009, the County had estimated future liabilities totaling \$4,775,000 which included estimates for known claims and losses incurred but not reported (IBNR).

D. Unemployment Insurance

The Unemployment Insurance self-insurance program is considered a "reimbursable" program by Employment Development Department (EDD), since EDD provides benefits and bills the County quarterly after the fact. As billings are always one quarter in arrears, the estimated future liabilities are based on 25% of the amount budgeted for the new fiscal year. At June 30, 2009, estimated future liabilities were \$187,500.

18. POLLUTION REMEDIATION OBLIGATIONS

In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the County is required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as liabilities or, if appropriate, capitalized when goods and services are acquired if one of the following five specified obligating events occurs:

- The County is compelled to take pollution remediation action because of an imminent endangerment;
- The County violates a pollution prevention-related permit or license;
- The County is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party for remediation, or as a government responsible for sharing costs;
- The County is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation;
- The County commences or legally obligates itself to commence pollution remediation.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

18. POLLUTION REMEDIATION OBLIGATIONS, Continued

At June 30, 2009, the County identified the following sites which met one of the above obligating events:

Lode Street Underground Storage Tank Site

The site was the former location of the District's East Cliff Pump Station underground storage tank (UST). The UST was removed in April 1997. However, levels of hydrocarbons have been detected at the site above acceptable levels. The County has contracted with a consultant for a corrective action plan, which has been approved. The estimated clean-up cost for the underground contamination and monitoring is approximately \$326,000.

Rio Del Mar Pump Station

The site was the former location of the District's Rio Del Mar Pump Station underground storage tank (UST). The UST was removed in 1996. However, levels of hydrocarbons have been detected at the site above acceptable levels. The County has contracted with a consultant for a corrective action plan, which has been approved. The estimated clean-up cost for the underground contamination and monitoring is approximately \$421,000.

At June 30, 2009, the County has recorded pollution remediation obligations in the amount of \$747,000 on the Government-Wide Statement of Net Assets and allocated the total amount to General Government on the Government-Wide Statement of Activities and Changes in Net Assets.

19. SUBSEQUENT EVENTS

On July 9, 2009, the County issued a Tax and Revenue Anticipation Note at 2.00% in the amount of \$50,000,000. Tax and Revenue Anticipation Notes are issued annually as part of a cash management policy to maintain the County's working capital until sufficient taxes or revenues are collected to fund the County's operations. The note is due July 8, 2010 and is collateralized by fiscal year 2009-2010 unrestricted revenues.

On July 29, 2009, the State of California adopted a revised budget for FY 09-10 to close a budget gap approximated at \$24.3 billion. Some of the significant impacts for the County are as follows:

1. Reduction in property tax allocations to the counties and their special districts by an amount equivalent to 8% of the prior year property tax revenues. This shift of revenue is approximately \$5.8 million for the County General Fund, County Library and County Fire and approximately \$5 million for its special districts. The legislation provides for repayment of these funds by June 30, 2013. The legislation also provides financing mechanisms to securitize the State's repayment obligation through State bond financing or local financing in order to avoid a current year loss of revenue to the County and its districts.
2. The deferral or suspension of payments for State mandated services.
3. Major reductions in funding for Health and Human Services.
4. The implementation of a furlough program for most County employees, ranging from 5% - 7.5% reduction in salaries.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

20. PRIOR PERIOD ADJUSTMENTS

A. Government-Wide Financial Statements

The County recorded the following prior period adjustments in the Government-Wide Financial Statements. Adjustments were made to the Governmental activities for capital assets. Business type activities were adjusted in capital assets, deposits, and a correction of internal service allocations from prior years. Accordingly, the net assets as of July 1, 2008, have been restated as follows:

Government-Wide Financial Statements	Net Assets, as Previously Reported	Prior Period Adjustments		Net Assets, As Restated
		Capital Assets	Internal Service Allocation	
Governmental Activities:				
Net assets	\$ 361,346,222	\$ (65,696)	\$ -	\$ 361,280,526
Total governmental activities	<u>\$ 361,346,222</u>	<u>\$ (65,696)</u>	<u>\$ -</u>	<u>\$ 361,280,526</u>
Business-type Activities:				
Net assets	\$ 34,263,589	\$ (69,566)	\$ 2,454,993	\$ 36,649,016
Total business-type activities	<u>\$ 34,263,589</u>	<u>\$ (69,566)</u>	<u>\$ 2,454,993</u>	<u>\$ 36,649,016</u>

B. Fund Financial Statements

The County recorded the following prior period adjustments in the appropriate governmental funds and net assets in the appropriate proprietary funds in the fund financial statements for corrections to deferred credits, capital assets, and deposits with others. Accordingly, the fund balance as of July 1, 2008 has been restated as follows:

Governmental funds

Non-major Special Revenue Fund	Fund Balance, as Previously Reported	Prior Period Adjustments	Fund Balance, As Restated
		Deferred Credits	
Non-major governmental funds	\$ 44,285,849	\$ (65,696)	\$ 44,220,153
Total business-type activities	<u>\$ 44,285,849</u>	<u>\$ (65,696)</u>	<u>\$ 44,220,153</u>

Proprietary funds

Proprietary Funds	Net Assets, as Previously Reported	Prior Period Adjustments		Net Assets, As Restated
		Capital Assets	Deposits with Others	
Enterprise				
County Disposal Sites CSA 9C	\$ 23,042,454	\$ -	\$ 43,274	\$ 23,085,728
Public Ways and Facilities	11,804,197	(112,840)	-	11,691,357
Internal Service				
Public Works	(7,288,272)	17,467	-	(7,270,805)
Total proprietary funds	<u>\$ 27,558,379</u>	<u>\$ (95,373)</u>	<u>\$ 43,274</u>	<u>\$ 27,506,280</u>

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

21. NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* - This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* - This Statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature.

GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* - This Statement incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments.

22. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had expenditures that exceeded appropriations:

<u>Account with excess expenditure</u>	<u>Excess amount</u>
General Fund:	
<i>General Service</i>	
Capital assets	\$ 659,905
	<u><u> </u></u>
Redevelopment Agency Fund:	
Services and supplies	\$ 2,491,461
	<u><u> </u></u>

Expenditures in excess of appropriations are explained as follows:

General Fund - General Service - Capital lease expenditures offset by prior year unbudgeted revenue of "Inception of lease purchase agreement" in the amount of \$5,989,594. Payments are made out of an escrow account. The original lease purchase was approved for the capital expense.

Redevelopment Agency Fund - Overages are due to certain expenditures being accounted for in expenditure categories other than those anticipated during the budget process and are offset by appropriations in other categories.



**REQUIRED SUPPLEMENTARY
INFORMATION (UNAUDITED)**



County of Santa Cruz
Required Supplementary Information (Unaudited)
For the year ended June 30, 2009

BUDGETARY PRINCIPLES

General Budget Policies

In accordance with Chapter 1, Division 3, Title 3, of the Government Code of the State of California, known as the "Budget Act", the County prepares and adopts a budget for each fiscal year. The budget is a compilation of operating budgets from: individual functional units within the General Fund, Special Revenue Funds, Capital Project Funds, and Proprietary Funds (operating plans). Budgets are adopted for all funds except for Debt Service Funds and certain special revenue funds, namely, Public Financing Authority, Health Services, and Geological Hazard Abatement Districts.

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the County Administrative Officer submits to the Board a proposed program budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. In addition, the Auditor-Controller submits a proposed budget containing the line items of revenue and appropriations based upon the County Administrative Office budget proposal.
2. On or before August 20, public hearings are conducted to obtain public comments. Such hearings shall be concluded within 10 calendar days.
3. On or before October 2, the budget is legally enacted through passage of a resolution.
4. On or before November 1, the Auditor-Controller publishes a final budget as recommended by the County Administrative Officer and adopted by the Board of Supervisors.
5. Budget units are expenditure classifications which identify accounting or cost centers necessary or desirable for control of the County financial operation.
6. The County uses formal budgetary integration as a management control device during the year for the primary government and all blended component units, except the Public Financing Authority and certain Special Revenue Funds, which do not annually adopt a budget.
7. Budgets are adopted on a basis consistent with GAAP except for the following different classifications:
 - Interfund transfers are reported as revenues or expenditures for budgetary purposes, however, for GAAP purpose are reported as other financing sources.
 - Proceeds from the sale of assets and the issuance of new debt are reported as revenues for budgetary purposes, however, for GAAP purpose are reported as other financing sources.
8. Budgetary control is maintained at the character level, except for capital assets and other charges which are controlled by line item. Character levels are appropriation totals for salaries and employee benefits, and services and supplies. The Board approves all transfers of budgeted appropriation amounts between budget units within any fund or between expenditures outside of budgetary control limits. Unencumbered appropriations at year-end lapse into fund balance. See the following paragraph for encumbered appropriations at year-end.

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2009

BUDGETARY PRINCIPLES, Continued

General Budget Policies, Continued

The Board made several supplementary budgetary appropriations throughout the year, primarily to the Special Revenue and Capital Project Funds. Other supplemental budgetary appropriations in other funds were not considered material.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary accounting in the General and Special Revenue Funds. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities. Encumbrances at year-end are rebudgeted in the new year.

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2009

Budgetary Comparison Schedule, General Fund

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
FUND BALANCE, BEGINNING	\$ 27,158,802	\$ 27,158,802	\$ 27,158,802	\$ -
RESOURCE (INFLOWS)				
Taxes	90,185,370	90,185,370	91,079,481	894,111
Licenses	10,314,343	10,323,158	9,176,400	(1,146,758)
Fines, forfeitures and penalties	5,264,863	5,595,708	5,169,016	(426,692)
Use of money and property	2,760,487	2,779,957	2,414,717	(365,240)
Aid from other governmental agencies	176,191,752	180,175,392	181,584,172	1,408,780
Charges for current services	49,396,061	51,743,749	52,997,868	1,254,119
Other	3,600,507	3,850,807	2,912,316	(938,491)
Transfers in	34,879,579	36,280,143	7,449,585	(28,830,558)
Proceeds from capital leases	-	110,564	110,563	(1)
Amount Available for Appropriation	372,592,962	381,044,848	352,894,118	(28,150,730)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General Government:				
Board of Supervisors				
Salaries and employee benefits	2,323,700	2,323,700	2,218,881	104,819
Services and supplies	97,069	99,651	81,733	17,918
Appropriations for contingencies	-	512	-	512
Total	2,420,769	2,423,863	2,300,614	123,249
Administrative Office				
Salaries and employee benefits	2,526,787	2,583,392	2,532,100	51,292
Services and supplies	1,452,626	1,212,066	801,408	410,658
Other charges	267,552	267,552	267,551	1
Intrafund transfers	(882,241)	(882,241)	(880,382)	(1,859)
Appropriations for contingencies	-	(196,670)	-	(196,670)
Total	3,364,724	2,984,099	2,720,677	263,422
Auditor-Controller				
Salaries and employee benefits	2,844,950	2,844,950	2,733,389	111,561
Services and supplies	1,800,645	2,132,374	2,063,053	69,321
Other charges	125,033	125,033	124,476	557
Intrafund transfers	(1,740,820)	(1,740,820)	(1,935,053)	194,233
Appropriations for contingencies	-	11,312	-	11,312
Total	3,029,808	3,372,849	2,985,865	386,984

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2009

Budgetary Comparison Schedule, General Fund, Continued

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
General Government, Continued:				
Treasurer - Tax Collector				
Salaries and employee benefits	\$ 1,519,495	\$ 1,519,495	\$ 1,472,267	\$ 47,228
Services and supplies	605,047	454,959	405,298	49,661
Intrafund transfers	(212,141)	(212,141)	(212,141)	-
Total	1,912,401	1,762,313	1,665,424	96,889
Assessor				
Salaries and employee benefits	3,199,566	3,266,356	3,266,353	3
Services and supplies	667,947	380,678	349,650	31,028
Intrafund transfers	(165,354)	(165,354)	(165,686)	332
Appropriations for contingencies	-	30,086	-	30,086
Total	3,702,159	3,511,766	3,450,317	61,449
Purchasing				
Salaries and employee benefits	368,016	379,016	379,008	8
Services and supplies	319,146	256,890	142,256	114,634
Intrafund transfers	(203,697)	(203,697)	(203,697)	-
Total	483,465	432,209	317,567	114,642
County Counsel				
Salaries and employee benefits	2,595,735	2,770,735	2,713,245	57,490
Services and supplies	335,951	297,415	223,152	74,263
Intrafund transfers	(1,226,784)	(1,226,784)	(1,246,910)	20,126
Appropriations for contingencies	-	28,509	-	28,509
Total	1,704,902	1,869,875	1,689,487	180,388
Personnel				
Salaries and employee benefits	2,644,312	2,644,312	2,574,205	70,107
Services and supplies	1,672,465	1,511,088	1,342,839	168,249
Other charges	-	-	-	-
Intrafund transfers	(796,284)	(796,284)	(796,284)	-
Total	3,520,493	3,359,116	3,120,760	238,356
County Clerk/Elections				
Salaries and employee benefits	1,738,098	1,933,098	1,925,552	7,546
Services and supplies	1,771,596	2,044,381	1,561,437	482,944
Capital assets	180,504	180,504	9,785	170,719
Appropriations for contingencies	-	32,663	-	32,663
Total	3,690,198	4,190,646	3,496,774	693,872

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2009

Budgetary Comparison Schedule, General Fund, Continued

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
General Government, Continued:				
Communications				
Salaries and employee benefits	\$ 599,032	\$ 599,032	\$ 531,142	\$ 67,890
Services and supplies	2,462,933	2,459,561	2,325,947	133,614
Intrafund transfers	(516,316)	(516,316)	(308,904)	(207,412)
Appropriations for contingencies	-	300	-	300
Total	2,545,649	2,542,577	2,548,185	(5,608)
General Services				
Salaries and employee benefits	4,923,414	4,930,414	4,879,592	50,822
Services and supplies	3,376,167	3,399,558	3,301,596	97,962
Other charges	481,094	481,094	471,693	9,401
Capital assets	-	-	659,905	(659,905)
Interfund transfers	(4,860,291)	(4,860,291)	(4,601,361)	(258,930)
Appropriations for contingencies	-	27,199	-	27,199
Total	3,920,384	3,977,974	4,711,425	(733,451)
Real Property Management				
Services and supplies	57,225	63,330	63,328	2
Other charges	15	15	-	15
Total	57,240	63,345	63,328	17
Plant Acquisition				
Appropriations for contingencies	670,414	670,414	-	670,414
Total	670,414	670,414	-	670,414
Surveyor				
Services and supplies	725,219	725,219	307,381	417,838
Interfund transfers	-	-	(6,983)	6,983
Total	725,219	725,219	300,398	424,821
DPW Engineering				
Services and supplies	200,375	200,375	128,501	71,874
Total	200,375	200,375	128,501	71,874
Central Stores				
Salaries and employee benefits	147,269	153,269	153,089	180
Services and supplies	52,017	52,022	51,024	998
Intrafund transfers	(185,430)	(185,430)	(190,824)	5,394
Total	13,856	19,861	13,289	6,572
Total General Government	31,962,056	32,106,501	29,512,611	2,593,890

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2009

Budgetary Comparison Schedule, General Fund, Continued

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Protection:				
Courts				
Services and supplies	\$ 45,040	\$ 41,272	\$ 33,367	\$ 7,905
Other charges	2,130,894	2,270,149	2,138,203	131,946
Appropriations for contingencies	-	3,768	-	3,768
Total	2,175,934	2,315,189	2,171,570	143,619
Grand Jury				
Services and supplies	58,063	66,411	63,257	3,154
Total	58,063	66,411	63,257	3,154
Child Support				
Salaries and employee benefits	5,737,019	5,662,019	5,635,360	26,659
Services and supplies	792,964	865,935	791,856	74,079
Other charges	154,017	154,017	153,017	1,000
Appropriations for contingencies	-	2,029	-	2,029
Total	6,684,000	6,684,000	6,580,233	103,767
District Attorney				
Salaries and employee benefits	10,837,932	10,827,772	10,823,511	4,261
Services and supplies	1,141,270	1,204,340	1,204,351	(11)
Other charges	71,809	312,631	299,476	13,155
Capital assets	6,169	-	-	-
Intrafund transfers	(70,466)	(70,466)	(70,167)	(299)
Total	11,986,714	12,274,277	12,257,171	17,106
Public Defender				
Services and supplies	8,342,353	8,342,353	8,207,851	134,502
Total	8,342,353	8,342,353	8,207,851	134,502
Sheriff-Coroner				
Salaries and employee benefits	20,977,472	21,548,446	21,506,474	41,972
Services and supplies	5,117,302	4,878,764	4,373,251	505,513
Other charges	54,444	54,444	52,419	2,025
Capital assets	381,457	1,257,851	682,069	575,782
Intrafund transfers	(2,150)	(2,150)	(30)	(2,120)
Appropriations for contingencies	-	11,036	-	11,036
Total	26,528,525	27,748,391	26,614,183	1,134,208
Jail and Rehabilitation Center				
Salaries and employee benefits	20,378,257	19,925,313	19,795,462	129,851
Services and supplies	5,126,101	4,389,179	4,151,938	237,241
Other charges	32,541	32,541	30,000	2,541
Capital assets	141,990	74,080	47,037	27,043
Intrafund transfers	(5,000)	(5,000)	-	(5,000)
Total	25,673,889	24,416,113	24,024,437	391,676

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2009

Budgetary Comparison Schedule, General Fund, Continued

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
CHARGES TO APPROPRIATIONS				
(OUTFLOWS), Continued				
Public Protection, Continued:				
Probation Department				
Salaries and employee benefits	12,114,508	12,117,403	11,439,969	677,434
Services and supplies	5,466,921	5,194,840	4,032,783	1,162,057
Other charges	103,791	103,791	87,963	15,828
Capital assets	17,500	289,000	228,420	60,580
Intrafund transfers	(259,640)	(91,427)	(116,455)	25,028
Appropriations for contingencies	-	18,450	-	18,450
Total	17,443,080	17,632,057	15,672,680	1,959,377
State Correctional Schools				
Services and supplies	5,740	5,740	-	5,740
Other charges	78,571	75,001	11,808	63,193
Appropriations for contingencies	-	3,570	-	3,570
Total	84,311	84,311	11,808	72,503
Agricultural Commissioner/				
Weights and Measures				
Salaries and employee benefits	1,919,610	1,966,202	1,883,593	82,609
Services and supplies	394,885	399,657	370,980	28,677
Capital assets	5,614	5,614	5,378	236
Intrafund transfers	(141,364)	(141,364)	(153,094)	11,730
Appropriations for contingencies	-	5,770	-	5,770
Total	2,178,745	2,235,879	2,106,857	129,022
Public Works - Other Construction Inspection				
Services and supplies	110,000	110,000	39,230	70,770
Total	110,000	110,000	39,230	70,770
Recorder				
Salaries and employee benefits	613,159	673,159	670,563	2,596
Services and supplies	602,771	515,664	468,308	47,356
Capital assets	-	259,058	175,587	83,471
Intrafund transfers	-	-	45,000	(45,000)
Appropriations for contingencies	-	21,065	-	21,065
Total	1,215,930	1,468,946	1,359,458	109,488

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2009

Budgetary Comparison Schedule, General Fund, Continued

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
CHARGES TO APPROPRIATIONS				
(OUTFLOWS), Continued				
Public Protection, Continued:				
County Emergency Office				
Salaries and employee benefits	\$ 455,479	\$ 379,303	\$ 203,058	\$ 176,245
Services and supplies	324,562	528,069	354,931	173,138
Total	780,041	907,372	557,989	349,383
Local Agency Formation Commission				
Other charges	101,134	101,134	101,133	1
Total	101,134	101,134	101,133	1
Planning Department				
Salaries and employee benefits	9,816,439	9,816,439	9,558,820	257,619
Services and supplies	3,164,787	3,186,540	2,168,007	1,018,533
Other charges	1,045,851	1,045,851	1,045,851	-
Intrafund transfers	(341,502)	(341,502)	(350,792)	9,290
Total	13,685,575	13,707,328	12,421,886	1,285,442
Animal Pound				
Other charges	1,349,347	1,349,347	1,334,068	15,279
Total	1,349,347	1,349,347	1,334,068	15,279
Association of Monterey Bay Area Govts.				
Other charges	33,000	33,000	32,895	105
Total	33,000	33,000	32,895	105
Total Public Protection	118,430,641	119,476,108	113,556,706	5,919,402

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2009

Budgetary Comparison Schedule, General Fund, Continued

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
CHARGES TO APPROPRIATIONS				
(OUTFLOWS), Continued				
Health and Sanitation:				
Health Services Agency				
Salaries and employee benefits	\$ 54,957,898	\$ 56,454,384	\$ 56,336,594	\$ 117,790
Services and supplies	37,731,421	39,135,648	36,630,730	2,504,918
Other charges	23,038,949	23,474,849	21,552,975	1,921,874
Capital assets	16,000	52,250	21,700	30,550
Intrafund transfers	(13,826,695)	(13,540,499)	(11,685,818)	(1,854,681)
Total	101,917,573	105,576,632	102,856,181	2,720,451
Mosquito Abatement				
Salaries and employee benefits	809,430	809,430	716,207	93,223
Services and supplies	426,369	408,339	259,663	148,676
Appropriation for contingencies	-	25,805	-	25,805
Total	1,235,799	1,243,574	975,870	267,704
Air Pollution				
Other charges	31,062	31,062	31,062	-
Total	31,062	31,062	31,062	-
Total Health and Sanitation	103,184,434	106,851,268	103,863,113	2,988,155
Public Assistance:				
Human Services Department				
Salaries and employee benefits	40,904,961	42,130,340	41,869,775	260,565
Services and supplies	12,268,245	12,497,705	11,890,156	607,549
Other charges	12,070,307	12,588,808	11,443,027	1,145,781
Capital Assets	-	110,564	110,563	1
Intrafund transfers	(390,683)	(390,683)	(362,581)	(28,102)
Appropriations for contingencies	-	2,550	-	2,550
Total	64,852,830	66,939,284	64,950,940	1,988,344
Community Programs				
Other charges	4,300,294	4,300,294	4,300,291	3
Total	4,300,294	4,300,294	4,300,291	3

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2009

Budgetary Comparison Schedule, General Fund, Continued

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
CHARGES TO APPROPRIATIONS				
(OUTFLOWS), Continued				
Public Assistance, Continued:				
Categorical Aids				
Other charges	\$ 30,845,631	\$ 30,508,699	\$ 30,078,761	\$ 429,938
Total	30,845,631	30,508,699	30,078,761	429,938
General Assistance				
Services and supplies	17,920	14,735	151	14,584
Other charges	411,168	314,353	272,307	42,046
Total	429,088	329,088	272,458	56,630
Burial of Indegents				
Services and supplies	49,129	49,129	29,847	19,282
Total	49,129	49,129	29,847	19,282
Family Relations				
Services and supplies	74,016	477,016	225,307	251,709
Other charges	887,177	1,002,177	569,396	432,781
Total	961,193	1,479,193	794,703	684,490
Homeless				
Other charges	268,596	269,356	221,829	47,527
Total	268,596	269,356	221,829	47,527
Wards of Court				
Services and supplies	10,000	32,000	29,600	2,400
Other charges	175,000	201,000	100,529	100,471
Total	185,000	233,000	130,129	102,871
Veterans Service Officer				
Salaries and employee benefits	370,941	370,941	312,516	58,425
Services and supplies	38,416	36,110	34,369	1,741
Total	409,357	407,051	346,885	60,166
Total Public Assistance	102,301,118	104,515,094	101,125,843	3,389,251

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2009

Budgetary Comparison Schedule, General Fund, Continued

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Education:				
Agricultural Extension Services				
Salaries and employee benefits	\$ 128,914	\$ 134,914	\$ 134,700	\$ 214
Services and supplies	30,203	30,198	28,727	1,471
Total	159,117	165,112	163,427	1,685
Total Education	159,117	165,112	163,427	1,685
Recreation and Culture:				
Recreation and Cultural Services				
Salaries and employee benefits	5,010,396	5,010,396	4,983,602	26,794
Services and supplies	1,934,500	1,890,612	1,624,435	266,177
Other charges	380,045	380,045	380,043	2
Capital assets	20,000	28,500	26,146	2,354
Intrafund transfers	(339,673)	(339,673)	(345,468)	5,795
Total	7,005,268	6,969,880	6,668,758	301,122
Total Recreation and Culture	7,005,268	6,969,880	6,668,758	301,122
Public Ways and Facilities:				
Public Ways - DPW				
Services and supplies	219,491	223,014	205,904	17,110
Appropriations for contingencies	-	5,292	-	5,292
Total	219,491	228,306	205,904	22,402
Total Public Ways and Facilities	219,491	228,306	205,904	22,402
Debt Service:				
Debt Service				
Services and supplies	44,000	89,165	89,163	2
Other charges	812,780	782,720	764,533	18,187
Intrafund transfers	-	-	-	-
Total	856,780	871,885	853,696	18,189
Total Debt Service	856,780	871,885	853,696	18,189
Total Charges to Appropriations (Outflows)	364,118,905	371,184,154	355,950,058	15,234,096

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2009

Budgetary Comparison Schedule, General Fund, Continued

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
OTHER FINANCING SOURCES/(USES)				
Transfers Out:				
Auditor-Controller	\$ 10,669	\$ 10,669	\$ 10,669	\$ -
General Services	18,000	18,000	18,000	-
Mosquito Abatement	32,000	32,000	-	32,000
Plant Acquisition	1,407,303	1,407,303	-	1,407,303
District Attorney	58,000	58,000	58,000	-
Sheriff-Coroner	73,050	73,050	69,181	3,869
Jail and Rehabilitation Center	-	12,082	6,280	5,802
Probation Department	15,784	15,784	-	15,784
Human Services Department	70,000	70,000	67,801	2,199
Debt Service	6,492,746	6,492,746	6,279,535	213,211
Total transfers out	8,177,552	8,189,634	6,509,466	1,680,168
Total Charges to Appropriations (Outflows)	372,296,457	379,373,788	362,459,524	16,914,264
Net change in fund balances	296,505	1,671,060	(9,565,406)	(11,236,466)
FUND BALANCE, ENDING	\$ 27,455,307	\$ 28,829,862	\$ 17,593,396	\$ (11,236,466)

(Concluded)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2009

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 352,894,118
Differences - budget to GAAP:	
Proceeds related to inception of capital leases are not revenues for financial reporting purposes	(110,563)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(7,449,585)</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u><u>\$ 345,333,970</u></u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	\$ 362,459,524
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(6,509,466)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u><u>\$ 355,950,058</u></u>

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2009

Budgetary Comparison Schedule, Redevelopment Agency

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 127,084,427	\$ 127,084,427	\$ 126,863,840	\$ (220,587)
RESOURCES (INFLOWS):				
Taxes	22,718,655	22,718,655	23,881,753	1,163,098
Fines, forfeits and penalties	-	-	34,679	34,679
Use of money and property	2,340,160	2,340,160	2,497,972	157,812
Other	6,900	6,900	19,665	12,765
Proceeds of long-term debt	-	311,933	-	(311,933)
Sale of capital assets	1,000,000	1,000,000	-	(1,000,000)
Transfers in from escrow account	-	-	-	-
Transfers in	4,562,735	4,762,735	53,972,068	49,209,333
Amounts available for appropriation	30,628,450	31,140,383	80,406,137	49,265,754
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Salaries and employee benefits	2,111,435	2,111,435	(1,198,240)	3,309,675
Services and supplies	2,905,658	5,593,570	8,085,031	(2,491,461)
Capital assets	13,555,000	17,044,515	2,755,586	14,288,929
Other charges	72,787,967	67,118,461	13,101,511	54,016,950
Interest expense	8,172,340	8,172,340	-	8,172,340
Long term debt principal payments	3,390,001	3,390,001	-	3,390,001
Other financing uses	-	-	32,623	(32,623)
Transfers out	4,562,736	4,762,736	15,755,622	(10,992,886)
Total charges to appropriations	107,485,137	108,193,058	38,532,133	69,660,925
FUND BALANCE, ENDING	\$ 50,227,740	\$ 50,031,752	\$ 168,737,844	\$ 118,706,092

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 80,406,137
Differences - budget to GAAP:	
Transfers in from escrow account are inflows of budgetary resources but are not revenues for financial reporting purposes	-
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(53,972,068)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Redevelopment Agency	\$ 26,434,069

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 38,532,133
Differences - budget to GAAP:	
Other financing uses are outflows of budgetary resources but are not expenditures for financial reporting purposes	(32,623)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(15,755,622)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Redevelopment Agency	\$ 22,743,888

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2009

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

SCHEDULE OF FUNDING PROGRESS

The table below shows a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrual liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30 of each year indicated:

Actuarial Valuation Date*	(A) Actuarial Value of Assets	(B) Entry Age Actuarial Accrued Liability	<u>Safety Employees</u>		(E) Covered Payroll	(F) Unfunded (Overfunded) Liability as a Percentage of Covered Payroll [(C)/(E)]
			(C) Unfunded (Overfunded) Actuarial Accrued Liability [(B)-(A)]	(D) Funded Ratio [(A)/(B)]		
2006	\$ 87,098,602	\$ 94,518,739	\$ 7,420,137	92.1%	\$ 12,843,559	57.8%
2007	94,018,249	101,130,792	7,112,543	93.0%	13,605,487	52.3%
2008	100,320,639	108,851,515	8,530,876	92.2%	14,742,955	57.9%

Actuarial Actuarial Valuation Date*	(A) Actuarial Value of Assets	(B) Entry Age Actuarial Accrued Liability	<u>Sheriff Safety Employees</u>		(E) Covered Payroll	(F) Unfunded (Overfunded) Liability as a Percentage of Covered Payroll [(C)/(E)]
			(C) Unfunded (Overfunded) Actuarial Accrued Liability [(B)-(A)]	(D) Funded Ratio [(A)/(B)]		
2006	\$ 53,917,366	\$ 71,694,905	\$ 17,777,539	75.2%	\$ 10,585,101	167.9%
2007	60,274,587	79,666,860	19,392,273	75.7%	11,392,653	170.2%
2008	66,755,223	85,231,576	18,476,353	78.3%	11,340,292	162.9%

*Most recent information available

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2009

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS), Continued

SCHEDULE OF FUNDING PROGRESS, Continued

Miscellaneous Employees

	(A)	(B)	(C)	(D)	(E)	(F)
			Unfunded (Overfunded)			Unfunded (Overfunded)
		Entry Age	Actuarial	Funded		Liability as
Actuarial	Actuarial	Actuarial	Accrued	Ratio	Covered	a Percentage
Valuation	Value of	Accrued	Liability	[(A)/(B)]	Payroll	of Covered
Date*	Assets	Liability	[(B)-(A)]			Payroll
						[(C)/(E)]
2006	\$ 510,379,564	\$ 595,297,145	\$ 84,917,581	85.7%	\$ 131,055,512	64.8%
2007	563,086,816	649,343,449	86,256,633	86.7%	139,874,987	61.7%
2008	610,897,857	702,452,252	91,554,395	87.0%	146,055,991	62.7%

OTHER POSTEMPLOYMENT OBLIGATIONS

SCHEDULE OF FUNDING PROGRESS

The table below shows a one-year analysis of the actuarial value of assets as a percentage of the actuarial accrual liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30, 2009.

			Unfunded (Overfunded)			Unfunded (Overfunded)
		Entry Age	Actuarial	Funded	Covered	Liability as
Actuarial	Actuarial	Actuarial	Accrued	Ratio	Payroll	a Percentage
Valuation	Value of	Accrued	Liability			of Covered
Date*	Assets	Liability	Liability			Payroll
01/01/07	\$ -	\$ 216,766,000	\$ 216,766,000	0.0%	\$ 153,807,000	140.9%

* Most recent information available.

SUPPLEMENTARY INFORMATION



COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES



SUMMARY OF NONMAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

Special Revenue Funds - Account for the proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes.

Debt Service Funds - Account for the accumulation of resources for, and the payment of interest and principal on, revenue bonds issued by the Santa Cruz County Public Financing Authority. The bonds were issued for the purposed of financing certain development activities in the Live Oak/Soquel Community Improvement Project Area, and for refunding outstanding bonds.

Capital Project Funds - Account for financial resources to be used for the acquisition of land of acquisition and construction of major facilities other than those financed by the proprietary funds.



County of Santa Cruz
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2009

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and investments	\$ 20,419,631	\$ -	\$ 3,239,094	\$ 23,658,725
Restricted cash and investments	7,122,396	9,475,122	-	16,597,518
Receivables	991,146	-	146,217	1,137,363
Due from other funds	7,820,791	-	845,086	8,665,877
Advances from other funds	1,725,000	-	-	1,725,000
Total assets	\$ 38,078,964	\$ 9,475,122	\$ 4,230,397	\$ 51,784,483
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 645,701	\$ -	\$ 58,526	\$ 704,227
Due to other funds	9,940,938	-	667,126	10,608,064
Deferred revenue	151,188	-	-	151,188
Total liabilities	10,737,827	-	725,652	11,463,479
Fund Balances:				
Reserved:				
Encumbrances and reappropriations	6,124,759	-	324,087	6,448,846
Debt service	1,972,324	9,475,122	-	11,447,446
Capital asset acquisition	7,024,592	-	-	7,024,592
Unreserved:				
Undesignated, reported in:				
Special revenue funds	12,219,462	-	-	12,219,462
Capital project funds	-	-	3,180,658	3,180,658
Total fund balances	27,341,137	9,475,122	3,504,745	40,321,004
Total liabilities and fund balances	\$ 38,078,964	\$ 9,475,122	\$ 4,230,397	\$ 51,784,483

County of Santa Cruz
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2009

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
REVENUES:				
Taxes	\$ 14,169,167	\$ -	\$ -	\$ 14,169,167
Fines, forfeits and penalties	5,562	-	(120,872)	(115,310)
Use of money and property	454,519	55,989	27,938	538,446
Aid from other governments	13,972,428	-	201,599	14,174,027
Charges for services	9,365,827	-	-	9,365,827
Other	1,369,181	-	514,108	1,883,289
Total revenues	39,336,684	55,989	622,773	40,015,446
EXPENDITURES:				
Current:				
General government	455,943	-	-	455,943
Public protection	12,457,617	-	-	12,457,617
Public ways and facilities	22,073,571	-	-	22,073,571
Health & Sanitation	57,186	-	-	57,186
Public assistance	436,530	-	-	436,530
Education	5,255,979	-	-	5,255,979
Recreation and culture	1,207,167	-	-	1,207,167
Capital outlay	-	-	3,379,747	3,379,747
Debt service:				
Principal	3,446,144	3,390,000	-	6,836,144
Bond issue costs	-	770,405	-	770,405
Original issue discounts	-	180,815	-	180,815
Interest and fiscal charges	3,359,648	8,172,339	-	11,531,987
Total expenditures	48,749,785	12,513,559	3,379,747	64,643,091
REVENUES OVER (UNDER) EXPENDITURES	(9,413,101)	(12,457,570)	(2,756,974)	(24,627,645)
OTHER FINANCING SOURCES (USES):				
Bond proceeds	4,521,655	55,970,000	-	60,491,655
Transfers in	6,311,698	11,194,184	242,914	17,748,796
Transfers out	(3,847,478)	(49,410,630)	(4,253,847)	(57,511,955)
Total other financing sources (uses)	6,985,875	17,753,554	(4,010,933)	20,728,496
Net change in fund balances	(2,427,226)	5,295,984	(6,767,907)	(3,899,149)
FUND BALANCES:				
Beginning of year, as restated	29,768,363	4,179,138	10,272,652	44,220,153
End of year	\$ 27,341,137	\$ 9,475,122	\$ 3,504,745	\$ 40,321,004

County of Santa Cruz
Budgetary Comparison Schedule
Capital Project Funds
For the year ended June 30, 2009

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 10,272,652	\$ 10,272,652	\$ 10,272,652	\$ -
RESOURCES(INFLOWS)				
Fines, forfeits and penalties	-	-	(120,872)	(120,872)
Use of money and property	-	15,600	27,938	12,338
Aid from other governmental agencies	-	229,457	201,599	(27,858)
Other revenue	-	225,262	514,108	288,846
Transfers in	-	100,082	242,914	142,832
Amounts available for appropriation	-	570,401	865,687	295,286
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Capital assets	1,407,303	(1,783,446)	3,379,747	(5,163,193)
Transfers out	2,353,847	4,253,847	4,253,847	-
Total charges to appropriations	3,761,150	2,470,401	7,633,594	(5,163,193)
FUND BALANCE, ENDING	\$ 6,511,502	\$ 8,372,652	\$ 3,504,745	\$ (4,867,907)

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 865,687
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(242,914)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds	\$ 622,773

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 7,633,594
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(4,253,847)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds	\$ 3,379,747



NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds:

Library Fund - Finances library services in the unincorporated area of the County through contracts with the cities of Santa Cruz and Watsonville. Revenue is collected from property taxes in the unincorporated area of the County and from the cities of Scotts Valley and Capitola and is dedicated to the S.C. County Library Joint Powers Authority for library operations.

Fire Fund - Provides support for coordinating fire protection and prevention activities with local fire protection agencies, County departments, and advisory bodies. Revenues consist of taxes and charges for services.

Off Highway, Road and Transportation Fund - Provides for the construction and maintenance of County roads, along with transportation planning activities. Revenues consist primarily of state and federal grants, state taxes, and a state subvention from vehicle license fees.

Public Financing Authority - A legal entity separate from the County, although it is reported as a component unit of the County. The authority facilitates financing for the County and Redevelopment Agency.

Fish and Game Fund - Provides for expenditures, which are used for the protection and propagation of fish and game. Revenues are from the County's share of fines collected for violations of fish and game laws.

Private Revitalization of Downtown Fund - Primarily used to account for Community Development Block Grant programs. The principal sources of revenues are state grants and housing rehabilitation loan repayments.

Park Dedication and State Park Bonds Fund - Finances park land acquisition and park development. Revenues come from development impact fees charged on new residential development and major residential remodeling.

Health Services Fund - Provides for future purchases of health facilities.

Santa Cruz Flood Control and Water Conservation Zone 7 - Supports a special purpose district fund administered by the Department of Public Works. It is governed by an independent Board of Directors. Funding is provided by service charges.

Districts Governed by the Board of Supervisors Public Protection, Health and Sanitation, Recreation and Culture, Public Ways and Facilities Funds - Support a number of special purpose district funds administered by the Department of Public Works. Funding is provided by tax levies and service charges.

Districts Governed by the Board of Supervisors Geologic Hazard Abatement District Funds - Provide for financing and maintaining improvements necessary or incidental to the prevention, mitigation, abatement, or control of geologic hazards.

County of Santa Cruz
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2009

	Special Revenue			
	Library	Fire	Off Highway Road and Transportation	Public Financing Authority
ASSETS				
Cash and investments	\$ 20,445	\$ 2,419,987	\$ 259,025	\$ -
Restricted cash and investments	-	-	-	7,122,396
Receivables	-	-	914,671	-
Due from other funds	-	-	7,820,791	-
Advances from other funds	-	-	-	1,725,000
Total assets	\$ 20,445	\$ 2,419,987	\$ 8,994,487	\$ 8,847,396
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 291,892	\$ 6,154	\$ -
Due to other funds	-	-	9,727,332	186,480
Deferred revenue (credit)	-	-	151,188	-
Total liabilities	-	291,892	9,884,674	186,480
Fund Balances:				
Reserved:				
Encumbrances	-	33,342	4,904,000	-
Debt service	-	-	-	1,972,324
Capital asset acquisition	-	-	-	6,688,592
Total reserved	-	33,342	4,904,000	8,660,916
Unreserved:				
Undesignated	20,445	2,094,753	(5,794,187)	-
Total fund balances	20,445	2,128,095	(890,187)	8,660,916
Total liabilities and fund balances	\$ 20,445	\$ 2,419,987	\$ 8,994,487	\$ 8,847,396

Special Revenue

Fish and Game	Private Revitalization of Downtown	Park Dedication and State Park Bonds	Health Services	Santa Cruz Flood Control and Water Conservation Zone 7	Public Protection	Health and Sanitation
\$ 24,976	\$ 2,002,471	\$ 1,768,278	\$ 846,745	\$ 944,037	\$ 4,750,580	\$ 6,405
-	-	-	-	-	-	-
-	-	27,126	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 24,976</u>	<u>\$ 2,002,471</u>	<u>\$ 1,795,404</u>	<u>\$ 846,745</u>	<u>\$ 944,037</u>	<u>\$ 4,750,580</u>	<u>\$ 6,405</u>
\$ -	\$ 4,200	\$ 11,429	\$ -	\$ 48,061	\$ 152,628	\$ -
-	-	27,126	-	-	-	-
-	-	-	-	-	-	-
-	4,200	38,555	-	48,061	152,628	-
-	-	213,534	-	45,069	632,041	-
-	-	-	-	-	-	-
-	-	-	-	-	336,000	-
-	-	213,534	-	45,069	968,041	-
24,976	1,998,271	1,543,315	846,745	850,907	3,629,911	6,405
24,976	1,998,271	1,756,849	846,745	895,976	4,597,952	6,405
<u>\$ 24,976</u>	<u>\$ 2,002,471</u>	<u>\$ 1,795,404</u>	<u>\$ 846,745</u>	<u>\$ 944,037</u>	<u>\$ 4,750,580</u>	<u>\$ 6,405</u>

(Continued)

County of Santa Cruz
Combining Balance Sheet
Non-Major Special Revenue Funds, Continued
June 30, 2009

	Special Revenue			Total Non-Major Special Revenue Funds
	Recreation and Culture	Public Ways and Facilities	Geologic Hazard Abatement Districts	
ASSETS				
Cash and investments	\$ 1,602,291	\$ 5,592,594	\$ 181,797	\$ 20,419,631
Restricted cash and investments	-	-	-	7,122,396
Receivables	-	49,349	-	991,146
Due from other funds	-	-	-	7,820,791
Advances from other funds	-	-	-	1,725,000
Total assets	\$ 1,602,291	\$ 5,641,943	\$ 181,797	\$ 38,078,964
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,585	\$ 126,752	\$ -	\$ 645,701
Due to other funds	-	-	-	9,940,938
Deferred revenue	-	-	-	151,188
Total liabilities	4,585	126,752	-	10,737,827
Fund Balances:				
Reserved:				
Encumbrances	16,575	280,198	-	6,124,759
Debt service	-	-	-	1,972,324
Capital asset acquisition	-	-	-	7,024,592
Total reserved	16,575	280,198	-	15,121,675
Unreserved:				
Undesignated	1,581,131	5,234,993	181,797	12,219,462
Total fund balances	1,597,706	5,515,191	181,797	27,341,137
Total liabilities and fund balances	\$ 1,602,291	\$ 5,641,943	\$ 181,797	\$ 38,078,964

(Concluded)



County of Santa Cruz
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
For the year ended June 30, 2009

	Special Revenue			
	Library	Fire	Off Highway Road and Transportation	Public Financing Authority
REVENUES:				
Taxes	\$ 4,790,606	\$ 1,748,627	\$ -	\$ -
Fines, forfeits and penalties	-	-	-	-
Use of money and property	-	67,661	(26,442)	54,900
Aid from other governments	118,122	203,516	12,353,893	227,610
Charges for services	-	189,945	660,636	-
Other	-	935,194	260,061	-
Total revenues	4,908,728	3,144,943	13,248,148	282,510
EXPENDITURES:				
Current:				
General government	-	-	-	21,396
Public protection	-	2,836,069	-	-
Public ways and facilities	-	-	16,830,311	46,543
Health & Sanitation	-	-	-	-
Public assistance	-	-	-	-
Education	5,255,979	-	-	-
Recreation and culture	-	-	1,604	-
Debt service:				
Principal	-	-	-	3,446,144
Interest and fiscal charges	-	-	-	3,359,648
Total expenditures	5,255,979	2,836,069	16,831,915	6,873,731
REVENUES OVER (UNDER) EXPENDITURES	(347,251)	308,874	(3,583,767)	(6,591,221)
OTHER FINANCING SOURCES (USES):				
Bond Proceeds	-	-	-	4,521,655
Transfers in	-	-	-	6,279,535
Transfers out	(5,525)	-	-	(1,486,281)
Total other financing sources (uses)	(5,525)	-	-	9,314,909
Net change in fund balances	(352,776)	308,874	(3,583,767)	2,723,688
FUND BALANCES:				
Beginning of year	373,221	1,819,221	2,693,580	5,937,228
Prior period adjustment	-	-	-	-
Beginning of year, as restated	373,221	1,819,221	2,693,580	5,937,228
End of year	\$ 20,445	\$ 2,128,095	\$ (890,187)	\$ 8,660,916

Special Revenue

Fish and Game	Private Revitalization of Downtown	Park Dedication and State Park Bonds	Health Services	Santa Cruz Flood Control and Water Conservation Zone	Public Protection	Health and Sanitation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,015,767	\$ -
5,562	-	-	-	-	-	-
855	45,292	35,705	15,783	14,330	116,928	1,011
-	-	68,696	-	-	427,913	-
-	146,602	166,156	-	1,547,327	1,031,203	-
-	10,951	106,250	-	100	11	-
6,417	202,845	376,807	15,783	1,561,757	7,591,822	1,011
-	-	434,547	-	-	-	-
41,083	-	-	-	1,708,906	7,871,559	-
-	-	-	-	-	-	-
-	-	-	-	-	-	57,186
-	436,530	-	-	-	-	-
-	-	-	-	-	-	-
-	-	114,616	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
41,083	436,530	549,163	-	1,708,906	7,871,559	57,186
(34,666)	(233,685)	(172,356)	15,783	(147,149)	(279,737)	(56,175)
-	-	-	-	-	-	-
-	1,494	-	-	-	20,000	-
-	(1,494)	-	-	(423,404)	(820,000)	-
-	-	-	-	(423,404)	(800,000)	-
(34,666)	(233,685)	(172,356)	15,783	(570,553)	(1,079,737)	(56,175)
59,642	2,245,876	1,929,205	852,962	1,466,529	5,414,708	62,580
-	(13,920)	-	(22,000)	-	262,981	-
59,642	2,231,956	1,929,205	830,962	1,466,529	5,677,689	62,580
\$ 24,976	\$ 1,998,271	\$ 1,756,849	\$ 846,745	\$ 895,976	\$ 4,597,952	\$ 6,405

County of Santa Cruz
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds, Continued
For the year ended June 30, 2009

	Special Revenue			Total Non-Major Special Revenue Funds
	Recreation and Culture	Public Ways and Facilities	Geologic Hazard Abatement Districts	
REVENUES:				
Taxes	\$ 929,129	\$ 685,038	\$ -	\$ 14,169,167
Fines, forfeits and penalties	-	-	-	5,562
Use of money and property	27,579	97,528	3,389	454,519
Aid from other governments	4,957	567,721	-	13,972,428
Charges for services	348,458	5,275,500	-	9,365,827
Other	1,300	55,314	-	1,369,181
Total revenues	1,311,423	6,681,101	3,389	39,336,684
EXPENDITURES:				
Current:				
General government	-	-	-	455,943
Public protection	-	-	-	12,457,617
Public ways and facilities	-	5,196,717	-	22,073,571
Health & Sanitation	-	-	-	57,186
Public assistance	-	-	-	436,530
Education	-	-	-	5,255,979
Recreation and culture	1,090,947	-	-	1,207,167
Debt service:				
Principal	-	-	-	3,446,144
Interest and fiscal charges	-	-	-	3,359,648
Total expenditures	1,090,947	5,196,717	-	48,749,785
REVENUES OVER (UNDER) EXPENDITURES	220,476	1,484,384	3,389	(9,413,101)
OTHER FINANCING SOURCES (USES):				
Bond Proceeds	-	-	-	4,521,655
Transfers in	10,669	-	-	6,311,698
Transfers out	(134,904)	(975,870)	-	(3,847,478)
Total other financing sources (uses)	(124,235)	(975,870)	-	6,985,875
Net change in fund balances	96,241	508,514	3,389	(2,427,226)
FUND BALANCES:				
Beginning of year	1,501,465	5,299,434	178,408	29,834,059
Prior period adjustment	-	(292,757)	-	(65,696)
Beginning of year, as restated	1,501,465	5,006,677	178,408	29,768,363
End of year	\$ 1,597,706	\$ 5,515,191	\$ 181,797	\$ 27,341,137

(Concluded)



County of Santa Cruz
Budgetary Comparison Schedule
Library Special Revenue Fund
For the year ended June 30, 2009

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 373,221	\$ 373,221	\$ 373,221	\$ -
RESOURCES(INFLOWS)				
Taxes	4,858,525	4,858,525	4,790,606	(67,919)
Aid from other governmental agencies	139,713	139,713	118,122	(21,591)
Amounts available for appropriation	4,998,238	4,998,238	4,908,728	(89,510)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	5,305,748	5,305,748	5,239,633	66,115
Other Charges	37,326	37,326	16,346	20,980
Transfers out	5,525	5,525	5,525	-
Total charges to appropriations	5,348,599	5,348,599	5,261,504	87,095
FUND BALANCE, ENDING	\$ 22,860	\$ 22,860	\$ 20,445	\$ (2,415)

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 5,261,504
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(5,525)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 5,255,979

County of Santa Cruz
Budgetary Comparison Schedule
Fire Special Revenue Fund
For the year ended June 30, 2009

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
FUND BALANCE, BEGINNING	\$ 1,819,221	\$ 1,819,221	\$ 1,819,221	\$ -
RESOURCES(INFLOWS)				
Taxes	1,831,320	1,831,320	1,748,627	(82,693)
Use of money and property	44,400	44,400	67,661	23,261
Aid from other governmental agencies	209,108	209,108	203,516	(5,592)
Charges for current services	180,420	203,978	189,945	(14,033)
Other revenue	949,794	960,476	935,194	(25,282)
Amounts available for appropriation	3,215,042	3,249,282	3,144,943	(104,339)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Salaries and employee benefits	67,772	67,772	47,553	20,219
Services and supplies	2,748,448	3,094,880	2,267,408	827,472
Other charges	283,989	283,948	163,643	120,305
Capital assets	387,513	359,858	357,465	2,393
Total charges to appropriations	3,487,722	3,806,458	2,836,069	970,389
FUND BALANCE, ENDING	\$ 1,546,541	\$ 1,262,045	\$ 2,128,095	\$ 866,050

County of Santa Cruz
Budgetary Comparison Schedule
Off Highways Road and Transportation Special Revenue Fund
For the year ended June 30, 2009

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
FUND BALANCE, BEGINNING	\$ 2,693,580	\$ 2,693,580	\$ 2,693,580	\$ -
RESOURCES(INFLOWS)				
Use of money and property	16,725	16,725	(26,442)	(43,167)
Aid from other governmental agencies	28,137,316	31,255,362	12,353,893	(18,901,469)
Charges for current services	3,807,872	3,807,872	660,636	(3,147,236)
Other revenue	-	16,055	260,061	244,006
Transfers in	1,407,303	1,407,303	-	(1,407,303)
Amounts available for appropriation	33,369,216	36,503,317	13,248,148	(23,255,169)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	36,078,534	38,821,004	16,831,915	21,989,089
Total charges to appropriations	36,078,534	38,821,004	16,831,915	21,989,089
FUND BALANCE, ENDING	\$ (15,738)	\$ 375,893	\$ (890,187)	\$ (1,266,080)

County of Santa Cruz
Budgetary Comparison Schedule
Fish and Game Special Revenue Fund
For the year ended June 30, 2009

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 59,642	\$ 59,642	\$ 59,642	\$ -
RESOURCES(INFLOWS)				
Fines, forfeitures and penalties	10,500	10,500	5,562	(4,938)
Use of money and property	3,200	3,200	855	(2,345)
Amounts available for appropriation	13,700	13,700	6,417	(7,283)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Other charges	45,000	45,000	41,083	3,917
Total charges to appropriations	45,000	45,000	41,083	3,917
FUND BALANCE, ENDING	\$ 28,342	\$ 28,342	\$ 24,976	\$ (3,366)

County of Santa Cruz
Budgetary Comparison Schedule
Private Revitalization of Downtown Special Revenue Fund
For the year ended June 30, 2009

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 2,231,956	\$ 2,231,956	\$ 2,231,956	\$ -
RESOURCES(INFLOWS)				
Use of money and property	58,917	58,917	45,292	(13,625)
Charges for current services	400,000	400,000	146,602	(253,398)
Other revenue	1,800	1,800	10,951	9,151
Transfers in	1,494	1,494	1,494	-
Amounts available for appropriation	462,211	462,211	204,339	(257,872)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	1,939,892	1,939,892	365,130	1,574,762
Other charges	80,400	80,400	71,400	9,000
Transfers out	1,494	1,494	1,494	-
Total charges to appropriations	2,021,786	2,021,786	438,024	1,583,762
FUND BALANCE, ENDING	\$ 672,381	\$ 672,381	\$ 1,998,271	\$ 1,325,890

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 204,339
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(1,494)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 202,845

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 438,024
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1,494)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 436,530

County of Santa Cruz
Budgetary Comparison Schedule
Park Dedication and State Park Bonds Special Revenue Fund
For the year ended June 30, 2009

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
FUND BALANCE, BEGINNING	<u>\$ 1,929,205</u>	<u>\$ 1,929,205</u>	<u>\$ 1,929,205</u>	<u>\$ -</u>
RESOURCES(INFLOWS)				
Use of money and property	75,740	75,740	35,705	(40,035)
Aid from other governmental agencies	997,176	997,176	68,696	(928,480)
Charges for current services	365,892	365,892	166,156	(199,736)
Other revenue	95,000	120,000	106,250	(13,750)
Transfers In	47,000	47,000	-	(47,000)
Amounts available for appropriation	<u>1,580,808</u>	<u>1,605,808</u>	<u>376,807</u>	<u>(1,229,001)</u>
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	83,271	83,271	33,177	50,094
Other charges	143,577	143,577	14,000	129,577
Capital assets	3,095,136	3,120,136	501,986	2,618,150
Transfers out	47,000	47,000	-	47,000
Total charges to appropriations	<u>3,368,984</u>	<u>3,393,984</u>	<u>549,163</u>	<u>2,844,821</u>
FUND BALANCE, ENDING	<u>\$ 141,029</u>	<u>\$ 141,029</u>	<u>\$ 1,756,849</u>	<u>\$ 1,615,820</u>

County of Santa Cruz
Budgetary Comparison Schedule
Santa Cruz Control and Water Conservation - Zone 7 Special Revenue Fund
For the year ended June 30, 2009

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 1,466,529	\$ 1,466,529	\$ 1,466,529	\$ -
RESOURCES(INFLOWS)				
Use of money and property	60,000	60,000	14,330	(45,670)
Charges for current services	1,541,612	1,541,612	1,547,327	5,715
Other revenue	-	-	100	100
Amounts available for appropriation	1,601,612	1,601,612	1,561,757	(39,855)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	964,582	962,228	883,871	78,357
Other charges	-	-	-	-
Capital assets	1,190,903	1,108,551	825,035	283,516
Transfers out	428,757	428,757	423,404	5,353
Total charges to appropriations	2,584,242	2,499,536	2,132,310	367,226
FUND BALANCE, ENDING	\$ 483,899	\$ 568,605	\$ 895,976	\$ 327,371

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,132,310
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(423,404)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 1,708,906

County of Santa Cruz
Budgetary Comparison Schedule
Districts Governed by the Board of Supervisors - Public Protection Special Revenue Fund
For the year ended June 30, 2009

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 5,677,689	\$ 5,677,689	\$ 5,677,689	\$ -
RESOURCES(INFLOWS)				
Taxes	6,146,558	6,146,558	6,015,767	(130,791)
Use of money and property	247,050	247,050	116,928	(130,122)
Aid from other governmental agencies	811,715	1,061,678	427,913	(633,765)
Charges for current services	1,214,545	1,214,545	1,031,203	(183,342)
Other revenue	20,000	-	11	11
Transfers in	-	20,000	20,000	-
Amounts available for appropriation	8,439,868	8,689,831	7,611,822	(1,078,009)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Salaries and employee benefits	35,550	35,550	35,453	97
Services and supplies	7,541,281	7,758,516	5,961,817	1,796,699
Other charges	969,380	969,380	940,355	29,025
Capital assets	2,868,160	2,911,612	933,934	1,977,678
Transfers out	800,000	820,000	820,000	-
Total charges to appropriations	12,214,371	12,495,058	8,691,559	3,803,499
FUND BALANCE, ENDING	\$ 1,903,186	\$ 1,872,462	\$ 4,597,952	\$ 2,725,490

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule \$ 7,611,822

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes (20,000)

Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds \$ 7,591,822

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule \$ 8,691,559

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (820,000)

Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds \$ 7,871,559

County of Santa Cruz
Budgetary Comparison Schedule
Districts Governed by the Board of Supervisors - Health and Sanitation Special Revenue Fund
For the year ended June 30, 2009

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 62,580	\$ 62,580	\$ 62,580	\$ -
RESOURCES(INFLOWS)				
Use of money and property	2,000	2,000	1,011	(989)
Amounts available for appropriation	2,000	2,000	1,011	(989)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	64,581	64,581	57,186	7,395
Total charges to appropriations	64,581	64,581	57,186	7,395
FUND BALANCE, ENDING	\$ (1)	\$ (1)	\$ 6,405	\$ 6,406

County of Santa Cruz
Budgetary Comparison Schedule
Districts Governed by the Board of Supervisors - Recreation and Culture Special Revenue Fund
For the year ended June 30, 2009

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 1,501,465	\$ 1,501,465	\$ 1,501,465	\$ -
RESOURCES(INFLOWS)				
Taxes	926,619	926,619	929,129	2,510
Use of money and property	26,502	26,502	27,579	1,077
Aid from other governmental agencies	8,443	8,443	4,957	(3,486)
Charges for current services	333,611	333,611	348,458	14,847
Other revenue	-	-	1,300	1,300
Transfers in	10,669	10,669	10,669	-
Amounts available for appropriation	1,305,844	1,305,844	1,322,092	16,248
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	957,716	957,716	636,202	321,514
Other charges	612,378	612,378	454,745	157,633
Transfers out	134,978	134,978	134,904	74
Total charges to appropriations	1,705,072	1,705,072	1,225,851	479,221
FUND BALANCE, ENDING	\$ 1,102,237	\$ 1,102,237	\$ 1,597,706	\$ 495,469

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,322,092
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(10,669)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Special Revenue Funds	\$ 1,311,423

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,225,851
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(134,904)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 1,090,947

County of Santa Cruz
Budgetary Comparison Schedule
Districts Governed by the Board of Supervisors-Public Ways and Facilities Special Revenue Fund
For the year ended June 30, 2009

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 5,006,677	\$ 5,006,677	\$ 5,006,677	\$ -
RESOURCES(INFLOWS)				
Taxes	679,193	679,193	685,038	5,845
Use of money and property	184,402	184,402	97,528	(86,874)
Aid from other governmental agencies	819,529	928,029	567,721	(360,308)
Charges for current services	5,255,868	5,255,868	5,275,500	19,632
Other revenues	5,025	57,539	55,314	(2,225)
Amounts available for appropriation	6,944,017	7,105,031	6,681,101	(423,930)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	7,536,783	7,731,767	5,030,471	2,701,296
Other charges	107,868	107,868	100,814	7,054
Capital assets	671,111	661,728	65,432	596,296
Transfers out	1,267,799	1,267,319	975,870	291,449
Total charges to appropriations	9,583,561	9,768,682	6,172,587	3,596,095
FUND BALANCE, ENDING	\$ 2,367,133	\$ 2,343,026	\$ 5,515,191	\$ 3,172,165

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 6,172,587
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(975,870)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 5,196,717

NONMAJOR ENTERPRISE FUNDS

Boulder Creek CSA 7, Rolling Woods CSA 10, Place de Mer CSA 2, Sand Dollar Beach CSA 5, Trestle Beach CSA 20, Summit West CSA 54, and Graham Hill CSA 57 - These County Service Areas provide sewer collection, treatment, and disposal services to residents within the district's area. User fees are the principal sources of revenue.

Septic Tank Maintenance CSA 12 - This County Service Area provides maintenance for septic tanks in unincorporated areas of the County. User fees are the principal source of revenue.

Freedom County Sanitation District - This district provides sewage collection, treatment, and disposal services for the residents of the Freedom area. User fees are the principal source of revenue.

Davenport Sanitation District - This district provides sewage collection, treatment, and disposal services as well as the supplying and treatment of water to Davenport, Newtown, and San Vicente. User fees and contributions from the principal commercial customer are the principal sources of revenue.

County of Santa Cruz
Combining Statement of Net Assets
Non-Major Enterprise Funds
June 30, 2009

	Boulder Creek CSA 7	Rolling Woods CSA 10	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 106,855	\$ 16,020	\$ 1,481,157	\$ 3,449,400	\$ 68,277
Restricted cash	-	-	-	-	29,588
Receivables	-	-	-	51,765	304,034
Total current assets	106,855	16,020	1,481,157	3,501,165	401,899
Noncurrent assets:					
Capital assets:					
Nondepreciable					
Construction in progress	30,439	-	-	123,186	218,637
Depreciable, net					
Buildings and structures	1,535,775	321,381	-	5,901,069	3,357,743
Equipment	58,746	694	45,518	13,349	17,345
Accumulated depreciation	(1,103,907)	(185,537)	(45,518)	(3,149,144)	(1,428,480)
Total capital assets	521,053	136,538	-	2,888,460	2,165,245
Total assets	627,908	152,558	1,481,157	6,389,625	2,567,144
LIABILITIES AND NET ASSETS					
Liabilities:					
Current Liabilities:					
Accounts payable	421	1,093	107,391	282,977	14,216
Current portion of other long-term debt	-	-	-	-	25,603
Total current liabilities	421	1,093	107,391	282,977	39,819
Noncurrent Liabilities:					
Other long-term debt	-	-	-	-	378,808
Total noncurrent liabilities	-	-	-	-	378,808
Total liabilities	421	1,093	107,391	282,977	418,627
Net Assets:					
Invested in capital assets, net of related debt	521,053	136,538	-	2,888,460	1,760,850
Restricted:					
Debt service	-	-	-	-	75,922
Deposits with others	-	-	-	-	-
Unrestricted	106,434	14,927	1,373,766	3,218,188	311,745
Total net assets	627,487	151,465	1,373,766	6,106,648	2,148,517
Total liabilities and net assets	\$ 627,908	\$ 152,558	\$ 1,481,157	\$ 6,389,625	\$ 2,567,144

Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20	Summit West CSA 54	Graham Hill CSA 57	Total
\$ 138,960	\$ 122,437	\$ 2,575	\$ 3,220	\$ 348,158	\$ 5,737,059
-	7,226	-	-	-	36,814
-	-	-	-	-	355,799
138,960	129,663	2,575	3,220	348,158	6,129,672
-	-	-	-	-	372,262
188,209	458,781	-	-	-	11,762,958
41,178	-	13,569	-	-	190,399
(116,670)	(149,922)	(6,106)	-	-	(6,185,284)
112,717	308,859	7,463	-	-	6,140,335
251,677	438,522	10,038	3,220	348,158	12,270,007
-	9,190	-	-	-	415,288
-	-	-	-	-	25,603
-	9,190	-	-	-	440,891
-	-	-	-	-	378,808
-	-	-	-	-	378,808
-	9,190	-	-	-	819,699
112,717	299,917	7,463	-	-	5,726,998
-	-	-	-	-	75,922
-	7,226	-	-	-	7,226
138,960	122,189	2,575	3,220	348,158	5,640,162
251,677	429,332	10,038	3,220	348,158	11,450,308
\$ 251,677	\$ 438,522	\$ 10,038	\$ 3,220	\$ 348,158	\$ 12,270,007

County of Santa Cruz
Combining Statement of Revenues, Expenses and Changes in Net Assets
Non-Major Enterprise Funds
For the year ended June 30, 2009

	Boulder Creek CSA 7	Rolling Woods CSA 10	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District
OPERATING REVENUES:					
Charges for services	\$ 362,136	\$ 78,873	\$ 917,937	\$ 629,767	\$ 557,640
Total operating revenues	362,136	78,873	917,937	629,767	557,640
OPERATING EXPENSES:					
Services and supplies	361,343	85,044	1,143,239	765,408	466,384
Depreciation and amortization	55,940	7,969	-	125,752	83,522
Other			4,765		
Total operating expenses	417,283	93,013	1,148,004	891,160	549,906
OPERATING INCOME (LOSS)	(55,147)	(14,140)	(230,067)	(261,393)	7,734
NONOPERATING REVENUES (EXPENSES):					
Aid from other governments	-	-	-	-	67,752
Interest and investment earnings	2,111	184	33,606	62,216	2,636
Interest expense	-	-	-	-	(11,661)
Property taxes	-	-	-	-	24,742
Other	-	-	-	-	1,455
Total nonoperating revenues (expenses)	2,111	184	33,606	62,216	84,924
INCOME (LOSS) BEFORE TRANSFERS	(53,036)	(13,956)	(196,461)	(199,177)	92,658
TRANSFERS:					
Capital contributions	-	-	-	-	50,000
Total transfers	-	-	-	-	50,000
NET INCOME (LOSS)	(53,036)	(13,956)	(196,461)	(199,177)	142,658
NET ASSETS:					
Beginning of the year	680,523	165,421	1,570,227	6,305,825	2,005,859
Prior Period Adjustment	-	-	-	-	-
Beginning of the year, as restated	680,523	165,421	1,570,227	6,305,825	2,005,859
End of the year	\$ 627,487	\$ 151,465	\$ 1,373,766	\$ 6,106,648	\$ 2,148,517

Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20	Summit West CSA 54	Graham Hill CSA 57	Total
\$ 77,884	\$ 250,743	\$ 45,621	\$ -	\$ 81,143	\$ 3,001,744
77,884	250,743	45,621	-	81,143	3,001,744
47,116	241,687	59,518	136	27,264	3,197,139
5,542	12,267	1,357	-	-	292,349
					4,765
52,658	253,954	60,875	136	27,264	3,494,253
25,226	(3,211)	(15,254)	(136)	53,879	(492,509)
-	-	-	-	-	67,752
2,118	1,522	13	61	5,679	110,146
-	379	-	-	-	(11,282)
-	-	-	-	-	24,742
-	8,647	-	-	-	10,102
2,118	10,548	13	61	5,679	201,460
27,344	7,337	(15,241)	(75)	59,558	(291,049)
-	-	-	-	-	50,000
-	-	-	-	-	50,000
27,344	7,337	(15,241)	(75)	59,558	(241,049)
224,333	421,995	25,279	116,135	288,600	11,804,197
-	-	-	(112,840)	-	(112,840)
224,333	421,995	25,279	3,295	288,600	11,691,357
\$ 251,677	\$ 429,332	\$ 10,038	\$ 3,220	\$ 348,158	\$ 11,450,308

County of Santa Cruz
Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the year ended June 30, 2009

	Boulder Creek CSA 7	Rolling Woods CSA 10	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers and users	\$ 362,136	\$ 78,873	\$ 917,937	\$ 629,767	\$ 321,820
Payments to suppliers for goods and services	(100,260)	(50,167)	(1,132,193)	(237,352)	-
Payments for interfund services used	(261,824)	(34,455)	-	(245,125)	(351,912)
Net cash provided (used) by operating activities	52	(5,749)	(214,256)	147,290	(30,092)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Property taxes	-	-	-	-	24,742
Subsidy from other governmental agencies	-	-	-	-	67,752
Net cash provided (used) by noncapital financing activities	-	-	-	-	92,494
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of capital assets	(30,439)	-	-	(33,569)	(77,463)
Principal paid on long-term debt	-	-	-	-	(27,497)
Interest paid on long-term debt	-	-	-	-	(7,482)
Net cash provided (used) by capital and related financing activities	(30,439)	-	-	(33,569)	(112,442)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment earnings received (paid)	2,111	184	33,606	62,216	2,636
Net cash provided (used) by investing activities	2,111	184	33,606	62,216	2,636
Net increase (decrease) in cash and cash equivalents	(28,276)	(5,565)	(180,650)	175,937	(47,404)
Cash and cash equivalents at beginning of year	135,131	21,585	1,661,807	3,273,463	145,269
Cash and cash equivalents at end of year	<u>\$ 106,855</u>	<u>\$ 16,020</u>	<u>\$ 1,481,157</u>	<u>\$ 3,449,400</u>	<u>\$ 97,865</u>

Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20	Summit West CSA 54	Graham Hill CSA 57	Total
\$ 77,884	\$ 250,743	\$ 45,621	\$ -	\$ 81,143	\$ 2,765,924
(12,118)	(86,891)	(27,824)	(126)	(8,202)	(1,655,133)
(34,998)	(156,540)	(40,184)	(10)	(19,062)	(1,144,110)
30,768	7,312	(22,387)	(136)	53,879	(33,319)
-	-	-	-	-	24,742
-	-	-	-	-	67,752
-	-	-	-	-	92,494
-	-	-	-	-	(141,471)
-	(10,058)	-	-	-	(37,555)
-	-	-	-	-	(7,482)
-	(10,058)	-	-	-	(186,508)
2,118	1,522	13	61	5,679	110,146
2,118	1,522	13	61	5,679	110,146
32,886	(1,224)	(22,374)	(75)	59,558	(17,187)
106,074	130,887	24,949	3,295	288,600	5,791,060
\$ 138,960	\$ 129,663	\$ 2,575	\$ 3,220	\$ 348,158	\$ 5,773,873

(Continued)

County of Santa Cruz
Combining Statement of Cash Flows, Continued
Nonmajor Enterprise Funds
For the year ended June 30, 2008

	Boulder Creek CSA 7	Rolling Woods CSA 10	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District
RECONCILIATION OF OPERATING					
INCOME (LOSS) TO NET CASH PROVIDED					
(USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (55,147)	\$ (14,140)	\$ (230,067)	\$ (261,393)	\$ 7,734
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	55,940	7,969	-	125,752	83,522
Changes in assets and liabilities:					
(Increase) decrease in:					
Receivables	-	-	-	-	(123,258)
(Increase) decrease in:					
Payables	(741)	422	15,811	282,931	1,910
Total adjustments	<u>55,199</u>	<u>8,391</u>	<u>15,811</u>	<u>408,683</u>	<u>(37,826)</u>
Net cash provided (used) by operating activities	<u>\$ 52</u>	<u>\$ (5,749)</u>	<u>\$ (214,256)</u>	<u>\$ 147,290</u>	<u>\$ (30,092)</u>

Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20	Summit West CSA 54	Graham Hill CSA 57	Total
\$ 25,226	\$ (3,211)	\$ (15,254)	\$ (136)	\$ 53,879	\$ (492,509)
5,542	12,267	1,357	-	-	292,349
-	-	-	-	-	(123,258)
-	(1,744)	(8,490)	-	-	290,099
5,542	10,523	(7,133)	-	-	459,190
<u>\$ 30,768</u>	<u>\$ 7,312</u>	<u>\$ (22,387)</u>	<u>\$ (136)</u>	<u>\$ 53,879</u>	<u>\$ (33,319)</u>

(Concluded)



INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Central Duplicating Fund - Accounts for the County print shop, copy center, and mail room.

Information Services Fund - Accounts for data processing and telecommunications services provided by County departments.

Public Works Fund - Accounts for such County functions as construction and maintenance of the County road system and management of certain special districts and other related activities.

Service Center Fund - Accounts for the maintenance of the County fleet of vehicles and for related services to other County departments.

Self-Insurance Funds - Account for the County's self-insured risk management, dental and health, liability and property, workers' compensation, employee benefit staffing, and state compensation insurance program.

County of Santa Cruz
Combining Statement of Net Assets
Internal Service Funds
June 30, 2009

	Central Duplicating	Information Services	Public Works	Service Center
ASSETS				
Current assets:				
Cash, cash equivalents and investments	\$ -	\$ 1,349,827	\$ 2,698,428	\$ -
Receivables	-	-	111,984	1,164
Due from other funds	-	3,047	1,906,540	-
Deposits with others	-	-	380,559	-
Inventory	-	-	545,604	27,638
Prepaid items	62,762	-	-	-
Total current assets	62,762	1,352,874	5,643,115	28,802
Capital assets:				
Land	-	-	62,914	34,173
Software in progress	-	517,462	77,368	-
Buildings and structures	-	-	2,391,242	473,443
Equipment	384,193	8,617,767	9,873,600	7,765,097
Accumulated depreciation	(357,716)	(6,719,565)	(9,974,418)	(6,193,323)
Total capital assets	26,477	2,415,664	2,430,706	2,079,390
Total assets	89,239	3,768,538	8,073,821	2,108,192
LIABILITIES AND NET ASSETS				
Liabilities:				
Current Liabilities:				
Accounts payable	12,470	302,070	1,248,214	96,550
Due to other funds	481,926	-	-	1,031,144
Claims liability	-	-	-	-
Compensated absences	10,009	591,673	2,498,845	41,982
Total current liabilities	504,405	893,743	3,747,059	1,169,676
Noncurrent Liabilities:				
Claims liability	-	-	-	-
Compensated absences payable, due in more than one year	1,878	111,023	552,623	2,365
Total noncurrent liabilities	1,878	111,023	552,623	2,365
Total liabilities	506,283	1,004,766	4,299,682	1,172,041
Net Assets:				
Invested in capital assets, net of related debt	26,477	2,415,664	2,430,706	2,079,390
Unrestricted	(443,521)	348,108	1,343,433	(1,143,239)
Total net assets	(417,044)	2,763,772	3,774,139	936,151
Total liabilities and net assets	\$ 89,239	\$ 3,768,538	\$ 8,073,821	\$ 2,108,192

Self-Insurance							
Risk Management and Self-Insurance	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance	Employee Benefit Staffing	State Unemployment Insurance		Total
\$ 551,235	\$ 1,342,081	\$ 4,906,936	\$ 10,275,380	\$ 543,607	\$ 145,837		\$ 21,813,331
-	100,041	-	-	-	-		213,189
-	-	1,513,070	-	-	-		3,422,657
-	-	-	150,000	-	-		530,559
-	-	-	-	-	-		573,242
-	-	-	-	-	-		62,762
551,235	1,442,122	6,420,006	10,425,380	543,607	145,837		26,615,740
-	-	-	-	-	-		97,087
-	-	-	-	-	-		594,830
-	-	-	-	-	-		2,864,685
55,237	-	-	-	-	-		26,695,894
(55,237)	-	-	-	-	-		(23,300,259)
-	-	-	-	-	-		6,952,237
551,235	1,442,122	6,420,006	10,425,380	543,607	145,837		33,567,977
32,673	35,200	168,859	177,582	18,310	-		2,091,928
-	-	-	-	-	-		1,513,070
-	16,460	1,982,288	12,576,218	-	77,839		14,652,805
33,370	-	-	-	15,003	-		3,190,882
66,043	51,660	2,151,147	12,753,800	33,313	77,839		21,448,685
-	23,189	2,792,712	17,717,782	-	109,661		20,643,344
-	-	-	-	1,259	-		669,148
-	23,189	2,792,712	17,717,782	1,259	109,661		21,312,492
66,043	74,849	4,943,859	30,471,582	34,572	187,500		42,761,177
-	-	-	-	-	-		6,952,237
485,192	1,367,273	1,476,147	(20,046,202)	509,035	(41,663)		(16,145,437)
485,192	1,367,273	1,476,147	(20,046,202)	509,035	(41,663)		(9,193,200)
\$ 551,235	\$ 1,442,122	\$ 6,420,006	\$ 10,425,380	\$ 543,607	\$ 145,837		\$ 33,567,977

County of Santa Cruz
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2009

	Central Duplicating	Information Services	Public Works	Service Center
OPERATING REVENUES:				
Charges for services	\$ 873,971	\$ 10,961,875	\$ 36,553,987	\$ 2,097,434
Other revenues	-	299,280	-	-
Total operating revenues	873,971	11,261,155	36,553,987	2,097,434
OPERATING EXPENSES:				
Salaries and employee benefits	239,816	6,519,295	27,630,635	525,712
Services and supplies	509,417	3,834,323	6,264,041	1,072,368
Insurance and compensation claims	-	84,614	1,403,492	24,723
Other charges	88,255	-	-	233,964
Depreciation and amortization	17,161	617,166	633,317	892,144
Total operating expenses	854,649	11,055,398	35,931,485	2,748,911
OPERATING INCOME (LOSS)	19,322	205,757	622,502	(651,477)
NONOPERATING REVENUES (EXPENSES):				
Gain (loss) on disposal of capital assets	-	-	90,747	3,576
Amortization of bond issuance costs	-	-	(12,169)	-
Amortization of bond discount	-	-	(6,031)	-
Interest and investment earnings	-	-	-	-
Interest expense	-	(7,324)	(5,609)	-
Total nonoperating revenues (expenses)	-	(7,324)	66,938	3,576
INCOME (LOSS) BEFORE TRANSFERS	19,322	198,433	689,440	(647,901)
TRANSFERS:				
Transfers in	-	517,462	-	89,132
Total transfers	-	517,462	-	89,132
NET INCOME (LOSS)	19,322	715,895	689,440	(558,769)
NET ASSETS:				
Beginning of the year	(436,366)	2,047,877	3,067,232	1,494,920
Prior period adjustment	-	-	17,467	-
Beginning of the year, as restated	(436,366)	2,047,877	3,084,699	1,494,920
End of the year	\$ (417,044)	\$ 2,763,772	\$ 3,774,139	\$ 936,151

Self-Insurance							
Risk Management and Self-Insurance	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance	Employee Benefit Staffing	State Unemployment Insurance	Total	
\$ 910,000	\$ 2,090,328	\$ 3,259,820	\$ 7,761,295	\$ 938,844	\$ 300,000	\$ 65,747,554	
-	-	14,225	1,827	-	-	315,332	
910,000	2,090,328	3,274,045	7,763,122	938,844	300,000	66,062,886	
581,535	-	-	-	356,775	-	35,853,768	
501,895	7,890	603,462	892,158	349,651	2,245	14,037,450	
11,520	2,016,615	3,246,513	9,175,214	-	634,722	16,597,413	
-	4,943	-	-	32,712	-	359,874	
-	-	-	-	-	-	2,159,788	
1,094,950	2,029,448	3,849,975	10,067,372	739,138	636,967	69,008,293	
(184,950)	60,880	(575,930)	(2,304,250)	199,706	(336,967)	(2,945,407)	
-	-	-	-	-	-	94,323	
-	-	-	-	-	-	(12,169)	
-	-	-	-	-	-	(6,031)	
10,658	25,834	125,334	170,245	14,093	7,064	353,228	
-	-	-	-	-	-	(12,933)	
10,658	25,834	125,334	170,245	14,093	7,064	416,418	
(174,292)	86,714	(450,596)	(2,134,005)	213,799	(329,903)	(2,528,989)	
-	-	-	-	-	-	606,594	
-	-	-	-	-	-	606,594	
(174,292)	86,714	(450,596)	(2,134,005)	213,799	(329,903)	(1,922,395)	
659,484	1,280,559	1,926,743	(17,912,197)	295,236	288,240	(7,288,272)	
-	-	-	-	-	-	17,467	
659,484	1,280,559	1,926,743	(17,912,197)	295,236	288,240	(7,270,805)	
\$ 485,192	\$ 1,367,273	\$ 1,476,147	\$ (20,046,202)	\$ 509,035	\$ (41,663)	\$ (9,193,200)	

County of Santa Cruz
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2009

	Central Duplicating	Information Services	Public Works	Service Center
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers, including cash deposits	\$ 873,971	\$ 11,258,108	\$ 36,549,694	\$ 2,098,278
Cash received from interfund services provided	-	-	(7,638,492)	-
Cash paid to suppliers	(545,437)	(4,015,418)	-	(1,295,702)
Cash paid to employees	(243,095)	(6,409,944)	(27,564,350)	(508,955)
Cash receipts (payments) other	(88,255)	-	(1,986,369)	-
Net cash provided (used) by operating activities	(2,816)	832,746	(639,517)	293,621
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	-	517,462	-	89,131
Transfers to other funds	-	-	-	-
Loan proceeds	481,926	-	-	1,031,144
Loan repayments	(477,820)	-	-	(638,244)
Net cash provided (used) by noncapital financing activities	4,106	517,462	-	482,031
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	-	-	90,747	19,760
Purchase of capital assets	(1,290)	(1,383,808)	(158,659)	(795,412)
Principal payments on long-term debt	-	-	(328,860)	-
Interest payments on long-term debt	-	-	(23,809)	-
Net cash provided (used) by capital and related financing activities	(1,290)	(1,383,808)	(420,581)	(775,652)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment earnings received (paid)	-	-	-	-
Net cash provided (used) by investing activities	-	-	-	-
Net increase (decrease) in cash and cash equivalents	-	(33,600)	(1,060,098)	-
Cash and cash equivalents at beginning of year	-	1,383,427	3,758,526	-
Cash and cash equivalents at end of year	\$ -	\$ 1,349,827	\$ 2,698,428	\$ -

Self-Insurance							
Risk Management and Self-Insurance	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance	Employee Benefit Staffing	State Unemployment Insurance		Total
\$ 910,000	\$ 2,050,043	\$ 3,259,820	\$ 7,761,295	\$ 938,844	\$ 300,000		\$ 66,000,053
-	-	-	-	-	-		(7,638,492)
(515,504)	(2,081,447)	(3,786,546)	(4,731,449)	(382,363)	(524,467)		(17,878,333)
(574,198)	-	-	-	(352,796)	-		(35,653,338)
-	-	14,225	1,827	-	-		(2,058,572)
(179,702)	(31,404)	(512,501)	3,031,673	203,685	(224,467)		2,771,318
-	-	1,116,063	-	-	-		1,722,656
-	-	(1,513,070)	-	-	-		(1,513,070)
-	-	-	-	-	-		1,513,070
-	-	-	-	-	-		(1,116,064)
-	-	(397,007)	-	-	-		606,592
-	-	-	-	-	-		110,507
-	-	-	-	-	-		(2,339,169)
-	-	-	-	-	-		(328,860)
-	-	-	-	-	-		(23,809)
-	-	-	-	-	-		(2,581,331)
10,658	25,834	125,334	170,245	14,093	7,064		353,228
10,658	25,834	125,334	170,245	14,093	7,064		353,228
(169,044)	(5,570)	(784,174)	3,201,918	217,778	(217,403)		1,149,807
720,279	1,347,651	5,691,110	7,073,462	325,829	363,240		20,663,524
\$ 551,235	\$ 1,342,081	\$ 4,906,936	\$ 10,275,380	\$ 543,607	\$ 145,837		\$ 21,813,331

(Continued)

County of Santa Cruz
Combining Statement of Cash Flows, Continued
Internal Service Funds
For the year ended June 30, 2008

	Central Duplicating	Information Services	Public Works	Service Center
RECONCILIATION OF OPERATING				
INCOME (LOSS) TO NET CASH PROVIDED				
(USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 19,322	\$ 205,757	\$ 622,502	\$ (651,477)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	17,161	617,166	633,317	892,144
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	-	(3,047)	(16,463)	844
Inventory	-	-	(79,829)	9,928
Prepaid items	(10,573)	-	12,170	-
Due from other funds	-	-	(1,906,540)	-
(Increase) decrease in:				
Payables	(25,447)	(96,482)	29,041	25,425
Accrued salaries and benefits	1,000	2,268	-	4,428
Compensated absences	(4,279)	107,084	66,285	12,329
Total adjustments	(22,138)	626,989	(1,262,019)	945,098
Net cash provided (used) by operating activities	\$ (2,816)	\$ 832,746	\$ (639,517)	\$ 293,621

Self-Insurance							
Risk Management and Self-Insurance	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance	Employee Benefit Staffing	State Unemployment Insurance		Total
\$ (184,950)	\$ 60,880	\$ (575,930)	\$ (2,304,250)	\$ 199,706	\$ (336,967)		\$ (2,945,407)
-	-	-	-	-	-		2,159,788
-	(40,285)	-	-	-	-		(58,951)
-	-	-	-	-	-		(69,901)
-	-	11,783	-	-	-		13,380
-	-	-	-	-	-		(1,906,540)
-	(51,999)	51,646	5,335,923	-	112,500		5,380,607
6,764	-	-	-	4,703	-		19,163
(1,516)	-	-	-	(724)	-		179,179
5,248	(92,284)	63,429	5,335,923	3,979	112,500		5,716,725
\$ (179,702)	\$ (31,404)	\$ (512,501)	\$ 3,031,673	\$ 203,685	\$ (224,467)		\$ 2,771,318

(Concluded)



FIDUCIARY FUNDS

Agency Funds are used to account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the County, acting in the capacity of an agent for distribution to other governmental entities or other organizations.

Intergovernmental Agency Funds - Account for deposits which are under the control of various single county officers. Disbursement are made from these funds by the Auditor-Controller based on a properly written authorization from the responsible officer.

Payroll Funds - Account for various employee payroll deductions, tax withholdings, and employer contributions for fringe benefits.

Property Tax Collections Funds - Account for the collection and distribution of property taxes and interest on bank deposits of other local governmental agencies.



County of Santa Cruz
Combining Balance Sheet
All Agency Funds
June 30, 2009

	Inter- governmental Agency	Payroll	Property Tax Collection	Total
ASSETS				
Cash and investments	\$ 42,864,123	\$ 277	\$ 6,160,073	\$ 49,024,473
Receivables	1,101,131	-	22,788,064	23,889,195
Deposits with others	-	740,929	-	740,929
Total assets	\$ 43,965,254	\$ 741,206	\$ 28,948,137	\$ 73,654,597
LIABILITIES				
Due to other funds	-	\$ 741,206	-	\$ 741,206
Due to other governmental units	-	-	28,948,137	28,948,137
Agency funds held for others	43,965,254	-	-	43,965,254
Total liabilities	\$ 43,965,254	\$ 741,206	\$ 28,948,137	\$ 73,654,597

County of Santa Cruz
Combining Statement of Changes in Net Assets
Agency Funds
For the year ended June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<u>Intergovernmental Agency</u>				
Assets:				
Cash and investments	\$ 43,170,940	\$ 263,944,006	\$ 264,250,823	\$ 42,864,123
Receivables	3,415,696	28,285,110	30,599,675	1,101,131
Total assets	\$ 46,586,636	\$ 292,229,116	\$ 294,850,498	\$ 43,965,254
Liabilities:				
Accounts payable	\$ 644,424	\$ 83,980,092	\$ 84,624,516	\$ -
Agency funds held for others	45,942,212	926,932,939	928,909,897	43,965,254
Total liabilities	\$ 46,586,636	\$ 1,010,913,031	\$ 1,013,534,413	\$ 43,965,254
<u>Payroll</u>				
Assets:				
Cash and investments	\$ 3,273,510	\$ 289,553,230	\$ 292,826,463	\$ 277
Deposits with others	-	740,929	-	740,929
Total assets	\$ 3,273,510	\$ 290,294,159	\$ 292,826,463	\$ 741,206
Liabilities:				
Accounts payable	\$ 3,273,510	\$ 601,249,453	\$ 604,522,963	\$ -
Due to other funds	-	-	(741,206)	741,206
Total liabilities	\$ 3,273,510	\$ 601,249,453	\$ 603,781,757	\$ 741,206
<u>Property Tax Collection</u>				
Assets:				
Cash and investments	\$ 6,366,299	\$ 908,285,636	\$ 908,491,862	\$ 6,160,073
Receivables	20,120,840	422,808,350	420,141,126	22,788,064
Total assets	\$ 26,487,139	\$ 1,331,093,986	\$ 1,328,632,988	\$ 28,948,137
Liabilities:				
Accounts payable	\$ -	\$ 24,489,069	\$ 24,489,069	\$ -
Due to other governmental units	26,487,139	1,340,062,638	1,337,601,640	28,948,137
Total liabilities	\$ 26,487,139	\$ 1,364,551,707	\$ 1,362,090,709	\$ 28,948,137
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$ 52,810,749	\$ 1,461,782,872	\$ 1,465,569,148	\$ 49,024,473
Receivables	23,536,536	451,093,460	450,740,801	23,889,195
Deposits with others	-	740,929	-	740,929
Total assets	\$ 76,347,285	\$ 1,913,617,261	\$ 1,916,309,949	\$ 73,654,597
Liabilities:				
Accounts payable	\$ 3,917,934	\$ 709,718,614	\$ 713,636,548	\$ -
Due to other funds	-	-	(741,206)	741,206
Due to other governmental units	26,487,139	1,340,062,638	1,337,601,640	28,948,137
Agency funds held for others	45,942,212	926,932,939	928,909,897	43,965,254
Total liabilities	\$ 76,347,285	\$ 2,976,714,191	\$ 2,979,406,879	\$ 73,654,597

STATISTICAL SECTION

This part of the County of Santa Cruz's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.</i>	170 - 175
Revenue Capacity <i>These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.</i>	176 - 178
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the County's current level of outstanding debt and the County's ability to issue additional debt in the future.</i>	179 - 182
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.</i>	183 - 187
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.</i>	188 - 192

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

County of Santa Cruz
Net Assets by Component
Last Eight Fiscal Years
(Reported in Thousands)

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities								
Invested in capital assets, net of related debt	\$ 242,858	\$ 327,708	\$ 332,526	\$ 263,521	\$ 244,386	\$ 46,942	\$ 43,069	\$ 14,260
Restricted	31,660	55,167	39,024	96,829	103,442	16,192	19,585	28,822
Unrestricted	32,144	(21,529)	6,532	3,703	13,017	2,545	1,040	30,523
Total governmental activities net assets	<u>\$ 306,662</u>	<u>\$ 361,346</u>	<u>\$ 378,082</u>	<u>\$ 364,053</u>	<u>\$ 360,845</u>	<u>\$ 65,679</u>	<u>\$ 63,694</u>	<u>\$ 73,605</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 26,327	\$ 27,280	\$ 23,266	\$ 23,032	\$ 22,869	\$ 21,425	\$ 20,301	\$ 19,419
Restricted	83	187	250	261	255	308	277	291
Unrestricted	7,433	6,797	12,628	12,972	13,041	14,013	19,032	22,215
Total business-type activities net assets	<u>\$ 33,843</u>	<u>\$ 34,264</u>	<u>\$ 36,144</u>	<u>\$ 36,265</u>	<u>\$ 36,165</u>	<u>\$ 35,746</u>	<u>\$ 39,610</u>	<u>\$ 41,925</u>
Total primary government								
Invested in capital assets, net of related debt	\$ 269,185	\$ 354,988	\$ 355,792	\$ 286,553	\$ 267,255	\$ 68,367	\$ 63,370	\$ 33,679
Restricted	31,743	55,354	39,274	97,090	103,697	16,500	19,862	29,113
Unrestricted	39,577	(14,732)	19,160	16,675	26,058	16,558	20,072	52,738
Total primary government net assets	<u>\$ 340,505</u>	<u>\$ 395,610</u>	<u>\$ 414,226</u>	<u>\$ 400,318</u>	<u>\$ 397,010</u>	<u>\$ 101,425</u>	<u>\$ 103,304</u>	<u>\$ 115,530</u>

Note: Trend information is only available for the last eight fiscal years following the County's implementation of GASB 34.

County of Santa Cruz
Government-Wide Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)
(Reported in Thousands)

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Expenses								
Government activities:								
General government	\$ 37,098	\$ 48,765	\$ 29,116	\$ 25,887	\$ 27,948	\$ 25,066	\$ 23,335	\$ 24,701
Public protection	146,283	117,001	113,608	112,832	104,329	115,996	106,223	100,368
Public ways and facilities	32,859	47,209	26,840	39,017	7,589	41,230	31,030	32,544
Health and sanitation	111,310	112,560	105,039	97,340	33,103	81,903	75,039	76,975
Public assistance	110,208	101,454	98,679	97,378	84,028	83,910	86,609	87,276
Education	5,153	5,209	4,714	4,502	85,081	3,926	3,470	3,133
Recreation and culture	8,499	8,558	7,399	6,662	3,977	7,949	8,125	7,553
Interest on long term debt	13,098	13,211	16,026	12,205	8,986	8,453	8,742	12,838
Total government activities expenses	<u>464,508</u>	<u>453,967</u>	<u>401,421</u>	<u>395,823</u>	<u>355,041</u>	<u>368,433</u>	<u>342,573</u>	<u>345,388</u>
Business-type activities:								
County Disposal Site CSA 9C	\$ 14,317	\$ 16,088	\$ 13,540	\$ 13,022	\$ 11,831	12,381	12,260	9,751
Boulder Creek CSA 7	417	438	299	353	317	327	396	377
Rolling Woods CSA 10	93	78	62	62	57	46	63	79
Septic Tank Maintenance CSA 12	1,148	966	875	718	997	793	718	632
Freedom County Sanitation CSA	891	609	602	533	280	551	530	346
Davenport County Sanitation District CSA	550	420	410	432	501	401	379	300
Place de Mer CSA 2	52	39	64	50	68	36	65	44
Sand Dollar Beach CSA 5	254	314	216	220	181	148	212	197
Trestle Beach CSA 20	61	73	40	45	30	26	33	33
Summit West CSA 54	1	31	4	4	4	4	4	19
Graham Hill CSA 57	27	13	20	18	6	7	7	0
Total business-type activities expense	<u>17,811</u>	<u>19,069</u>	<u>16,131</u>	<u>15,457</u>	<u>14,272</u>	<u>14,720</u>	<u>14,667</u>	<u>11,778</u>
Total primary government expenses	<u>\$ 482,319</u>	<u>\$ 473,036</u>	<u>\$ 417,552</u>	<u>\$ 411,280</u>	<u>\$ 369,313</u>	<u>\$ 383,153</u>	<u>\$ 357,240</u>	<u>\$ 357,166</u>
Program Revenues								
Governmental activities:								
Charges for services								
General government	\$ 18,494	\$ 16,953	\$ 16,467	\$ 16,797	\$ 23,169	\$ 4,499	\$ 3,719	\$ 3,671
Health, Sanitation and Public Assistanc	27,137	23,675	25,324	22,307	16,727	32,130	28,255	28,219
Public protection	22,364	24,795	23,792	23,328	23,428	20,050	18,136	16,055
Public ways and facilities, and Recreati	8,633	7,672	7,933	5,939	7,664	7,318	7,173	6,849
Operating grants and contributions	187,859	208,047	196,695	192,287	175,187	184,464	188,239	187,810
Capital grants and contributions	7,885	3,542	7,508	5,632	6,828	-	-	-
Total governmental activities program revenues	<u>272,372</u>	<u>284,684</u>	<u>277,719</u>	<u>266,290</u>	<u>253,003</u>	<u>248,461</u>	<u>245,522</u>	<u>242,604</u>
Business-type activities:								
Charges for services	13,350	13,237	13,299	13,223	12,723	12,185	10,923	10,948
Operating grants and contributions	338	123	127	101	258	320	389	534
Capital grants and contributions	50	25	8	4	20	2	9	6
Total business-type activities program revenues	<u>13,738</u>	<u>13,385</u>	<u>13,434</u>	<u>13,328</u>	<u>13,001</u>	<u>12,507</u>	<u>11,321</u>	<u>11,488</u>
Total primary government program revenues	<u>\$ 286,110</u>	<u>\$ 298,069</u>	<u>\$ 291,153</u>	<u>\$ 279,618</u>	<u>\$ 266,004</u>	<u>\$ 260,968</u>	<u>\$ 256,843</u>	<u>\$ 254,092</u>
Net (expense)/revenue								
Governmental activities	\$ (192,136)	\$ (169,283)	\$ (123,702)	\$ (129,533)	\$ (102,038)	\$ (119,972)	\$ (97,051)	\$ (102,784)
Business-type activities	<u>(4,073)</u>	<u>(5,685)</u>	<u>(2,697)</u>	<u>(2,129)</u>	<u>(1,271)</u>	<u>(2,213)</u>	<u>(3,346)</u>	<u>(290)</u>
Total primary government net expense	<u>\$ (196,209)</u>	<u>\$ (174,968)</u>	<u>\$ (126,399)</u>	<u>\$ (131,662)</u>	<u>\$ (103,309)</u>	<u>\$ (122,185)</u>	<u>\$ (100,397)</u>	<u>\$ (103,074)</u>

County of Santa Cruz
Government-Wide Changes in Net Assets, Continued
Last Eight Fiscal Years
(accrual basis of accounting)

(Reported in Thousands)

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
General Revenue and Other Changes in Net Assets								
Governmental activities:								
Property taxes	\$ 115,179	\$ 111,745	\$ 104,814	\$ 95,746	\$ 82,709	\$ 64,881	\$ 58,190	\$ 55,625
Other taxes	13,951	15,622	15,133	14,443	14,796	14,212	13,070	19,801
Use of money and property	5,805	11,858	14,628	11,655	6,040	3,673	5,424	7,682
Miscellaneous	2,546	13,402	3,155	11,576	8,388	10,953	9,776	11,268
Gain (Loss) on sale of assets	37	(79)	-	-	-	-	-	-
Total governmental activities	<u>137,518</u>	<u>152,548</u>	<u>137,730</u>	<u>133,420</u>	<u>111,933</u>	<u>93,719</u>	<u>86,460</u>	<u>94,376</u>
Business-type activities:								
Property taxes	25	-	-	-	-	-	-	-
Use of money and property	174	756	1,064	859	511	293	517	856
Miscellaneous	1,068	3,048	1,513	1,370	1,179	642	513	87
Total business-type activities	<u>1,267</u>	<u>3,804</u>	<u>2,577</u>	<u>2,229</u>	<u>1,690</u>	<u>935</u>	<u>1,030</u>	<u>943</u>
Total primary government	<u>\$ 138,785</u>	<u>\$ 156,352</u>	<u>\$ 140,307</u>	<u>\$ 135,649</u>	<u>\$ 113,623</u>	<u>\$ 94,654</u>	<u>\$ 87,490</u>	<u>\$ 95,319</u>
Change in Net Assets								
Governmental activities	\$ (54,618)	\$ (16,735)	\$ 14,028	\$ 3,887	\$ 9,895	\$ (26,253)	\$ (10,591)	\$ (8,408)
Business-type activities	<u>(2,806)</u>	<u>(1,881)</u>	<u>(120)</u>	<u>100</u>	<u>419</u>	<u>(1,278)</u>	<u>(2,316)</u>	<u>653</u>
Total primary government	<u>\$ (57,424)</u>	<u>\$ (18,616)</u>	<u>\$ 13,908</u>	<u>\$ 3,987</u>	<u>\$ 10,314</u>	<u>\$ (27,531)</u>	<u>\$ (12,907)</u>	<u>\$ (7,755)</u>

Note: Trend information is only available for the last eight fiscal years following the County's implementation of GASB 34.

County of Santa Cruz
General Fund Tax Revenues by Source
Last Ten Fiscal Years
(Reported in Thousands)

Fiscal Year	Current Property Taxes	Prior Property Taxes ¹	Delinquent Penalties and Costs	Sales and Use Tax	Occupancy Tax	Property Transfer Tax	Utility Tax	Other Taxes	Total Tax Revenues
2000	\$ 26,031	\$ (13)	\$ 1,008	\$ 2,755	\$ 3,841	\$ 2,164	\$ 9,179	\$ 89	\$ 45,054
2001	27,965	(6)	3,338	3,334	4,082	1,867	9,755	88	50,423
2002	30,115	5	3,213	3,138	3,262	1,754	6,810	152	48,449
2003	31,496	3	2,995	3,038	3,245	1,821	181	135	42,914
2004	34,412	52	4,328	1,850	3,375	2,770	265	120	47,172
2005	51,892	28	3,036	7,218	3,806	3,213	N/A ²	69	69,262
2006	61,118	49	2,904	7,865	3,732	2,243	N/A ²	72	77,983
2007	66,783	117	2,741	7,961	3,931	1,481	N/A ²	72	83,086
2008	70,879	187	3,595	8,904	4,622	1,464	N/A ²	74	89,725
2009	72,032	224	5,291	8,038	3,887	1,532	N/A ²	74	91,078

¹ After June 30, 1993, the County switched to the Alternative Tax Apportionment Method, which treats prior taxes as payments against an outstanding Taxes Receivable balance. The amounts shown after this date are either past adjustments or present delinquent payments applicable to the Supplemental Tax Roll

² Utility tax was repealed in 2005

County of Santa Cruz
Fund Balances of Government Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Reported in Thousands)

	Fiscal Year				
	2009	2008	2007	2006	2005
General Fund					
Reserved	\$ 2,919	\$ 2,151	\$ 3,893	\$ 5,433	\$ 2,151
Unreserved	14,674	25,008	37,115	30,688	26,807
Total general fund	<u>\$ 17,593</u>	<u>\$ 27,159</u>	<u>\$ 41,008</u>	<u>\$ 36,121</u>	<u>\$ 28,958</u>
All other governmental funds					
Reserved	\$ 59,340	\$ 38,930	\$ 44,736	\$ 36,209	\$ 40,215
Unreserved, reported in:					
Special revenue funds	146,538	121,946	123,244	131,835	67,317
Capital project funds	3,181	10,273	1,369	5,277	6,226
Total all other governmental funds	<u>\$ 209,059</u>	<u>\$ 171,149</u>	<u>\$ 169,349</u>	<u>\$ 173,321</u>	<u>\$ 113,758</u>

	Fiscal Year				
	2004	2003	2002	2001	2000
General Fund					
Reserved	\$ 3,266	\$ 3,626	\$ 3,491	\$ 2,351	\$ 2,559
Unreserved	19,137	28,068	33,561	42,637	38,557
Total general fund	<u>\$ 22,403</u>	<u>\$ 31,694</u>	<u>\$ 37,052</u>	<u>\$ 44,988</u>	<u>\$ 41,116</u>
All other governmental funds					
Reserved	\$ 46,242	\$ 40,039	\$ 53,647	\$ 43,532	\$ 21,898
Unreserved, reported in:					
Special revenue funds	76,479	82,853	77,422	72,651	45,899
Capital project funds	8,123	10,060	8,936	12,423	6,859
Total all other governmental funds	<u>\$ 130,844</u>	<u>\$ 132,952</u>	<u>\$ 140,005</u>	<u>\$ 128,606</u>	<u>\$ 74,656</u>

County of Santa Cruz
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Reported in Thousands)

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Revenues										
Taxes	\$129,130	\$127,367	\$119,947	\$110,189	\$ 97,506	\$ 79,092	\$ 71,261	\$ 75,425	\$ 75,704	\$ 67,846
Licenses and permits	9,177	10,085	10,183	9,481	10,072	9,013	7,776	7,557	7,413	7,385
Fines, forfeitures and penalties	5,088	4,911	5,673	6,440	12,784	5,199	4,312	4,693	4,474	4,584
Use of money and property	5,451	11,082	13,929	11,109	5,802	3,673	5,424	7,682	12,547	10,689
Aid from other governmental agencies	195,758	211,572	204,203	198,214	182,007	184,745	187,135	188,342	175,169	160,382
Charges for services	62,364	58,100	58,091	54,653	47,738	49,786	45,194	42,544	40,788	44,965
Other revenues	4,815	14,617	3,150	9,417	8,347	11,308	10,203	11,262	9,193	6,797
Total revenues	411,783	437,734	415,177	399,503	364,256	342,816	331,305	337,505	325,288	302,648
Expenditures										
Current										
General government	29,994	33,490	28,024	24,086	25,718	23,639	20,886	22,228	18,256	17,065
Public protection	126,014	123,435	112,395	111,868	104,108	105,350	101,845	96,865	89,968	85,271
Public ways and facilities	45,023	37,736	41,335	39,119	7,440	26,519	28,944	31,090	22,846	27,575
Health and sanitation	103,920	109,152	104,326	95,717	42,176	83,238	73,562	74,752	68,310	61,522
Public assistance	101,562	102,976	97,981	95,987	83,982	85,585	85,112	85,076	77,551	69,508
Education	5,420	5,040	4,711	4,502	84,639	4,017	3,421	3,067	3,102	2,530
Recreation and culture	7,876	9,189	7,789	7,377	3,971	7,918	7,917	7,300	7,210	6,547
Capital outlay	3,380	10,671	10,299	3,451	3,825	5,417	10,681	11,861	6,309	3,768
Debt service										
Principal	6,836	7,344	7,126	6,339	7,136	4,512	-	-	-	-
Bond redemption	771	-	-	0	335	0	5,330	4,353	7,556	9,148
Bond issue costs	181	263	738	1,998	0	2,117	-	0	1,728	-
Interest and fiscal charges	12,360	13,343	14,652	10,842	9,292	8,697	9,254	9,205	4,733	4,343
Total expenditures	443,337	452,639	429,376	401,286	372,622	357,009	346,952	345,797	307,569	287,277
Excess of Revenues Over										
(Under) Expenditures	(31,554)	(14,905)	(14,199)	(1,783)	(8,366)	(14,193)	(15,647)	(8,292)	17,719	15,371
Other Financing Sources (Uses)										
Sale of capital assets	(33)	1,255	-	-	-	5	3	6	5	47
Gain/(Loss) on land held for resale	-	(34)	-	-	-	-	-	-	-	-
Debt issue cost	-	-	-	-	-	-	(267)	-	-	-
Proceeds from long-term debt	-	-	-	68,860	-	23,000	-	-	38,751	364
Proceeds from COP	-	-	9,000	-	-	-	-	11,748	-	597
Premium on long-term debt	-	225	-	468	-	27	192	-	-	-
Discount on long-term debt	-	-	(63)	(45)	(67)	(194)	-	-	-	-
Transfers in from escrow agent	49,411	-	-	-	-	-	-	-	-	-
Proceeds from refunding bonds	60,492	7,370	10,755	-	10,580	48,435	8,378	-	15,872	-
Payment to bond refunding escrow age	-	(8,012)	(10,366)	-	(11,590)	(46,392)	(5,726)	-	(15,385)	(364)
Transfers in	29,760	31,921	27,593	88,914	20,241	37,819	42,697	52,856	67,980	56,711
Transfers out	(79,777)	(32,043)	(27,795)	(89,008)	(20,241)	(60,019)	(42,697)	(52,856)	(67,980)	(56,711)
Inception of lease purchase agreement	110	94	5,990	-	-	109	-	-	800	547
Total other financing sources (use)	59,963	776	15,114	69,189	(1,077)	2,790	2,580	11,754	40,043	1,191
Net change in Fund Balance	\$ 28,409	\$ (14,129)	\$ 915	\$ 67,406	\$ (9,443)	\$ (11,403)	\$ (13,067)	\$ 3,462	\$ 57,762	\$ 16,562
Debt service as a percentage										
of noncapital expenditures	4.58%	4.74%	5.37%	4.82%	4.55%	4.36%	4.34%	4.06%	4.65%	4.76%

County of Santa Cruz
General Fund Property Tax Levies and Collections
Last Ten Fiscal Years
(Reported in Thousands)

Fiscal Year	Total Tax Levy ¹	Current Tax Collections ¹	Percent of Tax Levy Collected	Delinquent Tax Collections ¹	Total Tax Collections
2000	\$ 24,547	\$ 24,978	101.7%	\$ (13)	\$ 24,965
2001	26,429	26,707	101.0%	(6)	26,701
2002	28,910	28,937	100.1%	5	28,942
2003	30,387	30,387	99.9%	(26)	30,361
2004	33,401	33,341	99.8%	(19)	33,322
2005	50,129	49,926	99.6%	(13)	49,913
2006	55,071	58,147	105.5%	(23)	58,124
2007	64,281	64,263	100.0%	2	64,265
2008	69,630	69,147	99.3%	11	69,158
2009	71,124	71,355	100.4%	34	71,389

¹ Prior to 2009 total tax levies and current and delinquent tax collections included supplemental taxes. Beginning in 2009 supplemental taxes have been excluded from these calculations and thus prior periods have been restated here.

County of Santa Cruz
Assessed Value of Taxable Property ⁽¹⁾
Last Ten Fiscal Years
(Reported in Thousands)

Fiscal Year	Secured	Unsecured	Total	Total Direct Tax Rate
2000	\$ 18,750,835	\$ 714,516	\$ 19,465,351	1.00%
2001	20,541,442	800,498	21,341,940	1.00%
2002	21,849,406	801,139	22,650,545	1.00%
2003	23,387,410	785,326	24,172,736	1.00%
2004	25,106,093	748,200	25,854,293	1.00%
2005	27,584,028	792,922	28,376,950	1.00%
2006	30,238,488	811,727	31,050,215	1.00%
2007	32,504,394	843,037	33,347,431	1.00%
2008	33,586,675	861,576	34,448,251	1.00%
2009	32,531,717	865,265	33,396,982	1.00%

¹ Assessed value of taxable property represents all property within the County. The maximum tax rate is 1% of the full cash value or \$1/\$100 of the assessed value, excluding the tax rate for debt service.

County of Santa Cruz
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Property Tax Rates Per \$100 of Assessed Valuation		County	Cities	School Districts	Special Districts	Total
	Low	High					
	2000	1.012					
2001	1.022	1.183	26.0	5.0	57.0	12.0	100.0
2002	1.019	1.144	27.0	5.0	56.0	12.0	100.0
2003	1.015	1.185	27.0	5.0	56.0	12.0	100.0
2004	1.055	1.202	25.0	5.0	57.0	13.0	100.0
2005	1.062	1.200	25.0	5.0	57.0	13.0	100.0
2006	1.040	1.162	26.0	5.0	56.0	13.0	100.0
2007	1.049	1.132	26.5	5.0	56.0	12.5	100.0
2008	1.056	1.147	26.5	5.0	56.0	12.5	100.0
2009	1.064	1.161	26.5	5.0	56.0	12.5	100.0

County of Santa Cruz
Ratios of Outstanding Debt by Type
Last Eight Fiscal Years
(Reported in Thousands, Except Per Capita Information)

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities								
Capital leases	\$ 5,942	\$ 6,051	\$ 6,000	\$ 53	\$ 337	\$ 671	\$ 928	\$ 1,217
Refunding Certificates of Participation	23,889	31,086	32,921	34,686	36,541	27,177	28,286	22,985
Acquisition and Refunding								
Certificates of Participation	-	-	-	-	-	-	-	3,565
Lease Revenue Bonds	7,290	7,840	8,375	9,135	9,875	10,595	11,300	14,336
Lease Revenue Refunding Bonds	1,667	1,797	1,918	2,037	2,153	15,064	16,459	15,100
Revenue Bonds	1,480	1,800	2,100	2,385	2,655	2,910	3,150	3,375
Local Agency Revenue Bonds	320	360	445	520	585	655	720	785
Certificates of Participation	32,312	28,822	27,916	21,915	22,441	23,027	-	-
CA Health Facilities Financing								
Authority (CHFFA)	510	711	898	1,072	1,233	1,382	1,522	1,652
CA Transportation Finance Bank	600	600	-	-	-	-	-	-
Local Assessment Bonds	-	-	-	-	-	40	75	110
Redevelopment Agency Tax Allocation Bonds	220,940	168,549	172,144	174,677	108,147	110,816	109,050	111,070
Redevelopment Agency CERTS Loans Payable	-	-	-	-	352	679	986	1,272
Internal Service Funds	-	329	653	1,171	1,699	2,208	1,042	-
Business-type activities								
Loans Payable	404	448	2,860	1,188	1,817	2,374	2,041	2,612
Capital leases	178	605	-	-	-	-	-	85
Component Unit	22,027	23,788	25,487	27,140	28,697	30,393	31,867	32,267
Total Primary government	<u>\$ 317,559</u>	<u>\$ 272,786</u>	<u>\$ 281,718</u>	<u>\$ 275,976</u>	<u>\$ 216,531</u>	<u>\$ 227,991</u>	<u>\$ 207,426</u>	<u>\$ 210,431</u>
Percentage of personal income ¹	2.62%	2.38% ³	2.69% ³	2.71% ³	2.28% ³	2.40% ³	2.14% ³	2.10% ³
Per capita ²	\$ 1,267	\$ 1,093 ³	\$ 1,129 ³	\$ 1,100 ³	\$ 860 ³	\$ 898 ³	\$ 811 ³	\$ 822 ³

Note: Trend information is only available for the last eight fiscal years following the County's implementation of GASB 34.

¹ Percentage of personal income is calculated from personal income data for the preceding calendar year (e.g. percentage of personal income for Fiscal Year 2009 is based on 2007 calendar year personal income data). Personal income data is provided by the Bureau of Economic Analysis.

² Per capita data is calculated from per capita income data for the preceding calendar year (e.g. per capita for Fiscal Year 2009 is based on 2007 calendar year per capita income data). Per capita income data is provided by the Bureau of Economic Analysis.

³ Prior period personal and per capita income was revised by the Bureau of Economic Analysis and have been restated here.

County of Santa Cruz
Computation of Legal Debt Margin
Last Ten Fiscal Years

Fiscal year	Assessed Value ¹	Legal Debt Limit ²	Total Net Applicable Debt	Legal Debt Margin	Legal Debt Margin/Debt Limit
2000	\$ 18,750,834,650	\$ 234,385,433	\$ -	\$ 234,385,433	100%
2001	20,541,442,386	256,768,030	-	256,768,030	100%
2002	21,849,406,351	273,117,579	-	273,117,579	100%
2003	23,387,410,251	292,342,628	-	292,342,628	100%
2004	25,106,093,420	313,826,168	-	313,826,168	100%
2005	27,584,028,124	344,800,352	-	344,800,352	100%
2006	30,238,488,053	377,981,101	-	377,981,101	100%
2007	32,504,394,093	406,304,926	-	406,304,926	100%
2008	33,586,675,030	419,833,438	-	419,833,438	100%
2009	32,531,716,741	406,646,459	-	406,646,459	100%

¹Total Assessed Value includes exempt property.

²Section 29909 of the California Government Code limits the General Obligation Bond indebtedness to 1.25 percent of the total full cash valuation of all real and personal property within the County. The Legal Debt Margin is the Legal Debt Limit reduced by the General Bonded Debt. The County does not have any General Bonded Debt.

County of Santa Cruz
Statement of Direct and Overlapping Debt
June 30, 2009

	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to County</u>	<u>County's Share of Debt</u>
SCHOOL DISTRICTS			
Elementary	\$ 56,689,997	100%	\$ 56,689,997
High School	48,394,040	100%	48,394,040
Unified	105,196,434	100%	105,196,434
Community College	173,011,060	100%	173,011,060
SPECIAL DISTRICTS			
Fire	275,000	100%	275,000
Water	1,771,000	100%	1,771,000
Sewer	1,017,570	100%	1,017,570
Community Facilities	10,355,000	100%	10,355,000
Total Direct and Overlapping Debt			<u>\$ 396,710,101</u>

County of Santa Cruz
Outstanding Debt of the Public Financing Authority
June 30, 2009
(Reported in Thousands)

<u>YEAR OF ISSUANCE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
Debt ¹			
1995B	\$ 1,480	\$ 199	\$ 1,679
1996	19,205	11,151	30,356
1999	320	104	424
2001B	7,290	4,478	11,768
2002	2,245	1,657	3,902
2002A	1,621	703	2,324
2004	19,220	7,876	27,096
2005	8,390	2,184	10,574
2006	8,405	5,254	13,659
2008	4,625	1,298	5,923
Total debt outstanding for the Public Financing Authority	<u>\$ 72,801</u>	<u>\$ 34,904</u>	<u>\$ 107,705</u>

Note: The Public Financing Authority is a separate legal entity for whose debt the County is not liable.

¹ Certificates of Participation, Refunding Certificates of Participation, Lease Revenue Bonds, Lease Revenue Refunding Bonds, Revenue Bonds, and Local Agency Revenue Bonds

County of Santa Cruz

General Information

Last Ten Fiscal Years

Santa Cruz County is the second smallest county in the State of California, with an area of 440 square miles. It is also one of the original 27 counties formed in 1850, and prior to California's independence it was one of three Spanish Pueblos in California.

Santa Cruz County is located in the northern crescent of Monterey Bay, 74 miles south of San Francisco, 375 miles north of Los Angeles, 159 miles southwest of Sacramento, and 164 miles northwest of Fresno.

STATISTICS

Fiscal Year	Population (1) (In thousands)	Budget Requirements (2) (In thousands)	Budget Per Capita	Current Property Taxes (In thousands)	Taxes Per Capita
2000	255	\$ 316,018	\$ 1,239	\$ 26,031	\$ 102
2001	260	370,462	1,425	27,965	108
2002	260	395,942	1,523	30,115	116
2003	260	374,714	1,441	31,496	121
2004	260	371,187	1,428	34,412	132
2005	260	368,492	1,417	51,892	200
2006	262	398,859	1,522	61,118	233
2007	264	434,371	1,645	66,783	253
2008	267	441,194	1,652	70,879	265
2009	269	441,726	1,642	72,032	268

Fiscal Year	Assessed Valuation (In thousands)	Per Capita Income (3)	Personal Income (3) (In thousands)	School Enrollment (4)	Unemployment Rate (5)
2000	\$ 18,750,835	\$ 31,320	\$ 7,857,895	64,583	6.4
2001	20,541,442	33,735	8,557,538	65,861	5.1
2002	21,849,406	39,142	10,014,548	66,952	5.7
2003	23,387,410	37,982	9,714,123	67,896	7.4
2004	25,106,093	37,397	9,495,857	67,596	7.8
2005	27,584,028	37,708	9,498,586	67,224	7.0
2006	30,238,488	40,632	10,194,797	67,387	6.3
2007	32,507,394	41,917	10,462,655	66,501	5.6
2008	33,586,675	45,925	11,464,854	68,647	5.9
2009	32,531,717	48,337	12,116,023	69,640	7.3

SOURCES

(1) Based on information compiled by California Department of Finance.

(2) Santa Cruz County Final Budget.

(3) U.S. Bureau of Economic Analysis (BEA). Figures are for the preceding calendar year (e.g., Fiscal Year 2009 is 2007 calendar year data). Some prior period numbers were revised by the BEA and have been restated here.

(4) Total reflects data obtained from the California Department of Education, the University of California at Santa Cruz, and Cabrillo College.

(5) Data reflects the annual average rate for the calendar year (e.g., Fiscal Year 2009 is annual average for 2008 calendar year) as calculated by the California Employment Development Department. Some prior period numbers have been restated here.

County of Santa Cruz
Property Value, Construction and Bank Deposits
Last Ten Calendar Years

Calendar Year	New Dwelling Units			Valuation of New Units (in thousands)			Deposits
	Single Family	Multiple Family	Total Units	Residential	Non-Residential	Total Values	Amount (In thousands)
1999	372	134	506	\$ 132,342	\$ 61,886	\$ 194,228	\$ 2,441,888
2000	430	157	587	156,430	44,384	200,814	2,606,037
2001	398	204	602	147,572	47,912	195,484	2,758,594
2002	404	518	922	178,623	30,097	208,720	3,627,402
2003	654	548	1,202	238,334	36,602	274,936	3,853,001
2004	739	65	804	216,038	37,611	253,649	3,970,008
2005	669	225	894	208,121	49,300	257,421	4,112,131
2006	432	28	460	139,416	51,658	191,074	4,165,185
2007	236	342	578	165,997	62,612	228,609	4,238,971
2008	194	63	257	100,176	66,206	166,382	4,108,322

2009 calendar year new construction and property value data and fiscal year deposit data is not available.

SOURCES FOR PROPERTY VALUATION AND NEW DWELLING UNIT INFORMATION:

California Department of Finance - Financial and Economic Research Unit

SOURCES FOR DEPOSIT INFORMATION:

Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report

County of Santa Cruz
Special Assessment Billings and Collections
Last Ten Fiscal Years

Year ended June 30,	Debt Service Funds		Enterprise Funds	
	Special Assessment Billings	Special Assessments Collected	Special Assessment Billings	Special Assessments Collected
2000	\$ 112,080	\$ 112,080	\$ 211,796	\$ 215,830
2001	142,117	142,126	210,911	221,694
2002	85,959	91,280	188,796	188,852
2003	108,902	95,479	189,469	187,323
2004	80,523	88,249	186,878	186,878
2005	36,663	36,663	154,503	154,479
2006	36,701	36,693	154,044	157,688
2007	131,731	131,731	157,990	157,028
2008	132,072	132,072	114,938	114,938
2009	129,337	128,488	92,315	92,307

Note: The billings and collections shown are for those Special Assessment Bonds for which the County has established redemption funds for the purpose of facilitating bond payment in the case of delinquent accounts.

County of Santa Cruz
Principal Taxpayers
Current and Ten Years Ago

Taxpayer	Type of Business	Assessed Value 2008-2009	Percentage of Total Assessed Valuation 2008-2009 ¹
Pacific Gas & Electric Company	Gas & Electric Utility	\$178,105,113	0.52 %
Lonestar California Inc	Cement Manufacturer	74,634,608	0.22
NNN Enterprise Way LLC et al	Software Producer	66,226,064	0.19
Macerich Partnership L P	Commercial Real Estate	65,878,888	0.19
AT&T California	Telephone Utility	61,859,072	0.18
Watsonville Hospital Corp	Hospital	59,008,298	0.17
Santa Cruz Seaside Company	Amusement Park	55,693,126	0.16
George Ow, Jr. et al	Real Estate	45,497,831	0.13
Cypress Point RE Investors LLC	Apartment Complex	41,404,723	0.12
Seagate Technology	Electronic Manufacturer	40,874,406	0.12
Totals		\$689,182,129	2.02 %

Taxpayer	Type of Business	Assessed Value 1999-2000	Percentage of Total Assessed Valuation 1999-2000 ²
Silicon Systems Inc.	Electron Systems	\$125,322,689	0.70 %
Pacific Gas & Electric Company	Gas & Electric Utility	123,211,208	0.68
Pacific Bell	Telephone Utility	108,473,667	0.60
Enterprise Way LLC	Software Producer	82,535,234	0.46
Lone Star	Cement Manufacturer	70,502,690	0.39
Santa Cruz Seaside Company	Amusement Park	63,525,589	0.35
Seagate Technology	Electronic Manufacturer	59,814,937	0.33
Macerich Partnership L P	Commercial Real Estate	55,615,160	0.31
Watsonville Hospital Corporation	Hospital	50,924,207	0.28
Paradise Park Masonic Club	Rental Real Estate	21,798,018	0.12
Totals		\$761,723,399	4.22 %

Note: Principal taxpayer data for fiscal year 2008-2009 is derived from the 2008 tax roll, which is billed and collected during 2009. Data for fiscal year 1999-2000 is derived from the 1999 tax roll, which is billed and collected during 2000.

¹Percentage of total assessed valuation for 2008-2009 is calculated from the total net assessed valuation of \$34,450,640,511.

²Percentage of total assessed valuation for 1999-2000 is calculated from the total net assessed valuation of \$18,030,073,587.

County of Santa Cruz

Principal Employers

Current and Four Years Ago

Employer	Product/Service	Number of Employees 2008-2009 ¹	Percentage of Total Employment 2008-2009 ²
University of California at Santa Cruz	Education	1,000-4,999	2.04 %
Pajaro Valley Unified School District	Education	1,000-4,999	2.04
County of Santa Cruz	County Services	1,000-4,999	2.04
Dominican Hospital	Hospital	1,000-4,999	2.04
Santa Cruz Beach Boardwalk	Amusement/Recreation	1,000-4,999	2.04
Cabrillo College	Education	500-999	0.51
Santa Cruz City School District	Education	500-999	0.51
City of Santa Cruz	City Services	500-999	0.51
Seagate Technology	Disc Drives	500-999	0.51
Watsonville Hospital	Hospital	500-999	0.51
West Marine	Retail	500-999	0.51
Plantronics	Telephone Apparatus Mfg.	500-999	0.51
Total			13.77 %

Employer	Product/Service	Number of Employees 2004-2005 ³	Percentage of Total Employment 2004-2005 ⁴
University of California at Santa Cruz	Education	5,100	3.59 %
Pajaro Valley Unified School District	Education	2,700	1.90
County of Santa Cruz	County Services	2,600	1.83
Dominican Hospital	Hospital	1,500	1.06
City of Santa Cruz	City Services	1,000	0.70
Seagate Technology	Disc Drives	900	0.63
Cabrillo College	Education	900	0.63
Santa Cruz City School District	Education	900	0.63
Santa Cruz Beach Boardwalk	Amusement/Recreation	750	0.53
Watsonville Hospital	Hospital	700	0.49
West Marine	Retail	600	0.42
City of Watsonville	City Services	500	0.35
Total		18,150	12.76 %

Note: Prior year information is presented in accordance with the County's implementation of GASB 34. This information was not reported prior to 2004-2005.

¹ Number of employees reflect an average range based on California Employment Development Department (EDD) data. Some data was obtained from individual employers and then categorized according to EDD ranges. During 2004-2005, EDD provided the County with actual numbers whereas during 2008-2009, EDD provided the County with ranges.

² Based on total civilian employment of 137,100 as reported by the California Employment Development Department for June 2009.

³ Number of employees provided by California Employment Development Department

⁴ Based on total civilian employment of 141,900 as reported by the California Employment Development Department for June 2005.

County of Santa Cruz
Operating Indicators by Function
Last Eight Fiscal Years

Function	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Public Assistance								
Human Resources Agency								
Adult Protective Services								
Referrals received	602 ²	610 ¹	585	664	618	574	548	561
Investigations completed	426 ²	468 ¹	432	370	390	361	369	376
Family and Children's Services								
Annual referrals (families)	2,964 ²	3,093 ¹	2,979	3,100	3,348	3,062	2,956	3,052
Finalized adoptions homes	38 ²	41 ¹	43	41	41	31	35	61
111 ²	124 ¹	123	113	109	108	107	129	
Benefit Services								
Average number of Medi-Cal recipients	28,041 ²	26,655 ¹	25,427	24,135	21,723	20,990	18,940	n/a
Public Ways and Facilities								
Public Works								
Roads								
Miles of road maintained	600	600	600	600	600	600	600	599
Potholes repaired	2,500	3,500 ³	5,500 ³	5,500 ³	5,500 ³	5,500 ³	5,500 ³	5,500 ³
Minor culverts maintained	2,000	2,000	2,200	2,262	2,261	2,260	2,258	2,255
Bridges and major culverts maintained	160	160	159	159	159	159	159	159
Traffic signs replaced/repared	1,400	1,475	2,200	2,425	2,400	2,350	2,300	2,250
Miles of street sweeping	4,500	5,000	5,000	4,550	5,000	4,900	4,800	4,700
Sanitation								
Miles of pipe maintained	222	222	222	222	222	222	220	220
Maintenance call responses	216	272	501	381	127	122	120	120
Landfill								
Waste generated (tons)	164,717	183,993	229,877	230,000	201,000	205,971	211,693	218,578
Waste disposed (tons)	76,203	77,745	99,423	87,400	86,430	94,745	103,730	98,360
Recreation and Cultural Services								
Parks, Open Space and Cultural Services								
Facility bookings	5,770	6,114 ¹	7,389	7,238	7,096	6,677	6,414	n/a
Recreation registrations	5,888	4,982	4,898	4,777	4,343	7,228	7,353	7,744
Swim admissions	86,834	82,800	78,126	76,746	77,522	74,676	68,086	n/a

Sources: Various County Departments

Note: Indicators are not available for the General Government, Health & Sanitation and Education Functions. Trend information is only available for the last eight fiscal years following the County's implementation of GASB 34.

¹ Prior period reported an estimate which has been restated here to reflect actual data.

² Data is estimated as presented in the 2009-2010 Proposed Budget.

³ Prior periods reported a range which has been averaged here.

County of Santa Cruz
Operating Indicators by Function, Continued
Last Eight Fiscal Years

Function	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Public Protection								
Agricultural Commissioner								
High risk quarantine inspections	2,206 ²	2,640 ¹	2,894	2,686	2,600	2,300	2,700	2,900
District Attorney								
Criminal Prosecution								
Felony filings	2,024 ²	2,128 ¹	2,210	2,251	2,551	2,314	2,040	2,213
Juvenile filings	605 ²	1,046 ¹	813	714	1,046	1,262	681	661
Consumer Affairs								
Number of calls received	3,200 ²	2,960 ¹	3,008	3,165	3,046	3,012 ³	7,767	11,729 ⁴
Number of written complaints received	452 ²	440 ¹	375	228	206	195	244	265
Planning								
Building permits issued	2,611 ²	3,162	3,651 ¹	3,894	3,616	3,588	3,549	3,406
Building permit inspection sites visited	9,353 ²	10,061 ¹	11,862 ¹	12,157	12,247	11,420	11,101	10,953
Resolved code compliance cases	528 ²	1,192 ¹	871	907	1,025	1,064	1,196	1,003
Probation ⁵								
Juvenile division referrals	n/a ⁶	2,378 ¹	2,411	2,222	2,671	2,353	2,694	2,843
Juvenile division petitions filed	n/a ⁶	1,165 ¹	1,260	1,216	1,236	1,293	1,472	1,476
Juvenile court investigations	n/a ⁶	183 ¹	218	249	284	232	226	171
Public Defender								
Total cases	12,440 ²	12,455 ¹	12,642	12,604	12,290	13,864	14,496	12,960
Sheriff/Coroner (Investigation Division) ⁵								
Felony cases cleared	n/a	n/a	n/a	n/a	675	741	719	1,361
Misdemeanor cases cleared	n/a	n/a	n/a	n/a	336	365	395	1,000
Detention								
Main jail bookings	13,576	12,941	13,479	13,109	12,721	12,834	13,200	12,545
Weights and Measures								
Establishments visited	1,900 ²	1,836 ¹	2,093	2,175	2,051	1,951	1,660	2,012
Special District								
Mosquito Abatement/Vector Control CSA #53								
Mosquito inspections	3,900 ²	4,396 ¹	4,462	4,547	3,052	3,112	1,950	1,487

Sources: Various County Departments

Note: Indicators are not available for the General Government, Health & Sanitation and Education Functions. Trend information is only available for the last eight fiscal years following the County's implementation of GASB 34.

¹ Prior period reported an estimate which has been restated here to reflect actual data.

² Data is estimated as presented in the 2009-2010 Proposed Budget.

³ Consumer Affairs Coordinator reduced to half time.

⁴ Data reflects duplicated contracts from the same clients.

⁵ Data is presented on a calendar year basis.

⁶ Calendar year data is not yet available.

County of Santa Cruz
Budgeted Positions
Last Ten Fiscal Years

DEPARTMENT/FUNCTION	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
ADMINISTRATIVE OFFICE	15.30	15.30	15.30	14.30	13.30	18.00	18.00	18.00	18.00	18.00
CLERK OF THE BOARD	5.00	5.00	5.00	5.00	5.00	-	-	-	-	-
AG COMMISSIONER ¹	15.58	15.58	17.81	17.26	17.00	18.00	20.00	21.00	22.00	22.00
MOSQUITO ABATEMENT	3.00	3.00	3.00	3.00	3.71	4.00	4.00	8.00	8.00	9.00
WEIGHTS & MEASURES ¹	3.00	3.00	3.00	3.00	2.00	2.00	-	-	-	-
PEST DETECTION	2.32	2.32	2.32	2.48	-	-	-	-	-	-
AG EXTENSION	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
ASSESSOR	39.00	40.00	40.00	38.00	38.00	38.00	38.00	38.00	38.00	37.50
AUDITOR-CONTROLLER	29.50	29.50	30.50	30.00	29.00	29.00	29.00	29.50	29.50	29.50
BOARD OF SUPERVISORS	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
COMMISSIONS	1.50	1.50	1.50	-	-	-	-	-	-	-
RECORDER	14.00	14.00	14.00	15.00	16.00	12.00	13.00	13.00	13.00	11.00
ELECTIONS	7.00	8.50	8.50	7.00	7.50	11.00	10.00	12.00	14.00	14.00
COUNTY COUNSEL	21.00	21.20	23.20	21.50	20.00	19.00	19.50	19.50	19.50	19.00
DISTRICT ATTORNEY	172.75	182.75	102.50	94.00	87.50	84.50	81.50	85.50	91.50	92.50
CHILD SUPPORT SERVICES	-	-	86.75	92.75	85.75	70.50	68.50	68.50	69.50	66.50
EMERGENCY SERVICES	3.00	2.00	4.00	4.00	3.25	3.00	1.75	1.75	2.00	3.75
COMMUNICATIONS	6.00	7.00	7.00	7.00	7.00	6.00	6.00	-	-	-
FIRE MARSHALL	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.55	2.30	-
GENERAL SERVICES	10.00	10.00	12.00	10.00	9.00	9.00	11.00	11.00	11.00	9.00
FACILITIES MAINTENANCE	34.00	35.00	37.00	40.00	39.00	36.00	37.00	38.00	47.75	47.00
PURCHASING	3.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
CENTRAL STORES/DUP	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
SERVICE CENTER	6.00	7.00	7.00	7.00	6.00	6.00	6.00	6.00	6.00	6.00
HEALTH SERVICES	530.25	562.85	607.41	579.25	571.70	546.60	577.60	647.75	661.05	526.55
SOCIAL SERVICES	481.50	552.10	563.60	521.10	440.10	432.60	481.10	511.10	527.60	463.00
SOCIAL SVCS MSSP	7.75	-	-	-	-	-	-	-	-	-
PUBLIC GUARDIAN ²	15.00	16.00	16.00	17.00	14.00	9.00	-	-	-	-
CETA/JTPA	60.00	-	-	-	-	-	-	-	-	-
WORKFORCE INVESTMENT ADMIN	-	5.00	6.00	7.00	5.00	-	-	-	-	-
VETERANS SERVICES	4.00	5.00	5.00	5.00	3.00	3.00	5.00	5.00	5.00	4.00
IHSS PUBLIC AUTHORITY	-	-	-	5.00	4.00	-	-	-	-	-
INFORMATION SVCS/TELEPHONE	76.00	81.50	81.50	81.50	78.50	73.25	71.25	78.25	78.25	76.25
INFORMATION SVCS/COMM. TECH.	-	-	-	-	-	-	-	6.00	6.00	6.00
PARKS & REC	51.00	66.00	70.50	67.75	63.50	53.55	53.05	53.75	57.00	56.00
PERSONNEL	25.85	23.00	26.00	24.50	23.50	22.50	22.50	23.50	27.50	27.50
RISK MANAGEMENT	5.50	10.55	10.75	10.75	10.75	10.75	9.75	10.75	10.75	10.75
PLANNING	95.25	98.50	110.75	93.75	90.50	98.50	99.25	99.25	100.00	100.00
PROBATION	96.00	101.00	110.50	108.00	86.50	86.00	88.00	90.00	101.00	94.00
JUVENILE HALL	36.00	31.00	31.00	31.00	29.00	33.00	32.00	31.00	31.00	31.00
PUBLIC WORKS	268.00	281.00	289.00	308.00	303.00	298.00	296.00	303.50	300.50	290.00
RDA	13.00	15.00	15.00	15.00	16.00	11.00	13.00	13.00	14.00	14.00
SHERIFF-CORONER	172.50	179.50	180.50	177.50	175.50	169.00	170.50	172.75	177.25	176.25
DETENTION	157.00	144.00	146.00	137.00	137.00	136.00	138.00	144.00	148.00	168.00
COURT SECURITY	-	22.00	21.00	22.00	22.00	22.00	23.00	24.00	26.00	26.00
TREASURER	<u>20.50</u>	<u>20.50</u>	<u>20.50</u>	<u>19.50</u>	<u>14.50</u>	<u>15.50</u>	<u>15.75</u>	<u>16.25</u>	<u>16.25</u>	<u>16.75</u>
TOTAL	2,529.05	2,643.15	2,758.39	2,668.89	2,504.06	2,413.25	2,486.00	2,627.15	2,705.20	2,496.80

¹ Weights and Measures was incorporated-into the Ag Commissioner

² On July 1, 2005, the Public Guardian was transferred to Health Services Agency. Its positions are incorporated into Health Services Agency.

County of Santa Cruz
Schedule of Insurance in Effect
June 30, 2009

<u>COVERAGE</u>	<u>DETAILS OF COVERAGE</u>	<u>LIMITS</u>
Property	CSAC-EIA Blanket buildings and equipment including EDP, Vehicles, Contractors' Equipment. All Risk, Flood, replacement cost-agreed amount including earthquake at scheduled locations. Deductible All Risk Limits (portion of limits are shared) Earthquake Limits (portion of limits are shared)	\$ 5,000 600,000,000 365,000,000
Crime Bond Blanket Program	CSAC-EIA Faithful Performance Bond (covers failure to faithfully perform duties and employee dishonesty.) Employees and Treasurer deductible.	10,000,000 2,500
Non-owned aircraft	National Union Fire Insurance Company Includes passengers' bodily injury, terrorism and property damage combined each occurrence Medical Expense Passenger Deductible	5,000,000 5,000
Excess Workers' Compensation Employer's Liability	CSAC-EIA Workers' Compensation Employer's Liability \$500,000 SIR deductible per occurrence Workers' Compensation and Employer's Liability	Statutory Limits 5,000,000
HSA Malpractice and General Liability	CSAC-EIA Comprehensive hospital professional and general liability for HSA staff and operations and Jail Deductible	25,000,000 10,000
Fine Arts	Travelers Deductible	125,000 500
Excess Liability (GLII)	CSAC-Excess Insurance Authority Excess Liability Insurance \$1,000,000 Self-Insured Retention to \$15,000,000	15,000,000
Optional Excess	CSAC - Excess Insurance Authority \$20 Million excess of \$15 Million	20,000,000
Catastrophic Liability	CSAC - Excess Insurance Authority Underlying coverage in Optional Excess and GLII	15,000,000
County Fire Auto & Liability Insurance	ABD Services, American Alternative Insurance Corp. Includes property insurance for County owned fire stations including contents, business interruption, money & securities, boiler & machinery deductible Equipment deductible Host Liquor Liability (included in GL) Auto Liability Sublimits: Uninsured/Underinsured	3,000,000 1,000 100 1,000,000 60,000
Pollution Program	CSAC-EIA Pollution Program Self-Insured Retention Deductible	10,000,000 500,000

County of Santa Cruz
Capital Assets Statistics by Function
Last Eight Fiscal Years

Function	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Public protection - Sheriff								
Jail facilities	3	3	3	3	3	3	3	3
Rehabilitation center	1	1	1	1	1	1	1	1
Juvenile center	1	1	1	1	1	1	1	1
Courthouses	3	3	2	2	2	2	2	2
Morgue	1	1	1	1	1	1	1	1
Public assistance								
Child day care center	1	1	1	1	1	1	1	1
Elder day care center	1	1	1	1	1	1	1	1
Residential care facility	1	1	1	1	1	1	1	1
Volunteer center	1	1	1	1	1	1	1	1
Veterans centers	2	2	2	2	2	2	2	2
Recreation and culture								
Parks acreage	223	223	223	223	223	223	223	223
Sites	57	57	55	56	55	55	54	54
Athletic fields	17	17	17	17	17	17	17	17
Swimming pools	4	2	2	2	2	2	2	2
Public ways and facilities								
Roads								
Pavement (miles)	600	600	600	600	600	600	599	599
Junction structures	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Minor culverts	2,000	2,000	2,200	2,262	2,261	2,260	2,258	2,255
Bridges and major culverts	160	160	159	159	159	159	159	159
Sanitation								
Pipe (miles)	222	222	222	222	222	222	220	220
Pump stations/treatment plants	62	62	62	62	62	62	59	59
General government and support services								
Administrative and other facilities ¹	10	10	10	10	10	10	10	8

Note: Trend information is only available for the last eight fiscal years following the County's implementation of GASB 34.

¹ Includes buildings and centers utilized by various departments within different functions.

GLOSSARY (UNAUDITED)

ACCOUNTS PAYABLE. A short-term liability account reflecting amounts owed to private persons or organizations for goods and services received by a government.

ACCOUNTS RECEIVABLE. An asset account reflecting amounts due from private persons or organizations for goods and services furnished by a government (but not including amounts due from other funds or other governments).

ACCRUAL BASIS. The recording of the financial effects on a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

ACCUMULATED DEPRECIATION. A contra-asset account used to report the accumulation of periodic credits to reflect the expiration of the estimated service life of capital assets.

ADVANCE FROM OTHER FUNDS. A liability account used to record noncurrent portions of a long-term debt owed by one fund to another fund within the same reporting entity. See **DUE TO OTHER FUNDS** and **INTERFUND RECEIVABLE/PAYABLE**.

ADVANCE TO OTHER FUNDS. An asset account used to record noncurrent portions of a long-term loan from one fund to another fund within the same reporting entity. See **DUE FROM OTHER FUNDS**.

AGENCY FUND. A fund normally used to account for assets held by a government as an agent for individuals, private organizations or other governments and/or other funds.

AMORTIZATION. (1) The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

APPROPRIATION. A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and time it may be expended.

ASSESSED VALUATION. A valuation set upon real estate or other property by a government as a basis for levying taxes.

AUDITOR'S REPORT. In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor's opinion on the fairness of presentation of the financial information in conformity with GAAP or some other comprehensive basis of accounting.

BALANCE SHEET. The financial statement disclosing the assets, liabilities and equity of an entity at a specified date in conformity with GAAP.

BASIC FINANCIAL STATEMENTS (BFS). The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP. Basic financial statements have three components: government-wide financial statements, fund financial statements and notes to the financial statements.

BASIS OF ACCOUNTING A term used to refer to *when* revenues, expenditures, expenses, and transfers - and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the *timing* of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual method.

BUDGET. A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating governing body for adoption, and sometimes, the plan finally approved by that body.

BUDGETARY CONTROL. The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

CAPITAL ASSETS. Long-lived tangible assets obtained or controlled as a result of past transactions, events or circumstances. Capital assets include buildings, equipment, improvements other than buildings, land and infrastructure. In the private sector, these assets are referred to most often as property, plant and equipment.

CAPITAL EXPENDITURES. Expenditures resulting in the acquisition of or addition to the government's general capital assets.

CAPITALIZATION POLICY. The criteria used by a government to determine which outlays should be reported as capital assets.

CAPITAL LEASE. An agreement that conveys the right to use property, plant or equipment, usually for a stated period of time See **LEASE-PURCHASE AGREEMENTS**.

CAPITAL PROJECTS FUND. A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

CASH BASIS. A basis of accounting under which transactions are recognized only when cash is received or disbursed.

CASH WITH FISCAL AGENT. An asset account reflecting deposits with fiscal agents, such as commercial banks, for the payment of bond principal and interest

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING PROGRAM. A voluntary program administered by the GFOA to encourage governments to publish efficiently organized and easily readable CAFRs and to provide technical assistance and peer recognition to the finance officers preparing them.

CHANGE IN THE FAIR VALUE OF INVESTMENTS. The difference between the fair value of investments at the beginning of the year and at the end of the year, taking into consideration investment purchases, sales, and redemptions.

COMPENSATED ABSENCES. Absences, such as vacation, illness and holidays, for which it is expected employees will be paid. The term does not encompass severance or termination pay, postretirement benefits, deferred compensation or other long-term fringe benefits, such as group insurance and long-term disability pay.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR). A financial report that encompasses all funds and component units of the government. The CAFR should contain (a) the basic financial statements and required supplementary information, (b) combining statements to support columns in the basic financial statements that aggregate information from more than one fund or component unit, and (c) individual fund statements as needed. The CAFR is the governmental unit's official annual report and also should contain introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data.

CONTINGENT LIABILITY. Items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending lawsuits, judgments under appeal, unsettled disputed claims, unfilled purchase orders and uncompleted contracts. Contingent liabilities should be disclosed within the financial statements (including the notes) when there is a reasonable possibility a loss may have been incurred. Guarantees, however, should be disclosed even though the possibility of loss may be remote.

COST-SHARING MULTIPLE-EMPLOYER PLAN. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members and the same contribution rate(s) applies for each employer.

CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS. Measurement focus according to which the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for state and local governments and is used solely for reporting the financial position and results of operations of governmental funds.

DEBT. An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, time warrants and notes.

DEBT SERVICE FUND. A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

DEFERRED CHARGES. Expenditures that are not chargeable to the fiscal period in which they were made but that are carried as an asset on the balance sheet, pending amortization or other disposition (e.g. bond issuance costs). Deferred charges differ from prepaid items in that they usually extend over a long period of time (more than five years) and are not regularly recurring costs of operation.

DEFERRED REVENUE. Resource inflows that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period.

DEFICIT. (1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period or, in the case of proprietary funds, the excess of expenses over revenues during an accounting period.

DEFINED BENEFIT PENSION PLAN. A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation.

DEFINED CONTRIBUTION PENSION PLAN. A pension plan having terms that specify how contributions to a plan member's account are to be determined, rather than the amount of retirement income the member is to receive. The amounts received by a member will depend only on the amount contributed to the member's account, earnings on investments of those contributions, and forfeitures of contributions made for other members that may be allocated to the member's account.

DEPRECIATION. (1) Expiration in the service life of capital assets, other than wasting assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy and obsolescence. (2) The portion of the cost of a capital asset, other than a wasting asset, charged as an expense during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

DESIGNATED FUND BALANCE. A portion of an unreserved fund balance that has been "earmarked" by the chief executive officer or the legislative body for specified purposes.

DUE FROM OTHER FUNDS. An asset account used to indicate amounts owed to a particular fund by another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans.

DUE TO OTHER FUNDS. A liability account reflecting amounts owed by a particular fund to another fund for goods sold or services rendered. These amounts include only short-term obligations on open account, not interfund loans.

ECONOMIC RESOURCES MEASUREMENT FOCUS. Measurement focus under which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity's net assets. The economic resources measurement focus is used for proprietary and fiduciary funds, as well as for government-wide financial reporting. It is also used by business enterprises in the private sector.

ENCUMBRANCES. Commitments related to unperformed (executory) contracts for goods or services. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

ENTERPRISE FUND. Proprietary fund type used to report an activity for which a fee is charged to external users for goods and services.

EXPENDITURE-DRIVEN GRANTS. Government-mandated or voluntary nonexchange transactions in which expenditure is the prime factor for determining eligibility. Also referred to as reimbursement grants.

EXCHANGE-LIKE TRANSACTION. Transaction in which there is an identifiable exchange between the reporting government and another party, but the values exchanged may not be quite equal or the direct benefits of the exchange may not be exclusively for the parties to the exchange.

EXPENDITURES. Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service and capital outlays, and intergovernmental grants, entitlement and shared revenues.

EXPENSES. Outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operations.

EXTERNAL AUDITORS. Independent auditors typically engaged to conduct an audit of a government's financial statements.

EXTERNAL INVESTMENT POOL. An arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsors reporting entity. An external investment pool can be sponsored by an individual government, jointly by more than one government or by a nongovernmental entity. An investment pool that is sponsored by an individual state or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government-sponsored pool includes only the primary government and its component units, it is an internal investment pool and not an external investment pool.

FAIR VALUE. The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FIDUCIARY FUNDS. The trust and agency funds used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other government units and/or other funds.

FINANCIAL RESOURCES. Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g. receivables, investments). Financial resources may also include inventories and prepaids (because they obviate the need to expend current available resources).

FISCAL AGENT. A fiduciary agency, usually a bank or county treasurer, who performs the function of paying debt principal and interest when due.

FUND. A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein, are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions or limitations.

FUND BALANCE. The difference between fund assets and fund liabilities of governmental and similar trust funds.

FUND FINANCIAL STATEMENTS. Basic financial statements presented on the basis of funds. Term used in contrast with *government-wide financial statements*.

FUND TYPE. Any one of seven categories into which all funds are classified in governmental accounting. The seven fund types are: general, special revenue, debt service, capital projects, enterprise, internal service, and trust and agency.

GENERAL REVENUES. All revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax - for example, property tax, sales tax, transient occupancy tax. All other nontax revenues (including interest, grants and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.

GENERAL FUND. The general fund is one of five governmental fund types and typically serves as the chief operating fund of the government. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP). The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local governments are set forth by SAS No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report.*

GOVERNMENTAL ACCOUNTING. The composite activity of analyzing, recording, summarizing, reporting and interpreting the financial transactions of governments.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB). The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The GASB was established in June 1984 to replace the National Council on Governmental Accounting (NCGA).

GOVERNMENTAL FUNDS. Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds and permanent funds.

GOVERNMENT-WIDE FINANCIAL STATEMENTS. Financial statements that incorporate all of a government's governmental and business-type activities, as well as its nonfiduciary component units. There are two basic government-wide financial statements: the statement of net assets and the statement of net activities. Both basic governmental financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

INFRASTRUCTURE. Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems.

INTERFUND RECEIVABLE/PAYABLE. Short-term loans made by one fund to another, or the current portion of an advance to or from another fund.

INTERFUND TRANSFERS. Flow of assets (such as cash or goods) between funds and blended component units of the primary government without equivalent flows of assets in return and without a requirement for payment.

INTERNAL SERVICE FUND. A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

JOINT VENTURE. A legal entity or other contractual arrangement in which a government participates as a separate and specific activity for the benefit of the public or service recipients and in which the government retains an ongoing financial interest.

LAPSE. As applied to appropriations, the automatic termination of an appropriation. Except for indeterminate appropriations and continuing appropriations, an appropriation is made for a certain period of time. At the end of this period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.

LEASE-PURCHASE AGREEMENTS. Contractual agreements that are termed leases, but that in substance are purchase contracts.

LEGAL LEVEL OF BUDGETARY CONTROL. The level at which spending in excess of budgeted amounts would be a violation of law.

LEVEL OF BUDGETARY CONTROL. The level at which a government's management may not reallocate resources without special approval from the legislative body.

LIABILITIES. Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

LOANS RECEIVABLE. An asset account reflecting amounts loaned to individuals or organizations external to a government, including notes taken as security for such loans. Loans to other funds and governments should be recorded and reported separately.

MAJOR FUND. A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The general fund is always a major fund. Otherwise, major funds are funds whose revenues/expenditures, assets or liabilities are at least 10 percent of corresponding totals for all government or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other government or enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

MANAGEMENT'S DISCUSSION AND ANALYSIS. A component of required supplementary information used to introduce the basic financial statements and to provide an analytical overview of the entity's financial activities.

MEASUREMENT FOCUS. A way of presenting an entity's financial performance and position by considering which *resources* are measured (financial or economic) and *when* the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, proprietary fund financial statements and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

MODIFIED ACCRUAL BASIS. The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g. bond issue proceeds) are recognized when they become susceptible to accrual, that is when they become both "measurable" and "available to finance expenditures of the current period." "Available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, expenditures are recognized when the fund liability is incurred. All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting.

OTHER FINANCING SOURCES. An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the other financing sources category is limited to items so classified by GAAP.

OTHER FINANCING USES. A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of other financing uses category is limited to items so classified by GAAP.

OVERLAPPING DEBT. The proportionate share property within each government must bear of the debts of all local governments located wholly or in part within the geographic boundaries of the reporting government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessment receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

PROGRAM REVENUES. Term used in connection with the government-wide statement of activities. Revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

PROPRIETARY FUNDS. Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

REBATABLE ARBITRAGE. A term used in connection with the reinvestment of the proceeds of tax-exempt debt. A requirement to remit to the federal government interest revenue in excess of interest costs when the proceeds from the sale of tax-exempt securities are reinvested in a taxable money market instrument with a materially higher yield.

REPORTING ENTITY. The oversight unit and all of its component units, if any, that are combined in the CAFR/BFS.

REQUIRED SUPPLEMENTARY INFORMATION. Consists of statements, schedules, statistical data or other information which, according to the GASB, is necessary to supplement, although not required to be a part of the basic financial statements.

RESERVED FUND BALANCE. The portion of a governmental fund's net assets that is not available for appropriation.

RESTRICTED ASSETS. Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

RESTRICTED NET ASSETS. A component of net assets calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

REVENUE BONDS. Bonds whose principal and interest are payable exclusively from earnings of an enterprise fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the enterprise fund's property.

RISK MANAGEMENT. All the ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

SELF-INSURANCE. A term often used to describe the retention by an entity of a risk of loss arising out of the ownership of property or from some other cause, instead of transferring that risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets to fund any related losses. Because no insurance is involved, the term self-insurance is a misnomer.

SINGLE AUDIT. An audit performed in accordance with the Single Audit Act of 1997 and Office of Management and Budget's (OMB) Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. The Single Audit Act allows or requires governments (depending on the amount of federal assistance received) to have one audit performed to meet the needs of all federal agencies.

SPECIAL DISTRICT. An independent unit of local government organized to perform a single government function or a restricted number of related functions. Special districts usually have the power to incur debt and levy taxes; however, certain types of special districts are entirely dependent upon enterprise earnings and cannot impose taxes. Examples of special districts are water districts, drainage districts, flood control districts, hospital districts, fire protection districts, transit authorities, port authorities and electric power authorities.

SPECIAL REVENUE FUND. A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

TAX AND REVENUE ANTICIPATION NOTES (TRANS). Notes issued in anticipation of the collection of taxes and revenues, usually retireable only from tax collections, and frequently only from the proceeds of the tax and revenues levy whose collection they anticipate.

TRUST FUNDS. Funds used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments and/or other funds.

UNDESIGNATED UNRESERVED FUND BALANCE. That portion of a fund balance that is available for spending or appropriation and has not been "earmarked" for specified purposes by the chief executive officer or the legislative body.

UNQUALIFIED OPINION. An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

UNRESERVED FUND BALANCE. That portion of a fund balance available for spending or appropriation in the future.

UNRESTRICTED NET ASSETS. That portion of net assets that is neither restricted nor invested in capital assets (net of related debt).