

COUNTY OF SANTA CRUZ  
STATE OF CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2011



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

### **Charles I. D. Looff**

Charles I. D. Looff was born in Bramstedt, Schleswig-Holstein, Denmark on May 24, 1852. He learned the art of woodcarving and immigrated to New York on August 14, 1870. Looff settled in Brooklyn where he worked as a carver in a furniture factory. He began carving scraps of wood from the furniture factory into carousel animals and in 1876, assembled his wooden horses and animals onto a circular platform creating his first merry-go-round. He installed his merry-go-round ride, Coney Island's first carousel, at Vanderveer's Bathing Pavilion at West Sixth Street and Surf Avenue. Over the next four decades he and five of his six children created more than 40 carousels across the United States including the Santa Cruz Beach Boardwalk's Looff Carousel, which thrilled its first riders on August 3, 1911.

### **Santa Cruz, California Beach Boardwalk**

The Boardwalk's oldest ride, the Looff Carousel has enchanted visitors and riders for 100 years. The carousel is home to 73 horses and two roman chariots decorated with ram heads and cherubs. The horses are unique with colorful details, decorative, jeweled trimmings and real horse hair tails. The carousel is one of only a handful of carousels in the world still featuring a working ring dispenser, from which the riders of outside horses can grab rings as they spin, then toss them into a large clown's gaping mouth, to be rewarded by bells and flashing lights. Over the years, some of the magical, ethereal and seemingly immortal horses were lost to the ravages of time and wear, but in 1978, the Boardwalk restored its collection by acquiring horses from carousels in Myrtle Beach, South Carolina, and Belmont Park in San Diego. While delighting many visitors from around the world, the carousel also enjoyed some fame appearing in a variety of feature films, commercials, and made-for-television movies including "Sudden Impact" (1983), "Brotherhood of Justice" (1986), and "The Lost Boys" and "The King of Love" (1987). In 1987, the U.S. Park Service honored the Looff Carousel by designating it a National Historic Landmark.

Photo provided by Santa Cruz Beach Boardwalk

# *County of Santa Cruz, California*

## *Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2011*

Prepared Under the Direction of  
Mary Jo Walker  
Auditor-Controller

**County of Santa Cruz**  
**For the year ended June 30, 2011**

**Table of Contents**

---

---

	<u>Page</u>
<b><u>INTRODUCTORY SECTION</u></b>	
Letter of Transmittal .....	i
Organization Chart .....	xi
Principal Officials of the County of Santa Cruz, California .....	xii
Certificate of Achievement for Excellence in Financial Reporting - Government Finance Officers Association .....	xiii
<b><u>FINANCIAL SECTION</u></b>	
Independent Auditors' Report .....	1
Management Discussion and Analysis .....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	19
Statement of Activities and Changes in Net Assets.....	20
Fund Financial Statements:	
<i>Governmental Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds.....	27
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.....	28
Statement of Revenues, Expenditures and Changes in Fund Balances .....	29
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 .....	30
<i>Proprietary Fund Financial Statements:</i>	
Statement of Net Assets .....	33
Statement of Revenues, Expenses and Changes in Fund Net Assets .....	34
Statement of Cash Flows.....	35
<i>Fiduciary Fund Financial Statements:</i>	
Statement of Fiduciary Net Assets .....	39
Statement of Changes in Fiduciary Net Assets.....	40
Notes to Basic Financial Statements .....	41

**County of Santa Cruz**  
**For the year ended June 30, 2011**

**Table of Contents, Continued**

---

	<u>Page</u>
<b><u>FINANCIAL SECTION, Continued</u></b>	
Required Supplementary Information (Unaudited):	
Budgetary Principles .....	103
Budgetary Comparison Schedule:	
General Fund .....	105
Reconciliation of Classification Differences between Budgetary Comparison Schedule and the Statement of Revenues, Expenditures and Changes in Fund Balances .....	115
Redevelopment Agency Special Revenue Fund .....	116
Public Employees Retirement System (PERS) and Other Post Employment Obligations Schedules of Funding Progress .....	117
<b>Supplementary Information:</b>	
Budgetary Comparison Schedule:	
Major Fund - Capital Project Fund .....	121
<i>Non-Major Governmental Funds:</i>	
Combined Fund Statements and Schedules:	
Combined Balance Sheet .....	127
Combined Statement of Revenues, Expenditures and Changes in Fund Balances .....	128
<i>Non-Major Special Revenue Funds:</i>	
Combining Balance Sheet .....	130
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	134
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
Library Special Revenue Fund .....	138
Fire Special Revenue Fund .....	139
Off-Highway Road and Transportation Special Revenue Fund .....	140
Fish and Game Special Revenue Fund .....	141
Private Revitalization of Downtown Special Revenue Fund .....	142
Park Dedication and State Park Bonds Special Revenue Fund .....	143
Santa Cruz Flood Control & Water Conservation - Zone 7 Special Revenue Fund .....	144

**County of Santa Cruz**  
**For the year ended June 30, 2011**

**Table of Contents, Continued**

---

	<u>Page</u>
<b><u>FINANCIAL SECTION, Continued</u></b>	
<b>Supplementary Information, Continued:</b>	
<i>Non-Major Special Revenue Fund, Continued:</i>	
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances – Budget and Actual, Continued:	
Districts Governed by the Board of Supervisors:	
Public Protection Special Revenue Fund.....	145
Health and Sanitation Special Revenue Fund.....	146
Recreation and Culture Special Revenue Fund.....	147
Public Ways and Facilities Special Revenue Fund.....	148
 <i>Nonmajor Enterprise Funds:</i>	
Combining Statement of Net Assets.....	150
Combining Statement of Revenues, Expenses and Changes in Net Assets.....	152
Combining Statement of Cash Flows.....	154
 <i>Internal Service Funds:</i>	
Combining Statement of Net Assets.....	160
Combining Statement of Revenues, Expenses and Changes in Net Assets.....	162
Combining Statement of Cash Flows.....	164
 <i>Agency Funds:</i>	
Combining Balance Sheet.....	171
Combining Statement of Changes in Net Assets.....	172
 <b><u>STATISTICAL SECTION (UNAUDITED)</u></b>	
Net Assets by Component.....	174
Government Wide Changes in Net Assets.....	175
General Fund Tax Revenues by Source.....	177
Fund Balances of Governmental Funds.....	178
Changes in Fund Balances of Governmental Funds.....	179
Property Tax Levies and Collections.....	180
Assessed Value of Taxable Property.....	181
Property Tax Rates - Direct and Overlapping Governments.....	182
Ratios of Outstanding Debt by Type.....	183
Computation of Legal Debt Margin.....	184

**County of Santa Cruz**  
**For the year ended June 30, 2011**

**Table of Contents, Continued**

---

---

	<u>Page</u>
<b><u>STATISTICAL SECTION (UNAUDITED), Continued</u></b>	
Statement of Direct and Overlapping Debt .....	185
Outstanding Debt of the Public Financing Authority .....	186
General Information.....	187
Property Value, Construction and Bank Deposits.....	188
Special Assessment Billings and Collections.....	189
Principal Taxpayers.....	190
Principal Employers.....	191
Operating Indicators by Function.....	192
Budgeted Positions.....	194
Schedule of Insurance in Effect .....	195
Capital Assets Statistics by Function .....	196
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....</b>	<b>197</b>
Glossary (Unaudited).....	199



# COUNTY OF SANTA CRUZ

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## AUDITOR-CONTROLLER'S OFFICE

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

January 5, 2012

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, 2011 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 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. Internal controls are 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 in the California 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 by line item 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 may be re-appropriated in 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 appoints a County Administrative Officer (Chief Executive) 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 264,430. Approximately half live in one of the County's four cities; Capitola, Santa Cruz, Scotts Valley, or Watsonville, with the other half living in the unincorporated County area.

## **ECONOMIC CONDITIONS AND OUTLOOK**

The Santa Cruz area is similar to many parts of the country in that the local economy has started showing signs of recovery after the global 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 economic downturn in 2001. The subprime mortgage lending crisis significantly reduced home sales across the nation beginning in 2007, including those in Santa Cruz County. From fiscal year 2001-02 through 2007-08, assessed value of real property in the County increasing by an average of about 8% per year. Assessed values slowed the following year to 3.3% growth, and then actually declined by 3.0% for fiscal year 2009-10, which was the first decline since the County began tracking property tax growth in 1968. Assessed values declined again by 0.6% for fiscal year 2010-11, and are absolutely flat for fiscal year 2011-12. Every indication is that they will remain flat or increase slightly for fiscal year 2012-13. Property-related tax revenues comprise about 79% of the County's total tax revenues, so changes have a dramatic effect not only on the County, but also on every local agency and special district, as well as the State since over half of local property tax revenues are earmarked for K-12 education, which is State obligation.

Another indicator of the local economy is retail sales. Sales tax receipts in the unincorporated County comprise about 9% of the County's total tax revenues. Sales tax receipts declined during fiscal years 2008-09 and 2009-10 by 10% each year, but then recovered almost 10% during fiscal year 2010-11, and continue to increase slightly during fiscal year 2011-12, which is another signal that the local economy is stabilizing. Tourism is important to the local economy, and the Santa Cruz area experienced lower occupancy and weaker tourist spending for a few years, but is bouncing back. Transient Occupancy Tax collections, which comprise about 4% of the County's total tax revenues, ebb and flow with the economy, but have increased about 10% over the past five years. Unemployment in the County historically averages about 6.5%, but reached a record high this past year, closing the year at 12.7%, which is nearly double the historic average.

The County's General Fund revenues decreased by \$3.6 million from \$356.2 million in fiscal year 2009-10 to \$352.6 million in fiscal year 2010-11, a decrease of about 1.0%. Intergovernmental aid from other governments caused the majority of the decline, somewhat offset by increases in taxes and charges for services.

The County was able to reduce its expenditures by \$1.4 million from \$341.4 million in fiscal year 2009-10 to \$340.0 million in fiscal year 2010-11, or about 0.4%. To accomplish this, employees agreed to continue the existing furloughs of up to 7.5%, along with various other concessions. A number of programs and services were eliminated or reduced, and 386 positions were eliminated over the past three years, representing nearly 15% of the workforce.

Despite the difficult economic climate, the County was able to increase its General Fund reserves and designations during the year. Total General Fund balance was \$28.7 million at June 30, 2010, and increased by \$10.7 million to \$39.4 million at June 30, 2011. General Fund reserves and designations were \$24.5 million at June 30, 2010, and increased by \$5.7 million to \$30.2 million at June 30, 2011, not including \$2.4 million in encumbrance reserves for future purchase orders or contracts. \$2.0 million of this increase is from various assets that were transferred from the County's Community Redevelopment Agency to the General Fund during the year.

The County's fiscal year 2011-12 adopted budget continues to reflect the impact of the recession and economic contractions experienced by all private and public sectors. For Santa Cruz County government, the result is that property related revenues, interest earnings, sales taxes, and charges for services in the land use area are projected to remain essentially flat, but program revenues from federal and state agencies are projected to increase somewhat. While the County receives only 13% of the property tax dollar, approximately 79% 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 recession officially ended in the United States in June 2009, and although there are signs of recovery in our local economy, the County continues to employ strict cost control measures to balance its budget, including employee furloughs and concessions, service and program reductions and staffing cuts.

In June 2011, the County Board of Supervisors adopted a Fund Balance Policy in compliance with Governmental Accounting Standards Board Statement (GASB) 54, and established a minimum fund balance policy in the County General Fund of 7% of budgeted revenues. This policy not only met the requirements of GASB 54, but also will help the County maintain a stronger fiscal position to weather negative economic trends while still preserving flexibility.

At the State level, the California Legislative Analyst's Office is projecting a \$3.0 billion deficit for 2011-12 and another \$10.0 billion budget gap for fiscal year 2012-13. Although smaller than the projected deficits in recent years, it is still a difficult problem. The downturn in real estate activity and the banking crisis since 2006 are primarily responsible for the State's severely weakened economy. The State is slowly recovering from the recession, but unemployment is still high and projected to remain so for a number of years. Closing the combined \$13.0 billion budget shortfall over the next 18 months will be a monumental task, and addressing this large shortfall will require painful choices, on top of the difficult decisions the Legislature made in the past few years. The State's long term outlook will continue to mean uncertainty for local agencies.

As part of the State's budget package for fiscal year 2011-12, the State legislature adopted Assembly Bill 109, the Public Safety Realignment Act, which became effective on October 1, 2011. This sweeping reform transfers responsibility for supervising specified lower-level inmates and parolees from the California Department of Corrections and Rehabilitation to counties, in exchange for increased funding. This initiative represents a considerable opportunity to provide a higher level of justice system effectiveness and public safety.

The State legislature also adopted Assembly Bills (AB) X1 26 and 27 as part of their fiscal year 2011-12 budget. AB X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts and obligations and prepare for dissolution. AB X1 27 provides a means for a redevelopment agency to continue existing by making a substantial voluntary payment to support the local education system. Various agencies filed a lawsuit with the California Supreme Court to overturn the bills, and the Court agreed to make its decision before January 15, 2012.

The California Public Employees Retirement System (CALPERS) pension fund, which County employees participate in, estimated a gain of 20.7% on its investments for the year ended June 30, 2011, following a gain of 13.3% in the previous year and a loss of 23.4% the year before. The rebound in the PERS investment portfolio was the result of many factors including the stabilization of the financial industry and market liquidity. CALPERS believes that its long-term 20-year investment return remains 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 2010, CALPERS adopted an additional rate smoothing methodology designed to ease the impact of expected investment losses from earlier fiscal years 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 9.1% in 2011, and will increase by 4.1% for 2012. The upcoming fiscal year will be another challenging year for the County, but the County's management has done an excellent job under difficult fiscal conditions in the past, and will continue to do so. If it were not for the State's impaired financial condition, the County could more effectively manage its financial decisions at the local level.

## **MAJOR INITIATIVES**

- The Agricultural Commissioner's Department continues to enforce the laws that promote and protect the production and distribution of food and crops. Enforcement of the recent European Grapevine Moth Quarantine will continue to require substantial Department resources. The Department works closely with the State to ensure that its efforts coincide with State priorities and mandates.
- The Assessor's Office continued to see a large volume of assessment appeals due to the downturn in the real estate market with many of these properties receiving value reductions. The Assessor's Office is one of the primary team members which is designing and implementing the County's new property tax system.
- The County Recorder's Office installed a new electronic recording system and continued its goal of restoring historical official records by restoring 46 deed books. The Office also completed the redaction of social security numbers from over 2.6 million images from documents recorded from 1980 to 1997 to comply with a State mandate.
- The Auditor-Controller's Office is a key member of the team which is replacing the County's property tax system. This past year, the Office implemented a new program to publicize unclaimed money, and led the effort to develop and adopt a new fund balance policy in compliance with GASB 54, as well as a new cell phone usage policy which allowed the County to significantly reduce related costs. The potential elimination of redevelopment agencies statewide, including the County's Live Oak Redevelopment Agency, has and will continue to require considerable staff effort. The Office remains committed to improving financial reporting and processing efficiencies through the use of new technology projects.
- Child Support Services focused on improving customer service, including reducing the wait time for court dates from 6 months to 45 days, increasing performance in collecting both current and past-due child support, and for the first time, ended the year above 60% in both measurements.

- The County Administrative Office again was challenged by the continuing economic conditions to present a balanced budget for fiscal year 2011-12. Much effort was directed to preparing for the potential elimination of the County's Live Oak Redevelopment Agency as a result of Assembly Bills AB 1X 26 and 27, signed into law in June 2011. The County Administrative Officer played a critical role as Chair of the Allocation Working Group dealing with the statewide reallocation of public safety funds pursuant to Assembly Bill 109, the Public Safety Realignment Act. Another focus was working with departments and employee unions to renegotiate retirement and health benefits to achieve significant future savings. The Office also coordinated the reestablishment of the Criminal Justice Council, the realignment of Supervisorial District boundaries, and the issuance of Certificates of Participation bonds to finance infrastructure improvements.
- The County Clerk/Elections Office supported two elections in fiscal year 2010-11: the August 2010 15th State Senate District special vacancy election and the November 2010 general election which included federal, state and local contests using new voting equipment approved by the State of California. The Office continues to provide services in many areas such as issuing marriage licenses (1,581 issued), performing marriage ceremonies (more than 350 performed), accepting passport applications (2,476 accepted), and issuing fictitious business statements (2,530 issued). The Office was awarded a \$25,000 competitive grant from the Election Assistance Commission to research and improve election audits.
- The Office of the County Counsel continues to provide civil legal representation to every County department and several special districts. The Office defends the County in all civil litigation, largely in the tort and land use areas. Two attorneys are assigned full-time to represent the County in its child welfare work. This past year, the Office contributed significantly to the plastic bag ban, vacation rental and medical marijuana ordinances.
- The District Attorney's Office continued to face an unprecedented 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 a key member of the team formed to establish the Countywide Gang Task force to combat violent gang activities. In addition, the Office is an integral member of the Community Corrections Partnership which was established to develop and implement plans for dealing with the financial and operational effects of Assembly Bill 109, the Public Safety Realignment Act, which allows specified lower-level inmates and parolees to serve their sentence in county jails instead of state prisons.
- The General Services Department continues its diligence in addressing the operational needs of the County, despite significant cutbacks in staffing and funding. Accomplishments include multiple energy efficiency upgrade projects at various County sites including lighting upgrades for county parking lots and HVAC upgrades, using grant awards and funding totaling almost \$1 million dollars from the American Recovery and Reinvestment Act and the California Energy Commission. An electric vehicle charging station was installed at the County Government Center. The Department's Purchasing Division continues to focus on procurement of environmental and energy-friendly products and services, as well as implementing cooperative purchasing with local governments to increase efficiencies and reduce costs.

- The Health Services Agency has been intensively involved in preparing to implement the federal 1115 waiver for health reform. This program, which is expected to begin in January 2012, will allow for the doubling of funds available for care of uninsured indigent adults. Changes to funding of special education services required renegotiation of agreements with all school districts. The County's new Behavioral Health Unit has been a particularly demanding project, including the purchase of land and the related land use and zoning approvals. Finally, state and local budget challenges continue to dominate the work of the Agency.
- The Human Services Department is heavily leveraged by federal and state funding. Ongoing high unemployment and poverty rates resulted in increased demand for many services. Unfortunately, continued state and local funding reductions have negatively impacted services in most areas, especially the Employment and Benefit Services (Medi-Cal, CalFresh, General Assistance, CalWORKs Cash Aid and Welfare to Work) and Family and Children's Services (Child Protection and Adoptions). Several initiatives were implemented to address the growing number of program applicants including Benefits CalWIN (an online, web-based application system), and Access CalWIN, (an interactive voice response system where applicants have 24 hour access to status information). Additionally, the Department was the recipient of two federal grants which provide increased support to foster families (Roots and Wings) and to parents of young children who are participants in Family Preservation Court due to their Substance Abuse.
- The Information Services Department's focus remains on modernizing the County's hardware and software and consolidating support services. The migration of business processes off the mainframe computer continues, using vendor solutions as well as in-house development of specialized applications. The Department's major migration project is the rollout of the County's new Property Tax system, using a vendor application. The virtualization of the data center using modern tools and hardware is complete.
- The Parks, Open Space and Cultural Services Department continued to work in collaboration with other agencies, departments and non-profit organizations to improve park facilities and arts within the community, and offer quality recreation and nature programs at Simpkins Family Swim Center, at youth programs and camps, and at Quail Hollow Ranch. Projects completed include a playground and new world class disc golf course at Pinto Lake Park, Ben Lomond Park Improvements, Felt Street Park development, Brommer Park picnic area renovation, installation of public art pieces at the Live Oak Resource Center, the Traffic Box Art Program, and acceptance of a donation of a private art collection.
- The Personnel and Risk Management Department continued to work closely with other departments and employee unions to retain as many employees as possible, in response to continuing budget reductions. In fiscal year 2011-12, the County reduced budgeted positions by 152. Over the past four fiscal years, the County has reduced or unfunded 703 budgeted positions, approximately 30% of the work force. Fortunately, many of the reductions have been met through attrition and employee redeployment efforts. The Department also worked closely with employee unions through the collective bargaining process to restructure retiree health and pension benefits to improve the long term sustainability of these programs and reduce the County's future costs by approximately \$25 million over the next eight budget years.

- The Planning Department continued to simplify the County's land use regulations and associated processes during fiscal year 2010-11 through enhancements to customer service, management and business initiatives and new planning and policy measures. The Department was awarded a \$500,000 Sustainable Communities Planning Grant, focusing on reduction of greenhouse gas emissions and encouraging pedestrian, bicycle and other alternative transportation. Several new initiatives were undertaken, including a focus on the County's Green Building Code to encourage environmentally friendly building materials and sustainable construction practices, amending the Commercial Use Standards to make them more transparent and understandable, and an Economic Development Strategy to address job creation and retention and business expansion in the unincorporated area of the County.
- The Probation Department recently completed the first phase of the Santa Cruz County Community Corrections Plan which articulates a local response to the Public Safety Realignment Act, Assembly Bill 109, which became effective on October 1, 2011. This sweeping reform transfers responsibility for supervising specified lower-level inmates and parolees from the California Department of Corrections and Rehabilitation to counties. The legislation mandates a local Community Corrections Partnership (CCP), which was established by action of the Board of Supervisors on August 23, 2011. The CCP developed a Community Corrections Plan, approved by the Board on October 4, 2011, which established subcommittees that are now meeting to guide implementation. This initiative represents a considerable opportunity to provide a higher level of justice system effectiveness and public safety.
- The Public Works Department is currently completing the repair of damaged sites from the heavy rain storms in 2006 and 2009. The March 2011 rain storms caused damage to 60 additional sites, but as the Federal government has declined to declare this storm as a major disaster event, the Department is seeking alternative funding for these sites. It is unclear how much funding may be available from the State. The Pavement Management Program and the backlog of deferred road resurfacing will continue using Proposition 1B funds. Due to continued budgetary constraints, the solid waste landfill and transfer station are now closed on Sundays. The Department continues its efforts to secure State and Federal funding to reinforce the levees along the Pajaro River to prevent future flooding in that area.
- The Sheriff's Office continues to address jail overcrowding. In 2011, Assembly Bill 109, the Public Safety Realignment Act transferred the responsibility for supervising specified lower level inmates and parolees from the California Department of Corrections and Rehabilitation to counties. To address these inmates and parolees, the Sheriff's Office established a Custodial Alternative Program to screen and supervise participants released to community supervision. Another major focus this coming year will be to address 450,000 paper documents to digitized format, and the purchase of a second latent print workstation to increase the number and quality of latent print searches.
- The Treasurer-Tax Collector's Office continues its work to expand a delinquent court fine collection program and a related Amnesty program, which will be fully implemented in 2012, as prescribed by the State of California. 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 also expanded the base of Transient Occupancy Tax revenues, was instrumental in the implementation of the Santa Cruz Tourism Marketing District, and is a key member of the team which is designing and implementing the County's new 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, 2010. 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**

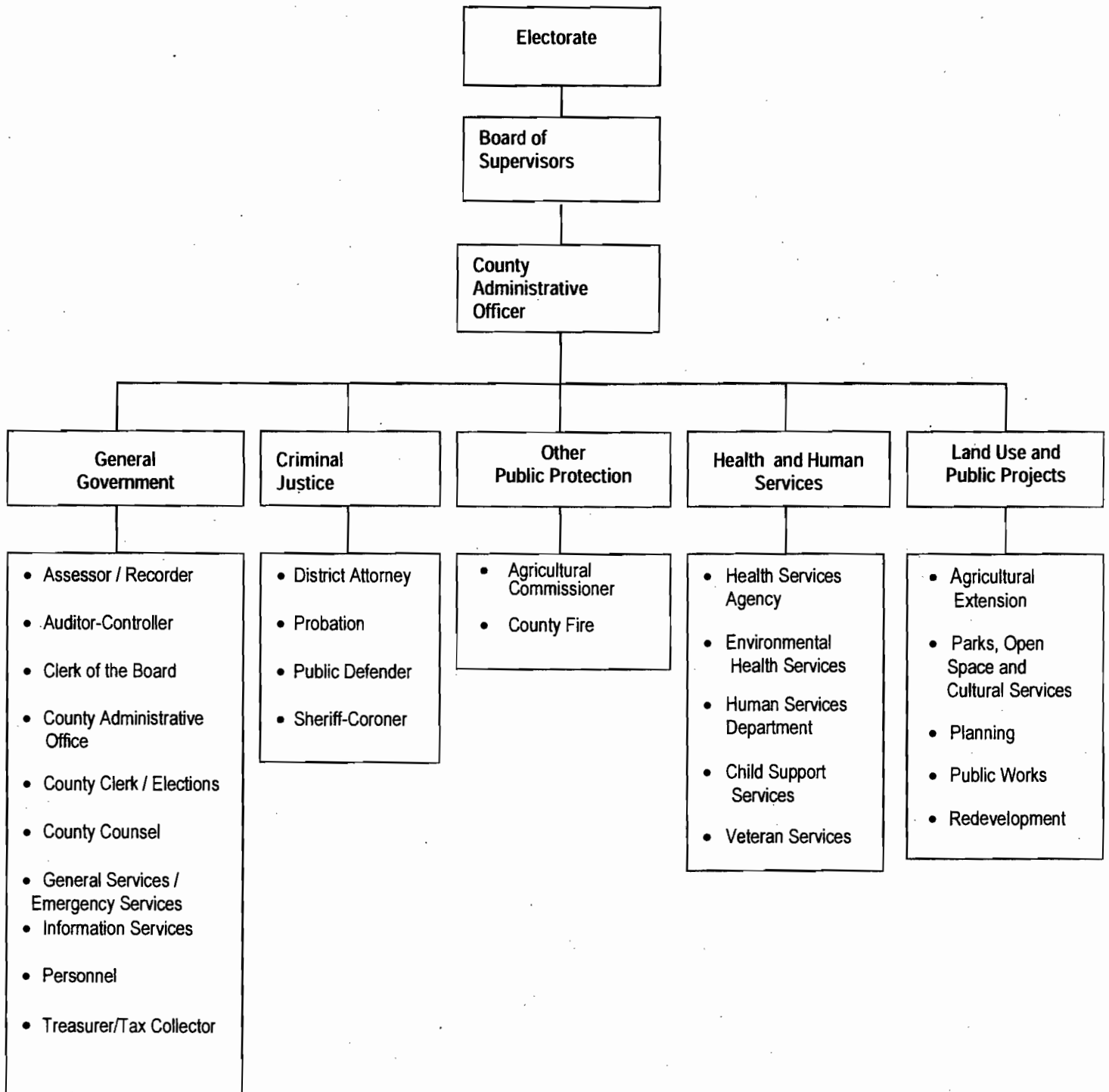
I wish to express my appreciation to my Accounting Division and Audit Division, the County departments that participated, and Caporicci and Larson for their contributions, assistance, and guidance in the preparation of this report.

Respectfully submitted,



Mary Jo Walker  
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 2015
Supervisor, 4th District	Greg Caput	January 2015
Supervisor, 5th District	Mark W. Stone	January 2013
State Senator, 11th District	Joe Simitian	December 2012
State Senator, 15th District	Sam Blakeslee	December 2012
State Assemblyman, 27th District	Bill Monning	December 2012
U.S. Congressman, 17th District	Sam Farr	January 2012
U.S. Senator	Dianne Feinstein	December 2012
U.S. Senator	Barbara Boxer	December 2016
U.S. Congresswoman	Anna G. Eshoo	December 2012
Assessor-Recorder	Sean Saldavia	January 2015
Auditor-Controller	Mary Jo Walker	January 2015
Treasurer-Tax Collector	Fred Keeley	January 2015
County Clerk-Elections	Gail Pellerin	January 2015
District Attorney-Public Administrator	Bob Lee	January 2015
Sheriff-Coroner	Phil Wowak	January 2015

## Appointed Officers

Administrative Officer	Susan A. Mauriello
Equal Employment Opportunity 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	Kathy Previsich
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	John J. Presleigh
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, 2010

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.



*Linda C. Davison*

President

*Jeffrey R. Enos*

Executive Director



Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants

## 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, 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, 2011, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Santa Cruz as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Governmental Accounting Standards Board (GASB) Statement No. 59, *Financial Instruments Omnibus*, as of July 1, 2010.

As discussed in Note 23 to the financial statements, on December 29, 2011, the Supreme Court of the State of California upheld the enforceability of legislation that provides for the dissolution of California redevelopment agencies. The full impact of this most recent development is not known at this time.

In accordance with Government Auditing Standards, we have also issued our report dated January 5, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 103 through 116 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Caporicci & Larson, Inc.*

Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants  
San Francisco, California  
January 5, 2012

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2011. 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 2010-2011 fiscal year by \$302,221,921 (*net assets*). Of this amount, a negative amount of \$55,593,204 is unrestricted, \$117,965,986 is restricted for specific purpose (*restricted net assets*), and \$239,849,139 is invested in capital assets, net of related debt.
- The government's total net assets decreased by \$21,686,991. This decrease is attributable partially to an increase in expenses related to the inclusion of Other Postemployment Benefits (OPEB) per the Governmental Accounting Standards Board (GASB) Statement No. 45 and partially to the \$2 million Supplemental Education Revenue Augmentation Fund (SERAF) payment made per State Assembly Bill 26 to help resolve the State budget crisis.
- As of June 30, 2011, the County's governmental funds reported combined ending fund balances of \$206,005,848, a decrease of \$5,741,200 in comparison with the prior year. Long term debt principal and interest payments increased by \$2 million and overall revenues decreased by \$2.4 million.
- At the end of the fiscal year, the general fund reported an ending fund balance of \$39,366,970, of which \$4,117,547 was nonspendable, \$12,846,730 was committed, \$22,231,367 was assigned, and \$171,326 was unassigned as shown on page 27.
- The County's total long-term liabilities are \$434,342,358, an increase of \$55,340,214 in comparison with the prior year. The increase resulted from the recognition of Other Postemployment Benefits Liability (OPEB) for the year in the amount of \$20 million, and the issuance of the 2010, 2011 Series A and 2011 Series B Tax Allocation Bonds in the amount of \$35 million.

## 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.

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 17-21 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.

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 Redevelopment Agency, and the Capital Projects Fund, 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 23-30 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 31-36 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 37-40 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 41-99 of this report.

### **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 101-118 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	
	2011	2010	2011	2010	2011	2010
<b>Assets:</b>						
Current and other assets	\$ 300,225,543	\$ 341,947,760	\$ 13,548,600	\$ 13,112,302	\$ 313,774,143	\$ 355,060,062
Capital assets	505,882,169	470,560,718	26,364,793	27,041,072	532,246,962	497,601,790
Total assets	<u>806,107,712</u>	<u>812,508,478</u>	<u>39,913,393</u>	<u>40,153,374</u>	<u>846,021,105</u>	<u>852,661,852</u>
<b>Liabilities:</b>						
Current and other liabilities	108,352,956	148,897,978	1,103,870	852,818	\$ 109,456,826	\$ 149,750,796
Long-term liabilities	426,266,307	373,234,148	8,076,051	5,767,996	434,342,358	379,002,144
Total liabilities	<u>534,619,263</u>	<u>522,132,126</u>	<u>9,179,921</u>	<u>6,620,814</u>	<u>543,799,184</u>	<u>528,752,940</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	215,171,886	213,000,428	24,677,253	26,662,259	239,849,139	239,662,687
Restricted	117,712,872	40,864,698	253,114	317,468	117,965,986	41,182,166
Unrestricted	(61,396,309)	36,954,749	5,803,105	6,552,833	(55,593,204)	43,507,582
Total net assets	<u>\$ 271,488,449</u>	<u>\$ 290,819,875</u>	<u>\$ 30,733,472</u>	<u>\$ 33,532,560</u>	<u>\$ 302,221,921</u>	<u>\$ 324,352,435</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 \$302,221,921 at the close of the 2010-2011 fiscal year.

The portion of the County's net assets invested in capital assets, net of related debt, \$239,849,139 (79.47%), 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.

An additional portion of the County's net assets, \$117,965,986 (39.0%), represents resources that are subject to external restrictions on how they may be used.

The County's net assets invested in capital assets, net of related debt, and the net assets subject to external restrictions exceed the County's total net assets by \$55,593,204. This is primarily due to an increase in restrictions on capital assets that were acquired by the County from the Redevelopment Agency. The increase in Restricted Fund Balance resulted in a negative Unrestricted Fund Balance.

### Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 75,346,424	\$ 71,352,428	\$ 13,058,019	\$ 13,166,323	\$ 88,404,443	\$ 84,518,751
Operating grants and contributions	199,688,794	209,932,026	289,233	963,944	199,978,027	210,895,970
Capital grants and contributions	11,298,311	8,673,308	1,096,766	14,948	12,395,077	8,688,256
General Revenues:						
Property taxes	109,836,678	111,224,327	24,503	24,089	109,861,181	111,248,416
Other taxes	15,264,683	12,978,240	-	-	15,264,683	12,978,240
Investment earnings	2,826,951	3,373,162	12,433	12,742	2,839,384	3,385,904
Miscellaneous	6,032,832	4,605,732	630,775	759,711	6,663,607	5,365,443
Gain (Loss) on sale of assets	(6,104)	100,522	-	3,082	(6,104)	103,604
Total revenues	420,288,569	422,239,745	15,111,729	14,944,839	435,400,298	437,184,584
Expenses:						
General government	39,206,170	30,407,004	-	-	\$ 39,206,170	\$ 30,407,004
Public protection	125,064,701	122,742,517	-	-	125,064,701	122,742,517
Public ways and facilities	36,694,244	45,825,856	-	-	36,694,244	45,825,856
Health and sanitation	107,497,459	105,239,269	-	-	107,497,459	105,239,269
Public assistance	101,990,442	108,121,458	-	-	101,990,442	108,121,458
Education	5,193,942	5,140,260	-	-	5,193,942	5,140,260
Recreation and cultural services	6,385,534	6,617,178	-	-	6,385,534	6,617,178
Interest on long-term debt	17,143,980	15,782,062	-	-	17,143,980	15,782,062
County Disposal Sites CSA	-	-	14,791,931	12,282,900	14,791,931	12,282,900
Boulder Creek CSA	-	-	298,788	298,548	298,788	298,548
Rolling Woods CSA	-	-	11,888	44,015	11,888	44,015
Septic Tank Maintenance CSA	-	-	1,050,368	950,979	1,050,368	950,979
Freedom County Sanitation District	-	-	825,336	550,869	825,336	550,869
Davenport Sanitation District	-	-	477,265	701,041	477,265	701,041
Place Del Mer CSA	-	-	69,680	32,133	69,680	32,133
Sand Dollar Beach CSA	-	-	315,430	252,215	315,430	252,215
Trestle Beach CSA	-	-	43,389	71,165	43,389	71,165
Summit West CSA	-	-	144	136	144	136
Graham Hill CSA	-	-	26,598	26,985	26,598	26,985
Total expenses	439,176,472	439,875,604	17,910,817	15,210,986	457,087,289	455,086,590
Change in net assets	(18,887,903)	(17,635,859)	(2,799,088)	(266,147)	(21,686,991)	(17,902,006)
Net assets, beginning of year	290,376,352	306,662,186	33,532,560	33,843,465	323,908,912	340,505,651
Prior period adjustment	-	1,350,025	-	(44,758)	-	1,305,267
Net assets, end of year	\$ 271,488,449	\$ 290,376,352	\$ 30,733,472	\$ 33,532,560	\$ 302,221,921	\$ 323,908,912

### Analysis of Change in Net Assets

The County's net assets decreased by \$21,686,991 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 \$18,887,903, accounting for 87.4% of the total decrease in net assets of the County. This decrease resulted from increased Redevelopment Agency expenditures including the \$2 million SERAF expense referred to above, and recognition of Other Post-Employment Benefits (OPEB) liabilities in the amount of \$20 million.
- **Business-type activities** decreased by \$2,799,088, only 12.6% of the total decrease in net assets of the County. Enterprise fund expenditures increased, particularly in CSA 9C, the County Disposal Site fund, where expenditures exceeded the prior year by \$1,945,024. Other Enterprise fund expenditures increased as well.

## 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, 2011, the County's governmental funds reported combined ending fund balances of \$206,005,848, a decrease of \$5,741,200 in comparison with the prior year. The components of total fund balance are as follows (see Note 20 – Fund Balances).

- Nonspendable fund balance, \$4,117,547, are amounts that are not spendable in form, or are legally or contractually required to be maintained intact, and are made up of (1) inventory of \$21,643, (2) advances and loans of \$2,051,934, and (3) assets held for resale in the amount of \$2,043,970.
- Restricted fund balance, \$166,676,231, consists of amounts with constraints put on their use by externally imposed creditors, grantors, contributions, laws, regulations, or enabling legislation. Examples of restrictions on funds are those for (1) purpose of fund (i.e., flood control, library) of \$62,966,005, (2) debt service of \$29,333,426, and (3) amounts restricted for capital asset acquisition of \$74,376,800.
- Committed fund balance, \$12,846,730, are amounts for specific purposes determined by the Board of Supervisors, such as Working Capital of \$5,900,000, Natural Disasters of \$1,251,089, Economic Uncertainty of \$3,256,520, and General Government, Public Protection, Health and Sanitation and Public Assistance of \$2,439,121 in total.
- Assigned fund balance of \$22,231,367 represents amounts that are intended for specific purposes and are established by the Board of Supervisors or an official or body delegated by the governing body. Examples of assigned fund balances are (1) federally qualified health programs of \$14,229,750, (2) projected budgetary deficit of \$5,701,617, (3) liabilities of \$1,900,000, and (4) human services of \$400,000.
- Unassigned fund balance of \$133,973 represents the residual classification for the County's General Fund.

Revenues for governmental functions totaled \$419,508,928 in fiscal year 2010-2011, which represents a decrease of \$2,435,937, or .58% from fiscal year 2009-2010. Expenditures for governmental functions totaling \$459,187,056 increased by \$22,969,117, or 5.3%, from fiscal year 2009-2010. In the fiscal year 2010-2011, expenditures for governmental functions exceeded revenues by \$39,678,128. Other financing sources including interfund transfers exceeded other financing uses by \$33,936,928.

The general fund is the primary operating fund of the County. At June 30, 2011, the general fund's total fund balance was \$39,366,970 of which \$4,117,547 was nonspendable, and \$35,249,423 was spendable. The spendable fund balance consists of \$12,846,730 in committed fund balance, \$22,231,367 in assigned fund balance, and \$171,326 in unassigned. As a measure of the general fund's liquidity, it may be useful to compare both total fund balance and spendable fund balance to total fund expenditures. Total fund balance is 11.6% of total General Fund expenditures while spendable fund balance is 10.4% of total General Fund expenditures.

The Redevelopment Agency is a major special revenue fund of the County. At June 30, 2011, the spendable (restricted) fund balance amount was \$48,926,006, a decrease of \$93,253,555 from the prior year. This decrease is mainly attributed to the \$482,809 decrease in interest and investment income, the \$85,619,116 decrease in cash and investments due to the transfer of assets to the County per the Amended and Restated Cooperation Agreement, dated March 22, 2011, and the \$2,245,594 SERAF payment.

The Capital Projects Fund is also a major fund of the County. The total fund balance of \$71,294,523 was spendable (restricted) at June 30, 2011, an increase of \$69,169,259 from the prior year. The increase was primarily due to the transfer of assets from the Redevelopment Agency per the Amended and Restated Cooperation Agreement discussed above.

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:

<b>Revenues Classified by Source Governmental Funds</b>					
	2011	% of Total	2010	% of Total	Change
Taxes and assessments	\$ 125,101,363	29.82	\$ 123,718,331	29.32	\$ 1,383,032
Licenses and permits	9,046,275	2.16	9,246,818	2.19	(200,543)
Fines and forfeitures	5,200,302	1.24	5,231,046	1.24	(30,744)
Use of money and property	2,718,241	0.65	3,197,048	0.76	(478,807)
Intergovernmental	210,987,105	50.29	219,089,569	51.93	(8,102,464)
Charge for services	61,114,774	14.57	56,844,565	13.47	4,270,209
Other revenues	5,340,868	1.27	4,617,488	1.09	723,380
Total	<u>\$ 419,508,928</u>	<u>100%</u>	<u>\$ 421,944,865</u>	<u>100%</u>	<u>\$ (2,435,937)</u>

The changes are primarily due to a decrease in intergovernmental revenues and grants of \$8.1 million. This was offset by an increase in property tax revenues of \$1.4 million and an increase in charges for services of \$4.2 million. Grant revenue decreased due to a one-time transfer of \$14 million from a State grant trust fund in the prior year that did not recur in the current year.

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

	2011	% of Total	2010	% of Total	Change
General government	\$ 29,083,881	6.33	\$ 26,198,056	6.01	\$ 2,885,825
Public protection	117,531,350	25.60	118,848,085	27.24	(1,316,735)
Public ways and facilities	37,534,316	8.17	53,094,696	12.17	(15,560,380)
Health and sanitation	104,190,892	22.69	102,047,693	23.39	2,143,199
Public assistance	99,119,969	21.59	100,293,920	22.99	(1,173,951)
Education	4,973,576	1.08	4,920,751	1.13	52,825
Recreation and culture	6,928,115	1.51	7,345,032	1.68	(416,917)
Capital outlay	35,416,922	7.71	769,152	0.18	34,647,770
Debt service - bond redemption	7,603,331	1.66	6,958,331	1.60	645,000
Debt service - issue cost	1,127,368	0.25	-	0.00	1,127,368
Debt service - interest and fiscal charges	15,677,335	3.41	15,742,222	3.61	(64,887)
Total	<u>\$ 459,187,055</u>	<u>100%</u>	<u>\$ 436,217,938</u>	<u>100%</u>	<u>\$ 22,969,117</u>

Overall expenditures increased by \$23 million, primarily due to an increase of \$34 million in capital outlay for special projects. Funds in the amount of \$27.5 million were committed for a new Sheriff's facility and \$5.7 million was spent on a new Mental Health Behavioral Unit project. These were offset by savings of \$15 million in Redevelopment through transfer of projects to the primary County.

Other financing sources and uses are presented below, including changes from the prior year. There were several issues of long-term debt for the fiscal year 2010-2011. Bonds issued increased over the prior year by 35,410,000 due to the issuance of the 2010 Tax Allocation Bond for \$18,500,000, the 2011 Series A Tax Allocation bond for \$11,315,000, and the 2011 Series B Tax Allocation Bond for \$5,595,000 in the Redevelopment Agency.

**Other Financing Sources/(Uses)  
Governmental Funds**

	2011	% of Total	2010	% of Total	Change
Proceeds of long-term debt	\$ -	0.00	\$ -	0.00	\$ -
Bonds issued	35,410,000	104.34	-	0.00	35,410,000
Inception of Capital Lease	123,484	0.36	-	0.00	123,484
Original issue costs	(914,269)	(2.69)	-	0.00	(914,269)
Transfers in of bond proceeds	29,876,298	88.03	-	0.00	29,876,298
Transfers out of bond proceeds	(29,876,298)	(88.03)	-	0.00	(29,876,298)
Sale of Capital Assets	-	0.00	56,633	(8.71)	(56,633)
Gain/(Loss) on land held for resale	(9,057)	(0.03)	-	0.00	(9,057)
Transfers in	145,035,363	427.37	29,843,260	(4587.40)	115,192,103
Transfers out	(145,708,594)	(429.35)	(30,550,442)	4696.10	(115,158,152)
Total	<u>\$ 33,936,927</u>	<u>100%</u>	<u>\$ (650,549)</u>	<u>100%</u>	<u>\$ 34,553,525</u>

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

	Major Funds			Nonmajor Funds		Total
	General Fund	Redevelopment Agency	Capital Projects Fund	Debt Service Fund	Special Revenue	
Revenues	\$ 352,591,939	\$ 23,600,418	\$ 775,441	\$ 1,351	\$ 42,539,779	\$ 419,508,928
Expenditures	(340,009,693)	(16,113,542)	(38,760,976)	(17,562,874)	(46,739,970)	(459,187,055)
Net other financing sources/(uses)	(1,918,065)	(100,740,431)	107,154,794	25,995,290	3,445,339	33,936,927
Net change in fund balances	10,664,181	(93,253,555)	69,169,259	8,433,767	(754,852)	(5,741,200)
Fund balances, beginning (restated)	28,702,789	142,179,561	2,125,264	9,464,618	29,274,816	211,747,048
Fund balances, ending	<u>\$ 39,366,970</u>	<u>\$ 48,926,006</u>	<u>\$ 71,294,523</u>	<u>\$ 17,898,385</u>	<u>\$ 28,519,964</u>	<u>\$ 206,005,848</u>

**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 \$16,330,540 at June 30, 2011, of which \$125,371 was unrestricted.

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

	Major Funds		Total
	County Disposal Sites CSA 9C	Nonmajor Funds	
Operating revenues	\$ 10,468,533	\$ 3,209,114	\$ 13,677,647
Operating expenses	(14,212,132)	(3,021,647)	(17,233,779)
Operating loss	(3,743,599)	187,467	(3,556,132)
Net non-operating revenues/(expenses)	286,679	1,147,402	1,434,081
Change in net assets	<u>\$ (3,456,920)</u>	<u>\$ 1,334,869</u>	<u>\$ (2,122,051)</u>



Total enterprise fund net assets decreased by \$2,122,051. Operating Revenues of \$13,677,647 decreased by \$246,440 over the prior fiscal year due to a decrease in customer charges. Expenses of \$17,233,779 increased by \$2,041,037 over the prior year, primarily due to an increase in the closure and postclosure liability expenditures.

Internal Service fund net assets decreased by \$2,855,937 over the prior fiscal year. Insurance claims expenditures increased by \$2.1 million and Services and Supplies increased by \$930,000 in 2010-11.

### GENERAL FUND BUDGETARY HIGHLIGHTS

After the adoption of the 2010-2011 fiscal year budget, the original General Fund budget was increased by \$10,383,011 during the year, primarily due to additional financial resources made available from the State and Federal Agencies for Public Assistance and Health and Sanitation. Actual expenditures in the General Fund were \$20,622,757 less than the original budget. The 2010-2011 total expenditures were \$1,347,741, or .39%, less than the prior fiscal year, largely due to savings in Services and Supplies for Public Protection and reductions in Salaries and Benefits in all divisions. General Fund actual revenues were \$10,053,362 lower than the original budget. The majority of this was due to a difference of \$24 million from the original budget originating from Transfers In.

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, 2011 totaled \$532,246,962 (net of accumulated depreciation of \$337,990,509). These capital assets include land, construction in progress, infrastructure, buildings and structures, and equipment. The increase in the County's capital assets for the 2010-2011 fiscal year was \$34,645,172, or 6.96%.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the 2010-2011 fiscal year.

Fund financial statements record capital asset purchases as expenditures.

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	
	2011	2010	2011	2010	2011	2010
Land	\$ 60,559,432	\$ 58,211,633	\$ 1,858,849	\$ 1,858,849	\$ 62,418,281	\$ 60,070,482
Construction in progress	35,769,328	5,857,825	2,916,942	2,205,274	38,686,270	8,063,099
Infrastructure	551,953,342	537,487,491	-	-	551,953,342	537,487,491
Buildings and structures	126,365,588	119,493,152	38,462,684	37,881,771	164,828,272	157,374,923
Equipment	42,020,361	43,082,038	10,330,945	10,650,046	52,351,306	53,732,084
Accumulated depreciation	(310,785,882)	(293,571,421)	(27,204,627)	(25,554,868)	(337,990,509)	(319,126,289)
Total	<u>\$ 505,882,169</u>	<u>\$ 470,560,718</u>	<u>\$ 26,364,793</u>	<u>\$ 27,041,072</u>	<u>\$ 532,246,962</u>	<u>\$ 497,601,790</u>

Capital Assets increased in Governmental Activities by \$35 million over the prior fiscal year due primarily to expenditures to fund a sheriff's facility (27.5 million) and a mental health facility (\$5.7 million).

Additional information on the County's capital assets can be found in Note No. 7 on pages 70-72 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	
	2011	2010	2011	2010	2011	2010
Tax allocation bonds	\$ 247,995,462	\$ 217,472,399	\$ -	\$ -	\$ 247,995,462	\$ 217,472,399
Refunding certificates of participation	27,334,247	28,634,116	-	-	27,334,247	28,634,116
Lease revenue bonds	6,885,000	7,090,000	-	-	6,885,000	7,090,000
Lease revenue refunding bonds	1,404,002	1,535,401	-	-	1,404,002	1,535,401
Certificates of participation	29,109,706	30,745,801	-	-	29,109,706	30,745,801
Revenue bonds	1,060,000	1,440,000	-	-	1,060,000	1,440,000
CA Health Facility	-	-	-	-	-	-
Loans payable	63,357	91,370	608,219	645,527	671,576	736,897
Capital leases	5,566,602	5,672,890	-	-	5,566,602	5,672,890
<b>Total</b>	<b>\$ 319,418,376</b>	<b>\$ 292,681,977</b>	<b>\$ 608,219</b>	<b>\$ 645,527</b>	<b>\$ 320,026,595</b>	<b>\$ 293,327,504</b>

For the governmental activities, the County had total long-term debt outstanding of \$319,418,376 as compared to \$292,681,977 the prior year (excluding compensated absences and estimated claims), an increase of \$26,736,399. During the year, there was new debt issued in the net amount of \$34,647,273, and debt retired in the amount of \$7,910,874.

For the business-type activities, the County had total long-term debt outstanding of \$608,219 as compared to \$645,527 in the prior year (excluding post-closure liability), a decrease of \$37,308, which represented the amount of retirement of debt for the year.

The County's total debt for all primary government activities increased by \$26,699,091 or 9.1%, during the current fiscal year (excluding compensated absences, estimated claims, and post-closure liability).

The component unit, Santa Cruz Sanitation District, had total long-term debt outstanding of \$26,310,365 as compared to \$20,212,641 in the prior year. This amount was comprised of \$6,205,000 of Waste Water Revenue Refunding Bonds, \$27,840 of unamortized bond premium, \$605,000 of Limited Obligation Refunding Improvement Bonds, and \$19,472,525 of Loans Payable. During the year, retirement of debt amounted to \$2,018,395 and a loan was issued by the State Water Resources Control Board in the amount of \$8,116,120 for the component unit.

Additional information on the County's long-term debt can be found in Note No. 10 on pages 74-84 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.

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# **BASIC FINANCIAL STATEMENTS**

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# GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**County of Santa Cruz**  
**Statement of Net Assets**  
**June 30, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and investments	\$ 208,788,641	\$ 7,793,727	\$ 216,582,368	\$ 28,746,696
Restricted cash	22,828,841	5,621,114	28,449,955	1,518,474
Loans receivable	32,146,934	204,513	32,351,447	-
Receivables, net	25,405,886	900,750	26,306,636	-
Deposits with others	240,000	-	240,000	-
Inventory	537,201	102,979	640,180	15,817
Prepaid items	1,462,470	-	1,462,470	-
Land held for resale	2,278,999	-	2,278,999	-
Notes receivable	-	-	-	55,077
Deferred charges	5,462,088	-	5,462,088	94,161
Internal balances	1,074,483	(1,074,483)	-	-
Capital assets:				
Nondepreciable assets	96,328,760	4,775,791	101,104,551	21,906,095
Depreciable assets, net	409,553,409	21,589,002	431,142,411	89,271,105
<b>Total assets</b>	<b>806,107,712</b>	<b>39,913,393</b>	<b>846,021,105</b>	<b>141,607,425</b>
<b>LIABILITIES</b>				
Payables and accrued expenses	28,891,124	1,065,592	29,956,716	1,115,509
Accrued interest payable	5,658,538	-	5,658,538	390,362
Unearned revenue	36,703,566	-	36,703,566	-
Compensated absences:				
Due within one year	16,384,368	-	16,384,368	-
Due in more than one year	8,920,039	-	8,920,039	-
Estimated claims:				
Due within one year	12,533,516	-	12,533,516	-
Due in more than one year	24,327,912	-	24,327,912	-
Other long-term liabilities:				
Due within one year	8,165,722	38,278	8,204,000	2,083,427
Due in more than one year	311,252,654	8,076,051	319,328,705	24,226,938
Pollution remediation obligation	-	-	-	51,000
Net OPEB Obligation	81,781,824	-	81,781,824	-
<b>Total liabilities</b>	<b>534,619,263</b>	<b>9,179,921</b>	<b>543,799,184</b>	<b>27,867,236</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	215,171,886	24,677,253	239,849,139	84,866,835
Restricted for:				
Debt service	21,067,346	-	21,067,346	1,517,334
Capital asset acquisition	74,376,800	-	74,376,800	-
Public safety	6,566,876	-	6,566,876	-
Health and public assistance	865,171	-	865,171	-
Public ways and public facilities	14,836,679	-	14,836,679	-
Other	-	253,114	253,114	-
Unrestricted	(61,396,309)	5,803,105	(55,593,204)	27,356,020
<b>Total net assets</b>	<b>\$ 271,488,449</b>	<b>\$ 30,733,472</b>	<b>\$ 302,221,921</b>	<b>\$ 113,740,189</b>

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, 2011**

Functions/Programs	Expenses	Program Revenues			Total
		Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 39,206,170	\$ 18,304,644	\$ 2,968,683	1,281,476	\$ 22,554,803
Public protection	125,064,701	20,954,405	33,509,131	291,247	54,754,783
Public ways and facilities	36,694,245	5,949,900	7,365,349	9,268,160	22,583,409
Health and sanitation	107,497,459	26,963,763	70,975,461	99,214	98,038,438
Public assistance	101,990,442	670,755	84,524,423	358,214	85,553,392
Education	5,193,942	-	103,060	-	103,060
Recreation and cultural services	6,385,534	2,502,957	8,927	-	2,511,884
Debt Service	17,143,980	-	233,759	-	233,759
<b>Total governmental activities</b>	<b>439,176,473</b>	<b>75,346,424</b>	<b>199,688,793</b>	<b>11,298,311</b>	<b>286,333,528</b>
Business-type activities:					
County Disposal Sites CSA 9C	14,791,931	9,848,905	289,233	-	10,138,138
Boulder Creek CSA 7	298,788	423,245	-	-	423,245
Rolling Woods CSA 10	11,888	11,408	-	-	11,408
Septic Tank Maintenance CSA 12	1,050,368	944,719	-	-	944,719
Freedom County Sanitation District	825,336	668,087	-	-	668,087
Davenport Sanitation District	477,265	365,571	-	1,096,766	1,462,337
Place de Mer CSA 2	69,680	81,819	-	-	81,819
Sand Dollar Beach CSA 5	315,430	557,974	-	-	557,974
Trestle Beach CSA 20	43,389	69,612	-	-	69,612
Summit West CSA 54	144	-	-	-	-
Graham Hill CSA 57	26,598	86,679	-	-	86,679
<b>Total business-type activities</b>	<b>17,910,817</b>	<b>13,058,019</b>	<b>289,233</b>	<b>1,096,766</b>	<b>14,444,018</b>
<b>Total primary government</b>	<b>\$ 457,087,290</b>	<b>\$ 88,404,443</b>	<b>\$ 199,978,026</b>	<b>\$ 12,395,077</b>	<b>\$ 300,777,546</b>
<b>Component unit:</b>					
Santa Cruz County Sanitation District	\$ 15,720,209	\$ 19,656,801	\$ -	\$ 858,480	\$ 20,515,281

**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) (Note 24)**

**Net assets - end of year**



Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (16,651,367)	\$ -	\$ (16,651,367)	
(70,309,918)	-	(70,309,918)	
(14,110,836)	-	(14,110,836)	
(9,459,021)	-	(9,459,021)	
(16,437,050)	-	(16,437,050)	
(5,090,882)	-	(5,090,882)	
(3,873,650)	-	(3,873,650)	
(16,910,221)	-	(16,910,221)	
<u>(152,842,945)</u>	<u>-</u>	<u>(152,842,945)</u>	
-	(4,653,793)	(4,653,793)	
-	124,457	124,457	
-	(480)	(480)	
-	(105,649)	(105,649)	
-	(157,249)	(157,249)	
-	985,072	985,072	
-	12,139	12,139	
-	242,544	242,544	
-	26,223	26,223	
-	(144)	(144)	
-	60,081	60,081	
-	<u>(3,466,799)</u>	<u>(3,466,799)</u>	
<u>(152,842,945)</u>	<u>(3,466,799)</u>	<u>(156,309,744)</u>	
			<u>\$ 4,795,072</u>
109,836,678	24,503	109,861,181	92,653
1,708,708	-	1,708,708	-
7,892,028	-	7,892,028	-
4,101,086	-	4,101,086	-
1,562,862	-	1,562,862	-
<u>125,101,362</u>	<u>24,503</u>	<u>125,125,865</u>	<u>92,653</u>
2,826,951	12,433	2,839,384	189,012
6,032,833	630,775	6,663,608	-
(6,104)	-	(6,104)	-
<u>133,955,042</u>	<u>667,711</u>	<u>134,622,753</u>	<u>281,665</u>
(18,887,903)	(2,799,088)	(21,686,991)	5,076,737
290,376,352	33,532,560	323,908,912	108,663,452
<u>\$ 271,488,449</u>	<u>\$ 30,733,472</u>	<u>\$ 302,221,921</u>	<u>\$ 113,740,189</u>



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# FUND FINANCIAL STATEMENTS

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# GOVERNMENTAL FUND FINANCIAL STATEMENTS

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*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.

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

*Other Governmental Funds* - Other Governmental funds is the aggregate of all the nonmajor governmental funds.



**County of Santa Cruz**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Redevelopment Agency	Capital Projects Fund		
<b>ASSETS</b>					
Cash and investments	\$ 68,136,786	\$ 17,934,737	\$ 72,516,931	\$ 25,131,707	\$ 183,720,161
Restricted cash	-	-	-	22,828,841	22,828,841
Receivables, net	24,958,457	1,782	107,044	186,095	25,253,378
Due from other funds	43,443	-	15,000	3,833,567	3,892,010
Loans receivable	-	31,259,413	-	887,521	32,146,934
Deposits with others	90,000	-	-	-	90,000
Inventory	21,643	-	-	-	21,643
Prepays	1,436,757	-	-	-	1,436,757
Land held for resale	2,043,970	235,029	-	-	2,278,999
Advances to other funds	-	-	-	1,335,000	1,335,000
<b>Total assets</b>	<b>\$ 96,731,056</b>	<b>\$ 49,430,961</b>	<b>\$ 72,638,975</b>	<b>\$ 54,202,731</b>	<b>\$ 273,003,723</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Payables and accrued expenses	\$ 21,213,641	\$ 504,955	\$ 1,329,452	\$ 3,346,123	\$ 26,394,171
Due to other funds	-	-	15,000	3,885,138	3,900,138
Deferred revenue	36,150,445	-	-	553,121	36,703,566
<b>Total liabilities</b>	<b>57,364,086</b>	<b>504,955</b>	<b>1,344,452</b>	<b>7,784,382</b>	<b>66,997,875</b>
<b>Fund Balances:</b>					
Nonspendable	4,117,547	-	-	-	4,117,547
Restricted	-	48,926,006	71,294,523	46,455,702	166,676,231
Committed	12,846,730	-	-	-	12,846,730
Assigned	22,231,367	-	-	-	22,231,367
Unassigned	171,326	-	-	(37,353)	133,973
<b>Total fund balances</b>	<b>39,366,970</b>	<b>48,926,006</b>	<b>71,294,523</b>	<b>46,418,349</b>	<b>206,005,848</b>
<b>Total liabilities and fund balances</b>	<b>\$ 96,731,056</b>	<b>\$ 49,430,961</b>	<b>\$ 72,638,975</b>	<b>\$ 54,202,731</b>	<b>\$ 273,003,723</b>

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, 2011**

**Total Fund Balances - Total Governmental Funds** \$ 206,005,848

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 \$5,392,115 of internal service fund capital assets) 500,490,054

Bond issuance costs from issuing debt are reported in the governmental funds when the debt is first issued. However, these amounts are deferred and subject to capitalization and amortization in the Government-Wide Financial Statements (Statement of Activities and Changes in Net Assets). 5,462,088

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	(11,580,671)
Transfer of internal service funds to business-type activities	(1,022,858)

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	(247,995,462)	
Refunding certificates of participation, including premium	(27,334,247)	
Lease revenue bonds	(6,885,000)	
Lease revenue refunding bonds, including premium	(1,404,002)	
Certificates of participation, including premium	(29,109,706)	
Revenue bonds	(1,060,000)	
McGaffigan Mill Road Association	(63,357)	
Net OPEB Obligation	(81,781,824)	
Compensated absences	(21,030,091)	
Capital leases	(5,543,785)	(422,207,474)

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. (5,658,538)

**Net Assets of Governmental Activities** **\$ 271,488,449**

See accompanying Notes to Basic Financial Statements.



**County of Santa Cruz**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2011**

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Redevelopment Agency	Capital Projects Fund		
<b>REVENUES:</b>					
Taxes	\$ 88,653,860	\$ 22,848,351	\$ -	\$ 13,599,152	\$ 125,101,363
Licenses and permits	9,046,275	-	-	-	9,046,275
Fines, forfeits and penalties	5,180,066	16,907	-	3,329	5,200,302
Revenue from use of money and property	1,583,053	706,456	292,849	135,883	2,718,241
Aid from other governments	192,247,551	26,540	150,261	18,562,753	210,987,105
Charges for services	51,824,875	-	-	9,289,899	61,114,774
Other	4,056,259	2,164	332,331	950,114	5,340,868
<b>Total revenues</b>	<b>352,591,939</b>	<b>23,600,418</b>	<b>775,441</b>	<b>42,541,130</b>	<b>419,508,928</b>
<b>EXPENDITURES:</b>					
Current:					
General government	24,801,509	-	3,344,054	938,318	29,083,881
Public protection	105,940,805	-	-	11,590,545	117,531,350
Public ways and facilities	201,314	16,113,543	-	21,219,460	37,534,317
Health and sanitation	104,190,892	-	-	-	104,190,892
Public assistance	98,932,035	-	-	187,934	99,119,969
Education	117,724	-	-	4,855,852	4,973,576
Recreation and culture	5,822,538	-	-	1,105,577	6,928,115
Capital outlay	-	-	35,416,922	-	35,416,922
Debt service:					
Principal	-	-	-	7,603,331	7,603,331
Interest and fiscal charges	2,876	-	-	16,801,827	16,804,703
<b>Total expenditures</b>	<b>340,009,693</b>	<b>16,113,543</b>	<b>38,760,976</b>	<b>64,302,844</b>	<b>459,187,056</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>12,582,246</b>	<b>7,486,875</b>	<b>(37,985,535)</b>	<b>(21,761,714)</b>	<b>(39,678,128)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Bonds issued	-	-	-	35,410,000	35,410,000
Inception of capital lease	123,484	-	-	-	123,484
Original issue discounts	-	-	-	(914,269)	(914,269)
Transfers of bond proceeds	-	29,876,298	-	(29,876,298)	-
(Loss) on land held for resale	-	(9,056)	-	-	(9,056)
Transfers in	4,712,314	5,221,995	107,642,394	27,458,660	145,035,363
Transfers out	(6,753,863)	(135,829,667)	(487,600)	(2,637,464)	(145,708,594)
<b>Total other financing sources (uses)</b>	<b>(1,918,065)</b>	<b>(100,740,430)</b>	<b>107,154,794</b>	<b>29,440,629</b>	<b>33,936,928</b>
<b>Net change in fund balances</b>	<b>10,664,181</b>	<b>(93,253,555)</b>	<b>69,169,259</b>	<b>7,678,915</b>	<b>(5,741,200)</b>
<b>FUND BALANCES:</b>					
Beginning of year	28,702,789	142,179,561	2,125,264	38,739,434	211,747,048
End of year	\$ 39,366,970	\$ 48,926,006	\$ 71,294,523	\$ 46,418,349	\$ 206,005,848

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, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (5,741,200)

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets 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	55,020,220	
Retirement of capital assets	(49,305)	
Less current year depreciation	(18,705,040)	36,265,875

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 and Changes in Net Assets:

Tax Allocation bonds issued	(35,410,000)	
Inception of capital lease	(123,484)	
Premium on long-term debt	914,269	
Bond issuance costs	443,523	(34,175,692)

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	3,960,000	
Refunding certificates of participation	1,300,000	
Certificates of participation	1,630,000	
Lease revenue bonds	205,000	
Lease revenue refunding bonds	128,331	
Revenue bonds	380,000	
McGaffigan Mill Road HOA	28,013	
Capital leases	252,585	7,883,929

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	21,700	
Amortization of bond issuance costs	(307,882)	
Change in accrued interest payable	(777,216)	
Change in compensated absences	858,773	(204,625)

OPEB obligation costs do not require current resources, so it is not reported on the governmental funds (20,737,290)

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. (2,855,937)

Reverse of prior year transfer of internal service funds to business-type activities 1,699,895  
 Transfer of internal service funds to business-type activities (1,022,858)

**Change in Net Assets of Governmental Activities** **\$ (18,887,903)**

See accompanying Notes to Basic Financial Statements.

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# PROPRIETARY FUND FINANCIAL STATEMENTS

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*Proprietary Funds* - Proprietary Funds consist of Enterprise Funds and Internal Service Funds.

*Enterprise Funds* - The 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 (expenses, 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* - The County Disposal Sites CSA 9C fund is used to account 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.

*Internal Service Funds* - The 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.



**County of Santa Cruz**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 2,222,157	\$ 5,571,570	\$ 7,793,727	\$ 25,068,480
Restricted cash	5,566,637	54,477	5,621,114	-
Receivables	626,607	274,143	900,750	152,508
Due from other funds	-	-	-	950,111
Deposits with others	-	-	-	150,000
Inventory	102,979	-	102,979	515,558
Prepaid items	-	-	-	25,713
Total current assets	<u>8,518,380</u>	<u>5,900,190</u>	<u>14,418,570</u>	<u>26,862,370</u>
Noncurrent assets:				
Loans receivable	-	204,513	204,513	-
Capital assets:				
Non-depreciable:				
Land	1,858,849	-	1,858,849	97,087
Construction in progress	-	2,916,942	2,916,942	1,227,916
Depreciable:				
Buildings and structures	25,730,812	12,731,872	38,462,684	2,942,052
Equipment	10,116,213	214,732	10,330,945	24,396,148
Accumulated depreciation	(20,364,341)	(6,840,286)	(27,204,627)	(23,271,088)
Capital assets, net	<u>17,341,533</u>	<u>9,023,260</u>	<u>26,364,793</u>	<u>5,392,115</u>
Total noncurrent assets	<u>17,341,533</u>	<u>9,227,773</u>	<u>26,569,306</u>	<u>5,392,115</u>
<b>Total assets</b>	<u>25,859,913</u>	<u>15,127,963</u>	<u>40,987,876</u>	<u>32,254,485</u>
<b>LIABILITIES</b>				
Current liabilities:				
Payables and accrued expenses	688,263	377,329	1,065,592	2,496,953
Due to other funds	-	762,341	762,341	179,642
Advances from other funds	1,335,000	-	1,335,000	-
Current portion of long-term liabilities	-	38,278	38,278	22,813
Claims liability	-	-	-	12,533,516
Compensated absences, due within one year	-	-	-	2,715,192
Total current liabilities	<u>2,023,263</u>	<u>1,177,948</u>	<u>3,201,211</u>	<u>17,948,116</u>
Noncurrent liabilities:				
Long-term liabilities	-	569,941	569,941	-
Claims liability	-	-	-	24,327,912
Closure and postclosure care costs liability	7,506,110	-	7,506,110	-
Compensated absences, due in more than one year	-	-	-	1,559,128
Total noncurrent liabilities	<u>7,506,110</u>	<u>569,941</u>	<u>8,076,051</u>	<u>25,887,040</u>
<b>Total liabilities</b>	<u>9,529,373</u>	<u>1,747,889</u>	<u>11,277,262</u>	<u>43,835,156</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	16,006,532	8,670,721	24,677,253	5,369,301
Restricted for:				
Debt Service	198,637	54,477	253,114	-
Unrestricted	125,371	4,654,876	4,780,247	(16,949,972)
<b>Total net assets</b>	<u>16,330,540</u>	<u>13,380,074</u>	<u>29,710,614</u>	<u>(11,580,671)</u>
<b>Total liabilities and Net Assets</b>	<u>\$ 25,859,913</u>	<u>\$ 15,127,963</u>	<u>\$ 40,987,876</u>	<u>\$ 32,254,485</u>
Net Assets of Business-type Activities			\$ 29,710,614	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			1,022,858	
Net Assets of Business-type Activities per Government-Wide Financial Statements			<u>\$ 30,733,472</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, 2011**

	Business-Type Activities - Enterprise Funds			Governmental
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 9,848,905	\$ 3,209,114	\$ 13,058,019	\$ 60,244,996
Other revenues	619,628	-	619,628	1,022,074
<b>Total operating revenues</b>	<b>10,468,533</b>	<b>3,209,114</b>	<b>13,677,647</b>	<b>61,267,070</b>
<b>OPERATING EXPENSES:</b>				
Salaries and employee benefits	-	-	-	33,828,189
Services and supplies	12,519,617	2,692,513	15,212,130	14,049,140
Insurance and compensation claims	-	-	-	15,352,231
Depreciation and amortization	1,692,515	329,134	2,021,649	1,447,429
Other	-	-	-	230,911
<b>Total operating expenses</b>	<b>14,212,132</b>	<b>3,021,647</b>	<b>17,233,779</b>	<b>64,907,900</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(3,743,599)</b>	<b>187,467</b>	<b>(3,556,132)</b>	<b>(3,640,830)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Aid from other governments	289,233	1,096,766	1,385,999	-
Gain on disposal of capital assets	-	-	-	2,952
Interest and investment income	45,812	32,204	78,016	108,710
Interest expense	(48,366)	(17,217)	(65,583)	-
Property taxes	-	24,502	24,502	-
Other	-	11,147	11,147	-
<b>Total nonoperating revenues (expenses)</b>	<b>286,679</b>	<b>1,147,402</b>	<b>1,434,081</b>	<b>111,662</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	<b>(3,456,920)</b>	<b>1,334,869</b>	<b>(2,122,051)</b>	<b>(3,529,168)</b>
<b>OPERATING TRANSFERS:</b>				
Transfers in	-	-	-	673,231
<b>Total operating transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>673,231</b>
<b>Net income (loss)</b>	<b>(3,456,920)</b>	<b>1,334,869</b>	<b>(2,122,051)</b>	<b>(2,855,937)</b>
<b>NET ASSETS:</b>				
Beginning of year	19,787,460	12,045,205	31,832,665	(8,724,734)
End of year	\$ 16,330,540	\$ 13,380,074	\$ 29,710,614	\$ (11,580,671)
Net Income of Business-type Activities			\$ (2,122,051)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(677,037)	
Net Income of Business-type Activities per Government-Wide Financial Statements			\$ (2,799,088)	

See accompanying Notes to Basic Financial Statements.

**County of Santa Cruz**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2011**

	Business-Type Activities - Enterprise Funds			Governmental
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 10,423,793	\$ 3,271,848	\$ 13,695,641	\$ 901,047
Receipts from interfund services provided	-	-	-	59,233,882
Payments to suppliers for goods and services	(3,587,213)	(1,684,446)	(5,271,659)	(28,379,892)
Payments to employees for services	-	-	-	(33,492,581)
Payments for interfund services used	(6,047,777)	(1,060,879)	(7,108,656)	-
Other receipts	-	-	-	927,586
<b>Net cash provided by (used in) operating activities</b>	<b>788,803</b>	<b>526,523</b>	<b>1,315,326</b>	<b>(809,958)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers from other funds	114,615	(234,849)	(120,234)	1,835,199
Transfers to other funds	(203,574)	(2,769)	(206,343)	420,092
Loan proceeds	-	-	-	(671,195)
Principal paid on other long-term liabilities	-	(11,033)	(11,033)	-
Interest paid on other long-term liabilities	-	(6,934)	(6,934)	-
Property taxes	-	24,502	24,502	-
Subsidies from other governmental agencies	289,233	1,402,439	1,691,672	-
<b>Net cash provided by noncapital financing activities</b>	<b>200,274</b>	<b>1,171,356</b>	<b>1,371,630</b>	<b>1,584,096</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from sale of capital assets	-	-	-	11,558
Purchase of capital assets	(121,923)	(1,412,947)	(1,534,870)	(483,554)
Principal paid on long-term debt	(200,000)	(26,266)	(226,266)	(5,245)
Interest paid on long-term debt	(53,968)	(10,283)	(64,251)	(86)
Loan proceeds	-	-	-	179,642
<b>Net cash (used in) capital and related financing activities</b>	<b>(375,891)</b>	<b>(1,449,496)</b>	<b>(1,825,387)</b>	<b>(297,685)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest and dividends received	45,812	32,204	78,016	108,711
<b>Net cash provided by investing activities</b>	<b>45,812</b>	<b>32,204</b>	<b>78,016</b>	<b>108,711</b>
<b>Net increase in cash and cash equivalents</b>	<b>658,998</b>	<b>280,587</b>	<b>939,585</b>	<b>585,164</b>
<b>CASH AND CASH EQUIVALENTS:</b>				
Beginning of year	7,129,796	5,345,460	12,475,256	24,483,316
End of year	<u>\$ 7,788,794</u>	<u>\$ 5,626,047</u>	<u>\$ 13,414,841</u>	<u>\$ 25,068,480</u>

See accompanying Notes to Basic Financial Statements.

(Continued)

**County of Santa Cruz**  
**Statement of Cash Flows, Continued**  
**Proprietary Funds**  
**For the year ended June 30, 2011**

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY:</b>				
Operating activities:				
Operating income (loss)	\$ (3,743,599)	\$ 187,467	\$ (3,556,132)	\$ (3,640,830)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,692,515	329,134	2,021,649	1,447,429
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	(44,740)	65,160	20,420	(158,804)
Inventory	(51,079)	-	(51,079)	43,259
Prepaid items	-	-	-	(11,558)
Increase (decrease) in:				
Payables and accrued expenses	500,404	(55,238)	445,166	1,313,743
Closure and postclosure care costs liability	2,435,302	-	2,435,302	-
Compensated absences	-	-	-	196,802
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 788,803</b>	<b>\$ 526,523</b>	<b>\$ 1,315,326</b>	<b>\$ (809,959)</b>

(Concluded)

See accompanying Notes to Basic Financial Statements.



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# FIDUCIARY FUND FINANCIAL STATEMENTS

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

*Agency Funds* - The 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* - The 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, 2011**

	Agency Funds	Investment Trust Fund
<b>ASSETS</b>		
Cash and investments	\$ 27,991,122	\$ 270,694,877
Receivables	16,966,513	-
<b>Total assets</b>	<b>\$ 44,957,635</b>	<b>\$ 270,694,877</b>
<b>LIABILITIES</b>		
Payables and accrued expenses	\$ 932,733	\$ -
Due to other governmental units	24,160,344	-
Agency funds held for others	19,864,558	-
<b>Total liabilities</b>	<b>\$ 44,957,635</b>	<b>\$ -</b>
<b>NET ASSETS</b>		
Net assets held in trust for investment pool participants		<b>\$ 270,694,877</b>

See accompanying Notes to Basic Financial Statements.

**County of Santa Cruz**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2011**

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	Investment Trust Fund
	<u>                    </u>
<b>ADDITIONS:</b>	
Contribution from investment pool	\$ 1,185,994,543
Use of money and property	3,344,350
<b>Total additions</b>	<u>1,189,338,893</u>
<b>DEDUCTIONS:</b>	
Distributions from investment pool	<u>1,185,369,946</u>
<b>Total deductions</b>	<u>1,185,369,946</u>
<b>Change in net assets</b>	3,968,947
<b>NET ASSETS:</b>	
Beginning of year	<u>266,725,929</u>
End of year	<u><u>\$ 270,694,876</u></u>

See accompanying Notes to Basic Financial Statements.

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# NOTES TO BASIC FINANCIAL STATEMENTS

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**County of Santa Cruz**  
**Index to the Notes to Basic Financial Statements**  
**For the year ended June 30, 2011**

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	<u>Page</u>
1. Summary of Significant Accounting Policies.....	45
2. Cash and Investments .....	60
3. Restricted Cash and Investments.....	66
4. Receivables.....	66
5. Interfund Transactions.....	67
6. Loans Receivable.....	69
7. Capital Assets .....	70
8 Short-Term Debt - Tax and Revenue Anticipation Notes .....	72
9. Capital Leases.....	73
10. Long-Term Debt.....	74
11. Pledge of Future Revenues .....	84
12. Landfill Closure and Postclosure Costs .....	85
13. Deficit Net Assets and Fund Balances .....	86
14. Defined Benefit Pension Plan.....	87
15. Post-Retirement Health Care Benefits.....	89
16. Deferred Compensation Plan.....	92
17. Commitments and Contingencies .....	92
18. Risk Management .....	93
19. Pollution Remediation Obligations .....	95
20. Fund Balances .....	96
21. Subsequent Events.....	97
22. Excess of Expenditures over Appropriations .....	97
23. Recent Changes in Legislation Affecting California Redevelopment Agencies .....	98
24. Prior Period Adjustment.....	99





**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**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's Department of Public Works. Completed financial statements may be obtained from the Department of Public Works at 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, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*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. Completed financial statements may be obtained from the Agency at 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. Completed financial statements may be obtained from the County at 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's 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, 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, 2011**

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**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 #4-41<sup>st</sup> Ave.

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**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 Generally Accepted Accounting Principles (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.

*New Accounting Pronouncements*

*Government Accounting Standards Board Statement No. 54*

For the fiscal year ended June 30, 2011, the County implemented Government Accounting Standards Board Statement No. 54 (GASB 54), "Fund Balance Reporting and Governmental Fund Type Definitions." The requirements of this statement are effective for financial statement periods beginning after June 15, 2010.

GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and it clarifies the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in the Fund Equity section of this footnote. GASB 54 also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. The definitions of the General Fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are also clarified by the provisions in this statement.

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus, Continued***

GASB 59- Financial Instruments Omnibus (GASB 59) addresses accounting and financial reporting of certain financial instruments in National Council on Governmental Accounting Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, and GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*; No 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*; No 40, *Deposit and Investment Risk Disclosures*; No 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; and No 53, *Accounting and Financial Reporting for Derivative Instruments*. The objective of this Statement is to update and improve the accounting and financial reporting requirements of these pronouncements that address financial instruments.

*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 and changes in Net Assets 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.

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

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus, Continued***

The County prepares a County-wide cost allocation plan in accordance with Federal OMB Circular A-87. Using this directive, all indirect 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.

*Capital Projects Fund* - used to account for the construction or acquisition of capital assets, such as land, construction-in-progress, buildings and improvements, improvements other than buildings, and infrastructure.

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.

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus, Continued***

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.

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

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting and Measurement Focus, Continued**

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 the 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.

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 changes in interest rates.



**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**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

All cash and investments of proprietary funds are held in the County's investment pool. Therefore, all cash and investments in the proprietary funds are considered cash and cash equivalents for purposes of the statement of cash flows as these cash pools have the general characteristic of a demand deposit account.

**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*."

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**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.

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 on business-type 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.

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*F. Capital Assets, Continued*

**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.

*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.

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**I. *Compensated Absences, Continued***

**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.

**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."

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*L. Net Assets and Fund Balances, Continued*

**Fund Financial Statements** - In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the County is bound to honor constraints on how specific amounts can be spent.

*Nonspendable fund balance* - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

*Restricted fund balance* - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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

*Assigned fund balance* - amounts that are constrained by the County's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the County's special revenue funds.

*Unassigned fund balance* - the residual classification for the County's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Supervisors establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution.

The County considers Restricted fund balances to be spent first when both restricted and unrestricted resources are available for use. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the County considers Committed amounts to be reduced first, followed by Assigned amounts and then Unassigned amounts.

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

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*L. Net Assets and Fund Balances, Continued*

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

The County has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of no less than 7% of the upcoming budget year's estimated revenues.

Additional detailed information, along with the complete Fund Balance Policy can be obtained from the County Auditor-Controller's office located at 701 Ocean Street, Room 100, Santa Cruz, CA 95060.

Reserve for Working Capital

The County has established a separate committed fund balance account known as the Reserve for Working Capital. Funding for the Reserve for Working Capital is established by a resolution of the Board of Supervisors, and will be approved annually by the Board during the budget approval process.

The purpose of the County's Reserve for Working Capital is to assist the County in maintaining a minimal fund balance. Any use of funds requires a four-fifths vote of the Board of Supervisors appropriating the funds, and a resolution by the Board of Supervisors declaring a Fiscal Emergency.

As of June 30, 2011, the County's Reserve for Working Capital fund balance was \$5,900,000.

Reserve for Economic Uncertainty

The County has established a separate committed fund balance account known as the Reserve for Economic Uncertainty. Funding for the Reserve for Economic Uncertainty is established by a resolution of the Board of Supervisors, and will be approved annually by the Board during the budget approval process.

The County's Reserve for Economic Uncertainty is to be used only during recessions or periods of economic distress as measured by periods of time when the local unemployment rate exceeds 8% and or the rate of inflation exceeds the growth in property taxes. Any use of funds requires a four-fifths vote of the Board of Supervisors appropriating the funds.

As of June 30, 2011, the County's Reserve for Economic Uncertainty fund balance was \$3,256,520.

Reserve for Natural Disasters

The County has established a separate committed fund balance account known as the Reserve for Natural Disasters. Funding for the Reserve for Natural Disasters is established by a resolution of the Board of Supervisors, and will be approved annually by the Board during the budget approval process.

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*L. Net Assets and Fund Balances, Continued*

The purpose of the County's Reserve for Natural Disasters is to fund the extraordinary operating costs, legal costs, and cash flow problems associated with delays in State and Federal reimbursements for any natural disaster declared by the County's Director of Emergency Services and subsequently ratified by the Board of Supervisors, and the State of California or the federal government. Any use of funds requires a four-fifths vote of the Board of Supervisors appropriating the funds.

As of June 30, 2011, the County's Reserve for Natural Disasters fund balance was \$1,251,089.

*M. 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, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***M. 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 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 Section 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 shortfalls.

***N. 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.

**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 through June 30, 2011, was distributed on the second business day during July 2011, and is shown as part of receivables on the financial statements.



**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**2. CASH AND INVESTMENTS, Continued**

The following is a summary of cash and investments at June 30, 2011:

	Government-Wide Statement of Net Assets						
	Primary Governments			Component Unit	Fiduciary Funds		
	Governmental Activities	Business-Type Activities	Total	Santa Cruz County Sanitation District	Agency Funds	Investment Trust Fund	County Total
Cash and investments	\$ 208,788,641	\$ 7,793,727	\$ 216,582,368	\$ 28,746,696	\$ 27,991,122	\$ 270,694,877	\$ 544,015,063
Restricted cash and investments	22,828,841	5,621,114	28,449,955	1,518,474	-	-	29,968,429
<b>Total cash and investments</b>	<b>\$ 231,617,482</b>	<b>\$ 13,414,841</b>	<b>\$ 245,032,323</b>	<b>\$ 30,265,170</b>	<b>\$ 27,991,122</b>	<b>\$ 270,694,877</b>	<b>\$ 573,983,492</b>

	Cash and Investments	Restricted Cash and Investments	Total
Primary Government and Fiduciary Funds:			
Cash on hand or imprest cash	\$ 1,884,815	\$ -	\$ 1,884,815
Cash deposits in treasury pool	12,485,666	-	12,485,666
Investments in treasury pool	500,897,886	-	500,897,886
Restricted investments in other pools	-	22,828,841	22,828,841
Restricted cash deposits in treasury pool:			
Davenport County Sanitation District	-	54,477	54,477
County Disposal Sites CSA 9C	-	5,566,637	5,566,637
<b>Total</b>	<b>515,268,367</b>	<b>28,449,955</b>	<b>543,718,322</b>
Component Unit:			
Investments in treasury pool	28,746,696	548,537	29,295,233
Restricted investments in other banks	-	969,937	969,937
<b>Total</b>	<b>28,746,696</b>	<b>1,518,474</b>	<b>30,265,170</b>
<b>Total cash and investments</b>	<b>\$ 544,015,063</b>	<b>\$ 29,968,429</b>	<b>\$ 573,983,492</b>

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**2. CASH AND INVESTMENTS, Continued**

At June 30, 2011, 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	\$ 48,380	\$ 1,836,435	\$ 1,884,815
Deposits	12,485,666	-	12,485,666
Investments	506,519,000	22,828,841	529,347,841
<b>Total Primary Government</b>	<u>519,053,046</u>	<u>24,665,276</u>	<u>543,718,322</u>
Component Unit:			
Investments	28,746,696	1,518,474	30,265,170
<b>Total Component Unit</b>	<u>28,746,696</u>	<u>1,518,474</u>	<u>30,265,170</u>
<b>Total reporting entity</b>	<u>\$ 547,799,742</u>	<u>\$ 26,183,750</u>	<u>\$ 573,983,492</u>

The carrying amounts of the County's cash deposits were \$12,485,666 at June 30, 2011. Bank balances at June 30, 2011 were \$12,447,963 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, 2011**

**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 Amounts/ Percentage of Portfolio	Maximum Investment in One Issuer
Local agency bonds	5 years	100%	None
U.S. Treasury obligations	5 years	100%	None
U.S. Government Agency obligations	None	25%	None
State of California obligations	5 years	100%	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	40%	10%
Negotiable certificates of deposit	5 years	30%	None
Non-negotiable certificates of deposit	180 days	10%	10%
Repurchase agreements	1 year	100%	None
Medium-term notes	5 years	30%	None
Mutual funds/money market mutual funds	N/A	10%	10%
Local Agency Investment Fund (LAIF)	N/A	\$50 million	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, 2011**

**2. CASH AND INVESTMENTS, Continued**

**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.

At June 30, 2011, the County had the following investment maturities:

Investment Type	Cost	Investment Maturities (In Years)				
		Less than 1	1 to 2	2 to 3	3 to 4	4 or more
U.S. Treasury Securities	\$ 269,588,697	\$ 168,217,480	\$ 77,138,074	\$ 24,233,143	\$ -	\$ -
Federal Agency Securities	224,880,659	78,967,527	103,003,803	42,909,329	-	-
Corporate Bonds and Notes	12,290,400	12,290,400	-	-	-	-
Medium-term Notes - Teeter note	17,000,000	17,000,000	-	-	-	-
Money Market Mutual Funds	29,828,841	29,828,841	-	-	-	-
Local Agency Investment Fund (LAIF)	5,000,000	5,000,000	-	-	-	-
Investment Agreements	969,937	-	-	-	-	969,937
Certificates of Deposit	54,477	54,477	-	-	-	-
<b>Total investments</b>	<b>\$ 559,613,011</b>	<b>\$ 311,358,725</b>	<b>\$ 180,141,877</b>	<b>\$ 67,142,472</b>	<b>\$ -</b>	<b>\$ 969,937</b>

**C. Concentration of Credit Risk**

At June 30, 2011, 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, 2011.

Investments Type	S & P	Moody's	% of Portfolio
U.S. Treasury Securities	AAA	Aaa	49.67%
Federal Agency Securities	AAA	Aaa	39.03%
Corporate Bonds and Notes	AAA/AA-	Aaa/Aa1/A1	2.12%
Medium-term notes - Teeter note	Unrated	Unrated	2.95%
Money market mutual funds	AAAm	Aaa	5.18%
Local Agency Investment Fund (LAIF)	Unrated	Unrated	0.87%
Investment agreements	AAA	Aa3	0.17%
Certificates of deposit	AA-	Aa1	0.01%
<b>Total</b>			<b>100.00%</b>

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**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, 2011, 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, 2011, the County had \$5,000,000 invested in LAIF, which had invested 0.71% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 5.42% in the previous year. LAIF provided a fair value factor of 1.001576470 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.

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**3. RESTRICTED CASH AND INVESTMENTS**

Cash and investments at June 30, 2011 that are restricted by legal or contractual requirements are comprised of the following:

<u>Governmental Activities</u>	
Non-major Governmental Funds:	
Used for debt service	\$ 22,828,841
<b>Subtotal</b>	<u>22,828,841</u>
<u>Business-Type Activities</u>	
County Disposal Site CSA 9C:	
Used for landfill deposits	5,566,637
Davenport County Sanitation District:	
Used for debt service and bond reserves	54,477
<b>Subtotal</b>	<u>5,621,114</u>
<u>Component Unit</u>	
Santa Cruz County Sanitation District:	
Used for debt service	1,518,474
<b>Total restricted cash and investments</b>	<u><u>\$ 29,968,429</u></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	Redevelopment	Capital Projects	Non-major	Internal	Total
	Fund	Agency	Fund	Funds	Service	Governmental
		Funds			Funds	Activities
Governmental Activities:						
Accounts	\$ 26,915,554	\$ 1,782	\$ 107,044	\$ 186,095	\$ 152,508	\$ 27,362,983
Taxes	1,268,883	-	-	-	-	1,268,883
Gross receivables	28,184,437	1,782	107,044	186,095	152,508	28,631,866
Less: allowance for uncollectibles	(3,225,980)	-	-	-	-	(3,225,980)
<b>Net receivables</b>	<u>\$ 24,958,457</u>	<u>\$ 1,782</u>	<u>\$ 107,044</u>	<u>\$ 186,095</u>	<u>\$ 152,508</u>	<u>\$ 25,405,886</u>

	County	Non-major	Total
	Disposal	Funds	Business-Type
	Sites CSA		Activities
Business-Type Activities:			
Accounts receivable	\$ 626,607	\$ 274,143	\$ 900,750

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**5. INTERFUND TRANSACTIONS**

**A. Government-Wide Financial Statements**

Long-Term Internal Balances

At June 30, 2011, the County had the following long-term internal balances:

	<b>Internal Balances Receivables</b>
	Governmental Activities
<b>Internal Balances Payable</b>	
Business-Type Activities	\$ 1,074,483

The “Internal balances” on the Statement of Net Assets (Government-wide) represents the net total amount of due to/from and advances to/from between Governmental funds and Enterprise funds and between Internal Service funds and Enterprise funds. These due to/from amounts include any that are the result of allocating operating profits and losses of the Internal Service funds to the Enterprise funds (Internal Service fund allocation). The due to/from amounts that are the results of operating profits/losses of the Internal Service funds are cumulative. Each current year amount is netted with the amounts from prior year.

**B. Fund Financial and Proprietary Fund Statements**

Due to/from

The County had the following due to/from other funds as of June 30, 2011:

		Due from Other Funds				Total
		General Fund	Capital Projects Fund	Non major Governmental Funds	Internal Service Funds	
Due to Other Funds	Capital Projects Fund	\$ -	\$ 15,000	\$ -	\$ -	\$ 15,000
	Non major Governmental Funds	43,443	-	3,833,567	8,128	3,885,138
	Non major Enterprise Funds	-	-	-	762,341	762,341
	Internal Service Funds	-	-	-	179,642	179,642
	<b>Total</b>	\$ 43,443	\$ 15,000	\$ 3,833,567	\$ 950,111	\$ 4,842,121

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, 2011**

**5. INTERFUND TRANSACTIONS, Continued**

**B. Fund Financial Statements, Continued**

Long-Term Advances

The County had the following long-term advances as of June 30, 2011:

Advances from Other Funds	Advances to Other Funds	
		Public Financing Authority Fund
County Disposal Site CSA 9C Fund	\$	1,335,000

This balance consists of a long-term advance between the Public Financing Authority Fund and the County Disposal Site CSA 9C Fund of \$1,335,000.

Transfers In/Out

The County had the following transfers for the year ending June 30, 2011:

		Transfers In					Total
		General Fund	Redevelopment Fund	Capital Projects Fund	Non-Major Governmental Funds	Internal Service Funds	
Transfers Out	General Fund	\$ -	\$ -	\$ 31,900	\$ 6,062,004	\$ 659,959	\$ 6,753,863
	Redevelopment Fund	2,043,969	5,221,995	107,187,846	21,375,857	-	135,829,667
	Capital Projects Fund	71,600	-	416,000	-	-	487,600
	Non-Major Governmental Funds	2,596,745	-	6,648	20,799	13,272	2,637,464
	<b>Total</b>	<b>\$ 4,712,314</b>	<b>\$ 5,221,995</b>	<b>\$ 107,642,394</b>	<b>\$ 27,458,660</b>	<b>\$ 673,231</b>	<b>\$ 145,708,594</b>

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, 2011**

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**6. LOANS RECEIVABLE**

**A. Governmental Wide Financial Statements**

The County had the following loans receivable as of June 30, 2011:

<b><u>Redevelopment Agency fund:</u></b>	
Aptos Cottages (Miller)	\$ 3,150,000
Felton Faire Predevelopment	1,667,863
First Time Homebuyer Program	6,090,206
Golden Torch	1,296,240
Housing for Independent People	40,940
Marmo's	1,642,323
Mercy - McIntosh (Coach Loan)	348,665
Mercy - Rehab	95,237
McIntosh Coach Purchases	107,765
McIntosh Coach Purchase #12	98,000
McGregor	891,748
McGregor II	2,943,281
Mobile Home Change Out Program	5,517,980
Mobile Home Rehab Program	368,948
Mobile Home Rehab Program (Bonds)	23,069
Pacific Family-SCH	1,043,314
Pacific Family Coach Acquisitions	261,940
Pleasant Acres Permanent Financing	3,672,019
Pleasant Acres Coach Acquisitions	124,875
San Andreas	700,000
Sorrento Oaks	10,000
Vista Verde Family Housing	1,165,000
	<hr/>
<b>Total Redevelopment Agency</b>	<b>31,259,413</b>
	<hr/>
<b><u>Nonmajor governmental fund:</u></b>	
Private revitalization of downtown	887,521
	<hr/>
<b>Total government wide loans receivable</b>	<b>\$ 32,146,934</b>
	<hr/> <hr/>

**B. Business-Type Financial Statements**

The County had the following loans receivable as of June 30, 2011:

<b><u>Nonmajor business-type fund:</u></b>	
Septic tank maintenance CSA 12	\$ 204,513
	<hr/>
<b>Total business-type loans receivable</b>	<b>\$ 204,513</b>
	<hr/> <hr/>

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**7. CAPITAL ASSETS**

**A. Government-Wide Financial Statements**

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

	Balance July 1, 2010	Additions	Retirements	Reclassifications	Balance June 30, 2011
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 58,211,633	\$ 2,347,799	\$ -	\$ -	\$ 60,559,432
Construction-in-progress	5,857,825	34,941,922	-	(5,030,419)	35,769,328
Total capital assets, not being depreciated	64,069,458	37,289,721	-	(5,030,419)	96,328,760
Capital assets, being depreciated:					
Infrastructure	537,487,491	14,465,851	-	-	551,953,342
Buildings	119,493,151	1,998,667	-	4,873,770	126,365,588
Machinery and equipment	43,082,038	1,805,368	(3,023,694)	156,649	42,020,361
Total capital assets, being depreciated	700,062,680	18,269,886	(3,023,694)	5,030,419	720,339,291
Less accumulated depreciation for:					
Infrastructure	(195,922,866)	(13,230,513)	-	-	(209,153,379)
Buildings	(60,077,374)	(4,004,005)	-	-	(64,081,379)
Machinery and equipment	(37,571,180)	(2,946,161)	2,966,217	-	(37,551,124)
Total accumulated depreciation	(293,571,420)	(20,180,679)	2,966,217	-	(310,785,882)
Total capital assets, being depreciated, net	406,491,260	(1,910,793)	(57,477)	5,030,419	409,553,409
<b>Governmental activities capital assets, net</b>	<b>\$ 470,560,718</b>	<b>\$ 35,378,928</b>	<b>\$ (57,477)</b>	<b>\$ -</b>	<b>\$ 505,882,169</b>

Depreciation expense was charged to governmental functions as follows:

	Total
<u>Governmental Activities:</u>	
General government	\$ 1,662,195
Public protection	2,260,291
Public ways and facilities	12,932,662
Health and sanitation	784,046
Public assistance	292,831
Education	218,098
Recreation and culture	554,917
Subtotal	18,705,040
Capital assets held by the County's internal services funds are charged to the various functions based on their usage of the assets	1,475,639
<b>Total</b>	<b>\$ 20,180,679</b>

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**7. CAPITAL ASSETS, Continued**

**A. Government-Wide Financial Statements, Continued**

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

	Balance July 1, 2010	Additions	Retirements	Reclassifications	Balance June 30, 2011
<b>Business-Type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 1,858,849	\$ -	\$ -	\$ -	\$ 1,858,849
Construction-in-progress	2,205,274	928,269	-	(216,601)	2,916,942
Total capital assets, not being depreciated	4,064,123	928,269	-	(216,601)	4,775,791
Capital assets, being depreciated:					
Buildings	37,881,771	364,312	-	216,601	38,462,684
Machinery and equipment	10,650,046	52,789	(371,890)	-	10,330,945
Total capital assets, being depreciated	48,531,817	417,101	(371,890)	216,601	48,793,629
Less accumulated depreciation for:					
Buildings	(16,672,927)	(1,412,781)	-	-	(18,085,708)
Machinery and equipment	(8,881,941)	(608,868)	371,890	-	(9,118,919)
Total accumulated depreciation	(25,554,868)	(2,021,649)	371,890	-	(27,204,627)
Total capital assets, being depreciated, net	22,976,949	(1,604,548)	-	216,601	21,589,002
<b>Business-Type activities capital assets, net</b>	<b>\$ 27,041,072</b>	<b>\$ (676,279)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 26,364,793</b>

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

County Disposal Sites CSA 9C	\$ 1,692,515
Boulder Creek CSA 7	63,511
Rolling Woods CSA 10	7,969
Freedom County Sanitation District	141,809
Davenport Sanitation District	85,510
Place de Mer CSA 2	5,542
Sand Dollar Beach CSA 5	23,436
Trestle Beach CSA 20	1,357
<b>Total</b>	<b>\$ 2,021,649</b>

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**7. CAPITAL ASSETS, Continued**

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

	Balance July 1, 2010	Additions	Retirements	Reclassifications	Balance June 30, 2011
<b>Governmental Activities</b>					
<i>Capital assets, not being depreciated:</i>					
Construction in Process	\$ 12,905,339	\$ 9,149,246	\$ -	\$ (148,490)	\$ 21,906,095
Total capital assets, not being depreciated	12,905,339	9,149,246	-	(148,490)	21,906,095
<i>Capital assets, being depreciated:</i>					
Structures and Improvements					
Pumping station	39,058,837	94,307	-	-	39,153,144
Transmission systems	71,060,184	583,916	-	148,490	71,792,590
Sewage treatment plants	34,955,020	57,250	-	-	35,012,270
Mobile Equipment	3,074,211	553,510	-	-	3,627,721
Other Equipment	2,993,168	234,084	-	-	3,227,252
Total capital assets, being depreciated	151,141,420	1,523,067	-	148,490	152,812,977
Less accumulated depreciation for:					
Structures and Improvements					
Pumping station	17,532,204	851,068	-	-	18,383,272
Transmission systems	28,435,110	1,612,848	-	-	30,047,958
Sewage treatment plants	9,488,743	951,976	-	-	10,440,719
Mobile Equipment	2,105,878	258,229	-	-	2,364,107
Other Equipment	2,120,478	185,338	-	-	2,305,816
Total accumulated depreciation	59,682,413	3,859,459	-	-	63,541,872
Total capital assets, being depreciated, net	91,459,007	(2,336,392)	-	148,490	89,271,105
<b>Total capital assets, net</b>	<b>\$ 104,364,346</b>	<b>\$ 6,812,854</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 111,177,200</b>

Depreciation expense for the District at June 30, 2011 is \$3,859,459.

**8. 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, 2011 was as follows:

Fiscal Year	Interest Rate	Beginning Balance	Additions	Deletions	Accrued Interest	Ending Balance
2010	2.0%	\$ 50,997,222	\$ -	\$ (50,997,222)	\$ -	\$ -
2011	2.0%	\$ -	\$ 50,000,000	\$ (50,997,222)	\$ 997,222	\$ -

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**9. 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.

	Rate	June 30, 2011
<u>Governmental Activities:</u>		
Energy efficient infrastructure	4.42%	\$ 5,369,682
Human Services Department-Server	4.45%	54,657
Treasurer's Check Remittance-processor	4.24%	85,315
Probation-2 copy machines	12.54%	34,135
<b>Subtotal capital lease obligations</b>		<u>5,543,789</u>
<u>Internal Service Fund Activities:</u>		
Central Duplicating-copy machine	6.70%	22,813
<b>Total capital lease obligations</b>		<u>\$ 5,566,602</u>

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

	Governmental Activities	Business-Type Activities
Equipment, computers, furniture, and vehicles	\$ 355,740	\$ 1,547,501
Structures and improvements	6,041,400	-
<b>Total assets under capital lease</b>	<u>6,397,140</u>	<u>1,547,501</u>
Less: accumulated depreciation	(868,952)	(1,185,082)
<b>Net</b>	<u>\$ 5,528,188</u>	<u>\$ 362,419</u>

As of June 30, 2011, capital lease annual amortization is as follows:

Year Ending June 30,	Governmental Activities
2012	\$ 535,167
2013	535,167
2014	518,698
2015	503,785
2016	486,588
2017-2021	2,358,467
2022-2026	2,358,467
2027-2031	471,693
<b>Total Requirements</b>	<u>7,768,033</u>
Less: Interest	2,201,431
Present Value of Remaining Payments	<u>\$ 5,566,602</u>

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**10. LONG-TERM DEBT**

The following is a summary of long-term liabilities transactions for the year ended June 30, 2011:

	Balance July 1, 2010	Debt Issued	Debt Retired	Balance June 30, 2011	Due in One Year	Due in More Than One Year
<b>Governmental Activity Debt:</b>						
PFA-1996 Refunding Certificates of Participation	\$ 18,550,000	\$ -	\$ (685,000)	\$ 17,865,000	\$ 735,000	\$ 17,130,000
PFA-2002 Refunding Certificates of Participation	2,190,000	-	(55,000)	2,135,000	55,000	2,080,000
2002 Unamortized bond premium	94,671	-	(4,208)	90,463	4,208	86,255
<b>Subtotal</b>	<b>2,284,671</b>	<b>-</b>	<b>(59,208)</b>	<b>2,225,463</b>	<b>59,208</b>	<b>2,166,255</b>
PFA-2005 Refunding Certificates of Participation	7,845,000	-	(560,000)	7,285,000	585,000	6,700,000
2005 Unamortized bond discount	(45,555)	-	4,339	(41,216)	(4,339)	(36,877)
<b>Subtotal</b>	<b>7,799,445</b>	<b>-</b>	<b>(555,661)</b>	<b>7,243,784</b>	<b>580,661</b>	<b>6,663,123</b>
PFA-2001B Lease Revenue Bonds	7,090,000	-	(205,000)	6,885,000	215,000	6,670,000
PFA-2002A Lease Revenue Refunding Bonds	1,492,443	-	(128,331)	1,364,112	76,048	1,288,064
2002A Unamortized bond premium	42,958	-	(3,068)	39,890	3,068	36,822
<b>Subtotal</b>	<b>1,535,401</b>	<b>-</b>	<b>(131,399)</b>	<b>1,404,002</b>	<b>79,116</b>	<b>1,324,886</b>
PFA-1995B Revenue Bonds	1,145,000	-	(360,000)	785,000	380,000	405,000
PFA-1999 Local Agency Revenue Bonds	295,000	-	(20,000)	275,000	25,000	250,000
PFA-2004 Certificates of Participation	18,275,000	-	(985,000)	17,290,000	1,025,000	16,265,000
2004 Unamortized bond premium	19,164	-	(1,369)	17,795	1,369	16,426
<b>Subtotal</b>	<b>18,294,164</b>	<b>-</b>	<b>(986,369)</b>	<b>17,307,795</b>	<b>1,026,369</b>	<b>16,281,426</b>
2006 Certificates of Participation	8,085,000	-	(335,000)	7,750,000	340,000	7,410,000
2006 Unamortized bond discount	(55,383)	-	2,090	(53,293)	(2,090)	(51,203)
<b>Subtotal</b>	<b>8,029,617</b>	<b>-</b>	<b>(332,910)</b>	<b>7,696,707</b>	<b>337,910</b>	<b>7,358,797</b>
PFA-2008 Certificates of Participation	4,330,000	-	(310,000)	4,020,000	315,000	3,705,000
2008 Unamortized bond premium	92,020	-	(6,816)	85,204	6,816	78,388
<b>Subtotal</b>	<b>4,422,020</b>	<b>-</b>	<b>(316,816)</b>	<b>4,105,204</b>	<b>321,816</b>	<b>3,783,388</b>
McGaffigan Mill Road HOA	91,370	-	(28,013)	63,357	30,182	33,175
Redevelopment Agency Bonds	217,225,000	35,410,000	(3,960,000)	248,675,000	4,115,000	244,560,000
Unamortized bond discount	(343,553)	(94,269)	17,922	(1,239,900)	(60,071)	(1,179,829)
Unamortized bond premium	590,952	-	(30,590)	560,362	30,590	529,772
<b>Subtotal</b>	<b>217,472,399</b>	<b>34,495,731</b>	<b>(3,972,668)</b>	<b>247,995,462</b>	<b>4,085,519</b>	<b>243,909,943</b>
Compensated absences	2,188,860	14,248,980	(15,107,753)	2,103,087	13,669,176	7,360,911
Capital leases	5,672,890	123,484	(252,585)	5,543,789	283,250	5,260,539
<b>Total governmental activity</b>	<b>\$ 344,570,837</b>	<b>\$ 48,868,195</b>	<b>\$ (23,013,382)</b>	<b>\$ 340,425,650</b>	<b>\$ 21,828,207</b>	<b>\$ 318,597,443</b>

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**10. LONG-TERM DEBT, Continued**

	Balance July 1, 2010	Debt Issued	Debt Retired	Balance June 30, 2011	Due in One Year	Due in More Than One Year
<b>Governmental Activity Debt, Continued:</b>						
<b>Internal Service Funds</b>						
Compensated absences	\$ 4,077,516	\$ 2,989,778	\$ (2,792,974)	\$ 4,274,320	\$ 2,715,192	\$ 1,559,128
Estimated claims	35,296,149	1,565,279	-	36,861,428	12,533,516	24,327,912
Capital leases	-	28,058	(5,245)	22,813	6,691	16,122
<b>Total Internal Service Funds</b>	<b>\$ 39,373,665</b>	<b>\$ 4,583,115</b>	<b>\$ (2,798,219)</b>	<b>\$ 41,158,561</b>	<b>\$ 15,255,399</b>	<b>\$ 25,903,162</b>
<b>Total Government-Wide Activities</b>						
Compensated absences	\$ 25,966,376	\$ 17,238,754	\$ (17,900,723)	\$ 25,304,407	\$ 16,384,368	\$ 8,920,039
Estimated claims	35,296,149	1,565,279	-	36,861,428	12,533,516	24,327,912
Other long-term liabilities	292,681,977	34,647,273	(7,910,874)	319,418,376	8,165,722	311,252,654
<b>Total Government-Wide Activities</b>	<b>\$ 353,944,502</b>	<b>\$ 53,451,306</b>	<b>\$ (25,811,597)</b>	<b>\$ 381,584,211</b>	<b>\$ 37,083,606</b>	<b>\$ 344,500,605</b>
<b>Business-Type Activities</b>						
<b>Enterprise Funds</b>						
<b>Loans payable</b>						
Septic Tank Maintenance CSA 12	\$ 266,714	\$ -	\$ (11,033)	\$ 255,681	\$ 113,19	\$ 244,362
Davenport Sanitation	378,813	-	(26,275)	352,538	26,959	325,579
<b>Total Loans Payable</b>	<b>645,527</b>	<b>-</b>	<b>(37,308)</b>	<b>608,219</b>	<b>38,278</b>	<b>569,941</b>
<b>Landfill postclosure liability</b>						
Enterprise Fund - County Disposal Sites CSA 9	5,159,768	2,346,342	-	7,506,110	-	7,506,110
<b>Total Business-Type Activities</b>	<b>\$ 5,805,295</b>	<b>\$ 2,346,342</b>	<b>\$ (37,308)</b>	<b>\$ 8,114,329</b>	<b>\$ 38,278</b>	<b>\$ 8,076,051</b>
<b>Component Unit - Santa Cruz County</b>						
<b>Sanitation District</b>						
2005 Wastewater Revenue Refunding Bonds	\$ 6,910,000	\$ -	\$ (705,000)	\$ 6,205,000	\$ 730,000	\$ 5,475,000
2005 Unamortized bond premium	30,076	-	(2,236)	27,840	2,235	25,605
2004 Limited Obligation STET						
Improvement Bonds	665,000	-	(60,000)	605,000	65,000	540,000
2009 State Water Resource Control Board Loan		8,116,120		8,116,120	-	8,116,120
Loans payable	12,607,565	-	(1,251,160)	11,356,405	1,286,192	10,070,213
<b>Total Component Unit</b>	<b>\$ 20,212,641</b>	<b>\$ 8,116,120</b>	<b>\$ (2,018,396)</b>	<b>\$ 26,310,365</b>	<b>\$ 2,083,427</b>	<b>\$ 24,226,938</b>

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**10. LONG-TERM DEBT, Continued**

Descriptions of the long-term liabilities at June 30, 2011 are as follows:

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2011
<b>Governmental Activities:</b>					
<b>Public Financing Authority</b>					
<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)					
Collateral: HSA Building / Jail Infirmary					
Serial certificates	9/1/97-9/1/26	4.00-5.65%	\$190,000-\$1,065,000	\$ 20,955,000	\$ 13,965,000
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	<u>17,865,000</u>
2002 Issue (refinanced road improvements, a detention facility, a library, equipment, purchase of parkland and construction of a transfer station and financed an animal services authority facility)					
Collateral: Polo Grounds Park Transfer Station					
Serial certificates	8/1/03-8/1/22	4.00-5.15%	\$50,000-\$730,000	\$ 4,380,000	875,000
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	90,463
				Total 2002 Issue	<u>2,225,463</u>
2005 Issue (defeased 1995A Lease Revenue Refunding Bonds and financed construction of and improvements to the Santa Cruz County Water Street and Roundtree Lane detention facility)					
Collateral: Water Street Facility / Roundtree Facility					
Serial certificates	8/1/05-8/1/20	2.75-4.25%	\$500,000-\$910,000	\$ 10,580,000	7,285,000
Unamortized bond discount				(67,249)	(41,216)
				Total 2005 Issue	<u>7,243,784</u>
				Total Refunding Certificates of Participation	<u>27,285,000</u>
				Net Premiums/(Discounts)	<u>49,247</u>
				Total including Premiums (Discounts)	<u>\$ 27,334,247</u>
<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)					
Collateral: Water Street Facility/Roundtree Facility					
Serial bonds	8/1/02-8/1/26	2.10-4.625%	\$200,000-\$760,000	\$ 9,675,000	\$ 4,660,000
Term bonds	2/1/27-8/1/31	4.75%	\$405,000-\$485,000	2,225,000	2,225,000
				Total 2001 Issue	<u>\$ 6,885,000</u>
<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	\$ 76,048
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	39,890
				Total 2002 Issue	<u>1,404,002</u>
				Total Lease Revenue Refunding Bonds	<u>8,249,112</u>
				Net Premiums/(Discounts)	<u>39,890</u>
				Total including Premiums (Discounts)	<u>\$ 8,289,002</u>



**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**10. LONG-TERM DEBT, Continued**

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2011
<b>Governmental Activities, Continued:</b>					
<b>Public Financing Authority, Continued</b>					
<i>Revenue Bonds</i>					
1995 Series B Issue (financed improvements to existing drainage facilities of the Santa Cruz County Flood Control Zone No. 7)					
Term bonds	2/1/11-8/1/12	6.50%	\$380,000-\$405,000	785,000	785,000
				Total 1995 Issue	<u>\$ 785,000</u>
<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	<u>\$ 275,000</u>
<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)					
Collateral: County Administrative Offices / County Court Building					
Serial certificates	6/1/05-6/1/24	2.25-5.00%	\$525,000-\$1,720,000	\$ 23,000,000	\$ 17,290,000
Unamortized bond premium				27,378	17,795
				Total 2004 Issue	<u>17,307,795</u>
2006 Series Issue (financed improvements to Watsonville Courthouse and Buena Vista Landfill)					
Collateral: Water Street Facility / Roundtree Facility					
Serial certificates	8/1/07-8/1/28	3.50-4.50%	\$180,000-\$410,000	\$ 6,225,000	4,975,000
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)	(53,293)
				Total 2006 Issue	<u>7,696,707</u>
2008 Series Issue (finance purchase of computer software systems for various County departments)					
Collateral: Water Street Facility / Roundtree Facility					
Serial certificates	8/1/09-8/1/23	3.00-4.30%	\$215,000-\$405,000	\$ 4,625,000	4,020,000
Unamortized bond premium				102,244	85,204
				Total 2008 Issue	<u>4,105,204</u>
				Total Certificates of Participation	<u>29,060,000</u>
				Net Premiums/(Discounts)	<u>49,706</u>
				Total including Premiums (Discounts)	<u>\$ 29,109,706</u>
<i>McCaffigan Mill Road Association</i>					
2004 (financed road storm damage repair)					
Loan	2004-2013	7.48%	\$2,825-\$5,800	\$ 340,000	<u>\$ 63,357</u>

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**10. LONG-TERM DEBT, Continued**

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2010
<b>Governmental Activities, Continued:</b>					
<b>Redevelopment Agency</b>					
<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	\$ 11,875,000
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	5,005,000
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	35,800,000
Unamortized bond discount				(194,382)	(123,109)
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	390,311
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	1,385,000
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)	(37,633)
2007 Taxable Housing Tax Allocation Refunding Bonds					
Term bonds	9/1/07-9/1/17	5.208%	\$70,000-\$165,000	1,080,000	690,000
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	6,190,000
Unamortized bond premium				224,669	170,051
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	4,825,000
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)	(164,889)
2010 Housing Tax Allocation Bonds					
Serial bonds	9/1/11-9/1/25	2.950-6.93%	\$150,000-\$595,000	3,075,000	3,075,000
Term bonds	9/1/26-9/1/36	7.40%	\$620,000-\$4,325,000	15,425,000	15,425,000
Unamortized bond discount				(462,750)	(462,750)
2011 Series A Tax Allocation Bonds					
Serial bonds	9/1/11-9/1/18	3.099-7.00%	\$430,000-\$580,000	3,440,000	3,440,000
Term bonds	9/1/19-9/1/21	8.000%	\$620,000-\$720,000	2,010,000	2,010,000
Term bonds	9/1/22-9/1/27	9.000%	\$780,000-\$1,200,000	5,865,000	5,865,000
Unamortized bond discount				(247,945)	(247,945)
2011 Series A Tax Allocation Bonds					
Serial bonds	9/1/11-9/1/18	3.099-7.00%	\$85,000-\$115,000	675,000	675,000
Term bonds	9/1/19-9/1/21	8.000%	\$125,000-\$145,000	400,000	400,000
Term bonds	9/1/22-9/1/27	9.000%	\$160,000-\$235,000	1,175,000	1,175,000
Term bonds	9/1/28-9/1/31	9.000%	\$255,000-\$330,000	1,170,000	1,170,000
Term bonds	9/1/32-9/1/36	9.250%	\$360,000-\$520,000	2,175,000	2,175,000
Unamortized bond discount				(203,574)	(203,574)
Total Redevelopment Agency Bonds					247,995,462
					Net Premiums/(Discounts) (679,538)
					Outstanding Balance \$ 248,675,000

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**10. LONG-TERM DEBT, Continued**

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2011
<b>Governmental Activities, Continued:</b>					
<i>Capital leases</i>					
Energy efficient infrastructure	2008-2027	4.42%	\$176,000-\$456,505	\$ 5,989,594	\$ 5,369,682
Human Services Department - server	2008-2013	4.45%	\$8,159-\$23,765	110,563	54,657
Treasurer's - check remittance processor	2011-2016	4.24%	\$4,033-\$18,806	89,348	85,315
Probation - 2 copy machines	2011-2015	12.54%	\$7,009-\$10,191	34,135	34,135
Central duplicating - copy machine	2011-2015	6.70%	\$1,324-\$7,645	28,058	22,813
				Total leases	5,566,602
			<b>Total Governmental Activities</b>		<b>\$ 319,418,375</b>
<b>Business-Type Activities:</b>					
Enterprise Fund - Davenport Sanitation District					
California State Department of Water Resources (upgrade existing water facilities)	1/1/88-1/1/22	2.5%	\$4,550-\$10,575	\$ 250,000	\$ 102,792
California Technology, Trade & Commerce Agency (fund sanitation system improvements)	2/28/95-7/1/25	2.50%	\$3,550-\$4,817	310,691	173,005
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	76,741
Enterprise Fund - Septic Tank Maintenance CSA 12					
California State Water Resources Control Board	4/23/2010-4/23/2029	2.60%	\$10,753-\$17,512	277,467	255,681
				Total Loans	608,219
Landfill postclosure liability					7,506,110
			<b>Total Business-Type Activities</b>		<b>\$ 8,114,329</b>

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**10. LONG-TERM DEBT, Continued**

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Installments	Amount	June 30, 2011
<b>Component Unit - Santa Cruz County Sanitation District (SCCSD)</b>					
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	\$ 6,205,000
Unamortized bond premium				41,252	27,840
					<u>6,232,840</u>
2004 Issue Limited Obligation Refunding 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	605,000
Loans payable - City of Santa Cruz (construct treatment plant expansion)	2000-2019	2.80%	\$928,354-\$1,564,248	24,374,832	11,356,405
2009 State Water Resources Control Board Loan	2013-2032	2.50%	\$630,445-\$959,296	8,116,120	<u>8,116,120</u>
<b>Total Component Unit</b>					<u>\$ 26,310,365</u>

**A. Governmental Activities**

At June 30, 2011, 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
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	1,585,000	1,150,665	90,307	59,014	1,885,000	1,056,383
2016	1,670,000	1,073,843	92,684	54,273	1,955,000	979,118
2017-2021	9,805,000	4,027,933	544,219	192,140	9,610,000	3,647,736
2022-2026	7,365,000	1,777,164	396,875	42,421	6,780,000	1,483,162
2027-2031	2,245,000	212,816	-	-	1,420,000	662,933
2032-2036	305,000	16,144	-	-	1,765,000	304,066
2037-2041	-	-	-	-	405,000	9,366
<b>Total</b>	<u>\$ 27,285,000</u>	<u>\$ 12,120,458</u>	<u>\$ 1,364,112</u>	<u>\$ 549,137</u>	<u>\$ 29,060,000</u>	<u>\$ 11,731,605</u>

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**10. LONG-TERM DEBT, Continued**

**A. Governmental Activities, Continued**

Public Financing Authority, Continued

Year Ending June 30,	Lease Revenue Bonds		Revenue Bonds		Local Agency Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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	240,000	281,331	-	-	30,000	9,893
2016	250,000	271,161	-	-	30,000	8,250
2017-2021	1,420,000	1,178,080	-	-	135,000	15,263
2022-2026	1,700,000	819,581	-	-	-	-
2027-2031	2,125,000	376,791	-	-	-	-
2032-2036	485,000	11,519	-	-	-	-
<b>Total</b>	<b>\$ 6,885,000</b>	<b>\$ 3,837,911</b>	<b>\$ 785,000</b>	<b>\$ 51,838</b>	<b>\$ 275,000</b>	<b>\$ 72,255</b>

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.

McGaffigan Mill Road Association

Year Ending June 30,	Principal	Interest
2012	\$ 30,181	\$ 3,719
2013	32,519	1,381
2014	657	4
<b>Total</b>	<b>\$ 63,357</b>	<b>\$ 5,104</b>

In September 2005, the County entered into a loan agreement with McGaffigan Mill Road Association in the amount of \$232,101. The loan bears an annual interest rate of 7.48% due in monthly installments and maturing in July 1, 2014. For the current year, principal and interest paid on the loan was \$33,900. The outstanding balance of the loan is \$63,357.

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**10. LONG-TERM DEBT, Continued**

**A. Governmental Activities, Continued**

Redevelopment Agency

Year Ending June 30,	Principal	Interest	Total
2012	\$ 4,115,000	\$ 14,163,715	\$ 18,278,715
2013	4,955,000	14,009,805	18,964,805
2014	5,150,000	13,799,365	18,949,365
2015	5,365,000	13,569,386	18,934,386
2016	5,610,000	13,318,170	18,928,170
2017-2021	32,460,000	62,003,715	94,463,715
2022-2026	41,895,000	51,954,190	93,849,190
2027-2031	56,820,000	37,674,398	94,494,398
2032-2036	77,460,000	17,613,325	95,073,325
2037-2038	14,845,000	534,075	15,379,075
Total	<u>248,675,000</u>	<u>\$ 238,640,144</u>	<u>\$ 487,315,144</u>
Unamortized Premiums	560,362		
Unamortized Discounts	<u>(1,239,900)</u>		
Total	<u>\$ 247,995,462</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, 2011, annual debt service requirements for loans payable of business-type activities to maturity are as follows:

Year Ending June 30,	Loans Payable	
	Principal	Interest
2012	\$ 38,278	\$ 15,895
2013	39,284	14,890
2014	40,316	13,857
2015	41,375	12,798
2016	42,463	11,711
2017-2021	219,973	41,223
2022-2026	135,323	15,499
2027-2029	51,207	2,686
Total	<u>\$ 608,219</u>	<u>\$ 128,559</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, 2011**

**10. LONG-TERM DEBT, Continued**

**C. Component Unit**

At June 30, 2011, annual debt service requirements of the District to maturity are as follows:

Year Ending June 30,	2005 Wastewater Revenue Bonds		2004 Limited Obligation STET Improvement Bonds		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
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	1,347,856
2014	800,000	196,800	70,000	21,990	1,989,673	619,944
2015	840,000	160,000	75,000	18,599	2,043,492	56,125
2016	890,000	125,400	75,000	14,980	2,098,771	510,846
2017-2021	2,180,000	153,850	255,000	20,399	8,123,707	1,716,029
2022-2026	-	-	-	-	2,608,483	884,982
<b>Total</b>	<b>\$ 6,205,000</b>	<b>\$ 1,121,544</b>	<b>\$ 605,000</b>	<b>\$ 128,823</b>	<b>\$ 19,472,525</b>	<b>\$ 5,453,761</b>

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 2004, the District issued Limited Obligation Refunding Improvement Bonds to refinance the 1994 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.

During 2009, the District entered into a Project Finance Agreement (Agreement) with the State Water Resources Control Board (SWRCB) to finance the Aptos Transmission Main Relocation Project. Under this Agreement, the SWRCB has agreed to loan the District a total of \$16,725,699. As of June 30, 2011 the District has received a total of \$8,116,120 in loan disbursements pursuant to this Agreement. Pursuant to the Agreement, the interest rate is 2.5% and the District will begin to make payments to repay the loan in the 2012/13 fiscal year.

**D. Legal Debt Limit**

The County’s legal annual debt service limit as of June 30, 2011, is \$404,153,386. 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.

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**10. LONG-TERM DEBT, Continued**

*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, and it is anticipated that the County will be determined to be in compliance with arbitrage regulations.

**11. PLEDGE OF FUTURE REVENUES**

*PFA 2002A Lease Revenue Refunding Bonds*

The revenues of the Santa Cruz Regional 911 (Regional 911) have been pledged to repay \$5,760,000 in lease revenue refunding bonds issued in January 2003. The Regional 911 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 Regional 911 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 \$4,025,351. Principal and interest paid for the current year and total customer revenues were \$426,988 and \$5,233,243 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 \$836,838. Principal and interest paid for the current year and total customer revenues were \$422,455 and \$1,606,322, respectively.



**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**11. PLEDGE OF FUTURE REVENUES, Continued**

*RDA Tax Increment Bond*

The Agency has pledged to the repayment of the 2000 Subordinate Refunding Bonds, the 2000 Series A Subordinate Bonds, the 2003 Refunding Bonds, the 2005 Series A Bonds, the 2005 Series B Subordinate Bonds, the 2007 Taxable Subordinate Refunding Bonds, the 2007 Series A Refunding Bonds, the 2009 Series A Bonds, the 2010 Taxable Housing Bonds, the 2011 Series A Taxable Bonds, and the 2011 Series B Taxable Housing Bonds (the "Bonds") Tax Revenues of the Agency's Live Oak/Soquel Community Improvement Project Area pursuant to the various applicable Indentures of Trust, through the final maturity of the Bonds on March 1, 2037, or early retirement of the Bonds, whichever occurs first. Tax Revenues consist of tax increment revenues allocated to the Agency with respect to the Live Oak/Soquel Community Improvement Project Area pursuant to Section 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 82 percent of Tax Revenues. The total principal and interest remaining to be paid on the Bonds is \$487,315,144.

At June 30, 2011, the total Tax Revenues for the current year were \$22,848,351, and the total debt service payment was \$16,435,506. During the fiscal year 2011, Bond Debt Service payments required 71.93% of the total tax increment revenues. The ratio of Tax Revenues to the Bonds debt service payments due during Fiscal Year 2010-11 was 1.39 (139%).

**12. 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, 2011, a liability for closure and postclosure maintenance in the amount of \$7,506,110 is reflected in the County Disposal Sites Enterprise Fund based upon landfill capacity used to date. As of June 30, 2011, Ben Lomond Landfill was filled to 100% capacity, and the County estimates that the Buena Vista Landfill is filled to 61.3% of capacity with an estimated remaining useful life of 10 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 \$3,983,918 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2011. 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.

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**12. LANDFILL CLOSURE AND POSTCLOSURE COSTS, Continued**

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, 2011, cash of \$5,368,000 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 County Disposal Sites CSA 9C 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.

**13. DEFICIT NET ASSETS AND FUND BALANCES**

Individual nonmajor special revenue fund deficit fund balance and proprietary fund deficit net assets at June 30, 2011 are as follows:

Nonmajor Special Revenue Funds:	
Library	\$ 37,353
Internal Service Funds:	
Central Duplicating	\$ 176,493
Self-Insurance - Worker's Compensation	\$ 22,004,232

The Library fund had deficit net assets of \$37,353 that was a result of unrealized property tax revenues. Each fiscal year, the annual payment from the Library fund to the Library Financing Authority is calculated based upon estimated property tax revenues. During the 2010-2011 fiscal year, property tax revenues were slightly lower than anticipated, but the annual payment to the Library Financing Authority still was required to be made. A procedure has subsequently been implemented to ensure that the payment to the Library Financing Authority is capped if there are insufficient funds to make the entire payment.

The Central Duplicating Fund had deficit net assets of \$176,493 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 \$22,004,232, 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.

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**14. 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 2010-2011 at an actuarially determined rate of 12.051% for miscellaneous employees, 13.784 % for safety employees, and 25.823% 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.

**C. Annual Pension Costs**

The County's annual pension cost for the current year and two previous years was \$31,074,847, \$32,054,634, and \$33,905,809, respectively. These were equal to the County's required and actual contributions. The required contribution was determined as part of the June 30, 2007, 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, 2007 was 25 years for miscellaneous employees and 32 years for safety employees for prior and current service unfunded liability.

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**14. DEFINED BENEFIT PENSION PLAN, Continued**

**THREE-YEAR TREND INFORMATION FOR PERS**

Fiscal Year	County Miscellaneous			County Safety		
	Annual Pension Cost	Percentage of APC	Net Pension	Annual Pension Cost	Percentage of APC	Net Pension
	(APC)	Contributed	Obligation	(APC)	Contributed	Obligation
6/30/2009	26,086,996	100%	\$ -	3,571,980	100%	\$ -
6/30/2010	24,255,078	100%	-	3,470,117	100%	-
6/30/2011	23,622,389	100%	-	3,349,088	100%	-

Fiscal Year	County Safety Sheriff			County Totals		
	Annual Pension Cost	Percentage of APC	Net Pension	Annual Pension Cost	Percentage of APC	Net Pension
	(APC)	Contributed	Obligation	(APC)	Contributed	Obligation
6/30/2009	4,246,833	100%	\$ -	33,905,809	100%	\$ -
6/30/2010	4,329,439	100%	-	32,054,634	100%	-
6/30/2011	4,103,370	100%	-	31,074,847	100%	-

**C. Annual Pension Costs**

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.

County Miscellaneous						
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
2010	\$ 682,810,383	\$ 823,338,155	\$ 140,527,772	82.9%	\$ 143,904,032	97.7%

County Safety						
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
2010	\$ 109,419,543	\$ 124,165,627	\$ 14,746,084	88.1%	\$ 15,479,038	95.3%

County Safety Sheriff						
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
2010	\$ 76,572,047	\$ 100,814,044	\$ 24,241,997	76.0%	\$ 12,490,589	194.1%

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**14. DEFINED BENEFIT PENSION PLAN, Continued**

The required schedule of funding progress immediately following the notes to the financial statements presents additional, multi-year, trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**15. POSTRETIREMENT 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 is 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.

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**15. POST-RETIREMENT HEALTH CARE BENEFITS, Continued**

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:

<u>Participants</u> <u>as of January 1, 2009*</u>	<u>Total</u>
Active employees	2,337
Retirees	997
Total	<u>3,334</u>

\* Most recent information available.

**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 2011, the County contributed \$4,818,714 to the plan distributed as follows:

	<u>Amount</u>
Miscellaneous	\$ 4,566,125
Safety	252,589
Total	<u>\$ 4,818,714</u>

**Annual OPEB Cost and Net OPEB Obligation.** The County's Annual Other Postemployment Benefits (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	\$ 22,809,000
Interest on net OPEB obligation	2,747,004
Annual OPEB cost (expense)	25,556,004
Contributions made	(4,818,714)
Increase in net OPEB obligation	20,737,290
Net OPEB obligation - beginning of year	61,044,534
Net OPEB obligation - end of year	<u>\$ 81,781,824</u>

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**15. POST-RETIREMENT HEALTH CARE BENEFITS, Continued**

The County's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 is as follows:

<u>Ended</u>	<u>Cost</u>	<u>Contribution</u>	<u>Contributed</u>	<u>Obligation</u>
6/30/2009	27,317,900	3,819,923	14.0%	44,869,977
6/30/2010	20,173,502	3,998,945	19.8%	61,044,534
6/30/2011	25,556,004	4,818,714	18.9%	81,781,824

**Funded Status and Funding Progress.** As of January 1, 2009, the most recent actuarial valuation date, the plan was zero percent funded. The Actuarial Accrued Liability for benefits was \$181,575,000, and the actuarial value of assets was \$0, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$181,575,000. The covered payroll (annual payroll of active employees covered by the plan) was \$161,577,000 and the ratio of UAAL to the covered payroll was 112.4%.

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 rate. 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 post-retirement health care benefits and pension.

**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, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return which is based on the expected return on funds invested by CalPERS, and an annual healthcare cost trend of actual premiums 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 June 30, 2011 was 27 years.

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**15. POST-RETIREMENT HEALTH CARE BENEFITS, Continued**

**OTHER POSTEMPLOYMENT OBLIGATIONS**

**SCHEDULE OF FUNDING PROGRESS**

The table below shows the 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, 2011.

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
01/01/09	-	181,575,000	181,575,000	0.0%	161,577,000	112.4%

**16. 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, 2011, the Plan's assets of \$104,226,074 are not recorded in the County's financial statements as they are deposited with a third party administrator independent of the County.

**17. COMMITMENTS AND CONTINGENCIES**

As of June 30, 2011, the County has construction contract commitments in the Department of Public Works (all fund types) and in Special Revenue and Capital Project Funds in the amount of \$6,028,988 and \$35,639,067, 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.



**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**17. COMMITMENTS AND CONTINGENCIES, Continued**

***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.

**18. 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, 2011, 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.

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**18. RISK MANAGEMENT, Continued**

The change in the balance of claims liabilities during the fiscal years ended June 30, 2011 and two prior years for all self-insurance Internal Service Funds combined is as follows:

	2011	2010	2009
Unpaid claims and claim adjustment expenses, beginning of the fiscal year	\$ 35,296,149	\$ 35,296,149	\$ 29,707,778
Incurred claims and claim adjustment expenses	13,092,624	11,735,027	15,084,586
Claim payments	(11,527,345)	(11,735,027)	(9,496,215)
Unpaid claims and claim adjustment expenses, end of the fiscal year	<u>\$ 36,861,428</u>	<u>\$ 35,296,149</u>	<u>\$ 35,296,149</u>

At June 30, 2011, the Self-Insurance Funds held a total of \$19,164,709 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, 2011, the estimated future liabilities were \$31,765,000. 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.

**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, 2011, the County had an estimated future liability of \$133,928 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, 2011, 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, 2011, estimated future liabilities were \$187,500.

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**19. 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.

At June 30, 2011, the County identified the following sites, within the Santa Cruz County Sanitation District (District), 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 were detected at the site above acceptable levels. The District contracted with a consultant for a corrective action plan, which has been fully implemented. On June 17, 2011, the California Regional Water Quality Control Board closed this site with no further action required. Thus, as of June 30, 2011, the District estimates that there will be no future costs for the clean-up of this site.

*Rio Del Mar Pump Station*

The site was the former location of the District's Rio Del Mar Pump Station underground storage tank (UST) for diesel fuel. The UST was removed in 1996. However, levels of hydrocarbons have been detected at the site above acceptable levels. The District has contracted with a consultant for a corrective action plan, which has been approved. The estimated clean-up remaining as of June 30, 2011, was calculated by the consultant by extrapolating the total volume of diesel fuel present based on 1) the volume of diesel absorbed into the soil, 2) the volume of separate-phase, "free product" floating on the groundwater, and 3) the volume of dissolved diesel in the groundwater. The estimated volume of diesel fuel present was then used to calculate the amount of reactive oxidant needed to break down the remaining contamination. The estimated clean-up cost for the underground contamination and monitoring as of June 30, 2011, is approximately \$51,000.

At June 30, 2011, the District has recorded a pollution remediation obligation in the amount of \$51,000 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.

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**20. FUND BALANCES**

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned and unassigned (see Note 1 for a description of these categories). A detailed schedule of fund balances at June 30, 2011 is as follows:

	General Fund	Redevelopment Agency	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>					
Inventory, prepaids and imprest cash	\$ 21,643	\$ -	\$ -	\$ -	\$ 21,643
Advances and loans	2,051,934	-	-	-	2,051,934
Assets held for resale	2,043,970	-	-	-	2,043,970
Total nonspendable fund balance	<u>4,117,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,117,547</u>
<b>Restricted for:</b>					
Purpose of fund	-	40,659,926	-	22,306,079	62,966,005
Debt service	-	8,266,080	-	21,067,346	29,333,426
Capital asset acquisition	-	-	71,294,523	3,082,277	74,376,800
Total restricted fund balance	<u>-</u>	<u>48,926,006</u>	<u>71,294,523</u>	<u>46,455,702</u>	<u>166,676,231</u>
<b>Committed to:</b>					
Natural Disasters	1,251,089	-	-	-	1,251,089
Working Capital	5,900,000	-	-	-	5,900,000
Economic Uncertainty	3,256,520	-	-	-	3,256,520
General Government	537,938	-	-	-	537,938
Public Protection	1,014,365	-	-	-	1,014,365
Health and Sanitation	460,501	-	-	-	460,501
Public Assistance	426,317	-	-	-	426,317
Total committed fund balance	<u>12,846,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,846,730</u>
<b>Assigned to:</b>					
Federally qualified health program	14,229,750	-	-	-	14,229,750
Eliminate projected budgetary deficit in subsequent year's budget	5,701,617	-	-	-	5,701,617
Liabilities Reserve	1,900,000	-	-	-	1,900,000
Human services	400,000	-	-	-	400,000
Total assigned fund balance	<u>22,231,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,231,367</u>
<b>Unassigned Fund Balance</b>	<u>171,326</u>	<u>-</u>	<u>-</u>	<u>(37,353)</u>	<u>133,973</u>
Total fund balances	<u>\$ 39,366,970</u>	<u>\$ 48,926,006</u>	<u>\$ 71,294,523</u>	<u>\$ 46,418,349</u>	<u>\$ 206,005,848</u>

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**21. SUBSEQUENT EVENTS**

On July 6, 2011, the County issued a Tax and Revenue Anticipation Note at 2.00% in the amount of \$48,000,000. 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 in two payments of \$15,000,000 on March 1, 2012 and \$33,000,000 on July 5, 2012 and is collateralized by fiscal year 2010-2011 unrestricted revenues.

On September 14, 2011, the County issued \$5,605,000 of 2011 certificates of participation maturing in 2021 with interest rates ranging from 2.00 to 4.00 percent. The proceeds of the certificates will be used to fund improvements to the County veterans building and the roof of the County's main detention facility.

On October 27, 2011, the California Court of Appeals issued its opinion in the case filed by the City of Scotts Valley against the County of Santa Cruz and the County Auditor-Controller regarding the allocation of property taxes. Specifically, the City claimed the County Auditor-Controller did not properly apply Revenue and Taxation Code section 98, which entitles no- and low-property tax cities to a certain percentage of the property taxes paid by their residents under the Tax Equity Allocation (TEA) provisions of the Code. The case involved three substantive areas of dispute in the TEA calculations: the impacts of the Educational Revenue Augmentation Fund (ERAF) II, ERAF III and the City's redevelopment agency. The Court of Appeals decided in the County's favor on the ERAF II argument, and against the County in the ERAF III and redevelopment arguments. The financial impact to the County of this decision is that the County would be required to pay \$2,143,940 to the City over a three year period. The County has filed a Motion for Rehearing with the Court of Appeals concerning the redevelopment issue, and filed a Petition for Review with the California Supreme Court concerning the redevelopment and ERAF III issues. This is a case of statewide significance which will have a bearing on how property taxes are allocated by many counties throughout California.

**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 Services</i>	
Salaries and employee benefits	\$ 7,973
Redevelopment Agency Fund:	
Services and supplies	\$ 1,861,120
Other financing uses	\$ 7,840

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**22. EXCESS OF EXPENDITURES OVER APPROPRIATIONS, Continued**

Expenditures in excess of appropriations are explained as follows:

*General Fund - General Services* - Salaries and employee benefits exceeded appropriations by \$7,973 due to the inability to make reductions in a two person division. The overage was offset by savings within the department as a whole.

*Redevelopment Agency Fund* - Overages in Services and Supplies 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.

*Other Financing Uses* - Overages in Other financing uses was primarily for unbudgeted loss on sale of capital assets.

**23. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES**

On December 29, 2011, the Supreme Court of the State of California upheld the enforceability of legislation that provides for the dissolutions of California redevelopment agencies, but struck down the Assembly Bill X1 27 which would have provided a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program.

Assembly Bill X1 26 signed into law as part of the State's budget package on June 29, 2011, requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets, prepare for the impending dissolution of the agency, and transfer all of its assets to a successor agency that is governed by an oversight board representing the various taxing jurisdictions in the community.

Assembly Bill X1 26 also required each agency to adopt an Enforceable Obligation Payment Schedule and draft a Recognized Obligation Payment Schedule prior to September 30, 2011. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in Assembly Bill X1 26. Only the amount of tax revenues necessary to fund the payments reflected on the Enforceable Obligation Payment Schedule will be allocated to the successor agencies.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**23. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES, Continued**

On February 15, 2011, the County of Santa Cruz and the Redevelopment Agency approved an Amended and Restated Cooperation Agreement. The Agency's obligations under this agreement constitute an indebtedness of the Agency for the purpose of carrying out the redevelopment of the Project Area and are contractual obligations to make payments authorized and incurred pursuant to California Redevelopment Law.

On March 8, 2011, the Board of Directors of the County of Santa Cruz approved the financing for the first Payment Schedule of the Amended and Restated Cooperation Agreement in the amount of \$75,512,592. This amount was transferred to the County to fund specified projects.

On March 8, 2011, the Agency transferred properties, included in Land and in Buildings and Structures, to the County of Santa Cruz for its use in the amount of \$19,619,258. \$6,735,531 in Construction in Progress, associated with the transferred properties, was also transferred to the County of Santa Cruz.

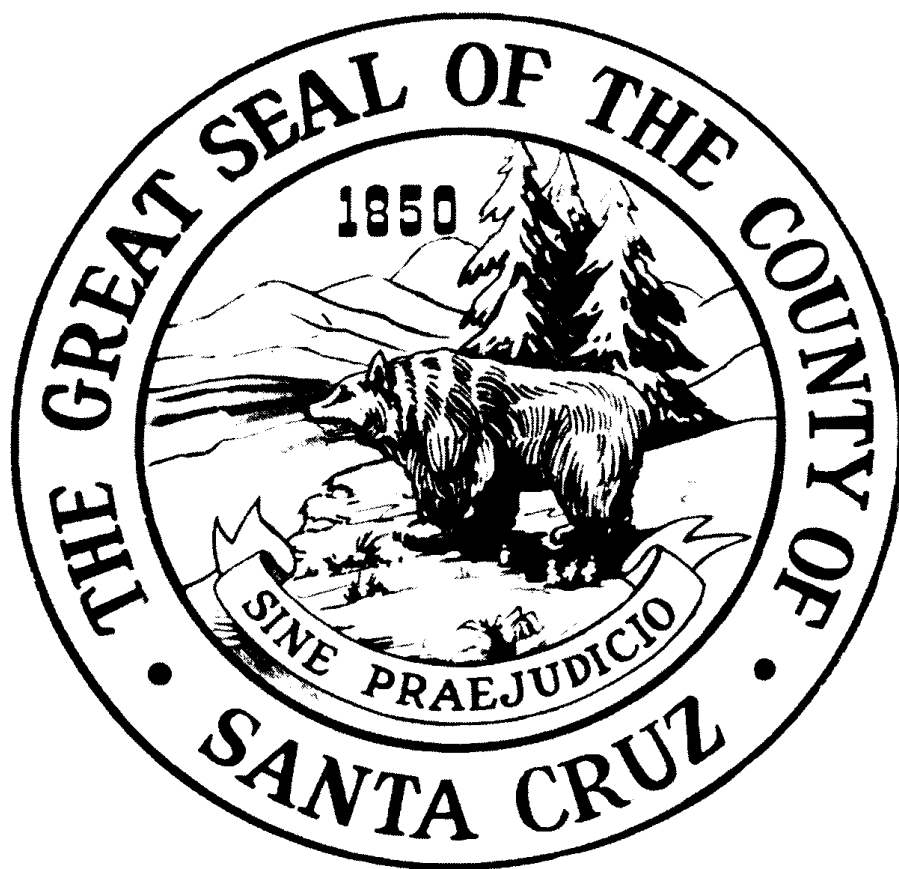
On June 22, 2011, the Board of Directors of the County of Santa Cruz approved the financing for the Revised Second Payment Schedule for Affordable Housing Projects and Programs of the Amended and Restated Cooperation Agreement in the amount of \$34,660,452. This amount was transferred to the County to fund specified projects.

The full impacts of this most recent development and its impact on other funds of the County are not known at this time. The financial statements do not reflect any adjustments that might result from the outcome of this uncertainty.

**24. PRIOR PERIOD ADJUSTMENT**

The County recorded the following prior period adjustment. The adjustment was made to adjust loans payable for the SWRCB loan which was obtained in the prior year, however was accounted for as aid from other governments, rather than shown as a liability. Accordingly, the net assets as of July 1, 2010, have been restated as follows:

	Net Assets as Previously Reported	Prior Period Adjustment <u>Loans Payable</u>	Net Assets as Restated
Santa Cruz County Sanitary District	\$ 109,943,251	\$ (1,279,799)	\$ 108,663,452





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**REQUIRED SUPPLEMENTARY  
INFORMATION (UNAUDITED)**

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**County of Santa Cruz**  
**Required Supplementary Information (Unaudited)**  
**For the year ended June 30, 2011**

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**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, or uses.
  - Proceeds from the sale of assets and the issuance of new debt are reported as revenues for budgetary purposes, however, for GAAP purposes they 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, 2011**

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**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, 2011**

***Budgetary Comparison Schedule, General Fund***

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
<b>FUND BALANCE, BEGINNING</b>	\$ 28,702,789	\$ 28,702,789	\$ 28,702,789	\$ -
<b>RESOURCE(INFLOWS)</b>				
Taxes	85,891,436	85,933,436	88,653,860	2,720,424
Licenses	9,130,432	9,130,432	9,046,275	(84,157)
Fines, forfeitures and penalties	5,589,647	5,569,644	5,180,066	(389,578)
Revenue from use of money and property	1,461,262	1,477,362	1,583,053	105,691
Aid from other governmental agencies	184,628,502	193,273,660	192,247,551	(1,026,109)
Charges for current services	50,667,531	51,457,924	51,824,875	366,951
Other revenues	3,303,459	4,370,027	4,056,259	(313,768)
Transfers in	26,808,830	26,856,830	4,712,314	(22,144,516)
Proceeds from capital leases	-	-	123,484	123,484
<b>Amount Available for Appropriation</b>	<b>367,481,099</b>	<b>378,069,315</b>	<b>357,427,737</b>	<b>(20,641,578)</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>				
General Government:				
Board of Supervisors				
Salaries and employee benefits	2,135,921	2,161,921	2,159,678	2,243
Services and supplies	102,604	97,954	86,442	11,512
Appropriations for contingencies	-	-	-	-
<b>Total</b>	<b>2,238,525</b>	<b>2,259,875</b>	<b>2,246,120</b>	<b>13,755</b>
Administrative Office				
Salaries and employee benefits	2,401,447	2,401,447	2,058,935	342,512
Services and supplies	1,396,531	1,260,107	477,034	783,073
Other charges	227,397	227,397	227,397	-
Intrafund transfers	(1,455,701)	(1,455,701)	(1,454,565)	(1,136)
Appropriations for contingencies	-	139,760	-	139,760
<b>Total</b>	<b>2,569,674</b>	<b>2,573,010</b>	<b>1,308,801</b>	<b>1,264,209</b>
Auditor-Controller				
Salaries and employee benefits	2,575,439	2,590,801	2,590,801	-
Services and supplies	2,028,543	1,819,416	1,769,754	49,662
Other charges	124,476	221,753	221,753	-
Intrafund transfers	(2,164,931)	(2,164,931)	(2,274,139)	109,208
Appropriations for contingencies	-	-	-	-
<b>Total</b>	<b>2,563,527</b>	<b>2,467,039</b>	<b>2,308,169</b>	<b>158,870</b>

(Continued)

**County of Santa Cruz**  
**Required Supplementary Information (Unaudited), Continued**  
**For the year ended June 30, 2011**

***Budgetary Comparison Schedule, General Fund, Continued***

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued</b>				
General Government, Continued:				
Treasurer - Tax Collector				
Salaries and employee benefits	\$ 1,294,528	\$ 1,294,528	\$ 1,258,778	\$ 35,750
Services and supplies	649,439	591,794	545,963	45,831
Capital assets	60,225	60,225		60,225
Intrafund transfers	(75,951)	(75,951)	(75,951)	-
<b>Total</b>	<b>1,928,241</b>	<b>1,870,596</b>	<b>1,728,790</b>	<b>141,806</b>
Assessor				
Salaries and employee benefits	2,700,423	2,724,783	2,724,779	4
Services and supplies	642,139	505,189	468,728	36,461
Other charges	251,970	259,925	259,923	2
Intrafund transfers	(253,670)	(253,670)	(253,671)	1
Appropriations for contingencies	-	1,261	-	1,261
<b>Total</b>	<b>3,340,862</b>	<b>3,237,488</b>	<b>3,199,759</b>	<b>37,729</b>
Purchasing				
Salaries and employee benefits	280,695	303,695	303,390	305
Services and supplies	194,599	221,709	218,928	2,781
Intrafund transfers	(69,576)	(69,576)	(69,576)	-
<b>Total</b>	<b>405,718</b>	<b>455,828</b>	<b>452,742</b>	<b>3,086</b>
County Counsel				
Salaries and employee benefits	2,576,333	2,630,333	2,621,390	8,943
Services and supplies	233,987	235,636	174,945	60,691
Intrafund transfers	(1,457,754)	(1,457,754)	(1,497,892)	40,138
Appropriations for contingencies	-	-	-	-
<b>Total</b>	<b>1,352,566</b>	<b>1,408,215</b>	<b>1,298,443</b>	<b>109,772</b>
Personnel				
Salaries and employee benefits	2,470,009	2,470,009	2,351,117	118,892
Services and supplies	1,814,878	1,662,425	1,558,645	103,780
Other charges	-	-	-	-
Intrafund transfers	(809,321)	(809,321)	(784,556)	(24,765)
<b>Total</b>	<b>3,475,566</b>	<b>3,323,113</b>	<b>3,125,206</b>	<b>197,907</b>
County Clerk/Elections				
Salaries and employee benefits	1,659,850	1,754,850	1,742,128	12,722
Services and supplies	2,005,168	1,949,172	1,108,576	840,596
Capital assets	-	8,000	-	8,000
Appropriations for contingencies	-	55,787	-	55,787
<b>Total</b>	<b>3,665,018</b>	<b>3,767,809</b>	<b>2,850,704</b>	<b>917,105</b>

(Continued)

**County of Santa Cruz**  
**Required Supplementary Information (Unaudited), Continued**  
**For the year ended June 30, 2011**

**Budgetary Comparison Schedule, General Fund, Continued**

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued</b>				
General Government, Continued:				
Communications				
Salaries and employee benefits	\$ 503,805	\$ 525,805	\$ 525,198	\$ 607
Services and supplies	2,235,002	2,053,668	2,007,476	46,192
Capital Assets	178,800	417,800	399,034	18,766
Intrafund transfers	(544,837)	(544,837)	(470,461)	(74,376)
Appropriations for contingencies	-	-	-	-
<b>Total</b>	<b>2,372,770</b>	<b>2,452,436</b>	<b>2,461,247</b>	<b>(8,811)</b>
General Services				
Salaries and employee benefits	4,147,245	4,119,647	3,958,774	160,873
Services and supplies	3,130,956	3,124,524	3,068,404	56,120
Other charges	471,693	471,694	471,693	1
Capital assets	-	-	-	-
Interfund transfers	(4,420,794)	(4,420,794)	(4,191,813)	(228,981)
Appropriations for contingencies	-	1,747	-	1,747
<b>Total</b>	<b>3,329,100</b>	<b>3,296,818</b>	<b>3,307,058</b>	<b>(10,240)</b>
Real Property Management				
Services and supplies	66,740	66,740	64,654	2,086
Other charges	10	10	-	10
<b>Total</b>	<b>66,750</b>	<b>66,750</b>	<b>64,654</b>	<b>2,096</b>
Plant Acquisition				
Appropriations for contingencies	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Surveyor				
Services and supplies	511,900	511,900	385,242	126,658
Interfund transfers	-	-	(8,079)	8,079
<b>Total</b>	<b>511,900</b>	<b>511,900</b>	<b>377,163</b>	<b>134,737</b>
DPW Engineering				
Services and supplies	152,680	152,680	80,545	72,135
<b>Total</b>	<b>152,680</b>	<b>152,680</b>	<b>80,545</b>	<b>72,135</b>
Central Stores				
Salaries and employee benefits	152,829	152,829	160,802	(7,973)
Services and supplies	59,027	60,625	43,561	17,064
Intrafund transfers	(225,205)	(225,205)	(212,255)	(12,950)
<b>Total</b>	<b>(13,349)</b>	<b>(11,751)</b>	<b>(7,892)</b>	<b>(3,859)</b>
<b>Total General Government</b>	<b>27,959,548</b>	<b>27,831,806</b>	<b>24,801,509</b>	<b>3,030,297</b>

(Continued)

**County of Santa Cruz**  
**Required Supplementary Information (Unaudited), Continued**  
**For the year ended June 30, 2011**

**Budgetary Comparison Schedule, General Fund, Continued**

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued</b>				
Public Protection:				
Courts				
Services and supplies	\$ 33,636	\$ 26,364	\$ 14,448	\$ 11,916
Other charges	2,301,516	2,128,788	2,053,671	75,117
Appropriations for contingencies	-	-	-	-
<b>Total</b>	<b>2,335,152</b>	<b>2,155,152</b>	<b>2,068,119</b>	<b>87,033</b>
Grand Jury				
Salaries and employee benefits	-	-	-	-
Services and supplies	51,739	51,531	49,375	2,156
<b>Total</b>	<b>51,739</b>	<b>51,531</b>	<b>49,375</b>	<b>2,156</b>
Child Support				
Salaries and employee benefits	5,818,897	5,930,750	5,917,899	12,851
Services and supplies	762,824	787,750	773,281	14,469
Other charges	256,938	159,661	159,661	-
Intrafund transfers	-	(7,650)	(7,650)	-
<b>Total</b>	<b>6,838,659</b>	<b>6,870,511</b>	<b>6,843,191</b>	<b>27,320</b>
District Attorney				
Salaries and employee benefits	10,449,981	10,602,078	10,575,286	26,792
Services and supplies	1,109,450	1,084,981	1,068,183	16,798
Other charges	174,361	445,176	417,542	27,634
Capital assets	-	-	-	-
Intrafund transfers	(151,000)	(151,000)	(147,129)	(3,871)
<b>Total</b>	<b>11,582,792</b>	<b>11,981,235</b>	<b>11,913,882</b>	<b>67,353</b>
Public Defender				
Services and supplies	8,691,530	8,558,234	8,298,039	260,195
<b>Total</b>	<b>8,691,530</b>	<b>8,558,234</b>	<b>8,298,039</b>	<b>260,195</b>
Sheriff-Coroner				
Salaries and employee benefits	19,501,294	19,238,414	19,160,298	78,116
Services and supplies	5,188,629	5,152,687	4,582,171	570,516
Other charges	42,827	42,827	40,294	2,533
Capital assets	199,089	396,949	193,978	202,971
Intrafund transfers	(500)	(500)	-	(500)
Appropriations for contingencies	-	12,347	-	12,347
<b>Total</b>	<b>24,931,339</b>	<b>24,842,724</b>	<b>23,976,741</b>	<b>865,983</b>
Jail and Rehabilitation Center				
Salaries and employee benefits	19,111,842	19,374,722	19,329,549	45,173
Services and supplies	3,901,214	3,827,797	2,938,133	889,664
Other charges	30,000	30,000	-	30,000
Capital assets	109,000	183,790	135,789	48,001
Intrafund transfers	-	-	-	-
<b>Total</b>	<b>23,152,056</b>	<b>23,416,309</b>	<b>22,403,471</b>	<b>1,012,838</b>

(Continued)



**County of Santa Cruz**  
**Required Supplementary Information (Unaudited), Continued**  
**For the year ended June 30, 2011**

**Budgetary Comparison Schedule, General Fund, Continued**

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued</b>				
Public Protection, Continued:				
Probation Department				
Salaries and employee benefits	10,524,457	10,891,131	10,883,166	7,965
Services and supplies	3,247,207	3,413,398	2,843,068	570,330
Other charges	51,771	15,771	10,123	5,648
Capital assets	175,243	175,243	136,134	39,109
Intrafund transfers	(109,240)	(109,240)	(94,823)	(14,417)
Appropriations for contingencies	-	11,240	-	11,240
<b>Total</b>	<b>13,889,438</b>	<b>14,397,543</b>	<b>13,777,668</b>	<b>619,875</b>
State Correctional Schools				
Services and supplies	5,740	5,740	-	5,740
Other charges	15,000	15,000	5,123	9,877
Appropriations for contingencies	-	-	-	-
<b>Total</b>	<b>20,740</b>	<b>20,740</b>	<b>5,123</b>	<b>15,617</b>
Agricultural Commissioner/ Weights and Measures				
Salaries and employee benefits	1,711,969	1,721,969	1,715,391	6,578
Services and supplies	349,537	335,729	287,895	47,834
Capital assets	-	-	-	-
Intrafund transfers	(136,415)	(136,415)	(119,819)	(16,596)
Appropriations for contingencies	-	-	-	-
<b>Total</b>	<b>1,925,091</b>	<b>1,921,283</b>	<b>1,883,467</b>	<b>37,816</b>
Public Works - Other Construction Inspection				
Services and supplies	70,000	70,000	11,575	58,425
<b>Total</b>	<b>70,000</b>	<b>70,000</b>	<b>11,575</b>	<b>58,425</b>
Recorder				
Salaries and employee benefits	734,122	761,122	759,381	1,741
Services and supplies	673,806	732,686	711,419	21,267
Capital assets	-	-	-	-
Intrafund transfers	63,290	63,290	63,290	-
Appropriations for contingencies	-	-	-	-
<b>Total</b>	<b>1,471,218</b>	<b>1,557,098</b>	<b>1,534,090</b>	<b>23,008</b>

(Continued)

**County of Santa Cruz**  
**Required Supplementary Information (Unaudited), Continued**  
**For the year ended June 30, 2011**

***Budgetary Comparison Schedule, General Fund, Continued***

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued</b>				
Public Protection, Continued:				
County Emergency Office				
Salaries and employee benefits	\$ 146,313	\$ 151,425	\$ 151,425	\$ -
Services and supplies	256,589	261,827	254,338	7,489
Other charges	-	316,331	316,330	1
<b>Total</b>	<b>402,902</b>	<b>729,583</b>	<b>722,093</b>	<b>7,490</b>
Local Agency Formation Commission				
Other charges	95,733	95,733	95,733	-
<b>Total</b>	<b>95,733</b>	<b>95,733</b>	<b>95,733</b>	<b>-</b>
Planning Department				
Salaries and employee benefits	7,690,377	8,080,521	8,080,521	-
Services and supplies	2,710,100	2,668,350	2,498,741	169,609
Other charges	1,738,014	2,538,014	1,081,346	1,456,668
Intrafund transfers	(480,276)	(480,276)	(474,561)	(5,715)
<b>Total</b>	<b>11,658,215</b>	<b>12,806,609</b>	<b>11,186,047</b>	<b>1,620,562</b>
Animal Services				
Other charges	1,139,121	1,139,121	1,139,121	-
<b>Total</b>	<b>1,139,121</b>	<b>1,139,121</b>	<b>1,139,121</b>	<b>-</b>
Association of Monterey Bay Area Govts.				
Other charges	33,070	33,070	33,070	-
<b>Total</b>	<b>33,070</b>	<b>33,070</b>	<b>33,070</b>	<b>-</b>
<b>Total Public Protection</b>	<b>108,288,795</b>	<b>110,646,476</b>	<b>105,940,805</b>	<b>4,705,671</b>

(Continued)

**County of Santa Cruz**  
**Required Supplementary Information (Unaudited), Continued**  
**For the year ended June 30, 2011**

***Budgetary Comparison Schedule, General Fund, Continued***

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued</b>				
Health and Sanitation:				
Health Services Agency				
Salaries and employee benefits	\$ 54,511,170	\$ 54,815,151	\$ 53,227,213	\$ 1,587,938
Services and supplies	38,398,114	40,520,715	38,313,891	2,206,824
Other charges	23,602,829	24,819,837	23,217,239	1,602,598
Capital assets	41,910	1,699,521	924,611	774,910
Intrafund transfers	(13,341,027)	(13,955,427)	(12,442,702)	(1,512,725)
Appropriations for contingencies	-	50,446	-	50,446
<b>Total</b>	<b>103,212,996</b>	<b>107,950,243</b>	<b>103,240,252</b>	<b>4,709,991</b>
Mosquito Abatement				
Salaries and employee benefits	751,362	751,362	700,992	50,370
Services and supplies	500,690	502,361	217,937	284,424
Appropriations for contingencies	-	-	-	-
<b>Total</b>	<b>1,252,052</b>	<b>1,253,723</b>	<b>918,929</b>	<b>334,794</b>
Air Pollution				
Other charges	31,711	31,711	31,711	-
<b>Total</b>	<b>31,711</b>	<b>31,711</b>	<b>31,711</b>	<b>-</b>
<b>Total Health and Sanitation</b>	<b>104,496,759</b>	<b>109,235,677</b>	<b>104,190,892</b>	<b>5,044,785</b>
Public Assistance:				
Human Services Department				
Salaries and employee benefits	38,311,951	39,532,404	39,153,903	378,501
Services and supplies	12,071,549	12,610,433	11,794,710	815,723
Other charges	15,275,725	14,528,077	12,504,578	2,023,499
Capital Assets	-	384,522	358,214	26,308
Intrafund transfers	(210,559)	(210,559)	(303,716)	93,157
Appropriations for contingencies	-	1,145,771	-	1,145,771
<b>Total</b>	<b>65,448,666</b>	<b>67,990,648</b>	<b>63,507,689</b>	<b>4,482,959</b>
Community Programs				
Other charges	3,074,463	3,074,463	3,047,761	26,702
<b>Total</b>	<b>3,074,463</b>	<b>3,074,463</b>	<b>3,047,761</b>	<b>26,702</b>

(Continued)

**County of Santa Cruz**  
**Required Supplementary Information (Unaudited), Continued**  
**For the year ended June 30, 2011**

**Budgetary Comparison Schedule, General Fund, Continued**

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued</b>				
Public Assistance, Continued:				
Categorical Aids				
Other charges	\$ 31,049,287	\$ 31,114,287	\$ 30,669,902	\$ 444,385
<b>Total</b>	<b>31,049,287</b>	<b>31,114,287</b>	<b>30,669,902</b>	<b>444,385</b>
General Assistance				
Services and supplies	1,351	1,351	-	1,351
Other charges	279,533	480,533	421,521	59,012
<b>Total</b>	<b>280,884</b>	<b>481,884</b>	<b>421,521</b>	<b>60,363</b>
Burial of Indegents				
Services and supplies	49,129	49,129	33,280	15,849
<b>Total</b>	<b>49,129</b>	<b>49,129</b>	<b>33,280</b>	<b>15,849</b>
Family Relations				
Services and supplies	856,595	952,770	530,553	422,217
Other charges	73,991	374,734	239,156	135,578
Appropriations for contingencies	-	53,152	-	53,152
<b>Total</b>	<b>930,586</b>	<b>1,380,656</b>	<b>769,709</b>	<b>610,947</b>
Homeless				
Other charges	229,889	229,889	-	229,889
<b>Total</b>	<b>229,889</b>	<b>229,889</b>	<b>-</b>	<b>229,889</b>
Wards of Court				
Services and supplies	10,000	10,000	1,957	8,043
Other charges	178,500	215,468	204,828	10,640
<b>Total</b>	<b>188,500</b>	<b>225,468</b>	<b>206,785</b>	<b>18,683</b>
Veterans Service Officer				
Salaries and employee benefits	242,972	253,472	253,470	2
Services and supplies	32,945	22,445	21,918	527
Other charges	6,211	6,211	-	6,211
<b>Total</b>	<b>282,128</b>	<b>282,128</b>	<b>275,388</b>	<b>6,740</b>
<b>Total Public Assistance</b>	<b>101,533,532</b>	<b>104,828,552</b>	<b>98,932,035</b>	<b>5,896,517</b>

(Continued)

**County of Santa Cruz**  
**Required Supplementary Information (Unaudited), Continued**  
**For the year ended June 30, 2011**

***Budgetary Comparison Schedule, General Fund, Continued***

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued</b>				
Education:				
Agricultural Extension Services				
Salaries and employee benefits	\$ 85,948	\$ 85,948	\$ 84,639	\$ 1,309
Services and supplies	40,716	40,729	33,085	7,644
<b>Total</b>	<u>126,664</u>	<u>126,677</u>	<u>117,724</u>	<u>8,953</u>
<b>Total Education</b>	<u>126,664</u>	<u>126,677</u>	<u>117,724</u>	<u>8,953</u>
Recreation and Culture:				
Recreation and Cultural Services				
Salaries and employee benefits	4,154,556	4,299,556	4,292,788	6,768
Services and supplies	1,806,880	1,798,975	1,461,220	337,755
Other charges	280,333	280,333	263,117	17,216
Capital assets	-	-	-	-
Intrafund transfers	(194,387)	(194,387)	(194,587)	200
<b>Total</b>	<u>6,047,382</u>	<u>6,184,477</u>	<u>5,822,538</u>	<u>361,939</u>
<b>Total Recreation and Culture</b>	<u>6,047,382</u>	<u>6,184,477</u>	<u>5,822,538</u>	<u>361,939</u>
Public Ways and Facilities:				
Public Ways - DPW				
Services and supplies	216,094	214,177	201,314	12,863
Appropriations for contingencies	-	1,917	-	1,917
<b>Total</b>	<u>216,094</u>	<u>216,094</u>	<u>201,314</u>	<u>14,780</u>
<b>Total Public Ways and Facilities</b>	<u>216,094</u>	<u>216,094</u>	<u>201,314</u>	<u>14,780</u>
Debt Service:				
Debt Service				
Services and supplies	141,850	116,940	101,671	15,269
Other charges	180,000	186,936	186,934	2
Intrafund transfers	(283,186)	(283,186)	(285,729)	2,543
<b>Total</b>	<u>38,664</u>	<u>20,690</u>	<u>2,876</u>	<u>17,814</u>
<b>Total Debt Service</b>	<u>38,664</u>	<u>20,690</u>	<u>2,876</u>	<u>17,814</u>
<b>Total Charges to Appropriations (Outflows)</b>	<u>348,707,438</u>	<u>359,090,449</u>	<u>340,009,693</u>	<u>19,080,756</u>

(Continued)

**County of Santa Cruz**  
**Required Supplementary Information (Unaudited), Continued**  
**For the year ended June 30, 2011**

**Budgetary Comparison Schedule, General Fund, Continued**

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Transfers Out:				
Auditor-Controller	\$ 261,750	\$ 261,750	\$ 261,750	\$ -
General Services	18,000	18,000	18,000	-
Mosquito Abatement	-	-	-	-
Plant Acquisition	-	-	-	-
District Attorney	-	-	-	-
Sheriff-Coroner	40,000	427,900	408,878	19,022
Jail and Rehabilitation Center	-	-	13,900	(13,900)
Probation Department	-	10,000	-	10,000
Health Services Agency	11,970,536	12,312,178		12,312,178
Human Services Department	-	-	-	-
Debt Service	6,388,589	6,422,663	6,051,335	371,328
<b>Total transfers out</b>	<b>18,678,875</b>	<b>19,452,491</b>	<b>6,753,863</b>	<b>12,698,628</b>
<b>Total Charges to Appropriations (Outflows)</b>	<b>367,386,313</b>	<b>378,542,940</b>	<b>346,763,556</b>	<b>31,779,384</b>
<b>Net change in fund balances</b>	<b>94,786</b>	<b>(473,625)</b>	<b>10,664,181</b>	<b>11,137,806</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 28,797,575</b>	<b>\$ 28,229,164</b>	<b>\$ 39,366,970</b>	<b>\$ 11,137,806</b>
				(Concluded)

**County of Santa Cruz**  
**Required Supplementary Information (Unaudited), Continued**  
**For the year ended June 30, 2011**

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**Reconciliation of Classification Differences between Budgetary Comparison Schedule  
and the Statement of Revenues, Expenditures and Changes in Fund Balances**

Sources/Inflows of Resources:

Actual amounts from the budgetary comparison schedule	\$ 357,427,737
Inception of capital leases are not revenues for financial reporting purposes	(123,484)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(4,712,314)</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 352,591,939</u>

Uses/Outflows of Resources:

Actual amounts from the budgetary comparison schedule	\$ 346,763,556
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(6,753,863)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 340,009,693</u>

**County of Santa Cruz**  
**Required Supplementary Information (Unaudited), Continued**  
**For the year ended June 30, 2011**

**Budgetary Comparison Schedule, Redevelopment Agency**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>FUND BALANCE, BEGINNING</b>	\$ 142,179,561	\$ 142,179,561	\$ 142,179,561	\$ -
<b>RESOURCES(INFLOWS):</b>				
Taxes	21,483,116	26,423,517	22,848,351	(3,575,166)
Fines, forfeits and penalties	-	-	16,907	16,907
Aid from other governments	28,864	28,864	26,540	(2,324)
Use of money and property	594,654	594,654	706,456	111,802
Other	20	20	2,164	2,144
Proceeds of long-term debt	9,360	9,360	-	(9,360)
Sale of capital assets	500,000	500,000	-	(500,000)
Escrow Transfers In	-	-	29,876,298	29,876,298
Transfers in	6,219,499	6,219,499	5,221,995	(997,504)
<b>Amounts available for appropriation</b>	<b>28,835,513</b>	<b>33,775,914</b>	<b>58,698,711</b>	<b>24,922,797</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Salaries and employee benefits	5,349,514	5,351,641	4,999,544	352,097
Services and supplies	3,001,036	3,516,120	5,377,240	(1,861,120)
Capital assets	8,370,000	2,567,969	116,288	2,451,681
Other charges	48,158,861	27,711,742	5,620,471	22,091,271
Interest expense	11,711,515	16,457,537	-	16,457,537
Long term debt principal payments	3,547,061	4,956,370	-	4,956,370
Other financing uses	-	1,216	9,056	(7,840)
Transfers out	6,219,500	103,669,137	135,829,667	(32,160,530)
<b>Total charges to appropriations</b>	<b>86,357,487</b>	<b>164,231,732</b>	<b>151,952,266</b>	<b>12,279,466</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 84,657,587</b>	<b>\$ 11,723,743</b>	<b>\$ 48,926,006</b>	<b>\$ 37,202,263</b>

**Reconciliation of Classification Differences between Budgetary Comparison Schedule and the Statement of Revenues, Expenditures and Changes in Fund Balances**

Sources/Inflows of Resources:

Actual amounts from the budgetary comparison schedule	\$ 58,698,711
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(35,098,293)
<b>Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Redevelopment Agency</b>	<b>\$ 23,600,418</b>

Uses/Outflows of Resources:

Actual amounts from the budgetary comparison schedule	\$ 151,952,266
Other financing uses are outflows of budgetary resources but are not expenditures for financial reporting purposes	(9,056)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(135,829,667)
<b>Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Redevelopment Agency</b>	<b>\$ 16,113,543</b>



**County of Santa Cruz**  
**Required Supplementary Information (Unaudited), Continued**  
**For the year ended June 30, 2011**

**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:

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)]
2008	\$ 610,897,857	\$ 702,452,252	\$ 91,554,395	87.0%	\$ 146,055,991	62.7%
2009	646,907,355	772,139,864	125,232,509	83.8%	143,916,625	87.0%
2010	682,810,383	823,338,155	140,527,772	82.9%	143,904,032	97.7%

Safety 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)]
2008	\$ 100,320,639	\$ 108,851,515	\$ 8,530,876	92.2%	\$ 14,742,955	57.9%
2009	104,636,248	117,605,110	12,968,862	89.0%	15,469,830	83.8%
2010	109,419,543	124,165,627	14,746,084	88.1%	15,479,038	95.3%

**County of Santa Cruz**  
**Required Supplementary Information (Unaudited), Continued**  
**For the year ended June 30, 2011**

**PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS), Continued**

**SCHEDULE OF FUNDING PROGRESS, Continued**

*Sheriff Safety Employees*

	(A)	(B)	(C)	(D)	(E)	(F)
			Unfunded (Overfunded)			Unfunded (Overfunded)
Actuarial Actuarial Valuation Date*	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Actuarial Accrued Liability [(B)-(A)]	Funded Ratio [(A)/(B)]	Covered Payroll	Liability as a Percentage of Covered Payroll [(C)/(E)]
2008	\$ 66,755,223	\$ 85,231,576	\$ 18,476,353	78.3%	\$ 11,340,292	162.9%
2009	71,394,537	95,041,935	23,647,398	75.1%	12,591,776	187.8%
2010	76,572,047	100,814,044	24,241,997	76.0%	12,490,589	194.1%

\*Most recent information available

**OTHER POSTEMPLOYMENT OBLIGATIONS**

**SCHEDULE OF FUNDING PROGRESS**

The table below shows the 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, 2011.

		Entry Age	Unfunded (Overfunded)			Unfunded (Overfunded)
Actuarial Valuation Date*	Actuarial Value of Assets	Actuarial Accrued Liability	Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Liability as a Percentage of Covered Payroll
01/01/07	\$ -	\$ 216,766,000	\$ 216,766,000	0.0%	\$ 153,807,000	140.9%
01/01/09	-	181,575,000	181,575,000	0.0%	161,577,000	112.4%

\* Most recent information available.

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# SUPPLEMENTARY INFORMATION

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**County of Santa Cruz**  
**Budgetary Comparison Schedule**  
**Capital Project Funds**  
**For the year ended June 30, 2011**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>FUND BALANCE, BEGINNING</b>	\$ 2,125,264	\$ 2,125,264	\$ 2,125,264	\$ -
<b>RESOURCES(INFLOWS)</b>				
Use of money and property	-	1,044	292,849	291,805
Aid from other governmental agencies	-	956,677	150,261	(806,416)
Other revenue	-	(969,879)	332,331	1,302,210
Transfers in	-	107,645,378	107,642,394	(2,984)
<b>Amounts available for appropriation</b>	-	107,633,220	108,417,835	784,615
<b>CHARGES TO APPROPRIATIONS(OUTFLOWS)</b>				
Services and supplies	-	4,898,576	2,538,246	2,360,330
Capital assets	-	102,229,443	35,416,921	66,812,522
Other charges	-	805,809	805,809	-
Transfers out	-	587,602	487,600	100,002
<b>Total charges to appropriations</b>	-	108,521,430	39,248,576	69,272,854
<b>FUND BALANCE, ENDING</b>	\$ 2,125,264	\$ 1,237,054	\$ 71,294,523	\$ 70,057,469

**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 \$ 108,417,835

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes (107,642,394)

Total revenues as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds \$ 775,441

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule \$ 39,248,576

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (487,600)

Total expenditures as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds \$ 38,760,976



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# COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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# SUMMARY OF NONMAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

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*Special Revenue Funds* - The Special Revenue Funds are used to account for the proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes.

*Debt Service Funds* - The Debt Service Funds are used to 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 purpose of financing certain development activities within the County, and for refunding outstanding bonds.



**County of Santa Cruz**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2011**

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 25,131,707	\$ -	\$ 25,131,707
Restricted cash and investments	4,930,456	17,898,385	22,828,841
Receivables	186,095	-	186,095
Loans Receivable	887,521	-	887,521
Due from other funds	3,833,567	-	3,833,567
Advances to other funds	1,335,000	-	1,335,000
<b>Total assets</b>	<b>\$ 36,304,346</b>	<b>\$ 17,898,385</b>	<b>\$ 54,202,731</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 3,346,123	\$ -	\$ 3,346,123
Due to other funds	3,885,138	-	3,885,138
Deferred revenue	553,121	-	553,121
<b>Total liabilities</b>	<b>7,784,382</b>	<b>-</b>	<b>7,784,382</b>
<b>Fund Balances:</b>			
Restricted	28,557,317	17,898,385	46,455,702
Unassigned	(37,353)	-	(37,353)
<b>Total fund balances</b>	<b>28,519,964</b>	<b>17,898,385</b>	<b>46,418,349</b>
<b>Total liabilities and fund balances</b>	<b>\$ 36,304,346</b>	<b>\$ 17,898,385</b>	<b>\$ 54,202,731</b>

**County of Santa Cruz**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the year ended June 30, 2011**

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
Taxes	\$ 13,599,152	\$ -	\$ 13,599,152
Fines, forfeits and penalties	3,329	-	3,329
Use of money and property	134,532	1,351	135,883
Aid from other governments	18,562,753	-	18,562,753
Charges for services	9,289,899	-	9,289,899
Other	950,114	-	950,114
<b>Total revenues</b>	<b>42,539,779</b>	<b>1,351</b>	<b>42,541,130</b>
<b>EXPENDITURES:</b>			
Current:			
General government	938,318	-	938,318
Public protection	11,590,545	-	11,590,545
Public ways and facilities	21,219,460	-	21,219,460
Public assistance	187,934	-	187,934
Education	4,855,852	-	4,855,852
Recreation and culture	1,105,577	-	1,105,577
Debt service:			
Principal	3,643,331	3,960,000	7,603,331
Interest and fiscal charges	3,198,953	13,602,874	16,801,827
<b>Total expenditures</b>	<b>46,739,970</b>	<b>17,562,874</b>	<b>64,302,844</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,200,191)</b>	<b>(17,561,523)</b>	<b>(21,761,714)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bond proceeds	-	35,410,000	35,410,000
Original issue costs	-	(914,269)	(914,269)
Escrow Transfers Out	-	(29,876,298)	(29,876,298)
Transfers in	6,082,803	21,375,857	27,458,660
Transfers out	(2,637,464)	-	(2,637,464)
<b>Total other financing sources (uses)</b>	<b>3,445,339</b>	<b>25,995,290</b>	<b>29,440,629</b>
<b>Net change in fund balances</b>	<b>(754,852)</b>	<b>8,433,767</b>	<b>7,678,915</b>
<b>FUND BALANCES:</b>			
Beginning of year	29,274,816	9,464,618	38,739,434
End of year	\$ 28,519,964	\$ 17,898,385	\$ 46,418,349

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# NONMAJOR SPECIAL REVENUE FUNDS

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## Special Revenue Funds:

***Library Fund*** - The 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*** - The 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*** - The 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*** - The Public Financing Authority is 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. The Public Financing Authority does not have an adopted budget.

***Fish and Game Fund*** - The 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*** - The Private Revitalization of Downtown Fund is 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*** - The 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*** - The Health Services Fund provides for future purchases of health facilities. The Health Services Fund does not have an adopted budget.

***Santa Cruz Flood Control and Water Conservation Zone 7*** - The Santa Cruz Flood Control and Water Conservation Zone 7 fund supports a special purpose district fund administered by the Department of Public Works. It is governed by an independent Board of Directors. Revenues consist largely of service charges.

***Districts Governed by the Board of Supervisors: Public Protection, Health and Sanitation, Recreation and Culture, Public Ways and Facilities Funds*** - The 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. Revenues consist of tax levies and service charges.

***Districts Governed by the Board of Supervisors: Geologic Hazard Abatement Districts Fund*** - The Geologic Hazard Abatement Districts Fund provides 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**  
**Nonmajor Special Revenue Funds**  
**June 30, 2011**

	Special Revenue			
	Library	Fire	Off Highway Road and Transportation	Public Financing Authority
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 3,913,204	\$ 3,889,221	\$ -
Restricted cash and investments	-	-	-	4,930,456
Receivables	-	24,284	-	-
Loans Receivable	-	-	-	-
Due from other funds	-	-	3,833,567	-
Advances to other funds	-	-	-	1,335,000
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 3,937,488</b>	<b>\$ 7,722,788</b>	<b>\$ 6,265,456</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 1,960,063	\$ 674,451	\$ -
Due to other funds	37,353	-	3,756,001	14,218
Deferred revenue (credit)	-	-	553,121	-
<b>Total liabilities</b>	<b>37,353</b>	<b>1,960,063</b>	<b>4,983,573</b>	<b>14,218</b>
<b>Fund Balances:</b>				
Restricted	-	1,977,425	2,739,215	6,251,238
Unassigned	(37,353)	-	-	-
<b>Total fund balances</b>	<b>(37,353)</b>	<b>1,977,425</b>	<b>2,739,215</b>	<b>6,251,238</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 3,937,488</b>	<b>\$ 7,722,788</b>	<b>\$ 6,265,456</b>

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
\$ 27,753	\$ 1,496,423	\$ 1,742,319	\$ 858,669	\$ 988,303	\$ 3,781,848	\$ 6,502
-	-	-	-	-	-	-
-	-	-	-	-	82,509	-
-	887,521	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 27,753</u>	<u>\$ 2,383,944</u>	<u>\$ 1,742,319</u>	<u>\$ 858,669</u>	<u>\$ 988,303</u>	<u>\$ 3,864,357</u>	<u>\$ 6,502</u>
\$ -	\$ 56,349	\$ 2,150	\$ -	\$ 81,890	\$ 393,429	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	56,349	2,150	-	81,890	393,429	-
27,753	2,327,595	1,740,169	858,669	906,413	3,470,928	6,502
-	-	-	-	-	-	-
<u>27,753</u>	<u>2,327,595</u>	<u>1,740,169</u>	<u>858,669</u>	<u>906,413</u>	<u>3,470,928</u>	<u>6,502</u>
<u>\$ 27,753</u>	<u>\$ 2,383,944</u>	<u>\$ 1,742,319</u>	<u>\$ 858,669</u>	<u>\$ 988,303</u>	<u>\$ 3,864,357</u>	<u>\$ 6,502</u>

(Continued)

**County of Santa Cruz**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds, Continued**  
**June 30, 2011**

	Special Revenue			Total Nonmajor Special Revenue Funds
	Recreation and Culture	Public Ways and Facilities	Geologic Hazard Abatement Districts	
<b>ASSETS</b>				
Cash and investments	\$ 1,794,087	\$ 6,449,021	\$ 184,357	\$ 25,131,707
Restricted cash and investments	-	-	-	4,930,456
Receivables	-	79,302	-	186,095
Loans Receivable	-	-	-	887,521
Due from other funds	-	-	-	3,833,567
Advances to other funds	-	-	-	1,335,000
<b>Total assets</b>	<b>\$ 1,794,087</b>	<b>\$ 6,528,323</b>	<b>\$ 184,357</b>	<b>\$ 36,304,346</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 3,204	\$ 174,587	\$ -	\$ 3,346,123
Due to other funds	-	77,566	-	3,885,138
Deferred revenue	-	-	-	553,121
<b>Total liabilities</b>	<b>3,204</b>	<b>252,153</b>	<b>-</b>	<b>7,784,382</b>
<b>Fund Balances:</b>				
Restricted	1,790,883	6,276,170	184,357	28,557,317
Unassigned	-	-	-	(37,353)
<b>Total fund balances</b>	<b>1,790,883</b>	<b>6,276,170</b>	<b>184,357</b>	<b>28,519,964</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,794,087</b>	<b>\$ 6,528,323</b>	<b>\$ 184,357</b>	<b>\$ 36,304,346</b>

(Concluded)





**County of Santa Cruz**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the year ended June 30, 2011**

	Special Revenue			
	Library	Fire	Off Highway Road and Transportation	Public Financing Authority
<b>REVENUES:</b>				
Taxes	\$ 4,665,845	\$ 1,659,545	\$ -	\$ -
Fines, forfeits and penalties	-	-	-	-
Use of money and property	-	18,530	10,302	639
Aid from other governments	103,060	39,066	16,578,101	233,759
Charges for services	-	262,537	555,252	-
Other	-	832,348	92,877	-
<b>Total revenues</b>	<b>4,768,905</b>	<b>2,812,026</b>	<b>17,236,532</b>	<b>234,398</b>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	-	-
Public protection	-	3,030,310	-	-
Public ways and facilities	-	-	16,450,987	-
Public assistance	-	-	-	-
Education	4,855,852	-	-	-
Recreation and culture	-	-	-	-
Debt service:				
Principal	-	-	-	3,643,331
Interest	-	-	-	3,198,953
<b>Total expenditures</b>	<b>4,855,852</b>	<b>3,030,310</b>	<b>16,450,987</b>	<b>6,842,284</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(86,947)</b>	<b>(218,284)</b>	<b>785,545</b>	<b>(6,607,886)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	6,051,335
Transfers out	(5,555)	(6,648)	-	(323,214)
<b>Total other financing sources (uses)</b>	<b>(5,555)</b>	<b>(6,648)</b>	<b>-</b>	<b>5,728,121</b>
<b>Net change in fund balances</b>	<b>(92,502)</b>	<b>(224,932)</b>	<b>785,545</b>	<b>(879,765)</b>
<b>FUND BALANCES:</b>				
Beginning of year	55,149	2,202,357	1,953,670	7,131,003
End of year	\$ (37,353)	\$ 1,977,425	\$ 2,739,215	\$ 6,251,238

Special Revenue

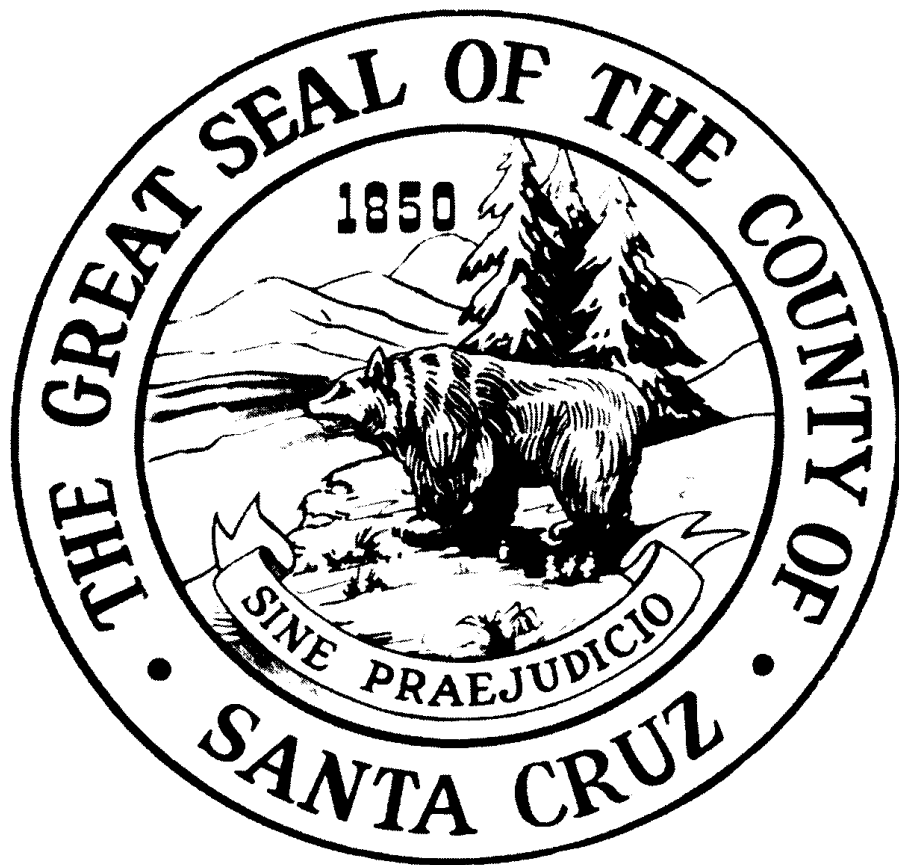
Fish and Game	Private Revitalization of Downtown	Park Dedication and State Park Bonds	Health Services	Santa Cruz Flood Control and Water Conservation Zone 7	Public Protection	Health and Sanitation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,716,167	\$ -
3,329	-	-	-	-	-	-
211	14,039	10,300	5,007	5,295	25,772	38
-	379,635	781,805	-	-	414,438	-
-	172,973	152,622	-	1,606,322	914,185	-
-	5,091	8,100	-	-	7,060	-
<u>3,540</u>	<u>571,738</u>	<u>952,827</u>	<u>5,007</u>	<u>1,611,617</u>	<u>7,077,622</u>	<u>38</u>
-	-	938,318	-	-	-	-
12,851	-	-	-	1,650,849	6,896,535	-
-	-	-	-	-	-	-
-	187,934	-	-	-	-	-
-	-	-	-	-	-	-
-	-	49,350	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>12,851</u>	<u>187,934</u>	<u>987,668</u>	<u>-</u>	<u>1,650,849</u>	<u>6,896,535</u>	<u>-</u>
<u>(9,311)</u>	<u>383,804</u>	<u>(34,841)</u>	<u>5,007</u>	<u>(39,232)</u>	<u>181,087</u>	<u>38</u>
-	-	20,799	-	-	-	-
-	-	(20,799)	-	(426,959)	(800,000)	-
-	-	-	-	(426,959)	(800,000)	-
<u>(9,311)</u>	<u>383,804</u>	<u>(34,841)</u>	<u>5,007</u>	<u>(466,191)</u>	<u>(618,913)</u>	<u>38</u>
<u>37,064</u>	<u>1,943,791</u>	<u>1,775,010</u>	<u>853,662</u>	<u>1,372,604</u>	<u>4,089,841</u>	<u>6,464</u>
<u>\$ 27,753</u>	<u>\$ 2,327,595</u>	<u>\$ 1,740,169</u>	<u>\$ 858,669</u>	<u>\$ 906,413</u>	<u>\$ 3,470,928</u>	<u>\$ 6,502</u>

(Continued)

**County of Santa Cruz**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds, Continued**  
**For the year ended June 30, 2011**

	Special Revenue			Total Nonmajor Special Revenue Funds
	Recreation and Culture	Public Ways and Facilities	Geologic Hazard Abatement Districts	
<b>REVENUES:</b>				
Taxes	\$ 912,838	\$ 644,757	\$ -	\$ 13,599,152
Fines, forfeits and penalties	-	-	-	3,329
Use of money and property	10,367	32,957	1,075	134,532
Aid from other governments	4,021	28,868	-	18,562,753
Charges for services	334,608	5,291,400	-	9,289,899
Other	1,500	3,138	-	950,114
<b>Total revenues</b>	<b>1,263,334</b>	<b>6,001,120</b>	<b>1,075</b>	<b>42,539,779</b>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	-	938,318
Public protection	-	-	-	11,590,545
Public ways and facilities	-	4,768,473	-	21,219,460
Public assistance	-	-	-	187,934
Education	-	-	-	4,855,852
Recreation and culture	1,056,227	-	-	1,105,577
Debt service:				
Principal	-	-	-	3,643,331
Interest	-	-	-	3,198,953
<b>Total expenditures</b>	<b>1,056,227</b>	<b>4,768,473</b>	<b>-</b>	<b>46,739,970</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>207,107</b>	<b>1,232,647</b>	<b>1,075</b>	<b>(4,200,191)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	10,669	-	-	6,082,803
Transfers out	(135,378)	(918,911)	-	(2,637,464)
<b>Total other financing sources (uses)</b>	<b>(124,709)</b>	<b>(918,911)</b>	<b>-</b>	<b>3,445,339</b>
<b>Net change in fund balances</b>	<b>82,398</b>	<b>313,736</b>	<b>1,075</b>	<b>(754,852)</b>
<b>FUND BALANCES:</b>				
Beginning of year	1,708,485	5,962,434	183,282	29,274,816
End of year	\$ 1,790,883	\$ 6,276,170	\$ 184,357	\$ 28,519,964

(Concluded)



**County of Santa Cruz**  
**Budgetary Comparison Schedule**  
**Library Special Revenue Fund**  
**For the year ended June 30, 2011**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>FUND BALANCE, BEGINNING</b>	\$ 55,149	\$ 55,149	\$ 55,149	\$ -
<b>RESOURCES(INFLOWS)</b>				
Taxes	4,706,090	4,706,090	4,665,845	(40,245)
Aid from other governmental agencies	112,173	112,173	103,060	(9,113)
<b>Amounts available for appropriation</b>	<b>4,818,263</b>	<b>4,818,263</b>	<b>4,768,905</b>	<b>(49,358)</b>
<b>CHARGES TO APPROPRIATIONS(OUTFLOWS)</b>				
Services and supplies	4,814,422	4,814,422	4,802,418	12,004
Other Charges	53,434	53,434	53,434	-
Transfers out	5,555	5,555	5,555	-
<b>Total charges to appropriations</b>	<b>4,873,411</b>	<b>4,873,411</b>	<b>4,861,407</b>	<b>12,004</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ (37,353)</b>	<b>\$ (37,354)</b>

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

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	\$ 4,861,407
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(5,555)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 4,855,852

**County of Santa Cruz**  
**Budgetary Comparison Schedule**  
**Fire Special Revenue Fund**  
**For the year ended June 30, 2011**

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>FUND BALANCE, BEGINNING</b>	\$ 2,202,357	\$ 2,202,357	\$ 2,202,357	\$ -
<b>RESOURCES(INFLOWS)</b>				
Taxes	1,666,360	1,666,360	1,659,545	(6,815)
Use of money and property	20,000	20,000	18,530	(1,470)
Aid from other governmental agencies	14,280	148,552	39,066	(109,486)
Charges for current services	158,698	158,698	262,537	103,839
Other revenue	831,204	831,204	832,348	1,144
<b>Amounts available for appropriation</b>	<b>2,690,542</b>	<b>2,824,814</b>	<b>2,812,026</b>	<b>(12,788)</b>
<b>CHARGES TO APPROPRIATIONS(OUTFLOWS)</b>				
Salaries and employee benefits	114,000	114,000	100,201	13,799
Services and supplies	3,113,715	3,247,987	2,405,310	842,677
Other charges	162,761	149,061	142,061	7,000
Capital assets	193,900	413,900	382,738	31,162
Transfers out	50,000	6,648	6,648	-
<b>Total charges to appropriations</b>	<b>3,634,376</b>	<b>3,931,596</b>	<b>3,036,958</b>	<b>894,638</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 1,258,523</b>	<b>\$ 1,095,575</b>	<b>\$ 1,977,425</b>	<b>\$ 881,850</b>

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

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	\$ 3,036,958
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(6,648)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 3,030,310

**County of Santa Cruz**  
**Budgetary Comparison Schedule**  
**Off Highways Road and Transportation Special Revenue Fund**  
**For the year ended June 30, 2011**

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>FUND BALANCE, BEGINNING</b>	\$ 1,953,670	\$ 1,953,670	\$ 1,953,670	\$ -
<b>RESOURCES(INFLOWS)</b>				
Use of money and property	7,500	7,500	10,302	2,802
Aid from other governmental agencies	27,810,370	27,935,639	16,578,101	(11,357,538)
Charges for current services	4,167,898	4,167,898	555,252	(3,612,646)
Other revenue	87,877	121,943	92,877	(29,066)
<b>Amounts available for appropriation</b>	<b>32,073,645</b>	<b>32,232,980</b>	<b>17,236,532</b>	<b>(14,996,448)</b>
<b>CHARGES TO APPROPRIATIONS(OUTFLOWS)</b>				
Services and supplies	33,979,921	34,114,594	16,450,987	17,663,607
<b>Total charges to appropriations</b>	<b>33,979,921</b>	<b>34,114,594</b>	<b>16,450,987</b>	<b>17,663,607</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 47,394</b>	<b>\$ 72,056</b>	<b>\$ 2,739,215</b>	<b>\$ 2,667,159</b>



**County of Santa Cruz**  
**Budgetary Comparison Schedule**  
**Fish and Game Special Revenue Fund**  
**For the year ended June 30, 2011**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>FUND BALANCE, BEGINNING</b>	\$ 37,064	\$ 37,064	\$ 37,064	\$ -
<b>RESOURCES(INFLOWS)</b>				
Fines, forfeitures and penalties	4,500	4,500	3,329	(1,171)
Use of money and property	200	200	211	11
<b>Amounts available for appropriation</b>	<b>4,700</b>	<b>4,700</b>	<b>3,540</b>	<b>(1,160)</b>
<b>CHARGES TO APPROPRIATIONS(OUTFLOWS)</b>				
Other charges	20,000	20,000	12,851	7,149
<b>Total charges to appropriations</b>	<b>20,000</b>	<b>20,000</b>	<b>12,851</b>	<b>7,149</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 21,764</b>	<b>\$ 21,764</b>	<b>\$ 27,753</b>	<b>\$ 5,989</b>

**County of Santa Cruz**  
**Budgetary Comparison Schedule**  
**Private Revitalization of Downtown Special Revenue Fund**  
**For the year ended June 30, 2011**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>FUND BALANCE, BEGINNING</b>	\$ 1,943,791	\$ 1,943,791	\$ 1,943,791	\$ -
<b>RESOURCES(INFLOWS)</b>				
Use of money and property	19,077	19,077	14,039	(5,038)
Aid from other governments	676,000	926,000	379,635	(546,365)
Charges for current services	40,000	157,458	172,973	15,515
Other revenue	2,000	2,000	5,091	3,091
<b>Amounts available for appropriation</b>	<b>737,077</b>	<b>1,104,535</b>	<b>571,738</b>	<b>(532,797)</b>
<b>CHARGES TO APPROPRIATIONS(OUTFLOWS)</b>				
Services and supplies	644,368	761,826	187,934	573,892
Other charges	761,829	1,011,829		1,011,829
<b>Total charges to appropriations</b>	<b>1,406,197</b>	<b>1,773,655</b>	<b>187,934</b>	<b>1,585,721</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 1,274,671</b>	<b>\$ 1,274,671</b>	<b>\$ 2,327,595</b>	<b>\$ 1,052,924</b>

**County of Santa Cruz**  
**Budgetary Comparison Schedule**  
**Park Dedication and State Park Bonds Special Revenue Fund**  
**For the year ended June 30, 2011**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>FUND BALANCE, BEGINNING</b>	\$ 1,775,010	\$ 1,775,010	\$ 1,775,010	\$ -
<b>RESOURCES(INFLOWS)</b>				
Use of money and property	13,046	13,046	10,300	(2,746)
Aid from other governmental agencies	2,112,978	2,112,978	781,805	(1,331,173)
Charges for current services	81,232	81,232	152,622	71,390
Other revenue	-	25,000	8,100	(16,900)
Transfers In	23,200	23,200	20,799	(2,401)
<b>Amounts available for appropriation</b>	<b>2,230,456</b>	<b>2,255,456</b>	<b>973,626</b>	<b>(1,281,830)</b>
<b>CHARGES TO APPROPRIATIONS(OUTFLOWS)</b>				
Services and supplies	19,815	19,815	10,500	9,315
Other charges	139,013	139,013	47,350	91,663
Capital assets	3,671,734	3,696,734	929,818	2,766,916
Transfers out	23,200	23,200	20,799	2,401
<b>Total charges to appropriations</b>	<b>3,853,762</b>	<b>3,878,762</b>	<b>1,008,467</b>	<b>2,870,295</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 151,704</b>	<b>\$ 151,704</b>	<b>\$ 1,740,169</b>	<b>\$ 1,588,465</b>

**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 \$ 973,626

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes (20,799)

Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds \$ 952,827

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule \$ 1,008,467

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (20,799)

Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds \$ 987,668

**County of Santa Cruz**  
**Budgetary Comparison Schedule**  
**Santa Cruz Control and Water Conservation - Zone 7 Special Revenue Fund**  
**For the year ended June 30, 2011**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>FUND BALANCE, BEGINNING</b>	\$ 1,372,604	\$ 1,372,604	\$ 1,372,604	\$ -
<b>RESOURCES(INFLOWS)</b>				
Use of money and property	2,000	2,000	5,295	3,295
Aid from other governmental agencies	-	5,000,000	-	(5,000,000)
Charges for current services	1,607,298	1,607,298	1,606,322	(976)
<b>Amounts available for appropriation</b>	<b>1,609,298</b>	<b>6,609,298</b>	<b>1,611,617</b>	<b>(4,997,681)</b>
<b>CHARGES TO APPROPRIATIONS(OUTFLOWS)</b>				
Services and supplies	1,140,000	1,422,654	938,465	484,189
Capital assets	963,089	6,050,092	712,384	5,337,708
Transfers out	425,455	426,960	426,959	1
<b>Total charges to appropriations</b>	<b>2,528,544</b>	<b>7,899,706</b>	<b>2,077,808</b>	<b>5,821,898</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 453,358</b>	<b>\$ 82,196</b>	<b>\$ 906,413</b>	<b>\$ 824,217</b>

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

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	\$ 2,077,808
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(426,959)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 1,650,849

**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, 2011**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>FUND BALANCE, BEGINNING</b>	\$ 4,089,841	\$ 4,089,841	\$ 4,089,841	\$ -
<b>RESOURCES(INFLOWS)</b>				
Taxes	5,652,607	5,652,607	5,716,167	63,560
Licenses, permits, and franchises	-	-	1,980	1,980
Use of money and property	34,029	34,029	25,772	(8,257)
Aid from other governmental agencies	631,058	634,590	414,438	(220,152)
Charges for current services	902,496	922,496	914,185	(8,311)
Other revenue	-	5,000	5,080	80
<b>Amounts available for appropriation</b>	<b>7,220,190</b>	<b>7,248,722</b>	<b>7,077,622</b>	<b>(171,100)</b>
<b>CHARGES TO APPROPRIATIONS(OUTFLOWS)</b>				
Salaries and employee benefits	47,818	47,840	47,840	-
Services and supplies	6,674,583	7,027,090	5,571,438	1,455,652
Other charges	856,910	856,910	856,910	-
Capital assets	1,716,162	1,755,362	420,347	1,335,015
Transfers out	800,000	800,000	800,000	-
<b>Total charges to appropriations</b>	<b>10,095,473</b>	<b>10,487,202</b>	<b>7,696,535</b>	<b>2,790,667</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 1,214,558</b>	<b>\$ 851,361</b>	<b>\$ 3,470,928</b>	<b>\$ 2,619,567</b>

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

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	\$ 7,696,535
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(800,000)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 6,896,535

**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, 2011**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>FUND BALANCE, BEGINNING</b>	\$ 6,464	\$ 6,464	\$ 6,464	\$ -
<b>RESOURCES(INFLOWS)</b>				
Use of money and property	125	125	38	(87)
<b>Amounts available for appropriation</b>	125	125	38	(87)
<b>CHARGES TO APPROPRIATIONS(OUTFLOWS)</b>				
Services and supplies	6,589	6,589	-	6,589
<b>Total charges to appropriations</b>	6,589	6,589	-	6,589
<b>FUND BALANCE, ENDING</b>	\$ -	\$ -	\$ 6,502	\$ 6,502

**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, 2011**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>FUND BALANCE, BEGINNING</b>	<u>\$ 1,708,485</u>	<u>\$ 1,708,485</u>	<u>\$ 1,708,485</u>	<u>\$ -</u>
<b>RESOURCES(INFLOWS)</b>				
Taxes	907,076	907,076	912,838	5,762
Use of money and property	8,297	8,297	10,367	2,070
Aid from other governmental agencies	2,600	2,600	4,021	1,421
Charges for current services	333,611	333,611	334,608	997
Other revenue	-	-	1,500	1,500
Transfers in	10,669	10,669	10,669	-
<b>Amounts available for appropriation</b>	<u>1,262,253</u>	<u>1,262,253</u>	<u>1,274,003</u>	<u>11,750</u>
<b>CHARGES TO APPROPRIATIONS(OUTFLOWS)</b>				
Services and supplies	1,041,110	1,026,908	743,122	283,786
Other charges	470,801	470,337	313,105	157,232
Transfers out	134,915	135,379	135,378	1
<b>Total charges to appropriations</b>	<u>1,646,826</u>	<u>1,632,624</u>	<u>1,191,605</u>	<u>441,019</u>
<b>FUND BALANCE, ENDING</b>	<u><u>\$ 1,323,912</u></u>	<u><u>\$ 1,338,114</u></u>	<u><u>\$ 1,790,883</u></u>	<u><u>\$ 452,769</u></u>

**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	\$ 1,274,003
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 Special Revenue Funds	<u>\$ 1,263,334</u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	\$ 1,191,605
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(135,378)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	<u>\$ 1,056,227</u>

**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, 2011**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>FUND BALANCE, BEGINNING</b>	\$ 5,962,434	\$ 5,962,434	\$ 5,962,434	\$ -
<b>RESOURCES(INFLOWS)</b>				
Taxes	603,023	603,023	644,757	41,734
Use of money and property	53,458	53,458	32,957	(20,501)
Aid from other governmental agencies	749,285	768,612	28,868	(739,744)
Charges for current services	5,288,788	5,288,788	5,291,400	2,612
Other revenues	15,411	15,849	3,138	(12,711)
<b>Amounts available for appropriation</b>	<b>6,709,965</b>	<b>6,729,730</b>	<b>6,001,120</b>	<b>(728,610)</b>
<b>CHARGES TO APPROPRIATIONS(OUTFLOWS)</b>				
Services and supplies	7,469,993	7,485,858	4,561,358	2,924,500
Other charges	90,099	90,099	78,954	11,145
Capital assets	839,000	839,000	128,161	710,839
Transfers out	1,252,052	1,252,052	918,911	333,141
<b>Total charges to appropriations</b>	<b>9,651,144</b>	<b>9,667,009</b>	<b>5,687,384</b>	<b>3,979,625</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 3,021,255</b>	<b>\$ 3,025,155</b>	<b>\$ 6,276,170</b>	<b>\$ 3,251,015</b>

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

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	\$ 5,687,384
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(918,911)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 4,768,473



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# NONMAJOR ENTERPRISE FUNDS

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*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 sewage 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**  
**Nonmajor Enterprise Funds**  
**June 30, 2011**

	Boulder Creek CSA 7	Rolling Woods CSA 10	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District
<b>ASSETS</b>					
Current assets:					
Cash, cash equivalents and investments	\$ 268,637	\$ 43,210	\$ 1,275,263	\$ 3,107,115	\$ -
Restricted cash	-	-	-	-	54,477
Receivables	-	-	1,761	-	272,382
<b>Total current assets</b>	<b>268,637</b>	<b>43,210</b>	<b>1,277,024</b>	<b>3,107,115</b>	<b>326,859</b>
Noncurrent assets:					
Loans Receivable	-	-	204,513	-	-
Capital assets:					
Nondepreciable					
Construction in progress	-	-	-	259,202	2,453,958
Depreciable, net					
Buildings and structures	1,906,704	321,381	-	6,265,230	3,463,889
Equipment	83,079	694	45,518	13,349	17,345
Accumulated depreciation	(1,220,909)	(201,475)	(45,518)	(3,441,508)	(1,597,510)
Capital assets, net	768,874	120,600	-	3,096,273	4,337,682
<b>Total Noncurrent assets</b>	<b>768,874</b>	<b>120,600</b>	<b>204,513</b>	<b>3,096,273</b>	<b>4,337,682</b>
<b>Total assets</b>	<b>1,037,511</b>	<b>163,810</b>	<b>1,481,537</b>	<b>6,203,388</b>	<b>4,664,541</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities:</b>					
Current Liabilities:					
Accounts payable	151,483	-	92,020	116,494	15,360
Due to other funds	-	-	-	-	762,341
Current portion of other long-term liabilities	-	-	11,319	-	26,959
<b>Total current liabilities</b>	<b>151,483</b>	<b>-</b>	<b>103,339</b>	<b>116,494</b>	<b>804,660</b>
Noncurrent Liabilities:					
Other long-term liabilities	-	-	244,362	-	325,579
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>244,362</b>	<b>-</b>	<b>325,579</b>
<b>Total liabilities</b>	<b>151,483</b>	<b>-</b>	<b>347,701</b>	<b>116,494</b>	<b>1,130,239</b>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	768,874	120,600	-	3,096,273	3,985,143
Restricted:					
Debt service	-	-	-	-	54,477
Unrestricted	117,154	43,210	1,133,836	2,990,621	(505,318)
<b>Total net assets</b>	<b>886,028</b>	<b>163,810</b>	<b>1,133,836</b>	<b>6,086,894</b>	<b>3,534,302</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,037,511</b>	<b>\$ 163,810</b>	<b>\$ 1,481,537</b>	<b>\$ 6,203,388</b>	<b>\$ 4,664,541</b>

Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20	Summit West CSA 54	Graham Hill CSA 57	Total
\$ 216,321	\$ 150,614	\$ 33,094	\$ 2,992	\$ 474,324	\$ 5,571,570
-	-	-	-	-	54,477
-	-	-	-	-	274,143
216,321	150,614	33,094	2,992	474,324	5,900,190
-	-	-	-	-	204,513
-	203,782	-	-	-	2,916,942
188,209	586,459	-	-	-	12,731,872
41,178	-	13,569	-	-	214,732
(127,753)	(196,793)	(8,820)	-	-	(6,840,286)
101,634	593,448	4,749	-	-	9,023,260
101,634	593,448	4,749	-	-	9,227,773
317,955	744,062	37,843	2,992	474,324	15,127,963
-	1,320	652	-	-	377,329
-	-	-	-	-	762,341
-	-	-	-	-	38,278
-	1,320	652	-	-	1,177,948
-	-	-	-	-	569,941
-	-	-	-	-	569,941
-	1,320	652	-	-	1,747,889
101,634	593,448	4,749	-	-	8,670,721
-	-	-	-	-	54,477
216,321	149,294	32,442	2,992	474,324	4,654,876
317,955	742,742	37,191	2,992	474,324	13,380,074
\$ 317,955	\$ 744,062	\$ 37,843	\$ 2,992	\$ 474,324	\$ 15,127,963

**County of Santa Cruz**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**Nonmajor Enterprise Funds**  
**For the year ended June 30, 2011**

	Boulder Creek CSA 7	Rolling Woods CSA 10	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 423,245	\$ 11,408	\$ 944,719	\$ 668,087	\$ 365,571
<b>Total operating revenues</b>	<b>423,245</b>	<b>11,408</b>	<b>944,719</b>	<b>668,087</b>	<b>365,571</b>
<b>OPERATING EXPENSES:</b>					
Services and supplies	222,567	3,707	1,050,368	646,668	367,394
Depreciation and amortization	63,511	7,969	-	141,809	85,510
<b>Total operating expenses</b>	<b>286,078</b>	<b>11,676</b>	<b>1,050,368</b>	<b>788,477</b>	<b>452,904</b>
<b>OPERATING INCOME (LOSS)</b>	<b>137,167</b>	<b>(268)</b>	<b>(105,649)</b>	<b>(120,390)</b>	<b>(87,333)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Aid from other governments	-	-	-	-	1,096,766
Interest and investment earnings	813	218	15,405	17,593	(5,894)
Interest expense	-	-	(6,934)	-	(10,283)
Property taxes	-	-	-	-	24,502
Other	-	-	-	-	11,147
<b>Total nonoperating revenues (expenses)</b>	<b>813</b>	<b>218</b>	<b>8,471</b>	<b>17,593</b>	<b>1,116,238</b>
<b>NET INCOME (LOSS)</b>	<b>137,980</b>	<b>(50)</b>	<b>(97,178)</b>	<b>(102,797)</b>	<b>1,028,905</b>
<b>NET ASSETS:</b>					
Beginning of the year	748,048	163,860	1,231,014	6,189,691	2,505,397
End of the year	\$ 886,028	\$ 163,810	\$ 1,133,836	\$ 6,086,894	\$ 3,534,302

Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20	Summit West CSA 54	Graham Hill CSA 57	Total
\$ 81,819	\$ 557,974	\$ 69,612	\$ -	\$ 86,679	\$ 3,209,114
81,819	557,974	69,612	-	86,679	3,209,114
60,673	276,220	39,619	136	25,161	2,692,513
5,542	23,436	1,357	-	-	329,134
66,215	299,656	40,976	136	25,161	3,021,647
15,604	258,318	28,636	(136)	61,518	187,467
-	-	-	-	-	1,096,766
1,180	326	24	18	2,521	32,204
-	-	-	-	-	(17,217)
-	-	-	-	-	24,502
-	-	-	-	-	11,147
1,180	326	24	18	2,521	1,147,402
16,784	258,644	28,660	(118)	64,039	1,334,869
301,171	484,098	8,531	3,110	410,285	12,045,205
\$ 317,955	\$ 742,742	\$ 37,191	\$ 2,992	\$ 474,324	\$ 13,380,074

**County of Santa Cruz**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the year ended June 30, 2011**

	Boulder Creek CSA 7	Rolling Woods CSA 10	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers and users	\$ 423,245	\$ 11,409	\$ 953,623	\$ 668,087	\$ 421,826
Payments to suppliers for goods and services	(60,620)	(3,114)	(1,050,311)	(403,677)	(103,886)
Payments for interfund services used	(152,718)	(594)	-	(242,912)	(330,065)
<b>Net cash provided (used) by operating activities</b>	<b>209,907</b>	<b>7,701</b>	<b>(96,688)</b>	<b>21,498</b>	<b>(12,125)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Property taxes	-	-	-	-	24,502
Subsidy from other governmental agencies	-	-	-	-	1,402,439
Principal paid on other long-term liabilities	-	-	(11,033)	-	-
Interest paid on other long-term liabilities	-	-	(6,934)	-	-
Transfers from other funds	-	-	-	-	(240,043)
Transfers to other funds	-	-	-	-	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>(17,967)</b>	<b>-</b>	<b>1,186,898</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Purchase of capital assets	(36,423)	-	-	(51,777)	(1,120,965)
Principal paid on long-term liabilities	-	-	-	-	(26,266)
Interest paid on long-term liabilities	-	-	-	-	(10,283)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(36,423)</b>	<b>-</b>	<b>-</b>	<b>(51,777)</b>	<b>(1,157,514)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment earnings received (paid)	813	218	15,405	17,593	(5,894)
<b>Net cash provided (used) by investing activities</b>	<b>813</b>	<b>218</b>	<b>15,405</b>	<b>17,593</b>	<b>(5,894)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>174,297</b>	<b>7,919</b>	<b>(99,250)</b>	<b>(12,686)</b>	<b>11,365</b>
Cash and cash equivalents at beginning of year	94,340	35,291	1,374,513	3,119,801	43,112
Cash and cash equivalents at end of year	\$ 268,637	\$ 43,210	\$ 1,275,263	\$ 3,107,115	\$ 54,477

Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20	Summit West CSA 54	Graham Hill CSA 57	Total
\$ 81,819	\$ 557,973	\$ 67,187	\$ -	\$ 86,679	\$ 3,271,848
(11,940)	(39,252)	(9,642)	(126)	(1,878)	(1,684,446)
(48,733)	(235,664)	(26,900)	(10)	(23,283)	(1,060,879)
21,146	283,057	30,645	(136)	61,518	526,523
-	-	-	-	-	24,502
-	-	-	-	-	1,402,439
-	-	-	-	-	(11,033)
-	-	-	-	-	(6,934)
-	-	5,194	-	-	(234,849)
-	-	(2,769)	-	-	(2,769)
-	-	2,425	-	-	1,171,356
-	(203,782)	-	-	-	(1,412,947)
-	-	-	-	-	(26,266)
-	-	-	-	-	(10,283)
-	(203,782)	-	-	-	(1,449,496)
1,180	326	24	18	2,521	32,204
1,180	326	24	18	2,521	32,204
22,326	79,601	33,094	(118)	64,039	280,587
193,995	71,013	-	3,110	410,285	5,345,460
\$ 216,321	\$ 150,614	\$ 33,094	\$ 2,992	\$ 474,324	\$ 5,626,047

(Continued)

**County of Santa Cruz**  
**Combining Statement of Cash Flows, Continued**  
**Nonmajor Enterprise Funds**  
**For the year ended June 30, 2011**

	Boulder Creek CSA 7	Rolling Woods CSA 10	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District
<b>RECONCILIATION OF OPERATING</b>					
<b>INCOME (LOSS) TO NET CASH PROVIDED</b>					
<b>(USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 137,167	\$ (268)	\$ (105,649)	\$ (120,390)	\$ (87,333)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	63,511	7,969	-	141,809	85,510
Changes in assets and liabilities:					
(Increase) decrease in:					
Receivables	-	-	8,904	-	56,256
(Increase) decrease in:					
Payables	9,229	-	57	79	(66,558)
Total adjustments	<u>72,740</u>	<u>7,969</u>	<u>8,961</u>	<u>141,888</u>	<u>75,208</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 209,907</u>	<u>\$ 7,701</u>	<u>\$ (96,688)</u>	<u>\$ 21,498</u>	<u>\$ (12,125)</u>



Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20	Summit West CSA 54	Graham Hill CSA 57	Total
\$ 15,604	\$ 258,318	\$ 28,636	\$ (136)	\$ 61,518	\$ 187,467
5,542	23,436	1,357	-	-	329,134
-	-	-	-	-	65,160
-	1,303	652	-	-	(55,238)
5,542	24,739	2,009	-	-	339,056
\$ 21,146	\$ 283,057	\$ 30,645	\$ (136)	\$ 61,518	\$ 526,523

(Concluded)



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# INTERNAL SERVICE FUNDS

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

*Information Services Fund* - The Information Services Fund accounts for data processing and telecommunications services provided by County departments.

*Public Works Fund* - The 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* - The Service Center Fund accounts for the maintenance of the County fleet of vehicles and for related services to other County departments.

*Self-Insurance Funds* - The 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, 2011**

	Central Duplicating	Information Services	Public Works	Service Center
<b>ASSETS</b>				
Current assets:				
Cash, cash equivalents and investments	\$ -	\$ 2,597,355	\$ 3,260,206	\$ 46,210
Receivables	-	-	46,620	490
Due from other funds	-	187,770	762,341	-
Deposits with others	-	-	-	-
Inventory	-	-	493,351	22,207
Prepaid items	25,713	-	-	-
<b>Total current assets</b>	<b>25,713</b>	<b>2,785,125</b>	<b>4,562,518</b>	<b>68,907</b>
Capital assets:				
Land	-	-	62,914	34,173
Software in progress	-	1,227,916	-	-
Buildings and structures	-	-	2,468,609	473,443
Equipment	361,556	7,890,342	8,143,512	7,945,501
Accumulated depreciation	(335,951)	(6,800,617)	(9,248,962)	(6,830,321)
<b>Total capital assets</b>	<b>25,605</b>	<b>2,317,641</b>	<b>1,426,073</b>	<b>1,622,796</b>
<b>Total assets</b>	<b>51,318</b>	<b>5,102,766</b>	<b>5,988,591</b>	<b>1,691,703</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities:</b>				
Current Liabilities:				
Accounts payable	16,555	353,226	1,406,848	141,020
Loan Payable	22,813	-	-	-
Due to other funds	179,642	-	-	-
Claims liability	-	-	-	-
Compensated absences	4,788	489,302	2,122,193	32,554
<b>Total current liabilities</b>	<b>223,798</b>	<b>842,528</b>	<b>3,529,041</b>	<b>173,574</b>
Noncurrent Liabilities:				
Claims liability	-	-	-	-
Compensated absences payable, due in more than one year	4,013	362,603	1,153,038	10,421
<b>Total noncurrent liabilities</b>	<b>4,013</b>	<b>362,603</b>	<b>1,153,038</b>	<b>10,421</b>
<b>Total liabilities</b>	<b>227,811</b>	<b>1,205,131</b>	<b>4,682,079</b>	<b>183,995</b>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	2,792	2,317,641	1,426,073	1,622,795
Unrestricted	(179,285)	1,579,994	(119,561)	(115,087)
<b>Total net assets</b>	<b>(176,493)</b>	<b>3,897,635</b>	<b>1,306,512</b>	<b>1,507,708</b>
<b>Total liabilities and net assets</b>	<b>\$ 51,318</b>	<b>\$ 5,102,766</b>	<b>\$ 5,988,591</b>	<b>\$ 1,691,703</b>

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	
\$ 858,677	\$ 1,154,683	\$ 6,111,056	\$ 9,961,768	\$ 370,633	\$ 707,892	\$ 25,068,480	
-	105,398	-	-	-	-	152,508	
-	-	-	-	-	-	950,111	
-	-	-	150,000	-	-	150,000	
-	-	-	-	-	-	515,558	
-	-	-	-	-	-	25,713	
858,677	1,260,081	6,111,056	10,111,768	370,633	707,892	26,862,370	
-	-	-	-	-	-	97,087	
-	-	-	-	-	-	1,227,916	
-	-	-	-	-	-	2,942,052	
55,237	-	-	-	-	-	24,396,148	
(55,237)	-	-	-	-	-	(23,271,088)	
-	-	-	-	-	-	5,392,115	
858,677	1,260,081	6,111,056	10,111,768	370,633	707,892	32,254,485	
35,907	44	171,616	351,000	20,737	-	2,496,953	
-	-	-	-	-	-	22,813	
-	-	-	-	-	-	179,642	
-	94,279	1,720,000	10,719,237	-	-	12,533,516	
45,152	-	-	-	21,203	-	2,715,192	
81,059	94,323	1,891,616	11,070,237	41,940	-	17,948,116	
-	39,649	3,055,000	21,045,763	-	187,500	24,327,912	
11,547	-	-	-	17,506	-	1,559,128	
11,547	39,649	3,055,000	21,045,763	17,506	187,500	25,887,040	
92,606	133,972	4,946,616	32,116,000	59,446	187,500	43,835,156	
-	-	-	-	-	-	5,369,301	
766,071	1,126,109	1,164,440	(22,004,232)	311,187	520,392	(16,949,972)	
766,071	1,126,109	1,164,440	(22,004,232)	311,187	520,392	(11,580,671)	
\$ 858,677	\$ 1,260,081	\$ 6,111,056	\$ 10,111,768	\$ 370,633	\$ 707,892	\$ 32,254,485	

**County of Santa Cruz**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**Internal Service Funds**  
**For the year ended June 30, 2011**

	Central Duplicating	Information Services	Public Works	Service Center
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 762,357	\$ 10,130,171	\$ 32,712,261	\$ 2,385,830
Other revenues	-	9,914	28,703	10,118
<b>Total operating revenues</b>	<b>762,357</b>	<b>10,140,085</b>	<b>32,740,964</b>	<b>2,395,948</b>
<b>OPERATING EXPENSES:</b>				
Salaries and employee benefits	272,385	5,915,872	26,204,633	457,883
Services and supplies	383,717	3,461,193	6,160,402	1,163,999
Insurance and compensation claims	-	84,486	2,148,894	26,227
Other charges	28,624	-	-	202,287
Depreciation and amortization	14,187	451,483	474,313	507,446
<b>Total operating expenses</b>	<b>698,913</b>	<b>9,913,034</b>	<b>34,988,242</b>	<b>2,357,842</b>
<b>OPERATING INCOME (LOSS)</b>	<b>63,444</b>	<b>227,051</b>	<b>(2,247,278)</b>	<b>38,106</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Gain (loss) on disposal of capital assets	-	(425)	7,921	(4,544)
Interest and investment earnings	(1,308)	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>(1,308)</b>	<b>(425)</b>	<b>7,921</b>	<b>(4,544)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>62,136</b>	<b>226,626</b>	<b>(2,239,357)</b>	<b>33,562</b>
<b>TRANSFERS:</b>				
Transfers in	251,081	13,272	-	408,878
<b>Total transfers</b>	<b>251,081</b>	<b>13,272</b>	<b>-</b>	<b>408,878</b>
<b>NET INCOME (LOSS)</b>	<b>313,217</b>	<b>239,898</b>	<b>(2,239,357)</b>	<b>442,440</b>
<b>NET ASSETS:</b>				
Beginning of the year,	(489,710)	3,657,737	3,545,869	1,065,268
End of the year	\$ (176,493)	\$ 3,897,635	\$ 1,306,512	\$ 1,507,708

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	
\$ 1,500,000	\$ 1,805,644	\$ 4,500,000	\$ 5,064,606	\$ 484,126	\$ 900,001	\$ 60,244,996	
-	-	921,340	51,999	-	-	1,022,074	
1,500,000	1,805,644	5,421,340	5,116,605	484,126	900,001	61,267,070	
602,779	-	-	-	374,637	-	33,828,189	
678,469	41,353	847,410	758,135	548,752	5,710	14,049,140	
17,129	2,047,854	4,550,908	5,871,718	-	605,015	15,352,231	
-	-	-	-	-	-	230,911	
-	-	-	-	-	-	1,447,429	
1,298,377	2,089,207	5,398,318	6,629,853	923,389	610,725	64,907,900	
201,623	(283,563)	23,022	(1,513,248)	(439,263)	289,276	(3,640,830)	
-	-	-	-	-	-	2,952	
4,367	7,830	32,762	57,497	3,961	3,601	108,710	
4,367	7,830	32,762	57,497	3,961	3,601	111,662	
205,990	(275,733)	55,784	(1,455,751)	(435,302)	292,877	(3,529,168)	
-	-	-	-	-	-	673,231	
-	-	-	-	-	-	673,231	
205,990	(275,733)	55,784	(1,455,751)	(435,302)	292,877	(2,855,937)	
560,081	1,401,842	1,108,656	(20,548,481)	746,489	227,515	(8,724,734)	
\$ 766,071	\$ 1,126,109	\$ 1,164,440	\$ (22,004,232)	\$ 311,187	\$ 520,392	\$ (11,580,671)	

**County of Santa Cruz**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the year ended June 30, 2011**

	Central Duplicating	Information Services	Public Works	Service Center
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers, including cash deposits			901,047	
Cash received from interfund services provided	762,357	9,961,213	31,855,858	2,395,888
Cash paid to suppliers	(396,761)	(3,526,783)	(8,233,232)	(1,352,166)
Cash paid to employees	(270,369)	(5,821,559)	(25,945,941)	(472,750)
Cash receipts (payments) other	(28,624)	-	-	-
<b>Net cash provided (used) by operating activities</b>	<b>66,603</b>	<b>612,871</b>	<b>(1,422,268)</b>	<b>570,972</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers from other funds	251,081	13,272	-	408,878
Transfers to other funds	-	-	420,092	-
Loan proceeds	-	-	-	(671,195)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>251,081</b>	<b>13,272</b>	<b>420,092</b>	<b>(262,317)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from sale of capital assets	-	-	7,921	3,637
Purchase of capital assets	-	(147,030)	(70,442)	(266,082)
Principal payments on long-term debt	(5,245)	-	-	-
Interest payments on long-term debt	-	-	-	-
Loan proceeds	179,642	-	-	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>174,397</b>	<b>(147,030)</b>	<b>(62,521)</b>	<b>(262,445)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment earnings received (paid)	(1,308)	-	-	-
<b>Net cash provided (used) by investing activities</b>	<b>(1,308)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>490,773</b>	<b>479,113</b>	<b>(1,064,697)</b>	<b>46,210</b>
Cash and cash equivalents at beginning of year	(490,773)	2,118,242	4,324,903	-
Cash and cash equivalents at end of year	-	2,597,355	3,260,206	46,210



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
						901,047
1,500,000	1,809,833	4,500,000	5,064,606	484,126	900,001	59,233,882
(678,705)	(2,032,482)	(5,589,875)	(5,411,662)	(547,501)	(610,725)	(28,379,892)
(606,763)	-	-	-	(375,199)	-	(33,492,581)
(17,129)	-	921,340	51,999	-	-	927,586
197,403	(222,649)	(168,535)	(295,057)	(438,574)	289,276	(809,958)
-	-	1,161,968	-	-	-	1,835,199
-	-	-	-	-	-	420,092
-	-	-	-	-	-	(671,195)
-	-	1,161,968	-	-	-	1,584,096
-	-	-	-	-	-	11,558
-	-	-	-	-	-	(483,554)
-	-	-	-	-	-	(5,245)
(86)	-	-	-	-	-	(86)
-	-	-	-	-	-	179,642
(86)	-	-	-	-	-	(297,685)
4,368	7,830	32,762	57,497	3,961	3,601	108,711
4,368	7,830	32,762	57,497	3,961	3,601	108,711
201,685	(214,819)	1,026,195	(237,560)	(434,613)	292,877	585,164
656,992	1,369,502	5,084,861	10,199,328	805,246	415,015	24,483,316
858,677	1,154,683	6,111,056	9,961,768	370,633	707,892	25,068,480

**County of Santa Cruz**  
**Combining Statement of Cash Flows, Continued**  
**Internal Service Funds**  
**For the year ended June 30, 2011**

	Central Duplicating	Information Services	Public Works	Service Center
<b>RECONCILIATION OF OPERATING</b>				
<b>INCOME (LOSS) TO NET CASH PROVIDED</b>				
<b>(USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	63,444	227,051	(2,247,278)	38,106
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	14,187	451,483	474,313	507,446
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	-	(178,872)	15,940	(61)
Inventory	-	-	44,066	(807)
Prepaid items	(11,558)	-	-	-
(Increase) decrease in:				
Payables	(1,485)	18,896	143,510	41,155
Accrued salaries and benefits	1,830	32,277	-	(2,880)
Compensated absences	185	62,036	147,181	(11,987)
Total adjustments	3,159	385,820	825,010	532,866
<b>Net cash provided (used) by operating activities</b>	<b>66,603</b>	<b>612,871</b>	<b>(1,422,268)</b>	<b>570,972</b>

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
201,623	(283,563)	23,022	(1,513,248)	(439,263)	289,276	(3,640,830)
-	-	-	-	-	-	1,447,429
-	4,189	-	-	-	-	(158,804)
-	-	-	-	-	-	43,259
-	-	-	-	-	-	(11,558)
(236)	56,725	(191,557)	1,218,191	1,250	-	1,286,449
(15)	-	-	-	(3,918)	-	27,294
(3,969)	-	-	-	3,356	-	196,802
(4,220)	60,914	(191,557)	1,218,191	688	-	2,830,871
197,403	(222,649)	(168,535)	(295,057)	(438,575)	289,276	(809,959)

(Concluded)



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# FIDUCIARY FUNDS

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*Agency 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* - Intergovernmental Agency Funds are used to 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* - The Payroll Funds are used to account for various employee payroll deductions, tax withholdings, and employer contributions for fringe benefits.

*Property Tax Collections Funds* - The Property Tax Collections Funds are used to 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, 2011**

	Inter- governmental Agency	Payroll	Property Tax Collection	Total
<b>ASSETS</b>				
Cash and investments	\$ 18,780,301	\$ 930,807	\$ 8,280,014	\$ 27,991,122
Receivables	1,084,257	-	15,882,256	16,966,513
<b>Total assets</b>	<b>\$ 19,864,558</b>	<b>\$ 930,807</b>	<b>\$ 24,162,270</b>	<b>\$ 44,957,635</b>
<b>LIABILITIES</b>				
Accounts payable	-	\$ 930,807	\$ 1,926	\$ 932,733
Due to other governmental units	-	-	24,160,344	24,160,344
Agency funds held for others	19,864,558	-	-	19,864,558
<b>Total liabilities</b>	<b>\$ 19,864,558</b>	<b>\$ 930,807</b>	<b>\$ 24,162,270</b>	<b>\$ 44,957,635</b>

**County of Santa Cruz**  
**Combining Statement of Changes in Net Assets**  
**Agency Funds**  
**For the year ended June 30, 2011**

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
<b><u>Intergovernmental Agency</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 36,145,369	\$ 244,311,127	\$ 261,676,195	\$ 18,780,301
Receivables	1,087,379	9,050,960	9,054,082	1,084,257
<b>Total assets</b>	<b>\$ 37,232,748</b>	<b>\$ 253,362,087</b>	<b>\$ 270,730,277</b>	<b>\$ 19,864,558</b>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 71,700,930	\$ 71,700,930	\$ -
Agency funds held for others	37,232,748	1,033,536,715	1,050,904,905	19,864,558
<b>Total liabilities</b>	<b>\$ 37,232,748</b>	<b>\$ 1,105,237,645</b>	<b>\$ 1,122,605,835</b>	<b>\$ 19,864,558</b>
<b><u>Payroll</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 444,116	\$ 272,653,947	\$ 272,167,256	\$ 930,807
<b>Total assets</b>	<b>\$ 444,116</b>	<b>\$ 272,653,947</b>	<b>\$ 272,167,256</b>	<b>\$ 930,807</b>
<b>Liabilities:</b>				
Accounts payable	\$ 444,116	\$ 571,066,067	\$ 570,579,376	\$ 930,807
<b>Total liabilities</b>	<b>\$ 444,116</b>	<b>\$ 571,066,067</b>	<b>\$ 570,579,376</b>	<b>\$ 930,807</b>
<b><u>Property Tax Collection</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 7,036,906	\$ 894,909,634	\$ 893,666,526	\$ 8,280,014
Receivables	21,183,249	410,089,101	415,390,094	15,882,256
<b>Total assets</b>	<b>\$ 28,220,155</b>	<b>\$ 1,304,998,735</b>	<b>\$ 1,309,056,620</b>	<b>\$ 24,162,270</b>
<b>Liabilities:</b>				
Accounts payable	\$ 2,526	\$ 25,129,996	\$ 25,130,596	\$ 1,926
Due to other governmental units	28,217,629	1,313,468,696	1,317,525,981	24,160,344
<b>Total liabilities</b>	<b>\$ 28,220,155</b>	<b>\$ 1,338,598,692</b>	<b>\$ 1,342,656,577</b>	<b>\$ 24,162,270</b>
<b><u>Total Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 43,626,391	\$ 1,411,874,708	\$ 1,427,509,977	\$ 27,991,122
Receivables	22,270,628	419,140,061	424,444,176	16,966,513
<b>Total assets</b>	<b>\$ 65,897,019</b>	<b>\$ 1,831,014,769</b>	<b>\$ 1,851,954,153</b>	<b>\$ 44,957,635</b>
<b>Liabilities:</b>				
Accounts payable	\$ 446,642	\$ 667,896,993	\$ 667,410,902	\$ 932,733
Due to other governmental units	28,217,629	1,313,468,696	1,317,525,981	24,160,344
Agency funds held for others	37,232,748	1,033,536,715	1,050,904,905	19,864,558
<b>Total liabilities</b>	<b>\$ 65,897,019</b>	<b>\$ 3,014,902,404</b>	<b>\$ 3,035,841,788</b>	<b>\$ 44,957,635</b>



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# STATISTICAL SECTION

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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.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> <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>	174 - 176
<b>Revenue Capacity</b> <i>These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.</i>	177 - 182
<b>Debt Capacity</b> <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>	183 - 186
<b>Demographic and Economic Information</b> <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>	187 - 191
<b>Operating Information</b> <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>	192 - 196

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 Ten Fiscal Years**  
*(Reported in Thousands)*

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities										
Invested in capital assets, net of related debt	\$ 215,172	\$ 212,557	\$ 242,858	\$ 327,708	\$ 332,526	\$ 263,521	\$ 244,386	\$ 46,942	\$ 43,069	\$ 14,260
Restricted	117,713	40,865	31,660	55,167	39,024	96,829	103,442	16,192	19,585	28,822
Unrestricted	(61,396)	36,955	32,147	(21,529)	6,532	3,703	13,017	2,545	1,040	30,523
<b>Total governmental activities net assets</b>	<b>\$ 271,489</b>	<b>\$ 290,377</b>	<b>\$ 306,665</b>	<b>\$ 361,346</b>	<b>\$ 378,082</b>	<b>\$ 364,053</b>	<b>\$ 360,845</b>	<b>\$ 65,679</b>	<b>\$ 63,694</b>	<b>\$ 73,605</b>
Business-type activities										
Invested in capital assets, net of related debt	\$ 24,677	\$ 26,662	\$ 26,327	\$ 27,280	\$ 23,266	\$ 23,032	\$ 22,869	\$ 21,425	\$ 20,301	\$ 19,419
Restricted	253	317	83	187	250	261	255	308	277	291
Unrestricted	5,803	6,553	7,433	6,797	12,628	12,972	13,041	14,013	19,032	22,215
<b>Total business-type activities net assets</b>	<b>\$ 30,733</b>	<b>\$ 33,532</b>	<b>\$ 33,843</b>	<b>\$ 34,264</b>	<b>\$ 36,144</b>	<b>\$ 36,265</b>	<b>\$ 36,165</b>	<b>\$ 35,746</b>	<b>\$ 39,610</b>	<b>\$ 41,925</b>
Total primary government										
Invested in capital assets, net of related debt	\$ 239,849	\$ 239,219	\$ 269,185	\$ 354,988	\$ 355,792	\$ 286,553	\$ 267,255	\$ 68,367	\$ 63,370	\$ 33,679
Restricted	117,966	41,182	31,743	55,354	39,274	97,090	103,697	16,500	19,862	29,113
Unrestricted	(55,593)	43,508	39,580	(14,732)	19,160	16,675	26,058	16,558	20,072	52,738
<b>Total primary government net assets</b>	<b>\$ 302,222</b>	<b>\$ 323,909</b>	<b>\$ 340,508</b>	<b>\$ 395,610</b>	<b>\$ 414,226</b>	<b>\$ 400,318</b>	<b>\$ 397,010</b>	<b>\$ 101,425</b>	<b>\$ 103,304</b>	<b>\$ 115,530</b>

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Expenses</b>										
Government activities:										
General government	\$ 39,206	\$ 30,407	\$ 37,098	\$ 48,765	\$ 29,116	\$ 25,887	\$ 27,948	\$ 25,066	\$ 23,335	\$ 24,701
Public protection	125,065	122,743	146,283	117,001	113,608	112,832	104,329	115,996	106,223	100,368
Public ways and facilities	36,694	45,826	32,859	47,209	26,840	39,017	7,589	41,230	31,030	32,544
Health and sanitation	107,497	105,239	111,310	112,560	105,039	97,340	33,103	81,903	75,039	76,975
Public assistance	101,990	108,121	110,208	101,454	98,679	97,378	84,028	83,910	86,609	87,276
Education	5,194	5,140	5,153	5,209	4,714	4,502	85,081	3,926	3,470	3,133
Recreation and culture	6,386	6,617	8,499	8,558	7,399	6,662	3,977	7,949	8,125	7,553
Interest on long term debt	17,144	15,782	13,098	13,211	16,026	12,205	8,986	8,453	8,742	12,838
<b>Total government activities expenses</b>	<b>439,176</b>	<b>439,875</b>	<b>464,508</b>	<b>453,967</b>	<b>401,421</b>	<b>395,823</b>	<b>355,041</b>	<b>368,433</b>	<b>342,573</b>	<b>345,388</b>
Business-type activities:										
County Disposal Site CSA 9C	\$ 14,792	\$ 12,283	\$ 14,317	\$ 16,088	\$ 13,540	\$ 13,022	\$ 11,831	12,381	12,260	9,751
Boulder Creek CSA 7	299	298	417	438	299	353	317	327	396	377
Rolling Woods CSA 10	12	44	93	78	62	62	57	46	63	79
Septic Tank Maintenance CSA 12	1,050	951	1,148	966	875	718	997	793	718	632
Freedom County Sanitation CSA	825	551	891	609	602	533	280	551	530	346
Davenport County Sanitation District CSA	477	701	550	420	410	432	501	401	379	300
Place de Mer CSA 2	70	32	52	39	64	50	68	36	65	44
Sand Dollar Beach CSA 5	315	252	254	314	216	220	181	148	212	197
Trestle Beach CSA 20	43	71	61	73	40	45	30	26	33	33
Summit West CSA 54	1	1	1	31	4	4	4	4	4	19
Graham Hill CSA 57	27	27	27	13	20	18	6	7	7	0
<b>Total business-type activities expense</b>	<b>17,911</b>	<b>15,211</b>	<b>17,811</b>	<b>19,069</b>	<b>16,131</b>	<b>15,457</b>	<b>14,272</b>	<b>14,720</b>	<b>14,667</b>	<b>11,778</b>
<b>Total primary government expenses</b>	<b>\$ 457,087</b>	<b>\$ 455,086</b>	<b>\$ 482,319</b>	<b>\$ 473,036</b>	<b>\$ 417,552</b>	<b>\$ 411,280</b>	<b>\$ 369,313</b>	<b>\$ 383,153</b>	<b>\$ 357,240</b>	<b>\$ 357,166</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
General government	\$ 18,305	\$ 17,083	\$ 18,494	\$ 16,953	\$ 16,467	\$ 16,797	\$ 23,169	\$ 4,499	\$ 3,719	\$ 3,671
Health, Sanitation & Public Assistance	27,635	24,754	27,137	23,675	25,324	22,307	16,727	32,130	28,255	28,219
Public protection	20,954	20,961	22,364	24,795	23,792	23,328	23,428	20,050	18,136	16,055
Public ways & facilities, and Recreation	8,453	8,555	8,633	7,672	7,933	5,939	7,664	7,318	7,173	6,849
Operating grants and contributions	199,689	209,932	187,859	208,047	196,695	192,287	175,187	184,464	188,239	187,810
Capital grants and contributions	11,298	8,673	7,885	3,542	7,508	5,632	6,828	-	-	-
<b>Total governmental activities program revenues</b>	<b>286,334</b>	<b>289,958</b>	<b>272,372</b>	<b>284,684</b>	<b>277,719</b>	<b>266,290</b>	<b>253,003</b>	<b>248,461</b>	<b>245,522</b>	<b>242,604</b>
Business-type activities:										
Charges for services	13,058	13,166	13,350	13,237	13,299	13,223	12,723	12,185	10,923	10,948
Operating grants and contributions	289	964	338	123	127	101	258	320	389	534
Capital grants and contributions	1,097	15	50	25	8	4	20	2	9	6
<b>Total business-type activities program revenues</b>	<b>14,444</b>	<b>14,145</b>	<b>13,738</b>	<b>13,385</b>	<b>13,434</b>	<b>13,328</b>	<b>13,001</b>	<b>12,507</b>	<b>11,321</b>	<b>11,488</b>
<b>Total primary government program revenues</b>	<b>\$ 300,778</b>	<b>\$ 304,103</b>	<b>\$ 286,110</b>	<b>\$ 298,069</b>	<b>\$ 291,153</b>	<b>\$ 279,618</b>	<b>\$ 266,004</b>	<b>\$ 260,968</b>	<b>\$ 256,843</b>	<b>\$ 254,092</b>
Net (expense)/revenue										
Governmental activities	\$ (152,843)	\$ (149,917)	\$ (192,136)	\$ (169,283)	\$ (123,702)	\$ (129,533)	\$ (102,038)	\$ (119,972)	\$ (97,051)	\$ (102,784)
Business-type activities	(3,467)	(1,066)	(4,073)	(5,685)	(2,697)	(2,129)	(1,271)	(2,213)	(3,346)	(290)
<b>Total primary government net expense</b>	<b>\$ (156,310)</b>	<b>\$ (150,983)</b>	<b>\$ (196,209)</b>	<b>\$ (174,968)</b>	<b>\$ (126,399)</b>	<b>\$ (131,662)</b>	<b>\$ (103,309)</b>	<b>\$ (122,185)</b>	<b>\$ (100,397)</b>	<b>\$ (103,074)</b>

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>General Revenue and Other Changes in Net Assets</b>										
Governmental activities:										
Property taxes	\$ 109,837	\$ 111,224	\$ 115,179	\$ 111,745	\$ 104,814	\$ 95,746	\$ 82,709	\$ 64,881	\$ 58,190	\$ 55,625
Other taxes	15,265	12,978	13,951	15,622	15,133	14,443	14,796	14,212	13,070	19,801
Use of money and property	2,827	3,373	5,805	11,858	14,628	11,655	6,040	3,673	5,424	7,682
Miscellaneous	6,033	4,606	2,546	13,402	3,155	11,576	8,388	10,953	9,776	11,268
Gain (Loss) on sale of assets	(6)	101	37	(79)	-	-	-	-	-	-
<b>Total governmental activities</b>	<b>133,956</b>	<b>132,282</b>	<b>137,518</b>	<b>152,548</b>	<b>137,730</b>	<b>133,420</b>	<b>111,933</b>	<b>93,719</b>	<b>86,460</b>	<b>94,376</b>
Business-type activities:										
Property taxes	25	24	25	-	-	-	-	-	-	-
Use of money and property	12	13	174	756	1,064	859	511	293	517	856
Miscellaneous	631	760	1,068	3,048	1,513	1,370	1,179	642	513	87
Gain (Loss) on sale of assets	-	3	-	-	-	-	-	-	-	-
<b>Total business-type activities</b>	<b>668</b>	<b>800</b>	<b>1,267</b>	<b>3,804</b>	<b>2,577</b>	<b>2,229</b>	<b>1,690</b>	<b>935</b>	<b>1,030</b>	<b>943</b>
<b>Total primary government</b>	<b>\$ 134,624</b>	<b>\$ 133,082</b>	<b>\$ 138,785</b>	<b>\$ 156,352</b>	<b>\$ 140,307</b>	<b>\$ 135,649</b>	<b>\$ 113,623</b>	<b>\$ 94,654</b>	<b>\$ 87,490</b>	<b>\$ 95,319</b>
<b>Change in Net Assets</b>										
Governmental activities	\$ (18,887)	\$ (17,635)	\$ (54,618)	\$ (16,735)	\$ 14,028	\$ 3,887	\$ 9,895	\$ (26,253)	\$ (10,591)	\$ (8,408)
Business-type activities	(2,799)	(266)	(2,806)	(1,881)	(120)	100	419	(1,278)	(2,316)	653
<b>Total primary government</b>	<b>\$ (21,686)</b>	<b>\$ (17,901)</b>	<b>\$ (57,424)</b>	<b>\$ (18,616)</b>	<b>\$ 13,908</b>	<b>\$ 3,987</b>	<b>\$ 10,314</b>	<b>\$ (27,531)</b>	<b>\$ (12,907)</b>	<b>\$ (7,755)</b>

**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 <sup>1</sup>	Delinquent Penalties and Costs	Sales and Use Tax	Occupancy Tax	Property Transfer Tax	Utility Tax	Other Taxes	Total Tax Revenues
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 <sup>2</sup>	69	69,262
2006	61,118	49	2,904	7,865	3,732	2,243	N/A <sup>2</sup>	72	77,983
2007	66,783	117	2,741	7,961	3,931	1,481	N/A <sup>2</sup>	72	83,086
2008	70,879	187	3,595	8,904	4,622	1,464	N/A <sup>2</sup>	74	89,725
2009	72,032	224	5,291	8,038	3,887	1,532	N/A <sup>2</sup>	74	91,078
2010	69,970	89	4,671	7,212	3,511	1,630	N/A <sup>2</sup>	74	87,157
2011	69,606	118	5,156	7,892	4,101	1,709	N/A <sup>2</sup>	72	88,654

<sup>1</sup> 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. Amounts shown after this date are either past adjustments or present delinquent payments applicable to the Supplemental Tax Roll

<sup>2</sup> 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	2004	2003	2002
General Fund								
Reserved	\$ 2,919	\$ 2,151	\$ 3,893	\$ 5,433	\$ 2,151	\$ 3,266	\$ 3,626	\$ 3,491
Unreserved	14,674	25,008	37,115	30,688	26,807	19,137	28,068	33,561
Total general fund	<u>\$ 17,593</u>	<u>\$ 27,159</u>	<u>\$ 41,008</u>	<u>\$ 36,121</u>	<u>\$ 28,958</u>	<u>\$ 22,403</u>	<u>\$ 31,694</u>	<u>\$ 37,052</u>
All other governmental funds								
Reserved	\$ 59,340	\$ 38,930	\$ 44,736	\$ 36,209	\$ 40,215	\$ 46,242	\$ 40,039	\$ 53,647
Unreserved, reported in:								
Special revenue funds	146,538	121,946	123,244	131,835	67,317	76,479	82,853	77,422
Capital project funds	3,181	10,273	1,369	5,277	6,226	8,123	10,060	8,936
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>	<u>\$ 130,844</u>	<u>\$ 132,952</u>	<u>\$ 140,005</u>

	Fiscal Year	
	2011	2010
General Fund (1)		
Nonspendable	\$ 4,118	\$ 1,525
Restricted	-	-
Committed	12,847	11,748
Assigned	22,231	15,430
Unassigned	171	-
Total general fund	<u>\$ 39,367</u>	<u>\$ 28,703</u>
All other governmental funds		
Nonspendable	\$ -	\$ -
Restricted	166,676	183,044
Committed	-	-
Assigned	-	-
Unassigned	(37)	-
Total all other governmental funds	<u>\$ 166,639</u>	<u>\$ 183,044</u>

Notes:

(1) In fiscal year 2010-2011 the County implemented GASB 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned. Fiscal year 2009-2010 fund balances have been recharacterized to comply with GASB 54 in order to facilitate year-to-year comparisons.

**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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Revenues</b>										
Taxes	\$ 125,101	\$ 123,718	\$ 129,130	\$ 127,367	\$ 119,947	\$ 110,189	\$ 97,506	\$ 79,092	\$ 71,261	\$ 75,425
Licenses and permits	9,046	9,247	9,177	10,085	10,183	9,481	10,072	9,013	7,776	7,557
Fines, forfeitures and penalties	5,200	5,231	5,088	4,911	5,673	6,440	12,784	5,199	4,312	4,693
Use of money and property	2,718	3,197	5,451	11,082	13,929	11,109	5,802	3,673	5,424	7,682
Aid from other governmental agencies	210,987	219,090	195,758	211,572	204,203	198,214	182,007	184,745	187,135	188,342
Charges for services	61,115	56,845	62,364	58,100	58,091	54,653	47,738	49,786	45,194	42,544
Other revenues	5,341	4,617	4,815	14,617	3,150	9,417	8,347	11,308	10,203	11,262
Total revenues	<u>419,508</u>	<u>421,945</u>	<u>411,783</u>	<u>437,734</u>	<u>415,177</u>	<u>399,503</u>	<u>364,256</u>	<u>342,816</u>	<u>331,305</u>	<u>337,505</u>
<b>Expenditures</b>										
<b>Current</b>										
General government	29,084	26,198	29,994	33,490	28,024	24,086	25,718	23,639	20,886	22,228
Public protection	117,531	118,848	126,014	123,435	112,395	111,868	104,108	105,350	101,845	96,865
Public ways and facilities	37,534	53,095	45,023	37,736	41,335	39,119	7,440	26,519	28,944	31,090
Health and sanitation	104,191	102,048	103,920	109,152	104,326	95,717	42,176	83,238	73,562	74,752
Public assistance	99,120	100,294	101,562	102,976	97,981	95,987	83,982	85,585	85,112	85,076
Education	4,974	4,921	5,420	5,040	4,711	4,502	84,639	4,017	3,421	3,067
Recreation and culture	6,928	7,345	7,876	9,189	7,789	7,377	3,971	7,918	7,917	7,300
Capital outlay	35,417	769	3,380	10,671	10,299	3,451	3,825	5,417	10,681	11,861
<b>Debt service</b>										
Principal	7,603	6,958	6,836	7,344	7,126	6,339	7,136	4,512.00	-	-
Bond redemption	-	-	771	-	-	-	335.00	-	5,330	4,353
Bond issue costs	1,127	-	181	263	738	1,998.00	-	2,117.00	-	-
Interest and fiscal charges	15,677	15,742	12,360	13,343	14,652	10,842	9,292	8,697	9,254	9,205
Total expenditures	<u>459,186</u>	<u>436,218</u>	<u>443,337</u>	<u>452,639</u>	<u>429,376</u>	<u>401,286</u>	<u>372,622</u>	<u>357,009</u>	<u>346,952</u>	<u>345,797</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(39,678)</u>	<u>(14,273)</u>	<u>(31,554)</u>	<u>(14,905)</u>	<u>(14,199)</u>	<u>(1,783)</u>	<u>(8,366)</u>	<u>(14,193)</u>	<u>(15,647)</u>	<u>(8,292)</u>
<b>Other Financing Sources (Uses)</b>										
Sale of capital assets	-	57	(33)	1,255	-	-	-	5	3	6
Gain/(Loss) on land held for resale	(9)	-	-	(34)	-	-	-	-	-	-
Debt issue cost	-	-	-	-	-	-	-	-	(267)	-
Escrow Transfers In	29,876	-	-	-	-	-	-	-	-	-
Escrow Transfers Out	(29,876)	-	-	-	-	-	-	-	-	-
Proceeds from long-term debt	-	-	-	-	-	68,860	-	23,000	-	-
Proceeds from COP	35,410	-	-	-	9,000	-	-	-	-	11,748
Premium on long-term debt	-	-	-	225	-	468	-	27	192	-
Discount on long-term debt	(914)	-	-	-	(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	-
Payment to bond refunding escrow agent	-	-	-	(8,012)	(10,366)	-	(11,590)	(46,392)	(5,726)	-
Transfers in	145,035	29,843	29,760	31,921	27,593	88,914	20,241	37,819	42,697	52,856
Transfers out	(145,709)	(30,551)	(79,777)	(32,043)	(27,795)	(89,008)	(20,241)	(60,019)	(42,697)	(52,856)
Inception of lease purchase agreement	123	-	110	94	5,990	-	-	109	-	-
Total other financing sources (uses)	<u>33,936</u>	<u>(651)</u>	<u>59,963</u>	<u>776</u>	<u>15,114</u>	<u>69,189</u>	<u>(1,077)</u>	<u>2,790</u>	<u>2,580</u>	<u>11,754</u>
Net change in Fund Balance	<u>\$ (5,742)</u>	<u>\$ (14,924)</u>	<u>\$ 28,409</u>	<u>\$ (14,129)</u>	<u>\$ 915</u>	<u>\$ 67,406</u>	<u>\$ (9,443)</u>	<u>\$ (11,403)</u>	<u>\$ (13,067)</u>	<u>\$ 3,462</u>
Debt service as a percentage of noncapital expenditures	6.1%	5.5%	4.8%	5.0%	5.7%	5.0%	4.8%	4.6%	4.5%	4.2%

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

Fiscal Year Ended June 30	Total Secured Tax Levy for Fiscal Year <sup>1</sup>	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years <sup>2</sup>	Total Collections to Date	
		Amount	Percentage of Levy		Total Tax Collections	Percentage of Levy
2002	247,343	243,325	98.4%	4,370	247,695	100.1%
2003	264,657	259,841	98.2%	5,257	265,098	100.2%
2004	286,021	281,778	98.5%	4,157	285,935	100.0%
2005	309,733	305,178	98.5%	4,450	309,628	100.0%
2006	340,053	333,817	98.2%	5,939	339,756	99.9%
2007	361,430	352,091	97.4%	8,771	360,862	99.8%
2008	387,834	373,296	96.3%	13,285	386,581	99.7%
2009	402,589	387,153	96.2%	12,451	399,604	99.3%
2010	395,628	383,707	97.0%	8,136	391,843	99.0%
2011	394,498	385,099	97.6%	-	385,099	97.6%

Note: Prior period numbers were revised following corrected reporting periods.

<sup>1</sup> Includes Secured tax levy for the County itself, and school districts, cities and special districts under the supervision of independent governing boards.

<sup>2</sup> Amounts reported for the fiscal years ended prior to and including June 30, 2004, include penalties and costs. This is reflected in total collections of 100.2% of the tax levy for the fiscal year ended June 30, 2003. Amounts reported for the fiscal years ended subsequent to and including June 30, 2005, exclude penalties and costs.



**County of Santa Cruz**  
**Assessed Value of Taxable Property <sup>(1)</sup>**  
**Last Ten Fiscal Years**  
*(Reported in Thousands)*

<u>Fiscal Year Beginning July 1,</u>	<u>Secured</u>	<u>Unsecured</u>	<u>Total</u>	<u>Total Direct Tax Rate</u>
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%
2010	32,390,765	801,371	33,192,136	1.00%
2011	32,332,271	767,714	33,099,985	1.00%

<sup>1</sup> 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					
	2002	1.019					
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
2010	1.059	1.174	26.5	5.0	56.0	12.5	100.0
2011	1.065	1.190	26.5	5.0	56.0	12.5	100.0

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities										
Capital leases	\$ 5,544	\$ 5,673	\$ 5,942	\$ 6,051	\$ 6,000	\$ 53	\$ 337	\$ 671	\$ 928	\$ 1,217
Refunding Certificates of Participation	27,334	28,634	29,889	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	6,885	7,090	7,290	7,840	8,375	9,135	9,875	10,595	11,300	14,336
Lease Revenue Refunding Bonds	1,404	1,535	1,667	1,797	1,918	2,037	2,153	15,064	16,459	15,100
Revenue Bonds	785	1,145	1,480	1,800	2,100	2,385	2,655	2,910	3,150	3,375
Local Agency Revenue Bonds	275	295	320	360	445	520	585	655	720	785
Certificates of Participation	29,110	30,746	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	-	-	-	-	-	-
McGaffigan Mill	63	-	-	-	-	-	-	-	-	-
Local Assessment Bonds	-	-	-	-	-	-	-	40	75	110
RDA Tax Allocation Bonds	247,995	217,472	220,938	168,549	172,144	174,677	108,147	110,816	109,050	111,070
RDA 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	608	646	404	448	2,860	1,188	1,817	2,374	2,041	2,612
Capital leases	23	-	178	605	-	-	-	-	-	85
Component Unit	26,310	20,213	22,027	23,788	25,487	27,140	28,697	30,393	31,867	32,267
Total Primary government	<u>\$ 346,336</u>	<u>\$ 313,449</u>	<u>\$ 323,557</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 <sup>1</sup>	2.75%	2.42% <sup>3</sup>	2.52% <sup>3</sup>	2.27% <sup>3</sup>	2.57% <sup>3</sup>	2.57% <sup>3</sup>	2.16% <sup>3</sup>	2.29% <sup>3</sup>	2.06% <sup>3</sup>	2.01%
Per capita <sup>2</sup>	\$ 1,352	\$ 1,239 <sup>3</sup>	\$ 1,294 <sup>3</sup>	\$ 1,097	\$ 1,132	\$ 1,102	\$ 861	\$ 899	\$ 811	\$ 823

<sup>1</sup> Percentage of personal income is calculated from personal income data for the preceding calendar year (e.g. percentage of personal income for Fiscal Year 2011 is based on 2009 calendar year personal income data). Personal income data is provided by the Bureau of Economic Analysis.

<sup>2</sup> Per capita data is calculated from per capita income data for the preceding calendar year (e.g. per capita for Fiscal Year 2011 is based on 2009 calendar year per capita income data). Per capita income data is provided by the Bureau of Economic Analysis.

<sup>3</sup> 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 <sup>1</sup>	Legal Debt Limit <sup>2</sup>	Total Net Applicable Debt	Legal Debt Margin	Legal Debt Margin/Debt Limit
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%
2010	32,390,764,838	404,884,560	-	404,884,560	100%
2011	32,332,270,918	404,153,386	-	404,153,386	100%

<sup>1</sup>Total Assessed Value includes exempt property.

<sup>2</sup>Section 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, 2011**

	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to County</u>	<u>County's Share of Debt</u>
SCHOOL DISTRICTS			
Elementary	\$ 53,024,050	100%	\$ 53,024,050
High School	45,520,036	100%	45,520,036
Unified	99,161,433	100%	99,161,433
Community College	163,346,406	100%	163,346,406
SPECIAL DISTRICTS			
Fire	230,000	100%	230,000
Water	1,618,500	100%	1,618,500
Sewer	1,005,000	100%	1,005,000
Community Facilities	9,945,000	100%	9,945,000
Total Direct and Overlapping Debt			<u>\$ 373,850,425</u>

**County of Santa Cruz**  
**Outstanding Debt of the Public Financing Authority**  
**June 30, 2011**  
*(Reported in Thousands)*

<u>YEAR OF ISSUANCE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
Debt <sup>1</sup>			
1995B	\$ 785	\$ 52	\$ 837
1996	17,865	9,096	26,961
1999	275	72	347
2001B	6,885	3,838	10,723
2002	2,135	1,436	3,571
2002A	1,364	549	1,913
2004	17,290	6,189	23,479
2005	7,285	1,588	8,873
2006	7,750	4,571	12,321
2008	4,020	971	4,991
Total debt outstanding for the Public Financing Authority	<u>\$ 65,654</u>	<u>\$ 28,362</u>	<u>\$ 94,016</u>

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

<sup>1</sup>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
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
2010	272	411,120	1,511	69,970	257
2011	264	422,464	1,600	69,606	264

Fiscal Year	Assessed Valuation (In thousands)	Per Capita Income (3)	Personal Income (3) (In thousands)	School Enrollment (4)	Unemployment Rate (5)
2002	21,849,406	40,958	10,478,569	66,952	5.7
2003	23,387,410	39,466	10,089,210	67,896	7.4
2004	25,106,093	39,262	9,961,111	67,596	7.8
2005	27,584,028	39,857	10,026,336	67,224	7.0
2006	30,238,488	42,905	10,744,154	67,387	6.3
2007	32,507,394	44,049	10,966,384	66,501	5.6
2008	33,586,675	48,206	11,991,600	68,647	5.9
2009	32,531,717	51,336	12,840,550	69,640	7.3
2010	32,390,765	51,249	12,962,445	69,958	11.3
2011	32,332,271	49,145	12,591,938	68,543	12.7

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 2011 is 2009 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 2011 is annual average for 2010 calendar year) as calculated by the California Employment Development Department.

**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)
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	107	2	109	54,300	50,809	105,109	4,224,669
2010	92	23	115	61,446	40,841	102,287	4,172,547

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
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
2010	206,325	203,641	90,139	90,075
2011	201,300	201,300	92,653	92,629

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 2010-2011	Percentage of Total Assessed Valuation 2010-2011
Pacific Gas & Electric Company	Gas & Electric Utility	\$204,181,526	0.61 %
Macerich Partnership L P	Commercial Real Estate	67,573,275	0.20
NNN Enterprise Way LLC et al	Software Producer	67,334,940	0.20
Santa Cruz Seaside Company	Amusement Park	59,954,875	0.18
Watsonville Hospital Corporation	Hospital	59,174,644	0.18
Pacific Bell Telephone Co.	Telephone Utility	51,187,977	0.15
George Ow, Jr. et al	Real Estate	46,377,241	0.14
S C Beach Hotel Partners LLC	Hotel	43,859,749	0.13
Cypress Point RE Investors LLC	Apartment Complex	42,090,471	0.13
Seagate Technology LLC	Electronic Manufacturer	37,647,841	0.11
<b>Totals</b>		<b>\$679,382,539</b>	<b>2.05 %</b>

Taxpayer	Type of Business	Assessed Value 2001-2002	Percentage of Total Assessed Valuation 2001- 2002 <sup>2</sup>
Pacific Gas & Electric Company	Gas & Electric Utility	\$121,693,036	0.57 %
Silicon Systems Inc.	Electron Systems	106,566,683	0.50
Pacific Bell Telephone Co.	Telephone Utility	105,883,290	0.50
<b>Lone Star</b>	<b>Cement Manufacturer</b>	<b>75,876,924</b>	<b>0.36</b>
Santa Cruz Seaside Company	Amusement Park	61,183,393	0.29
Macerich Partnership L P	Commercial Real Estate	57,920,899	0.27
Watsonville Hospital Corporation	Hospital	51,941,924	0.24
Enterprise Way Associates	Software Producer	50,881,060	0.24
Seagate Technology	Electronic Manufacturer	46,860,105	0.22
Sequoia Equities-Cypress Point	Rental Real Estate	42,546,395	0.20
<b>Totals</b>		<b>\$721,353,709</b>	<b>3.39 %</b>

Note: Principal taxpayer data for fiscal year 2010-2011 is derived from the 2010 tax roll, which was billed and collected during 2011. Data for fiscal year 2001-2002 is derived from the 2001 tax roll, which was billed and collected during 2002.

<sup>1</sup> Percentage of total assessed valuation for 2010-2011 is calculated from the total net assessed valuation of \$33,214,355,012.

<sup>2</sup> Percentage of total assessed valuation for 2001-2002 is calculated from the total net assessed valuation of \$21,290,929,844.

**County of Santa Cruz  
Principal Employers  
Current and Five Years Ago**

<b>Employer</b>	<b>Product/Service</b>	<b>Number of Employees 2010-2011<sup>1</sup></b>	<b>Percentage of Total Employment 2010-2011<sup>2</sup></b>
University of California at Santa Cruz	Education	1,000-4,999	2.257 %
Dominican Hospital	Hospital	1,000-4,999	2.257
Santa Cruz Beach Boardwalk	Amusement/Recreation	1,000-4,999	2.257
County of Santa Cruz	County Services	1,000-4,999	2.257
Pajaro Valley Unified School District	Education	1,000-4,999	2.257
Cabrillo College	Education	500-999	0.564
City of Santa Cruz	City Services	500-999	0.564
Seagate Technology	Disc Drives	500-999	0.564
Watsonville Hospital	Hospital	500-999	0.564
West Marine	Retail	500-999	0.564
Plantronics	Telephone Apparatus Mfg.	500-999	0.564
Santa Cruz City School District	Education	500-999	0.564
<b>Total</b>			<b>0.000 %</b>

<b>Employer</b>	<b>Product/Service</b>	<b>Number of Employees 2005-2006<sup>1</sup></b>	<b>Percentage of Total Employment 2005-2006<sup>3</sup></b>
University of California at Santa Cruz	Education	5,100	3.612 %
Pajaro Valley Unified School District	Education	2,700	1.912
County of Santa Cruz	County Services	2,600	1.841
Dominican Hospital	Hospital	1,500	1.062
City of Santa Cruz	City Services	1,000	0.708
Seagate Technology	Disc Drives	900	0.637
Cabrillo College	Education	900	0.637
Santa Cruz City School District	Education	900	0.637
Seaside Center	Amusement/Recreation	750	0.531
Watsonville Hospital	Hospital	700	0.496
West Marine	Retail	600	0.425
City of Watsonville	City Services	500	0.354
<b>Total</b>		<b>18,150</b>	<b>12.854 %</b>

<sup>1</sup> Number of employees reflects an average based on a range provided by California Employment Development Department (EDD) data.

<sup>2</sup> Based on total civilian employment of 132,900 as reported by the California Employment Development Department for June 2011.

<sup>3</sup> Based on total civilian employment of 141,200 as reported by the California Employment Development Department for June 2006.

**County of Santa Cruz**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Public Assistance</b>										
Human Services Department										
Adult Protective Services										
Referrals received	579 <sup>2</sup>	542 <sup>1</sup>	585	610	585	664	618	574	548	561
Investigations completed	320 <sup>2</sup>	320 <sup>1</sup>	416	468	432	370	390	361	369	376
Family and Children's Services										
Annual referrals (families)	2,763 <sup>2</sup>	2,624 <sup>1</sup>	3,096	3,093	2,979	3,100	3,348	3,062	2,956	3,052
Finalized adoptions	42 <sup>2</sup>	32 <sup>1</sup>	42	41	43	41	41	31	35	61
Monthly average number of licensed foster homes	103 <sup>2</sup>	100 <sup>1</sup>	109	124	123	113	109	108	107	129
Benefit Services										
Average number of Medi-Cal recipients	30,076 <sup>2</sup>	28,998 <sup>1</sup>	27,487	26,655	25,427	24,135	21,723	20,990	18,940	n/a
<b>Public Ways and Facilities</b>										
Public Works										
Roads										
Miles of road maintained	600	600	600	600	600	600	600	600	600	599
Potholes repaired	3,552	2,500	2,500	3,500 <sup>3</sup>	5,500 <sup>3</sup>	5,500 <sup>3</sup>	5,500 <sup>3</sup>	5,500 <sup>3</sup>	5,500	5,500
Minor culverts maintained	1,010	2,000	2,000	2,000	2,200	2,262	2,261	2,260	2,258	2,255
Bridges and major culverts maintained	160	160	160	160	159	159	159	159	159	159
Traffic signs replaced/repared	1,850	1,029	1,400	1,475	2,200	2,425	2,400	2,350	2,300	2,250
Miles of street swept	1,465	4,000	4,500	5,000	5,000	4,550	5,000	4,900	4,800	4,700
Sanitation										
Miles of pipe maintained	230	230	222	222	222	222	222	222	220	220
Maintenance call responses	182	238	216	272	501	381	127	122	120	120
Landfill										
Waste generated (tons)	139,365	153,873	164,717	183,993	229,877	230,000	201,000	205,971	211,693	218,578
Waste disposed (tons)	71,470	71,701	76,203	77,745	99,423	87,400	86,430	94,745	103,730	98,360
<b>Recreation and Cultural Services</b>										
Parks, Open Space and Cultural Services										
Facility bookings	5,545	5,942 <sup>1</sup>	5,772	6,114	7,389	7,238	7,096	6,677	6,414	n/a
Recreation registrations	6,273	5,518	5,888	4,982	4,898	4,777	4,343	7,228	7,353	7,744
Swim admissions	76,334	90,771	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.

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

<sup>2</sup> Data is estimated as presented in the 2011-2012 Proposed Budget.

<sup>3</sup> Prior periods reported a range which has been averaged here.

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

Function	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Public Protection</b>										
Agricultural Commissioner										
High risk quarantine inspections	1,900 <sup>2</sup>	1,900 <sup>1</sup>	2,800	2,640	2,894	2,686	2,600	2,300	2,700	2,900
District Attorney										
Criminal Prosecution										
Felony filings	2,243 <sup>2</sup>	2,457 <sup>1</sup>	2,155	2,128	2,210	2,251	2,551	2,314	2,040	2,213
Juvenile filings	329 <sup>2</sup>	594 <sup>1</sup>	731	1,046	813	714	1,046	1,262	681	661
Consumer Affairs										
Number of calls received	2,750 <sup>2</sup>	2,622 <sup>1</sup>	2,880	2,960	3,008	3,165	3,046	3,012 <sup>3</sup>	7,767	11,729
Number of written complaints received	382 <sup>2</sup>	462 <sup>1</sup>	288	440	375	228	206	195	244	265
Planning										
Building permits issued	2,787 <sup>2</sup>	2,463	2,611	3,162	3,651	3,894	3,616	3,588	3,549	3,406
Building permit inspection sites visited	7,620 <sup>2</sup>	7,093 <sup>1</sup>	9,353	10,061	11,862	12,157	12,247	11,420	11,101	10,953
Code compliance cases resolved	228 <sup>2</sup>	400 <sup>1</sup>	574	1,192	871	907	1,025	1,064	1,196	1,003
Probation <sup>5</sup>										
Juvenile division referrals	n/a <sup>6</sup>	1,649 <sup>2</sup>	2,323 <sup>1</sup>	2,378	2,411	2,222	2,671	2,353	2,694	2,843
Juvenile division petitions filed	n/a <sup>6</sup>	880 <sup>2</sup>	1,166 <sup>1</sup>	1,148	1,260	1,216	1,236	1,293	1,472	1,476
Juvenile court investigations	n/a <sup>6</sup>	116 <sup>2</sup>	178 <sup>1</sup>	183	218	249	284	232	226	171
Public Defender										
Total cases	11,050 <sup>2</sup>	10,785 <sup>1</sup>	12,385	12,455	12,642	12,604	12,290	13,864	14,496	12,960
Sheriff/Coroner (Investigation Division) <sup>5</sup>										
Felony cases cleared	n/a	n/a	n/a	n/a	n/a	n/a	675	741	719	1,361
Misdemeanor cases cleared	n/a	n/a	n/a	n/a	n/a	n/a	336	365	395	1,000
Detention										
Main jail bookings	12,274	12,716	13,576	12,941	13,479	13,109	12,721	12,834	13,200	12,545
Weights and Measures										
Establishments visited	1,120 <sup>2</sup>	1,500 <sup>1</sup>	1,742	1,836	2,093	2,175	2,051	1,951	1,660	2,012
<b>Special District</b>										
Mosquito Abatement/Vector Control CSA #53										
Mosquito inspections	4,500 <sup>2</sup>	5,515 <sup>1</sup>	5,515	4,396	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.

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

<sup>2</sup> Data is estimated as presented in the 2011-2012 Proposed Budget.

<sup>3</sup> Consumer Affairs Coordinator reduced to half time.

<sup>4</sup> Data reflects duplicated contracts from the same clients.

<sup>5</sup> Data is presented on a calendar year basis.

<sup>6</sup> Calendar year data is not yet available.

**County of Santa Cruz**  
**Budgeted Positions**  
**Last Ten Fiscal Years**

DEPARTMENT/FUNCTION	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
COUNTY ADMINISTRATIVE OFFICE	15.30	14.30	13.30	18.00	18.00	18.00	18.00	18.00	18.00	18.00
CLERK OF THE BOARD	5.00	5.00	5.00	-	-	-	-	-	-	-
AG COMMISSIONER <sup>1</sup>	17.81	17.26	17.00	18.00	20.00	21.00	22.00	22.00	19.75	19.70
MOSQUITO ABATEMENT	3.00	3.00	3.71	4.00	4.00	8.00	8.00	9.00	9.00	8.00
WEIGHTS & MEASURES <sup>1</sup>	3.00	3.00	2.00	2.00	-	-	-	-	-	-
PEST DETECTION	2.32	2.48	-	-	-	-	-	-	-	-
AG EXTENSION	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.75	1.00
ASSESSOR	40.00	38.00	38.00	38.00	38.00	38.00	38.00	37.50	35.50	33.50
AUDITOR-CONTROLLER	30.50	30.00	29.00	29.00	29.00	29.50	29.50	29.50	29.00	29.00
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	-	-	-	-	-	-	-	-	-
RECORDER	14.00	15.00	16.00	12.00	13.00	13.00	13.00	11.00	11.00	11.00
ELECTIONS	8.50	7.00	7.50	11.00	10.00	12.00	14.00	14.00	14.00	14.00
COUNTY COUNSEL	23.20	21.50	20.00	19.00	19.50	19.50	19.50	19.00	18.50	18.50
DISTRICT ATTORNEY	102.50	94.00	87.50	84.50	81.50	85.50	91.50	92.50	92.50	90.50
CHILD SUPPORT SERVICES	86.75	92.75	85.75	70.50	68.50	68.50	69.50	66.50	66.50	65.50
EMERGENCY SERVICES	4.00	4.00	3.25	3.00	1.75	1.75	2.00	3.75	2.00	2.00
COMMUNICATIONS	7.00	7.00	7.00	6.00	6.00	-	-	-	-	-
FIRE MARSHALL	1.00	1.00	1.00	1.00	1.00	1.55	2.30	-	-	-
GENERAL SERVICES	12.00	10.00	9.00	9.00	11.00	11.00	11.00	9.00	9.00	9.00
FACILITIES MAINTENANCE	37.00	40.00	39.00	36.00	37.00	38.00	47.75	47.00	47.00	44.00
PURCHASING	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00
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	7.00	7.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.00
HEALTH SERVICES	607.41	579.25	571.70	546.60	577.60	647.75	661.05	526.55	486.50	498.25
HUMAN SERVICES	563.60	521.10	440.10	432.60	481.10	511.10	527.60	463.00	445.50	434.50
PUBLIC GUARDIAN <sup>2</sup>	16.00	17.00	14.00	9.00	-	-	-	-	-	-
WORKFORCE INVESTMENT ADMIN	6.00	7.00	5.00	-	-	-	-	-	-	-
VETERANS SERVICES	5.00	5.00	3.00	3.00	5.00	5.00	5.00	4.00	4.00	4.00
IHSS PUBLIC AUTHORITY	-	5.00	4.00	-	-	-	-	-	-	-
INFORMATION SVCS/TELEPHONE	81.50	81.50	78.50	73.25	71.25	78.25	78.25	76.25	65.00	65.00
INFORMATION SVCS/COMM. TECH.	-	-	-	-	-	6.00	6.00	6.00	6.00	6.00
PARKS OPEN SPACE AND CULTURAL	70.50	67.75	63.50	53.55	53.05	53.75	57.00	56.00	47.50	42.10
PERSONNEL	26.00	24.50	23.50	22.50	22.50	23.50	27.50	27.50	25.50	24.50
RISK MANAGEMENT	10.75	10.75	10.75	10.75	9.75	10.75	10.75	10.75	12.00	11.00
PLANNING	110.75	93.75	90.50	98.50	99.25	99.25	100.00	100.00	87.25	75.60
PROBATION	110.50	108.00	86.50	86.00	88.00	90.00	101.00	94.00	81.00	77.00
JUVENILE HALL	31.00	31.00	29.00	33.00	32.00	31.00	31.00	31.00	30.50	30.50
PUBLIC WORKS	289.00	308.00	303.00	298.00	296.00	303.50	300.50	290.00	274.00	272.50
RDA	15.00	15.00	16.00	11.00	13.00	13.00	14.00	14.00	22.00	22.00
SHERIFF-CORONER	180.50	177.50	175.50	169.00	170.50	172.75	177.25	176.25	173.75	170.75
DETENTION	146.00	137.00	137.00	136.00	138.00	144.00	148.00	168.00	165.25	155.00
COURT SECURITY	21.00	22.00	22.00	22.00	23.00	24.00	26.00	26.00	26.00	25.00
TREASURER	20.50	19.50	14.50	15.50	15.75	16.25	16.25	16.75	14.75	13.50
<b>TOTAL</b>	<b>2,758.39</b>	<b>2,668.89</b>	<b>2,504.06</b>	<b>2,413.25</b>	<b>2,486.00</b>	<b>2,627.15</b>	<b>2,705.20</b>	<b>2,496.80</b>	<b>2,370.00</b>	<b>2,318.90</b>

<sup>1</sup> Weights and Measures was incorporated-into the Ag Commissioner

<sup>2</sup> 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, 2011**

COVERAGE	DETAILS OF COVERAGE	LIMITS
Property	CSAC-EIA Blanket buildings and equipment including EDP, Vehicles, Contractors' Equipment, Boiler & Machinery. All Risk, flood, replacement cost-agreed amount including earthquake at scheduled locations All Risk Limits (portion of limits are shared) Earthquake Limits (portion of limits are shared) Deductible	\$ 610,000,000 390,000,000 5,000
Crime Bond Blanket Program	CSAC-EIA Faithful Performance Bond (covers failure to faithfully perform duties and employee dishonesty). Includes all 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 Self-Insured Retention Deductible (per occurrence) Workers' Compensation and Employer's Liability	Statutory Limits
Medical Malpractice and General Liability	CSAC-EIA Comprehensive hospital professional and general liability for HSA staff and operations and Jail Medical Unit Deductible	21,500,000 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 \$25,000,000	25,000,000
Optional Excess	CSAC - Excess Insurance Authority \$10,000,000 excess of \$25,000,000	35,000,000
Catastrophic Liability	CSAC - Excess Insurance Authority Upper layer of coverage in Optional Excess and GLII	50,000,000
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 Ten Fiscal Years**

Function	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Public protection - Sheriff</b>										
Jail facilities	3	3	3	3	3	3	3	3	3	3
Rehabilitation center	1	1	1	1	1	1	1	1	1	1
Juvenile center	1	1	1	1	1	1	1	1	1	1
Courthouses	3	3	3	3	2	2	2	2	2	2
Morgue	1	1	1	1	1	1	1	1	1	1
<b>Public assistance</b>										
Child day care center	1	1	1	1	1	1	1	1	1	1
Elder day care center	1	1	1	1	1	1	1	1	1	1
Residential care facility	1	1	1	1	1	1	1	1	1	1
Volunteer center	1	1	1	1	1	1	1	1	1	1
Veterans centers	2 <sup>2</sup>	2 <sup>2</sup>	2	2	2	2	2	2	2	2
<b>Recreation and culture</b>										
Parks acreage	223	223	223	223	223	223	223	223	223	223
Sites	57	57	57	57	55	56	55	55	54	54
Athletic fields	17	17	17	17	17	17	17	17	17	17
Swimming pools	4	4	4	2	2	2	2	2	2	2
<b>Public ways and facilities</b>										
<b>Roads</b>										
Pavement (miles)	600	600	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	3,000	3,000
Minor culverts	1,010	2,000	2,000	2,000	2,200	2,262	2,261	2,260	2,258	2,255
Bridges and major culverts	160	160	160	160	159	159	159	159	159	159
<b>Sanitation</b>										
Pipe (miles)	230	230	222	222	222	222	222	222	220	220
Pump stations/treatment plants	62	62	62	62	62	62	62	62	59	59
<b>General government and support services</b>										
Administrative and other facilities <sup>1</sup>	10	10	10	10	10	10	10	10	10	8

<sup>1</sup> Includes buildings and centers utilized by various departments within different functions.

<sup>2</sup> One center was vacated following a building closure notice issued by the County Administrative Officer effective 5:00 pm on January 21, 2010, due to identified structural issues that rendered the building unsafe for occupancy.





Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants

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

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

We have audited the basic financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Santa Cruz (County), as of and for the year ended June 30, 2011, and have issued our report thereon dated January 5, 2012. We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the County's internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of the audit committee, management, the Board of Supervisors, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Caporicci & Larson, Inc.*

Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants  
San Francisco, California  
January 5, 2012

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# **GLOSSARY**

## **(UNAUDITED)**

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**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.

**ASSIGNED FUND BALANCE.** Amounts that are constrained by the County's intent to be used for specific purposes. The intent can be established at either the highest level of decision making or by a body or an official designated for that purpose. This is also the classification for residual funds in the County's special revenue funds.

**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.

**COMMITTED FUND BALANCE.** Amounts that can only be used for specific purposes determined by formal action of the County's highest level of decision-making authority (the Board of Supervisors), and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

**COMPENSATED ABSENCES.** Absences, such as vacation, and illness, 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.

**NONSPENDABLE FUND BALANCE.** Amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

**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 that 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 FUND BALANCE.** Amounts with constraints placed on their use that are either (a) externally imposed by creditors, 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 retirable 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.

**UNASSIGNED FUND BALANCE.** The residual classification for the County's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

**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).