

COUNTY OF SANTA CRUZ  
STATE OF CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2007



Seacliff State Beach, Santa Cruz County

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



*County of Santa Cruz, California*

*Comprehensive Annual Financial Report*  
*For the Fiscal Year Ended*  
*June 30, 2007*

*Prepared Under the Direction of*  
*Mary Jo Walker*  
*Auditor-Controller*



**COUNTY OF SANTA CRUZ, CALIFORNIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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# **INTRODUCTORY SECTION**

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# 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

December 27, 2007

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, 2007 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, Bartig, Basler & Ray, who have rendered an unqualified opinion thereon, have audited these statements. Their report is provided herein.

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

The CAFR represents the culmination of all budgeting and accounting activities engaged in during the year, covering all funds of the County, its component units and its financial transactions. The CAFR is organized into four sections: introductory, financial, statistical and glossary.

- The Introductory Section is intended to familiarize the reader with the organizational structure of the County, the nature and scope of the services it provides, and the specifics of its legal operating environment. The introductory section includes this transmittal letter, the County's organizational chart and a list of elected and appointed officials.

- The Financial Section includes the audited basic financial statements, disclosure notes, required supplementary information including the management’s discussion and analysis, supporting statements and schedules necessary to fairly present the financial position and the results of operations of the County in conformity with generally accepted accounting principles, and the independent auditor’s report on the basic financial statements.
- The Statistical Section contains comprehensive statistical data on the County’s financial, physical, economic, social and political characteristics. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.
- The Glossary Section provides definitions of the various specialized terms used in this document.

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

## **FINANCIAL INFORMATION**

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

In accordance with the County Budget Act codified in the Government Code, the County prepares and adopts a budget on or before October 2 for each fiscal year. Budgets are adopted for the General Fund and Special Revenue Funds. In addition to the controls mentioned above, the County maintains budgetary controls, whose objective is to ensure compliance with legal provisions embodied in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the character level of salaries and benefits, services and supplies for each budget unit within each budgeted

fund. Other charges, land, plant and improvements, and equipment are controlled on a line item basis within each budget unit. The County also maintains an encumbrance accounting system as one technique for accomplishing budgetary control. At year-end, encumbrances lapse, but are re-appropriated as part of the following year's budget. The encumbrance system is employed to record amounts committed for purchase orders or contracts. If appropriations are not sufficient, Board of Supervisors-approved appropriation transfers are required before commitments or expenditures are permitted. Encumbrances outstanding at year-end are shown as reservations of fund balance, except for grants. Grant encumbrances are canceled at year-end and re-budgeted with revenues in the new fiscal year.

## **PROFILE OF THE COUNTY**

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

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

Santa Cruz is located on the Central Coast of California, and is bordered by San Mateo County to the north, Santa Clara County to the east, San Benito and Monterey Counties to the South and the Monterey Bay National Marine Sanctuary to the West.

The County of Santa Cruz is the second smallest county in California in terms of land mass and the 23rd of 58 counties in terms of population. The County's population is 264,125. Approximately half live in one of the County's four cities; Capitola, Santa Cruz, Scotts Valley, and Watsonville, with the other half living in the unincorporated portions of the County.

## **ECONOMIC CONDITIONS AND OUTLOOK**

Regionally, the Santa Cruz area enjoyed a fairly healthy economy during the past few years after recovering from the pronounced economic downturn in 2001. Real estate sales were brisk, resulting in the assessed value of real property increasing in the County by more than 9% in fiscal years 2005-06 and 2006-07. However, with rising interest rates and the subprime mortgage lending crisis, real estate sales have slowed significantly. The assessed values of property in the County still grew in fiscal year 2007-08, but at a lower rate of 7.4%. It will be considerably lower in the coming fiscal year. Another indicator of the local economy is retail sales. Countywide sales tax receipts increased during fiscal year 2006-07 by a modest 4.2% over the

previous year, and finally surpassed the level that they were in 2000-01 before the economic downturn. Tourism is important to the local economy as well, and the Santa Cruz area experienced gains in occupancy and slightly stronger tourist spending than in the prior year. Transient Occupancy Tax collections increased about 14% in the unincorporated County during fiscal year 2006-07 compared to the prior year, due in part to a renewed focus on Transient Occupancy Tax audits of lodging providers in the unincorporated area.

The County's fiscal year 2007-08 budget adopted by the County Board of Supervisors reflects a balanced and cautious fiscal plan. In a year with a softening housing market, the fiscal year 2007-08 budget does not include significant new initiatives, but rather maintains service levels and continues the investment in existing programs. The budget is balanced with a significant amount of one-time funds and certain revenues that are not expected to grow as robustly in the future, including property taxes, interest income and sales taxes. The major cost increases approved in fiscal year 2007-08 are primarily associated with federal and state grants in the Health Services Agency and the Human Resources Agency, as well as costs associated with the recently negotiated employee salary and benefit increases. Staffing levels in the majority of County departments remain stable, and any staffing increases are generally limited to those areas with funding enhancements from federal and State grants. A limited number of critical maintenance and health and safety capital projects were approved to address the County's deferred maintenance needs.

During the past year, the County drew upon its General Fund reserves to balance the fiscal year 2007-08 budget, just after rebuilding the reserves following the prior economic downturn. Total General Fund reserves and designations were \$17,167,331 at June 30, 2006, reduced to \$14,601,983 at June 30, 2007, not including \$3,288,009 in encumbrance reserves for future purchase orders or contracts. The General Fund reserves are projected to be \$11,201,983 as of June 30, 2008. The largest portion of this decrease is from eliminating the \$2.4 million reserve for the Emeline Street complex. About \$843,000 of that amount is to be remitted back to the federal government as their share of the settlement which the County received for defective construction of the Emeline Street complex, with the remainder being used to fund the Health Services Agency.

At the State level, the California Legislative Analyst's Office is projecting a \$1.9 billion deficit for 2007-08 and \$10 to \$14 billion budget gap for fiscal year 2008-09. The California economy was fairly strong in the first half of the decade, based in part on the robust real estate market which peaked in 2005. The significant downturn in construction and other real estate activities since 2005 is primarily responsible for the State's weakening economy. The Legislative Analyst's Office is not projecting a recession in their five year forecast, but rather a slowing of economic growth, as reflected in their lowered projections for personal income tax, corporate income tax, sales tax and property tax revenues. The State's long term outlook will continue to mean uncertainty for local agencies.

The California Public Employees Retirement System (CALPERS) pension fund, which County employees participate in, earned 19.1% return on its investments for the year ended June 30, 2007, and marks the fourth straight year it earned double-digit returns. 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. County employees pick-up a portion of their retirement costs. County employees also participate in the CALPERS health insurance program, whose basic HMO rates will increase by 7.4% for 2008, lower than the 2007 HMO rate increase of 11.6%.

Beginning in July 2004, to help repay California's \$15 billion deficit, the State imposed on local agencies a series of three funding changes commonly referred to as the "flip/swap/shift". Counties were required to "flip" one-fourth of their sales tax revenues with property tax revenues. The State pledged these freed-up local sales tax revenues to repay their multi-billion dollar deficit bond issue, and in return, replaced these local sales tax revenues with an equal amount of property taxes that were previously directed to the local schools through the Educational Revenue Augmentation Fund (ERAF). Secondly, the State relieved counties and cities of the Motor Vehicle In Lieu Taxes (VLT) and "swapped" it with property taxes which had also been previously directed to the local schools through ERAF. Finally, in an effort to support the schools, the State "shifted" an additional \$2.4 million in County property tax revenues to schools back to the schools via the ERAF in 2004-05 and 2005-06, but this practice did not continue into fiscal year 2006-07. So over these past few years, the County again bailed the State out and gave up monthly flows of revenue to improve the State's cash flows, which in turn shifted another part of its fiscal imbalance to local government.

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

In late December 2007, the Governor announced that he intends to declare a state of severe fiscal hardship, which will set the wheels in motion to possibly suspend the provisions of Proposition 1A that protect local government property tax revenues. The upcoming fiscal year could be challenging for the County, but in my opinion, the County's management has done an excellent job under difficult fiscal conditions in the past, and will no doubt continue to do so. Clearly, but for the State's impaired financial condition, the County could effectively manage its finance decisions at the local level.

## **MAJOR INITIATIVES**

- The Agricultural Commissioner Department incorporated the Northern portion of the County into the existing Mosquito Abatement and Vector Control programs in 2006. The Light Brown Apple Moth, which is a threat to the County's thriving agriculture business and the local environment, was discovered in Santa Cruz County in April 2007. The State mandated aerial spraying to control and eradicate this pest, which caused much concern among citizen groups and local agencies.

- The Assessor's Office is in the final stages of building a new Assessor-Recorder interface using automated work flow technology to route directly into the Assessor's database for processing. The State of California eliminated the Property Tax Administration Program after ten years, and the Assessor's Office absorbed the loss of more than \$300,000, primarily by not funding two positions.
- The County Recorder's Office remodeled the public spaces to provide the public with enhanced access to historical documents. As part of the mission to preserve and conserve the County's unique and historical records, the County Recorder implemented the Digital Reel project which converts records stored on microfilm to digital images so they are instantly available, including over 15,000 old paper birth records which had to be digitally scanned.
- The Auditor-Controller's Office continues with two large-scale projects to modernize the County's payroll system and the property tax system. In addition, the implementation of the GASB 45 requirements to report other post-employment benefits will be completed during fiscal year 2007-08.
- Child Support Services is working with the State Department of Child Support Services to migrate to the California Child Support Automation System without disruption in services to customers. As part of this process, the Department is evaluating its business processes, and will identify significant opportunities for performance gains and efficiency improvement through a structured organization and process review.
- The County Administrative Office represented the County in the new Watsonville Superior Court building which will be completed in January 2008. The new facility will replace the modular court buildings at the Main Courthouse in Santa Cruz and the courtroom and hearing room at the Watsonville Court Annex on Freedom Boulevard. The Court facility is a component of the mixed-use Watsonville Civic Plaza and parking structure in downtown Watsonville. The Superior Court intends to transfer current services from the Freedom Boulevard site to the new facility in February 2008 and transfer felony cases in March 2008. Family law services are scheduled to begin at the new facility in April 2008. Financing has been provided by the County of Santa Cruz, the City of Watsonville and the Superior Court.
- The County Clerk's Office is focused on supporting the February 2008 presidential primary election and a June 2008 primary election for federal, state, judicial and supervisorial offices using new voting equipment approved by the State of California. Staff continues to implement the requirements of the federal Help America Vote Act (HAVA), which establishes voting system standards and guidelines for accommodating persons with disabilities.
- County Counsel continues to focus on tort claim defense, land use activity defense, and child protective services, along with the mobile home rent adjustment ordinance, civil litigations and administrative hearings.



- The District Attorney's Office faced an unprecedented double-digit number of homicides which occurred and went to trial. The investigation and prosecution of many of these cases will continue through FY 2007-08, limiting resources available for other types of cases. The Office successfully obtained funding from 13 grants and other revenue sources totaling \$1.5 million.
- The General Services Department embarked upon an extensive energy efficiency project at the County Government Center which includes the replacement of outmoded heating, ventilation and elevator equipment with more energy efficient models. County Fire, which is a division of the General Services Department, is evaluating options for financing various service level alternatives and equipment needs.
- The Health Services Agency continues working with the community on the various elements of Proposition 63, the Mental Health Services Act. A coalition of local health leadership groups has worked to advocate for changes to the Medicare reimbursement levels, emergency department support, County-wide disease management, indigent care and Healthy Kids. The MediCruz program is currently stable but continues to experience significant financial challenges, but careful management of the program and program adjustments have significantly reduced the need for augmented funds. The Healthy Kids insurance plan, launched in 2004, has over 85% of the eligible youth enrolled. Using this as a model, Assembly Member John Laird introduced legislation to allow children's health insurance to become a statewide program.
- The Human Resources Agency continues its innovative programs and community partnerships, including engaging the community in an open and comprehensive process for assessing and improving the local child welfare services system; launching Families Together, a program designed to provide community-based prevention and intervention services for at-risk families; and promoting community-wide vigilance against elder financial abuse through a series of educational training and workshops.
- The Information Services Department continues consolidating infrastructure and technical services from other County departments to provide maximum system integration. This includes migrating key applications off the mainframe computer such as the Probation Case Management System and the Sheriff's Record Management and Detention Management Systems. Other major projects include developing a new County-wide web-based payroll system, replacing the County's Property Tax System.
- The Parks, Open Space and Cultural Services Department continued construction of Felt Street Park, renovations to the Simpkins Swim Center and new parking at Anna Jean Cummings Park.
- The Personnel and Risk Management Department is in the process of conducting a major study of all information services classifications throughout the County, affecting most County departments. Ten of the County's twelve bargaining units have Memorandums of Understanding which expire during fiscal year 2007-08.

- The Planning Department embarked upon a project to simplify the County's land use regulations and associated processes through enhancements to customer service, implementation of management and business initiatives, and development of new planning and policy directions. The Department is also streamlining and simplifying the permit review process, providing more effective delivery of code enforcement services and implementing an expanded land use tracking and record keeping system.
- The Probation Department received a number of grants including the Adult Mentally Ill Offender Crime Reduction grant and the Juvenile Mentally Ill Offender Crime Reduction Grant. The Department was awarded a one-year State grant to provide gender specific education, family stress, trauma and substance abuse services. The Probation Department continues to work with the Sheriff's Department to address overcrowding at the Main Jail by developing alternative programs and intermediate sanctions.
- The Public Works Department, as a result of the very heavy rain storms in 2006, was called upon to make assessments and emergency repairs to approximately 70 storm damaged sites. The Department has been working with the Federal Emergency Management Agency and the California Office of Emergency Services to repair these sites, the cost of which is expected to exceed \$15 million. The Department transitioned to a new County-wide solid waste collection franchise contract during the year, and continues working to secure State funding to reinforce the levies along the Pajaro River to prevent future flood damage in that area.
- The Sheriff-Coroner's Office's newest service center, Salsipuedes Service Center located in the rural south County area, provides services to the surrounding agricultural community. Although jail overcrowding continues to be a challenge, the Main Jail's population was below the prior year, reflecting the Department's efforts to develop a multi-faceted approach to address the issue, including greater work release programs, transfer of inmates to another facility, and enhanced pretrial and case management tracking systems. The Office will be implementing a countywide Automated Fingerprint Identification System in the current year.
- The Treasurer-Tax Collector's Office continues its work to expand a delinquent court fine collection program in accordance with the provisions of SB 940. This comprehensive collection program provides appropriate follow-up activities for debt collection as well as additional revenues for the County and other local agencies.

## **OTHER INFORMATION**

State statutes require an annual audit by independent Certified Public Accountants. The firm of Bartig, Basler & Ray 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, 2006. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This 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's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **AUDITOR-CONTROLLER ACKNOWLEDGMENTS**

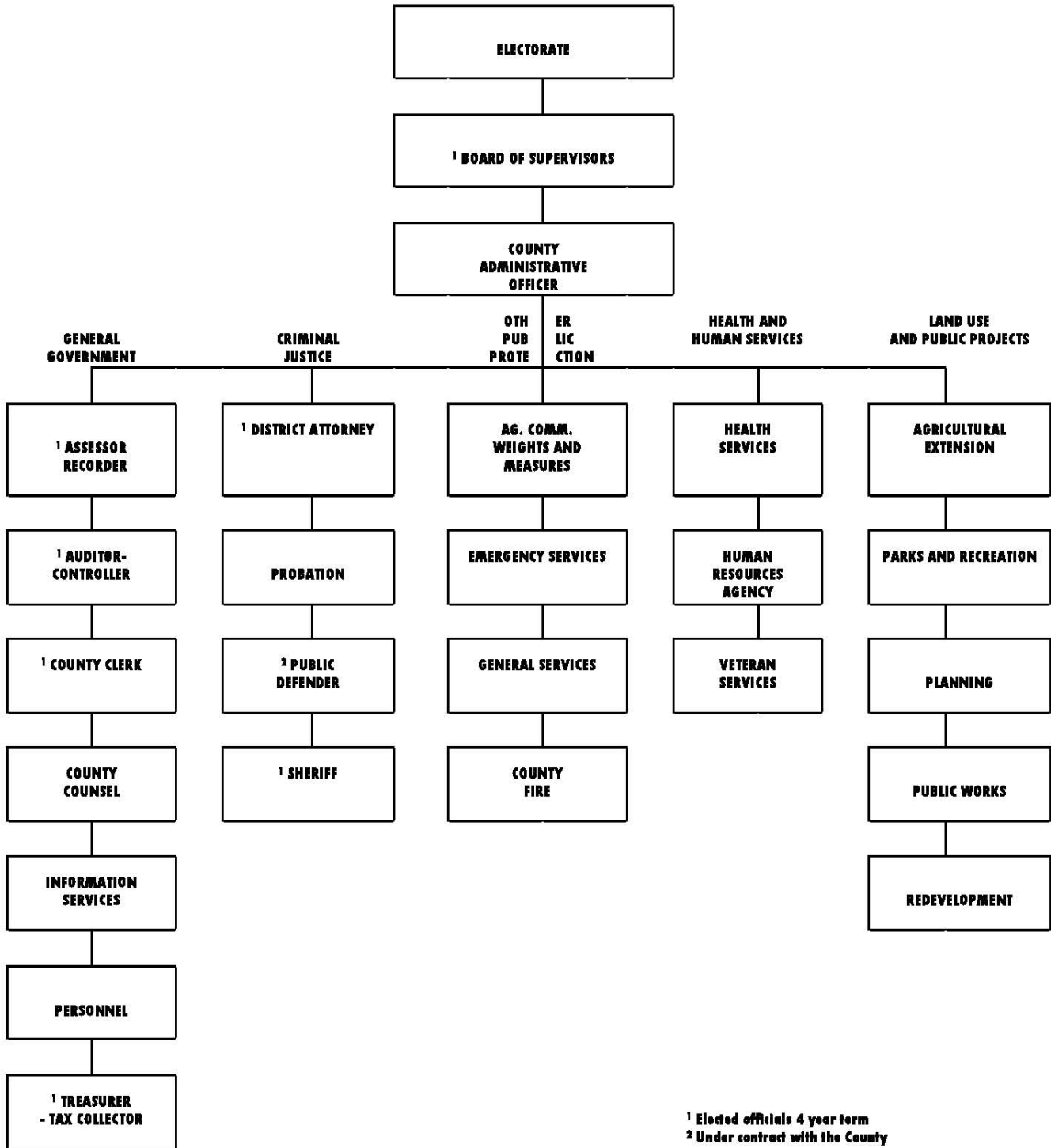
I wish to express my appreciation to my Accounting Division and Audit Division, the County departments that participated, and Bartig, Basler & Ray for their contributions, assistance, and guidance in the preparation of this report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Mary Jo Walker".

Mary Jo Walker  
Auditor-Controller

# COUNTY OF SANTA CRUZ ORGANIZATION CHART



<sup>1</sup> Elected officials 4 year term  
<sup>2</sup> Under contract with the County

## Directory of Public Officials

### Elective Officers

		<u>Term ends</u>
Supervisor, 1st District	Janet K. Beautz	January 2009
Supervisor, 2nd District	Ellen Pirie	January 2009
Supervisor, 3rd District	Neal Coonerty	January 2011
Supervisor, 4th District	Tony Campos	January 2011
Supervisor, 5th District	Mark W. Stone	January 2009
State Senator	S. Joseph Simitian	January 2009
Assemblyman-27th District	John Laird	January 2009
Congressman-17th District	Sam Farr	January 2009
Assessor-Recorder	Gary Hazelton	January 2011
Auditor-Controller	Mary Jo Walker	January 2011
Treasurer-Tax Collector	Fred Keeley	January 2011
County Clerk-Elections	Gail Pellerin	January 2011
District Attorney-Public Administrator	Bob Lee	January 2011
Sheriff-Coroner	Steve Robbins	January 2011

### Appointed Officers

Administrative Officer	Susan A. Mauriello
Affirmative Action Officer	Claire Schwartz
Agricultural Commissioner	Ken Corbishley
County Counsel	Dana McRae
Director of Agricultural Extension	Laura Tourte
Director of Child Support Services	Lynn Miller (Interim Director)
Director of General Services	Gerald L. Dunbar
Director of Information Services	Kevin Bowling
Director of Human Resources Agency	Cecilia Espinola
Director of Planning	Tom Burns
Director of Public Works/Road Commissioner	Thomas Bolich
Santa Cruz County Fire Chief	John Ferreira
Emergency Services Administrator	Mike Dever
Health Officer	Dr. Poki Namkung
Health Services Administrator	Rama Khalsa
Parks, Recreation and Cultural Services	Barry C. Samuel (Interim Director)
Personnel Director	Dania Torres-Wong
Probation Officer	Judy Cox
Redevelopment Agency Administrator	Betsey Lynberg
Veteran's Service Officer	Kenneth Burke

# 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, 2006

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



President

Executive Director

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# **FINANCIAL SECTION**

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BARTIG, BASLER & RAY, LLP

A GALLINA LLP COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Santa Cruz, California (the County), as of and for the year ended June 30, 2007, 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 opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2007, 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.


In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated December 14, 2007 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The Management's Discussion and Analysis; the Schedule of Funding Progress; and the Budgetary Comparison Schedules, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, statistical section and glossary are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County. The combining financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory, statistical and glossary sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BARTIG, BASLER & RAY, LLP  
A Gallina LLP Company

A handwritten signature in black ink that reads "Bartig Basler & Ray, LLP". The signature is written in a cursive, flowing style.

Roseville, California  
December 14, 2007

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# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## COUNTY OF SANTA CRUZ, CALIFORNIA

### Management's Discussion & Analysis For the Year Ended June 30, 2007

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, 2007. 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 2006 – 2007 fiscal year by \$414,225,567 (*net assets*). Of this amount, \$19,160,046 (*unrestricted net assets*) may be used to meet ongoing obligations to citizens and creditors, \$39,274,138 is restricted for specific purpose (*restricted net assets*), and \$355,791,383 is invested in capital assets, net of related debt.
- The government's total net assets increased by \$13,908,161. This increase is mostly attributable to property tax growth, higher interest income, and intergovernmental revenues.
- As of June 30, 2007, the County's governmental funds reported combined ending fund balances of \$210,357,353, an increase of \$914,589 in comparison with the prior year. Approximately 77% of the combined fund balances, \$161,727,585, is available to meet the County's current and future needs (*unreserved fund balance*).
- At the end of the fiscal year, the general fund reported an ending fund balance of \$41,008,468, of which \$3,893,483 was reserved and \$13,996,510 was designated for various purposes as shown on page 27, with the remaining \$23,118,475 budgeted to be spent in the next year.
- The County's total long-term liabilities are \$313,127,761, an increase of \$12,259,491, in comparison with the prior year. The increase resulted primarily from issuance of Certificates of Participation to finance improvements to the Watsonville Courthouse and the Buena Vista Landfill.

#### 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.

# COUNTY OF SANTA CRUZ, CALIFORNIA

## Management's Discussion & Analysis For the Year Ended June 30, 2007

### **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 9, 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.

### **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.

## COUNTY OF SANTA CRUZ, CALIFORNIA

### Management's Discussion & Analysis For the Year Ended June 30, 2007

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements—i.e. most of the County's basic services are reported in the governmental funds. These statements, however, 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 and the Redevelopment Agency, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

**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 9, 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

## COUNTY OF SANTA CRUZ, CALIFORNIA

### Management's Discussion & Analysis For the Year Ended June 30, 2007

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.

*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.

#### **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.

#### **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.

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 Financing Authority, General Assessments, 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.

#### **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.



# COUNTY OF SANTA CRUZ, CALIFORNIA

## Management's Discussion & Analysis For the Year Ended June 30, 2007

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

#### Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets:</b>						
Current and other assets	\$ 335,973,130	\$ 339,310,245	\$ 18,546,981	\$ 18,459,890	\$ 354,520,111	\$ 357,770,135
Capital assets	455,570,998	433,070,808	26,646,821	24,220,021	482,217,819	457,290,829
Total assets	<u>791,544,128</u>	<u>772,381,053</u>	<u>45,193,802</u>	<u>42,679,911</u>	<u>836,737,930</u>	<u>815,060,964</u>
<b>Liabilities:</b>						
Current and other liabilities	108,330,271	112,955,130	1,054,331	920,158	109,384,602	113,875,288
Long-term liabilities	305,132,160	295,373,126	7,995,601	5,495,144	313,127,761	300,868,270
Total liabilities	<u>413,462,431</u>	<u>408,328,256</u>	<u>9,049,932</u>	<u>6,415,302</u>	<u>422,512,363</u>	<u>414,743,558</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	332,525,671	263,520,558	23,265,712	23,032,040	355,791,383	286,552,598
Restricted	39,024,059	96,829,236	250,079	261,426	39,274,138	97,090,662
Unrestricted	6,531,967	3,703,003	12,628,079	12,971,143	19,160,046	16,674,146
Total net assets	<u>\$ 378,081,697</u>	<u>\$ 364,052,797</u>	<u>\$ 36,143,870</u>	<u>\$ 36,264,609</u>	<u>\$ 414,225,567</u>	<u>\$ 400,317,406</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 \$414,225,567 at the close of the current fiscal year.

The portion of the County's net assets invested in capital assets, net of related debt, \$355,791,383 (86%), reflects its investment in capital assets (e.g. land, building and structures, and equipment), less any related debt used to acquire those assets that are 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, \$39,274,138 (9%), represents resources that are subject to external restrictions on how they may be used.

The remaining \$19,160,046 (5%) represents the unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County reported positive balances in all three categories of net assets, both for the County as a whole, as well as for its separate governmental activities.

# COUNTY OF SANTA CRUZ, CALIFORNIA

## Management's Discussion & Analysis For the Year Ended June 30, 2007

### Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 73,516,605	\$ 68,371,162	\$ 13,298,637	\$ 13,222,999	\$ 86,815,242	\$ 81,594,161
Operating grants and contr.	196,694,631	192,287,312	127,243	101,005	196,821,874	192,388,317
Capital grants and contr.	7,508,226	5,632,276	7,997	3,756	7,516,223	5,636,032
General revenues:						
Property taxes	104,814,172	95,745,773	--	--	104,814,172	95,745,773
Other taxes	15,133,150	14,443,681	--	--	15,133,150	14,443,681
Investment earnings	14,627,864	11,654,800	1,063,576	858,765	15,691,440	12,513,565
Miscellaneous	3,155,133	11,558,086	1,512,787	1,388,013	4,667,920	12,946,099
Transfers	--	18,000	--	(18,000)	--	--
Total revenues	<u>415,449,781</u>	<u>399,711,090</u>	<u>16,010,240</u>	<u>15,556,538</u>	<u>431,460,021</u>	<u>415,267,628</u>
Expenses:						
General government	29,116,055	25,886,838	--	--	29,116,055	25,886,838
Public protection	113,608,327	112,832,608	--	--	113,608,327	112,832,608
Public ways and facilities	26,840,081	39,017,473	--	--	26,840,081	39,017,473
Health and sanitation	105,039,158	97,339,669	--	--	105,039,158	97,339,669
Public assistance	98,679,172	97,377,889	--	--	98,679,172	97,377,889
Education	4,713,527	4,502,432	--	--	4,713,527	4,502,432
Recreation and culture	7,398,705	6,661,956	--	--	7,398,705	6,661,956
Interest on long-term debt	16,025,856	12,204,823	--	--	16,025,856	12,204,823
County Disposal Sites CSA	--	--	13,539,661	13,022,155	13,539,661	13,022,155
Boulder Creek CSA	--	--	299,464	353,418	299,464	353,418
Rolling Woods CSA	--	--	62,449	61,826	62,449	61,826
Septic Tank Maintenance CSA	--	--	874,711	717,759	874,711	717,759
Freedom County Sanitation District	--	--	601,632	532,772	601,632	532,772
Davenport Sanitation District	--	--	409,583	431,952	409,583	431,952
Place Del Mer CSA	--	--	63,970	50,317	63,970	50,317
Sand Dollar Beach CSA	--	--	215,765	220,330	215,765	220,330
Trestle Beach CSA	--	--	40,082	45,022	40,082	45,022
Summit West CSA	--	--	3,671	3,877	3,671	3,877
Graham Hill CSA	--	--	19,991	17,673	19,991	17,673
Total expenses	<u>401,420,881</u>	<u>395,823,688</u>	<u>16,130,979</u>	<u>15,457,101</u>	<u>417,551,860</u>	<u>411,280,789</u>
Change in net assets	14,028,900	3,887,402	(120,739)	99,437	13,908,161	3,986,839
Net assets, beginning of year	364,052,797	360,845,342	36,264,609	36,165,172	400,317,406	397,010,514
Prior period adjustments	--	(679,947)	--	--	--	(679,947)
Net assets, end of year	<u>\$ 378,081,697</u>	<u>\$ 364,052,797</u>	<u>\$ 36,143,870</u>	<u>\$ 36,264,609</u>	<u>\$ 414,225,567</u>	<u>\$ 400,317,406</u>

### Analysis of Change in Net Assets

The County's net assets increased by \$13,908,161 during the current fiscal year. These increases are explained in the government and business-type activity discussion below.

- **Governmental activities** increased the County's net assets by \$14,028,900, accounting for 100% of the total increase in net assets of the County, primarily resulting from property tax growth and higher interest income.

## COUNTY OF SANTA CRUZ, CALIFORNIA

### Management's Discussion & Analysis For the Year Ended June 30, 2007

The increase in expenditures is largely in the grant funded function of health and sanitation, and public assistance, offset by a decrease in public ways and facilities. General government expenditures and interest on long term debt also increased.

#### 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, 2007, the County's governmental funds reported combined ending fund balances of \$210,357,353, an increase of \$914,589 in comparison with the prior year. Approximately 77% or \$161,727,585 of the combined ending fund balances constitutes unreserved fund balance, which is available to meet the County's current and future needs, for the various funds. The remaining \$48,629,768 is reserved and not available for new spending because it has been committed: (1) \$6,904,639 to pay debt, (2) \$6,663,678 for asset acquisitions, (3) \$22,665,079 to liquidate contractual commitments of the period, and (4) \$12,396,372 for a variety of other purposes.

Revenues for governmental functions totaled \$415,176,692 in fiscal year 2006-2007, which represents an increase of \$15,673,782, or 4% from fiscal year 2005-2006. Expenditures for governmental functions totaling \$429,375,884 increased by \$28,089,744, or 7%, from fiscal year 2005-2006. In the fiscal year 2006-2007, expenditures for governmental functions exceeded revenues by \$14,199,192, which was offset by other financing sources of \$15,113,781 used to fund capital outlay expenditures.

The general fund is the primary operating fund of the County. At June 30, 2007, the general fund's total fund balance was \$41,008,468, of which \$3,893,483 was reserved and \$37,114,985 was unreserved. Of the unreserved fund balance, \$13,996,510 was designated for various purposes, with the remaining \$23,118,475 (along with \$3,288,009 of the reserve for encumbrances) budgeted to be spent in the next year. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved general fund balance represents 11% of the total general fund expenditures of \$339,438,417, while its total fund balance represents 12% of that same amount. The unreserved portion of the general fund balance reflects budget savings, without which would necessitate further budgetary reductions.

# COUNTY OF SANTA CRUZ, CALIFORNIA

## Management's Discussion & Analysis For the Year Ended June 30, 2007

The Redevelopment Agency is a major special revenue fund of the County. At June 30, 2007, the unreserved but designated fund balance was \$109,831,174 while its total fund balance was \$126,394,428, a decrease of \$3,201,685 from the prior year. Designations include \$72,907,040 for Redevelopment Agency projects and \$36,924,134 for Redevelopment Agency debt service.

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

### Revenues Classified by Source Governmental Funds

	2007	% of Total	2006	% of Total	Change
Taxes and assessments	\$ 119,947,322	28.89	\$ 110,189,454	27.58	\$ 9,757,868
License and permits	10,183,174	2.45	9,480,401	2.37	702,773
Fines and forfeitures	5,672,832	1.37	6,439,775	1.61	(766,943)
Use of Money and Property	13,928,920	3.35	11,109,295	2.78	2,819,625
Intergovernmental	204,202,857	49.18	198,213,895	49.62	5,988,962
Charges for Services	57,651,501	13.89	54,652,954	13.68	2,998,547
Other Revenues	3,590,086	0.86	9,417,136	2.36	(5,827,050)
Total	<u>\$ 415,176,692</u>	<u>100%</u>	<u>\$ 399,502,910</u>	<u>100%</u>	<u>\$ 15,673,782</u>

The changes are primarily due to growth in property tax revenues, interest income, and intergovernmental grant revenues, offset by a reduction in fines and forfeitures and other revenues.

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

### Expenditures Classified by Function Governmental Funds

	2007	% of Total	2006	% of Total	Change
General government	\$ 28,024,209	6.53	\$ 24,086,384	6.00	\$ 3,937,825
Public protection	112,394,944	26.18	111,868,470	27.88	526,474
Public ways and facilities	41,334,645	9.63	39,119,012	9.75	2,215,633
Health and sanitation	104,325,886	24.30	95,716,680	23.85	8,609,206
Public assistance	97,981,327	22.82	95,986,498	23.92	1,994,829
Education	4,710,521	1.10	4,501,984	1.12	208,537
Recreation and culture	7,788,774	1.81	7,377,033	1.84	411,741
Capital outlay	10,299,165	2.40	3,450,963	0.86	6,848,202
Debt service - bond redemption	7,126,449	1.66	6,339,072	1.58	787,377
Debt service - issue cost	738,093	0.17	1,997,847	0.50	(1,259,754)
Debt service - interest and fiscal charges	14,651,871	3.41	10,842,197	2.70	3,809,674
Total	<u>\$ 429,375,884</u>	<u>100%</u>	<u>\$ 401,286,140</u>	<u>100%</u>	<u>\$ 28,089,744</u>

## COUNTY OF SANTA CRUZ, CALIFORNIA

### Management's Discussion & Analysis For the Year Ended June 30, 2007

The increase in expenditures was largely in the grant funded functions of public ways and facilities, health and sanitation, and public assistance. General government expenditures also increased, as did one-time capital outlay expenditures.

Other financing sources and uses are presented below, including changes from the prior year:

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

	2007	% of Total	2006	% of Total	Change
Proceeds from long-term debt	\$ 19,755,000	130.71	\$ 68,860,000	99.52	\$ (49,105,000)
Premium on long-term debt	--	0.00	468,371	0.68	(468,371)
Discount on long-term debt	(62,698)	(0.41)	(45,159)	(0.07)	(17,539)
Payments to bond refunding escrow agent	(10,366,347)	(68.59)	--	0.00	(10,366,347)
Transfers in	27,592,780	182.57	88,914,406	128.51	(61,321,626)
Transfers out	(27,794,548)	(183.90)	(89,008,515)	(128.65)	61,213,967
Inception of lease purchase agreement	5,989,594	39.63	--	0.00	5,989,594
Total	<u>\$ 15,113,781</u>	<u>100%</u>	<u>\$ 69,189,103</u>	<u>100%</u>	<u>\$ (54,075,322)</u>

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

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

	Major funds		Nonmajor Funds			Total
	General Fund	Redevelopment Agency	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	
Revenues	\$ 344,152,191	\$ 28,695,709	\$ 38,928,367	\$ 338,765	\$ 3,061,660	\$ 415,176,692
Expenditures	(339,438,417)	(20,219,128)	(46,017,501)	(13,401,673)	(10,299,165)	(429,375,884)
Net other financing sources/(uses)	173,318	(11,678,266)	7,621,549	12,066,919	6,930,261	15,113,781
Net change in fund balances	4,887,092	(3,201,685)	532,415	(995,989)	(307,244)	914,589
Fund balances, beginning	36,121,376	129,596,113	30,693,437	5,980,817	7,051,021	209,442,764
Prior period adjustment	--	--	--	--	--	--
Fund balances, ending	<u>\$ 41,008,468</u>	<u>\$ 126,394,428</u>	<u>\$ 31,225,852</u>	<u>\$ 4,984,828</u>	<u>\$ 6,743,777</u>	<u>\$ 210,357,353</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 \$26,623,117 at June 30, 2007, of which \$9,037,537 is unrestricted.

## COUNTY OF SANTA CRUZ, CALIFORNIA

### Management's Discussion & Analysis For the Year Ended June 30, 2007

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

	Major Fund		
	County Disposal	Nonmajor	
	Sites CSA	Funds	Total
Operating revenues	\$ 11,863,106	\$ 2,893,729	\$ 14,756,835
Operating expenses	(13,878,866)	(2,576,685)	(16,455,551)
Operating loss	(2,015,760)	317,044	(1,698,716)
Net non-operating revenues/(expenses)	1,024,726	346,711	1,371,437
Net income/(loss) before contributions	(991,034)	663,755	(327,279)
Capital contributions	--	7,997	7,997
Change in net assets	\$ (991,034)	\$ 671,752	\$ (319,282)

### GENERAL FUND BUDGETARY HIGHLIGHTS

After the adoption of the fiscal year 2006-07 budget, the original general fund budget was increased by \$13,117,185 during the year, primarily due to additional financial resources made available from the State and Federal Agencies. Actual expenditures in the general fund were \$23,161,126 less than the original budget, excluding appropriations for general contingencies. The 2006-07 total expenditures were \$16,809,184 or 5% more than the prior fiscal year, largely in the grant-funded functions of health and sanitation, public assistance, and general government. General Fund actual revenues were \$17,406,196 lower than the original budget.

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

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2007 totaled \$482,217,819 (net of accumulated depreciation of \$266,878,080). This investment in capital assets includes land, construction in progress, infrastructure, buildings and structures, and equipment. The increase in the County's investments in capital assets for the current period was \$24,926,990 or 5%.

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

## COUNTY OF SANTA CRUZ, CALIFORNIA

### Management's Discussion & Analysis For the Year Ended June 30, 2007

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

	2007	2006	2007	2006	2007	2006
Land	\$ 55,497,498	\$ 48,867,561	\$ 1,858,849	\$ 1,858,849	\$ 57,356,347	\$ 50,726,410
Construction in progress	9,581,955	6,634,020	4,340,689	4,347,416	13,922,644	10,981,436
Infrastructure	484,127,980	466,793,992	--	--	484,127,980	466,793,992
Buildings and structures	108,596,314	100,410,152	30,341,614	27,403,523	138,937,928	127,813,675
Equipment	44,719,653	41,999,698	10,031,347	9,348,899	54,751,000	51,348,597
Total	<u>\$ 702,523,400</u>	<u>\$ 664,705,423</u>	<u>\$ 46,572,499</u>	<u>\$ 42,958,687</u>	<u>\$ 749,095,899</u>	<u>\$ 707,664,110</u>

Additional information on the County's capital assets can be found in Note No. 6 on pages 62-64 of this report.

### Long-term Debt

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

	2007	2006	2007	2006	2007	2006
Tax allocation bonds	\$ 172,143,880	\$ 174,676,508	\$ --	\$ --	\$ 172,143,880	\$ 174,676,508
Refunding certificates of participation	32,921,115	34,685,840	--	--	32,921,115	34,685,840
Lease revenue bonds	8,375,000	9,135,000	--	--	8,375,000	9,135,000
Lease revenue refunding bonds	1,917,969	2,036,617	--	--	1,917,969	2,036,617
Certificates of participation	27,916,445	21,914,640	2,033,072	--	29,949,517	21,914,640
Revenue bonds	2,545,000	2,905,000	--	--	2,545,000	2,905,000
CA Health Facility	897,805	1,071,635	--	--	897,805	1,071,635
Loans payable	653,004	1,171,205	827,356	1,187,748	1,480,360	2,358,953
Capital leases	5,999,934	52,500	502,245	25,736	6,502,179	78,236
	<u>\$ 253,370,152</u>	<u>\$ 247,648,945</u>	<u>\$ 3,362,673</u>	<u>\$ 1,213,484</u>	<u>\$ 256,732,825</u>	<u>\$ 248,862,429</u>

For the governmental activities, the County had total long-term debt outstanding of \$253,370,152 as compared to \$247,648,945 in the prior year (excluding compensated absences and estimated claims), an increase of \$5,721,207. During the year, retirement of debt amounted to \$17,886,561, and new debt issuance amounted to \$23,607,768.

For the business-type activities, the County had total long-term debt outstanding of \$3,362,673 as compared to \$1,213,484 in the prior year (excluding post-closure liability), an increase of \$2,149,189. During the year, retirement of debt amounted to \$639,937 and new debt issuance amounted to \$2,789,126.

## **COUNTY OF SANTA CRUZ, CALIFORNIA**

### **Management's Discussion & Analysis For the Year Ended June 30, 2007**

The component unit, Santa Cruz Sanitation District, had total long-term debt outstanding of \$25,487,045 as compared to \$27,139,596 in the prior year. This amount was comprised of \$8,450,000 of Waste Water Revenue Refunding Bonds, \$840,000 of Limited Obligation Refunding Improvement Bonds, \$16,160,263 of Loans Payable, and \$36,782 of unamortized bond premium. During the year, retirement of debt amounted to \$1,652,551, and there were no additions to long-term debt for the component unit.

The County's total debt increased by \$6,217,845, or 2.0%, during the current fiscal year (excluding compensated absences, estimated claims, and post-closure liability). The key factor in this increase resulted primarily from the issuance of Redevelopment Agency tax allocation bonds, capital leases, and certificates of participation.

Additional information on the County's long-term debt can be found in Note No. 10 on pages 67-78 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**  
**Government-Wide Financial Statements**

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**COUNTY OF SANTA CRUZ, CALIFORNIA**

Statement of Net Assets  
June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	
<b><u>ASSETS</u></b>				
Cash and investments	\$ 196,579,321	\$ 14,773,328	\$ 211,352,649	\$ 33,869,882
Restricted cash	77,283,758	4,905,166	82,188,924	1,420,117
Receivables, net	37,741,583	818,234	38,559,817	1,288
Deposits with others	659,881	157,040	816,921	--
Loans receivable	11,790,898	--	11,790,898	--
Inventory	687,543	40,622	728,165	64,802
Prepaid items	291,243	--	291,243	--
Notes receivable	--	--	--	55,077
Advances to other entities	178,000	--	178,000	--
Deferred charges	4,167,905	--	4,167,905	137,933
Internal balances	2,147,409	(2,147,409)	--	--
Receivable from external party	4,445,589	--	4,445,589	--
Capital assets				
Land	55,497,498	1,858,849	57,356,347	--
Construction in progress	9,581,955	4,340,689	13,922,644	6,090,049
Infrastructure	484,127,980	--	484,127,980	--
Buildings and structures	108,596,314	30,341,614	138,937,928	130,092,200
Equipment	44,719,653	10,031,347	54,751,000	4,937,422
Accumulated depreciation	(246,952,402)	(19,925,678)	(266,878,080)	(49,530,006)
Total Assets	<u>\$ 791,544,128</u>	<u>\$ 45,193,802</u>	<u>\$ 836,737,930</u>	<u>\$ 127,138,764</u>
<b><u>LIABILITIES</u></b>				
Payables	\$ 25,189,834	\$ 1,054,331	\$ 26,244,165	\$ 1,511,066
Accrued interest payable	3,998,575	--	3,998,575	538,077
Tax and revenue anticipation notes payable	45,452,063	--	45,452,063	--
Unearned revenue	33,689,799	--	33,689,799	--
Compensated absences:				
Due within one year	17,202,299	--	17,202,299	--
Due beyond one year	4,851,931	--	4,851,931	--
Estimated claims:				
Due within one year	11,494,000	--	11,494,000	--
Due beyond one year	18,213,778	--	18,213,778	--
Other long-term liabilities:				
Due within one year	7,722,830	794,833	8,517,663	1,698,920
Due beyond one year	245,647,322	7,200,768	252,848,090	23,788,125
Total Liabilities	<u>413,462,431</u>	<u>9,049,932</u>	<u>422,512,363</u>	<u>27,536,188</u>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	332,525,671	23,265,712	355,791,383	66,102,620
Restricted:				
Debt service	6,904,639	--	6,904,639	--
Capital asset acquisition	13,407,455	--	13,407,455	--
Public safety	8,496,484	--	8,496,484	--
Health and public assistance	879,501	--	879,501	--
Public ways and public facilities	9,335,980	--	9,335,980	--
Other	--	250,079	250,079	--
Unrestricted	6,531,967	12,628,079	19,160,046	33,499,956
Total Net Assets	<u>378,081,697</u>	<u>36,143,870</u>	<u>414,225,567</u>	<u>99,602,576</u>
Total Liabilities and Net Assets	<u>\$ 791,544,128</u>	<u>\$ 45,193,802</u>	<u>\$ 836,737,930</u>	<u>\$ 127,138,764</u>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Statement of Activities  
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 29,116,055	\$ 16,466,651	\$ 6,290,674	\$ 2,276,692
Public protection	113,608,327	23,792,466	35,283,455	148,467
Public ways and facilities	26,840,081	5,804,395	7,508,386	4,729,125
Health and sanitation	105,039,158	22,869,568	71,903,730	305,117
Public assistance	98,679,172	2,454,160	75,370,128	48,825
Education	4,713,527	--	208,084	--
Recreation and cultural services	7,398,705	2,129,365	130,174	--
Interest on long-term debt	16,025,856	--	--	--
<b>Total Governmental Activities</b>	<b>401,420,881</b>	<b>73,516,605</b>	<b>196,694,631</b>	<b>7,508,226</b>
Business-Type Activities:				
County Disposal Sites CSA	13,539,661	10,405,342	114,829	--
Boulder Creek CSA	299,464	350,562	8,054	--
Rolling Woods CSA	62,449	62,260	164	--
Septic Tank Maintenance CSA	874,711	958,638	--	--
Freedom County Sanitation District	601,632	670,230	1,174	--
Davenport Sanitation District	409,583	443,018	2,055	7,997
Place de Mer CSA	63,970	72,414	--	--
Sand Dollar Beach CSA	215,765	210,840	826	--
Trestle Beach CSA	40,082	53,106	141	--
Summit West CSA	3,671	--	--	--
Graham Hill CSA	19,991	72,227	--	--
<b>Total Business-Type Activities:</b>	<b>16,130,979</b>	<b>13,298,637</b>	<b>127,243</b>	<b>7,997</b>
<b>Total Primary Government</b>	<b>\$ 417,551,860</b>	<b>\$ 86,815,242</b>	<b>\$ 196,821,874</b>	<b>\$ 7,516,223</b>
<b>Component Unit</b>				
Santa Cruz County Sanitation District	\$ 16,337,100	\$ 17,907,667	\$ 78,338	\$ --

General Revenues:

Taxes:

Property taxes

Property transfer fees

Sales and use taxes

Transient occupancy taxes

Other taxes

Interest and investment earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets, Beginning

Net Assets, Ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government		Total	Component Unit
Governmental Activities	Business-Type Activities		
\$	(4,082,038)	\$ (4,082,038)	
	(54,383,939)	(54,383,939)	
	(8,798,175)	(8,798,175)	
	(9,960,743)	(9,960,743)	
	(20,806,059)	(20,806,059)	
	(4,505,443)	(4,505,443)	
	(5,139,166)	(5,139,166)	
	(16,025,856)	(16,025,856)	
	<u>(123,701,419)</u>	<u>(123,701,419)</u>	
	--	\$ (3,019,490)	
	--	59,152	
	--	(25)	
	--	83,927	
	--	69,772	
	--	43,487	
	--	8,444	
	--	(4,099)	
	--	13,165	
	--	(3,671)	
	--	52,236	
	<u>--</u>	<u>(2,697,102)</u>	
	<u>(123,701,419)</u>	<u>(126,398,521)</u>	
			<u>\$ 1,648,905</u>
	104,814,172	104,814,172	92,253
	1,657,992	1,657,992	
	8,561,179	8,561,179	--
	4,257,882	4,257,882	--
	656,097	656,097	--
	14,627,864	15,691,440	--
	3,155,133	4,667,920	1,718,683
	<u>137,730,319</u>	<u>140,306,682</u>	<u>1,810,936</u>
	14,028,900	13,908,161	3,459,841
	<u>364,052,797</u>	<u>400,317,406</u>	<u>96,142,735</u>
<u>\$</u>	<u>378,081,697</u>	<u>\$ 414,225,567</u>	<u>\$ 99,602,576</u>

The accompanying notes are an integral part of these financial statements.



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**BASIC FINANCIAL STATEMENTS**  
**Fund Financial Statements**

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**COUNTY OF SANTA CRUZ, CALIFORNIA**

**Balance Sheet  
Governmental Funds  
June 30, 2007**

	General	Redevelopment Agency	Nonmajor Governmental Funds	Total
<b><u>ASSETS</u></b>				
Cash and investments	\$ 93,825,015	\$ 59,839,772	\$ 26,835,189	\$ 180,499,976
Restricted cash	5,383,615	55,168,836	16,731,307	77,283,758
Receivables	31,166,210	217,462	6,229,563	37,613,235
Due from other funds	5,280,149	--	3,258,383	8,538,532
Loans receivable	--	11,790,898	--	11,790,898
Inventory	125,186	--	--	125,186
Prepays	254,358	--	--	254,358
Deposits with others	22,000	--	--	22,000
Advances to other entities	178,000	--	--	178,000
Deferred charges	--	--	22,000	22,000
Total Assets	<u>\$ 136,234,533</u>	<u>\$ 127,016,968</u>	<u>\$ 53,076,442</u>	<u>\$ 316,327,943</u>
<b><u>LIABILITIES</u></b>				
Payables	\$ 18,314,810	\$ 622,540	\$ 4,164,029	\$ 23,101,379
Tax and revenue anticipation notes payable	45,452,063	--	--	45,452,063
Due to other funds	--	--	3,727,349	3,727,349
Unearned revenue	31,459,192	--	2,230,607	33,689,799
Total Liabilities	<u>95,226,065</u>	<u>622,540</u>	<u>10,121,985</u>	<u>105,970,590</u>
<b><u>FUND BALANCES</u></b>				
Reserved for :				
Encumbrances	3,288,009	4,772,356	14,604,714	22,665,079
Inventory, prepaids and imprest cash	427,474	--	--	427,474
Advances and loans	178,000	11,790,898	--	11,968,898
Debt service	--	--	6,904,639	6,904,639
Capital asset acquisition	--	--	6,663,678	6,663,678
Unreserved, reported in:				
General fund				
Designated for:				
Health Services Facility	499,600	--	--	499,600
Emergency reserve	2,251,089	--	--	2,251,089
Federal Qualified Health Program	508,489	--	--	508,489
Working Capital	6,000,000	--	--	6,000,000
1400 Emeline	2,400,000	--	--	2,400,000
Economic Uncertainty	1,337,332	--	--	1,337,332
Liability Reserve	1,000,000	--	--	1,000,000
Undesignated	23,118,475	--	--	23,118,475
Special revenue funds				
Designated for:				
RDA projects	--	72,907,040	--	72,907,040
RDA debt service	--	36,924,134	--	36,924,134
Undesignated	--	--	13,411,990	13,411,990
Capital projects funds	--	--	1,369,436	1,369,436
Total Fund Balances	<u>41,008,468</u>	<u>126,394,428</u>	<u>42,954,457</u>	<u>210,357,353</u>
Total Liabilities and Fund Liabilities	<u>\$ 136,234,533</u>	<u>\$ 127,016,968</u>	<u>\$ 53,076,442</u>	<u>\$ 316,327,943</u>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Reconciliation of the Governmental Funds Balance Sheet  
to the Government-Wide Statement of Net Assets - Governmental Activities  
June 30, 2007

<b>Fund Balances - total governmental funds</b>		\$ 210,357,353
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		448,049,096
Deferred charges in governmental activities are not financial resources and, therefore are not reported in the governmental funds		4,145,905
Internal service funds are used by management to charge the costs of central duplicating, information services, public works, service center, medical and dental, liability and property, workers' compensation, employee benefit staffing, and state unemployment self-insurances to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		(9,495,076)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds.		
Tax allocation bonds, including discount	\$ (172,143,880)	
Refunding Certificates of participation, including premium	(32,921,115)	
Lease revenue bonds	(8,375,000)	
Lease revenue refunding bonds, including premium	(1,917,969)	
Certificates of participation, including premium	(27,916,445)	
Compensated absences	(18,270,198)	
Revenue bonds	(2,545,000)	
CHFFA	(897,805)	
Capital leases	<u>(5,989,594)</u>	(270,977,006)
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds		<u>(3,998,575)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 378,081,697</u></u>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2007

	General	Redevelopment Agency	Nonmajor Governmental Funds	Total
<b>Revenues:</b>				
Taxes	\$ 84,189,724	\$ 22,453,197	\$ 13,304,401	\$ 119,947,322
Licenses and permits	10,183,174	--	--	10,183,174
Fines, forfeits and penalties	5,655,990	--	16,842	5,672,832
Revenue from use of money and property	5,601,014	6,105,670	2,222,236	13,928,920
Aid from other governments	188,436,256	--	15,766,601	204,202,857
Charges for services	47,591,931	--	10,059,570	57,651,501
Other	2,494,102	136,842	959,142	3,590,086
<b>Total Revenues</b>	<b>344,152,191</b>	<b>28,695,709</b>	<b>42,328,792</b>	<b>415,176,692</b>
<b>Expenditures:</b>				
Current:				
General government	27,783,081	--	241,128	28,024,209
Public protection	102,437,268	--	9,957,676	112,394,944
Public ways and facilities	179,300	20,219,128	20,936,217	41,334,645
Health and sanitation	104,325,886	--	--	104,325,886
Public assistance	96,450,481	--	1,530,846	97,981,327
Education	152,066	--	4,558,455	4,710,521
Recreation and culture	6,586,212	--	1,202,562	7,788,774
Capital outlay	--	--	10,299,165	10,299,165
Debt Service:				
Principal	--	--	7,126,449	7,126,449
Bond issue costs	--	--	738,093	738,093
Interest and fiscal charges	1,524,123	--	13,127,748	14,651,871
<b>Total Expenditures</b>	<b>339,438,417</b>	<b>20,219,128</b>	<b>69,718,339</b>	<b>429,375,884</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,713,774	8,476,581	(27,389,547)	(14,199,192)
<b>Other Financing Sources (Uses):</b>				
Refunding bonds issued	--	--	10,755,000	10,755,000
Discount on refunding bonds issued	--	--	(62,698)	(62,698)
Payment to refunded escrow agent	--	--	(10,366,347)	(10,366,347)
Certificates of participation issued	--	--	9,000,000	9,000,000
Inception of capital lease	5,989,594	--	--	5,989,594
Transfers in	1,955,489	44	25,637,247	27,592,780
Transfers out	(7,771,765)	(11,678,310)	(8,344,473)	(27,794,548)
<b>Total Other Financing Sources (Uses)</b>	<b>173,318</b>	<b>(11,678,266)</b>	<b>26,618,729</b>	<b>15,113,781</b>
<b>Net change in fund balances</b>	4,887,092	(3,201,685)	(770,818)	914,589
Fund Balance - Beginning	36,121,376	129,596,113	43,725,275	209,442,764
Fund Balance - Ending	\$ 41,008,468	\$ 126,394,428	\$ 42,954,457	\$ 210,357,353

The accompanying notes are an integral part of these financial statements.

# COUNTY OF SANTA CRUZ, CALIFORNIA

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities - Governmental Activities For the Year Ended June 30, 2007

<b>Net change to fund balance - total governmental funds</b>	\$	914,589
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	37,326,585	
Less current year depreciation	<u>(15,168,369)</u>	22,158,216
<p>Other financing source/use in the funds increases/decreases long-term liabilities in the statement of net assets.</p>		
Refunding tax allocation bonds issued	(10,755,000)	
Payment to refunded escrow agent	10,000,000	
Certificates of participation issued	(6,920,000)	
Inception of capital lease	(5,989,594)	
Discount on long-term debt	56,826	
Debt issue costs	<u>(465,203)</u>	(14,072,971)
<p>Repayments of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal repayments:		
Tax allocation bonds	3,280,000	
Refunding certificates of participation	1,765,000	
Certificates of participation	860,000	
Lease revenue bonds	760,000	
Lease revenue refunding bonds	116,449	
Revenue bonds	360,000	
CHFFA	173,830	
Capital leases	<u>26,764</u>	7,342,043
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Amortization of bond premium/discount and bond issuance costs	10,921	
Change in accrued interest payable	(151,485)	
Change in compensated absences	<u>(939,422)</u>	(1,079,986)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain activities of the internal service funds is reported with governmental activities.</p>		
		(1,034,448)
<p>Transfer of internal service funds to business-type activities.</p>		
		<u>(198,543)</u>
 <b>Change in net assets of governmental activities</b>	 \$	 <u><u>14,028,900</u></u>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Statement of Fund Net Assets  
Proprietary Funds  
June 30, 2007

	Business-Type Activities - Enterprise Funds			Governmental
	County	Nonmajor	Total	Internal
	Disposal Sites CSA 9C	Enterprise Funds		Service Funds
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ 8,725,325	\$ 6,048,003	\$ 14,773,328	\$ 16,079,345
Restricted cash	4,836,649	68,517	4,905,166	--
Receivables	647,810	170,424	818,234	128,348
Due from other funds	--	--	--	1,106,982
Deposits with others	157,040	--	157,040	637,881
Inventory	40,622	--	40,622	562,357
Prepaid items	--	--	--	36,885
Total Current Assets	<u>14,407,446</u>	<u>6,286,944</u>	<u>20,694,390</u>	<u>18,551,798</u>
Noncurrent Assets:				
Capital Assets:				
Nondepreciable:				
Land	1,858,849	--	1,858,849	97,087
Construction in progress	4,307,317	33,372	4,340,689	--
Depreciable:				
Buildings and structures	18,564,515	11,777,099	30,341,614	2,735,963
Equipment	9,857,389	173,958	10,031,347	27,406,695
Accumulated depreciation	<u>(14,295,570)</u>	<u>(5,630,108)</u>	<u>(19,925,678)</u>	<u>(22,717,843)</u>
Total Noncurrent Assets	<u>20,292,500</u>	<u>6,354,321</u>	<u>26,646,821</u>	<u>7,521,902</u>
<b>Total Assets</b>	<u>\$ 34,699,946</u>	<u>\$ 12,641,265</u>	<u>\$ 47,341,211</u>	<u>\$ 26,073,700</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Payables	\$ 573,856	\$ 480,475	\$ 1,054,331	\$ 2,088,455
Due to other funds	--	--	--	1,106,982
Current portion of other long-term debt	750,541	44,292	794,833	11,818,144
Current lease contracts	--	--	--	10,340
Compensated absences	--	--	--	2,951,544
Total Current Liabilities	<u>1,324,397</u>	<u>524,767</u>	<u>1,849,164</u>	<u>17,975,465</u>
Noncurrent Liabilities:				
Other long-term debt	2,119,504	448,336	2,567,840	18,542,638
Closure and postclosure care costs liability	4,632,928	--	4,632,928	--
Compensated absences	--	--	--	832,488
Total Noncurrent Liabilities	<u>6,752,432</u>	<u>448,336</u>	<u>7,200,768</u>	<u>19,375,126</u>
Total Liabilities	<u>8,076,829</u>	<u>973,103</u>	<u>9,049,932</u>	<u>37,350,591</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	17,404,019	5,861,693	23,265,712	6,858,558
Restricted - other purposes	181,561	68,518	250,079	--
Unrestricted	<u>9,037,537</u>	<u>5,737,951</u>	<u>14,775,488</u>	<u>(18,135,449)</u>
Total Net Assets	<u>26,623,117</u>	<u>11,668,162</u>	<u>38,291,279</u>	<u>(11,276,891)</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 34,699,946</u>	<u>\$ 12,641,265</u>	<u>\$ 47,341,211</u>	<u>\$ 26,073,700</u>
<b>Net Assets of Business-type Activities</b>			\$ 38,291,279	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>(2,147,409)</u>	
<b>Net Assets of Business-type Activities per</b>				
<b>Government-wide Financial Statement</b>			<u>\$ 36,143,870</u>	

The accompanying notes are an integral part of these financial statements.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Statement of Revenues, Expenses and Changes in Fund Net Assets  
 Proprietary Funds  
 For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds			Governmental Activities
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Operating Revenues:</b>				
Charges for services	\$ 10,405,342	\$ 2,893,295	\$ 13,298,637	\$ 61,172,995
Other revenues	1,457,764	434	1,458,198	239,014
Total Operating Revenues	<u>11,863,106</u>	<u>2,893,729</u>	<u>14,756,835</u>	<u>61,412,009</u>
<b>Operating Expenses:</b>				
Salaries and employee benefits	--	--	--	33,822,188
Services and supplies	12,322,146	2,282,458	14,604,604	13,614,681
Insurance and compensation claims	--	--	--	13,769,565
Depreciation and amortization	1,556,720	294,227	1,850,947	2,144,349
Total Operating Expenses	<u>13,878,866</u>	<u>2,576,685</u>	<u>16,455,551</u>	<u>63,350,783</u>
<b>Operating Income (Loss)</b>	<u>(2,015,760)</u>	<u>317,044</u>	<u>(1,698,716)</u>	<u>(1,938,774)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Aid from other governmental units	114,829	12,414	127,243	9,097
Gain (loss) on disposal of capital assets	205,000	--	205,000	39,642
Amortization of bond issuance costs	(2,151)	--	(2,151)	(12,170)
Amortization of bond discount	(3,122)	--	(3,122)	(6,031)
Interest and investment income	769,235	294,341	1,063,576	698,944
Interest expense	(59,065)	(14,633)	(73,698)	(26,924)
Property taxes	--	21,516	21,516	--
Special assessments	--	21,917	21,917	--
Other	--	11,156	11,156	--
Total Non-Operating Revenues (Expenses)	<u>1,024,726</u>	<u>346,711</u>	<u>1,371,437</u>	<u>702,558</u>
<b>Net Income Before Transfers</b>	<u>(991,034)</u>	<u>663,755</u>	<u>(327,279)</u>	<u>(1,236,216)</u>
Capital contributions	--	7,997	7,997	--
Transfers in	--	--	--	201,768
<b>Change in Net Assets</b>	<u>(991,034)</u>	<u>671,752</u>	<u>(319,282)</u>	<u>(1,034,448)</u>
Net Assets - Beginning	<u>27,614,151</u>	<u>10,996,410</u>	<u>38,610,561</u>	<u>(10,242,443)</u>
Net Assets - Ending	<u>\$ 26,623,117</u>	<u>\$ 11,668,162</u>	<u>\$ 38,291,279</u>	<u>\$ (11,276,891)</u>
<b>Change in Net Assets of Business-type Activities</b>			\$ (319,282)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>198,543</u>	
<b>Change in Net Assets of Business-type Activities per Government-wide Financial Statement</b>			<u>\$ (120,739)</u>	

The accompanying notes are an integral part of these financial statements.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds			Governmental
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 11,941,909	\$ 2,873,056	\$ 14,814,965	\$ 29,459,407
Receipts from interfund services provided	--	--	--	32,148,188
Payments to suppliers for goods and services	(5,500,963)	(1,293,745)	(6,794,708)	(20,975,955)
Payments to employees for services	--	--	--	(33,679,500)
Payments for interfund services used	(6,335,353)	(899,938)	(7,235,291)	--
Payments for judgments and claims	--	--	--	(3,276,774)
Other receipts	--	--	--	41,188
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>105,593</b>	<b>679,373</b>	<b>784,966</b>	<b>3,716,554</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers received	--	--	--	201,768
Transfers paid	(120,000)	--	(120,000)	(1,115,345)
Loan proceeds	--	--	--	614,237
Loan repayments	--	--	--	(336,422)
Property taxes	--	43,433	43,433	--
Subsidies from other governmental agencies	114,829	11,781	126,610	--
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(5,171)</b>	<b>55,214</b>	<b>50,043</b>	<b>(635,762)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital contributions	--	3,756	3,756	8,880
Proceeds from sale of capital assets	--	--	--	77,398
Purchase of capital assets	(2,981,841)	(272,842)	(3,254,683)	(2,385,407)
Principal paid on long-term debt	(596,576)	(38,667)	(635,243)	(576,136)
Interest paid on long-term debt	(65,411)	(17,391)	(82,802)	(28,325)
Long-term debt proceeds	2,000,000	11,246	2,011,246	492,745
Loan repayments	--	--	--	(595,877)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(1,643,828)</b>	<b>(313,898)</b>	<b>(1,957,726)</b>	<b>(3,006,722)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends received	769,235	294,342	1,063,577	698,943
<b>Net Cash Provided by Investing Activities</b>	<b>769,235</b>	<b>294,342</b>	<b>1,063,577</b>	<b>698,943</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(774,171)</b>	<b>715,031</b>	<b>(59,140)</b>	<b>773,013</b>
Cash and Cash Equivalents, Beginning of Year	14,336,145	5,401,489	19,737,634	15,306,332
Cash and Cash Equivalents, End of Year	<u>\$ 13,561,974</u>	<u>\$ 6,116,520</u>	<u>\$ 19,678,494</u>	<u>\$ 16,079,345</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Borrowing under capital lease	\$ 756,054	\$ --	\$ 756,054	\$ --

continued

The accompanying notes are an integral part of these financial statements.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Statement of Cash Flows (continued)  
 Proprietary Funds  
 For the Year Ended June 30, 2007

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>County Disposal Sites CSA 9C</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by</b>				
Operating Activities:				
Operating income (loss)	\$ (2,015,760)	\$ 317,044	\$ (1,698,716)	\$ (1,938,774)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,556,720	294,227	1,850,947	2,144,349
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	78,803	23,828	102,631	236,775
Inventory	--	--	--	(117,177)
Deposits	--	--	--	30,891
Prepaid items	--	--	--	7,190
Increase (decrease) in:				
Payables	160,298	44,274	204,572	252,963
Other long-term debt	--	--	--	3,010,615
Closure and postclosure care costs liability	325,532	--	325,532	--
Compensated absences	--	--	--	89,722
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 105,593</u>	<u>\$ 679,373</u>	<u>\$ 784,966</u>	<u>\$ 3,716,554</u>

The accompanying notes are an integral part of these financial statements.



**COUNTY OF SANTA CRUZ, CALIFORNIA**

Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2007

	Agency Funds	Investment Trust Fund
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and investments	\$ 63,383,292	\$ 332,459,525
Receivables	18,962,143	--
Total Assets	<u>\$ 82,345,435</u>	<u>\$ 332,459,525</u>
 <b>LIABILITIES</b>		
Claims payable	\$ 3,446,470	\$ --
Due to other funds	4,811,183	--
Due to other governmental units	21,342,053	--
Agency funds held for others	52,745,729	--
Total Liabilities	<u>\$ 82,345,435</u>	<u>\$ --</u>
 <b>NET ASSETS</b>		
Net assets held in trust for investment pool participants	<u>\$ --</u>	<u>\$ 332,459,525</u>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF SANTA CRUZ**

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2007

	<u>Investment Trust Fund</u>
<b>ADDITIONS</b>	
Contributions to investment pool	\$ 1,329,640,724
Interest income	16,312,045
Total Additions	<u>1,345,952,769</u>
<b>DEDUCTIONS</b>	
Distributions from investment pool	1,330,300,653
Total Deductions	<u>1,330,300,653</u>
Change in Net Assets	15,652,116
Net Assets - Beginning, as restated	<u>316,807,409</u>
Net Assets - Ending	<u>\$ 332,459,525</u>

The accompanying notes are an integral part of these financial statements.

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**BASIC FINANCIAL STATEMENTS**  
**Notes to the Financial Statements**

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# COUNTY OF SANTA CRUZ, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 1: **Summary of Significant Accounting Policies**

The County of Santa Cruz (the “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.

The County’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The County has elected to apply all applicable FASB pronouncements issued on or before that date to its proprietary funds. The more significant accounting policies established in GAAP and used by the County are discussed below.

**A. Reporting Entity**

These financial statements present the County (the primary government) and its component unit, the Santa Cruz County Sanitation District. As defined by GASB Statement No. 39, component units are legally separate entities that are included in the County’s reporting entity because of the significance of their operating or financial relationships with the County.

**Blended Component Units.** The following entities serve citizens of the government 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 a board comprised of the County Board of Supervisors. The Board of Supervisors establishes the district work program and adopts the budget. Administrative services are provided by various departments of the County of Santa Cruz.

# COUNTY OF SANTA CRUZ, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 1: **Summary of Significant Accounting Policies** (continued)

A. **Reporting Entity** (continued)

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

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

Districts Governed by the Board of Supervisors

*Public Protection*

Aptos Seascape 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

# COUNTY OF SANTA CRUZ, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 1: **Summary of Significant Accounting Policies** (continued)

## A. Reporting Entity (continued)

### *Public Ways and Facilities*

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

### *Geologic Hazard Abatement Districts (GHAD)*

Corralitos GHAD  
Mid-County GHAD  
Heartwood GHAD

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

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

## COUNTY OF SANTA CRUZ, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 1: **Summary of Significant Accounting Policies** (continued)

A. **Reporting Entity** (continued)

Santa Cruz County Flood Control and Water Conservation District – Zone 7, a Special Revenue Fund, 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. The District is governed by a seven-member board consisting of the County Board of Supervisors and two additional members, one appointed by the City of Watsonville and another appointed by the Pajaro Valley Water Agency. Administrative services are provided by the County of Santa Cruz, Department of Public Works, 701 Ocean Street, Room 410, Santa Cruz, CA 95060.

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

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

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



# COUNTY OF SANTA CRUZ, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 1: **Summary of Significant Accounting Policies** (continued)

## B. Basis of Presentation

### *Government-wide Financial Statements*

The Statement of Net Assets and Statement of Activities display information about the primary government, the County, and its component unit. This government-wide focus is more on the sustainability of the County as an entity and the change in the County's net assets resulting from the current year's activities. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental and business-type activities of the County and between the county and its component unit.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

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

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

## COUNTY OF SANTA CRUZ, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 1: **Summary of Significant Accounting Policies** (continued)

B. **Basis of Presentation** (continued)

***Fund Financial Statements***

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental and enterprise funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are presented in a single column in the proprietary fund financial statements. The various funds are reported by generic classification within the financial statements.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary services.

The County reports the following major governmental funds:

- The **General Fund** is 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 fund.
- The **Redevelopment Agency fund** accounts for a legal entity separate from the County, although the entity is reported as a 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.

The County reports the following major enterprise fund:

- The **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.

## COUNTY OF SANTA CRUZ, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 1: **Summary of Significant Accounting Policies** (continued)

### B. **Basis of Presentation** (continued)

Additionally, the County reports the following fund types:

- **Internal Service funds** account 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.
- **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** are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds, including State and City 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. **Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The government-wide, proprietary, and fiduciary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. However, agency funds have no measurement focus. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The accounting objectives of the economic resources measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred or economic asset used.

# COUNTY OF SANTA CRUZ, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 1: **Summary of Significant Accounting Policies** (continued)

## C. **Measurement Focus and Basis of Accounting** (continued)

Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

In the current financial resources measurement focus, only current financial assets and liabilities are generally included on the balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. The fund balance is used as the measure of available spendable financial resources at the end of the period.

Under the modified accrual basis of accounting, 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.

## D. **Financial Statement Amounts**

### Cash and Cash Equivalents

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent with original maturities of three months or less from the date of acquisition.

COUNTY OF SANTA CRUZ, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 1: **Summary of Significant Accounting Policies** (continued)

D. **Financial Statement Amounts** (continued)

Investments

Governmental Accounting Standards Board Statement No. 31, "Accounting and Financial Reporting for Certain Investments" was implemented during 1997.

In accordance with this statement, investments held at June 30, 2007 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Inventories and Prepaid Items

Inventories in the general fund consist of expendable supplies held for the County's use and are carried at cost using the first-in, first-out method.

Inventories in the internal service funds, enterprise funds, and the general fund are stated at cost. Cost is determined by the average cost method.

The costs of inventory items are recorded as expenditures in the governmental fund types and expenses in the proprietary fund types when used.

Certain payments to vendors reflect costs attributable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The inventories and prepaid items recorded in the governmental funds do not reflect current appropriable resources and thus, an equivalent portion of fund balance is reserved.

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$1,500 (for equipment and vehicles) and \$25,000 (for infrastructure, buildings and structures) or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

# COUNTY OF SANTA CRUZ, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 1: **Summary of Significant Accounting Policies** (continued)

## D. **Financial Statement Amounts** (continued)

### Capital Assets and Depreciation (continued)

GASB Statement No. 34 requires the County to report and depreciate new infrastructure assets effective with the beginning of the 2001-2002 fiscal year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. The retroactive reporting of infrastructure (assets acquired after fiscal year ending June 1980) was subject to an extended implementation period and was first effective for fiscal years ending 2005.

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.

### Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of tax allocation bonds, certificates of participation, lease revenue refunding bonds, local assessment bonds, notes payable, compensated absences, and capital leases.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

### Compensated Absences

The County accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee, including salary-related payments such as employer's share of social security and medicare taxes. These amounts, estimated to be used in subsequent fiscal years for governmental funds, is maintained separately and represents a reconciling item between the fund and government-wide presentations.

# COUNTY OF SANTA CRUZ, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 1: **Summary of Significant Accounting Policies** (continued)

## D. **Financial Statement Amounts** (continued)

### Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses.

Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

### Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

### Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

### Equity Classifications

#### *Government-Wide Financial Statements*

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

COUNTY OF SANTA CRUZ, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 1: **Summary of Significant Accounting Policies** (continued)

D. **Financial Statement Amounts** (continued)

Equity Classifications (continued)

*Government-Wide Financial Statements* (continued)

- Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

*Fund Financial Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions.

As of June 30, 2007, reservations of fund balance are described below:

- Encumbrances – to reflect the outstanding contractual obligations for which goods and services have not been received.
- Inventories, prepaids and imprest cash – to reflect the portion of assets which do not represent available spendable resources.
- Advances and loans – to reflect the amount due from other funds that are long-term in nature. Such amounts do not represent available spendable resources.
- Debt service – to reflect the funds held by trustees or fiscal agents for future payment of bond principal and interest. These funds are not available for general operations.
- Capital asset acquisition – to reflect the amount set aside for the purchase of capital assets from the issuance of loans by the public financing authority.



# COUNTY OF SANTA CRUZ, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 1: **Summary of Significant Accounting Policies** (continued)

**D. Financial Statement Amounts** (continued)

Equity Classifications (continued)

*Fund Financial Statements* (continued)

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

- General fund – to reflect management’s intent to expend certain funds for the health services facility, emergency reserve, federally qualified health program, working capital, medicruz risk reserve, 1400 Emeline, economic uncertainty and liability reserve.
- Special revenue – to reflect management’s intent to expend certain funds to support the County’s redevelopment agency projects and debt service.
- Capital projects – to reflect management’s intent to expend certain funds solely for planned capital projects.

**E. 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.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 1: **Summary of Significant Accounting Policies** (continued)

**E. Property Tax Levy, Collection and Maximum Rates** (continued)

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	50% on November 1 50% on February 1	August 1
Delinquent after	December 10 (for Nov) April 10 (for Feb)	August 31
Tax rate per \$100 full cash value	\$1	\$1
Late penalty	10%	10%
Delinquent interest	1 – ½% per month	1 – ½% per month

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

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

# COUNTY OF SANTA CRUZ, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 1: **Summary of Significant Accounting Policies** (continued)

E. **Property Tax Levy, Collection and Maximum Rates** (continued)

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

F. **Estimates**

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2: **Cash and Investments**

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. Cash and investments for most County activities are included in the investment pool. Interest earned on the investment pool is distributed to the participating funds monthly using a formula based on the average daily cash balance of each fund. Interest earned June 30, 2007 is distributed July 1, 2007 and is shown as interest receivable on the financial statements.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 2: **Cash and Investments** (continued)

At June 30, 2007, total cash, investments and restricted cash were disclosed at book value in the County's financial statements as follows:

	<u>Cash and Investments</u>	<u>Restricted Cash</u>	<u>Total</u>
Primary Government and Fiduciary Funds:			
Cash on hand or imprest cash	\$ 53,770	\$ --	\$ 53,770
Deposits in treasury pool	12,999,035	--	12,999,035
Investments in treasury pool	415,806,061	--	415,806,061
Deposits in other banks	124,235	--	124,235
Investments in other banks	173,029,848	77,283,758	250,313,606
Investments in other pools	10,087,683	--	10,087,683
Restricted cash in treasury pool:			
Davenport Sanitation	(61,291)	61,291	--
Disposal Sites	(4,836,649)	4,836,649	--
Sand Dollar Beach	(7,226)	7,226	--
Total	<u>607,195,466</u>	<u>82,188,924</u>	<u>689,384,390</u>
Component Unit:			
Restricted cash in treasury pool	(427,037)	427,037	--
Investments in treasury pool	34,296,919	--	34,296,919
Investments in other banks	--	993,080	993,080
Total	<u>33,869,882</u>	<u>1,420,117</u>	<u>35,289,999</u>
 Total Cash and Investments	 <u>\$ 641,065,348</u>	 <u>\$ 83,609,041</u>	 <u>\$ 724,674,389</u>

It is the policy of the County to offset outstanding warrants through an agency fund, the result of which increased the agency fund's aggregate cash balance by \$29,689,822 at June 30, 2007.

At June 30, 2007, the County's cash on hand, deposits, and investments consisted of:

	<u>Treasury Pool</u>	<u>Other Banks</u>	<u>Cash on Hand or Imprest</u>	<u>Total</u>
Primary Government and Fiduciary Funds:				
Cash on hand or imprest	\$ --	\$ --	\$ 53,770	\$ 53,770
Deposits	13,026,796	96,473	--	13,123,269
Investments	598,923,593	77,283,758	--	676,207,351
Total Primary Government	<u>611,950,389</u>	<u>77,380,231</u>	<u>53,770</u>	<u>689,384,390</u>
Component Unit:				
Restricted cash	427,037	--	--	\$ 427,037
Investments	33,869,882	993,080	--	34,862,962
Total Component Unit	<u>34,296,919</u>	<u>993,080</u>	<u>--</u>	<u>35,289,999</u>
 Total Reporting Entity	 <u>\$ 646,247,308</u>	 <u>\$ 78,373,311</u>	 <u>\$ 53,770</u>	 <u>\$ 724,674,389</u>

## COUNTY OF SANTA CRUZ, CALIFORNIA

### Notes to the Financial Statements For the Year Ended June 30, 2007

Note 2: **Cash and Investments** (continued)

Pooled investments are carried at cost or amortized cost. In accordance with Government Accounting Standards Board Statement Number 31, the County calculated the fair value of all investments included in the pooled investments based on quoted market prices. County management deemed that the difference between book value and fair value was immaterial in relation to each investment account included in the pool. Based on this determination the unrealized decrease in fair value of the investments was not recognized and is not included in the balances reported in the financial statements.

**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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 Years	10%	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Agency Obligations	5 Years	40%	15%
State of California Obligations	5 Years	10%	None
Banker's Acceptances	180	40%	10%
Commercial Paper	270	40%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Non-negotiable Certificates of Deposit	180 days	None	None
Repurchase Agreements	90 days	None	None
Medium Term Notes	5 years	30%	None
Mutual Funds/Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Investment Funds	None	25%	None

# COUNTY OF SANTA CRUZ, CALIFORNIA

## Notes to the Financial Statements For the Year Ended June 30, 2007

### Note 2: Cash and Investments (continued)

At June 30, 2007, the County had the following investments:

	Interest Rates	Maturities	Par	Cost	Fair Value	WAM (Years)
<b>Investments in Investment Pool</b>						
U.S. Government Agencies	3.375% - 5.55%	10/16/07 - 03/05/10	\$ 144,000,000	\$ 143,861,800	143,642,370	1.47
Negotiable Certificates of Deposit	5.29% - 5.315%	7/05/07 - 12/03/07	165,000,000	165,000,312	165,000,300	0.16
Medium Term Notes	3.67% - 5.82%	08/15/07 - 07/06/10	146,000,000	146,094,293	146,010,326	1.15
Commercial Paper	4.85% - 7.72%	07/03/07 - 07/31/07	146,144,000	145,326,887	145,879,065	0.04
Teeter Note/Other	5.25% - 5.435	07/31/07 - 08/15/10	15,000,000	14,820,000	14,820,000	0.25
Money Market Mutual Funds	5.21%	On Demand	8,029,536	8,029,536	8,029,536	--
Local Agency Investment Fund (LAIF)	5.23%	On Demand	10,087,683	10,087,683	10,087,683	--
<b>Total investments in investment pool</b>			<b>\$ 634,261,219</b>	<b>\$ 633,220,511</b>	<b>\$ 633,469,280</b>	<b>0.72</b>
<b>Investments Outside Investment Pool</b>						
<i>Bank of New York</i>						
Money Market Mutual Funds	Various	On Demand	\$ 140,393	\$ 140,393	140,393	--
Investment Agreements	4.615% - 6.45%	Various	57,305,602	57,305,602	57,305,602	--
Repurchase Agreement	5.48%	Various	2,612,276	2,612,276	2,612,276	--
			<u>60,058,271</u>	<u>60,058,271</u>	<u>60,058,271</u>	<u>--</u>
<i>Public Finance Authority:</i>						
<i>Bank of New York</i>						
Money Market Mutual Funds	Various	On Demand	10,829,866	10,829,866	10,829,866	--
Investment agreements	Various	Various	1,012,006	1,012,006	1,012,006	--
			<u>11,841,872</u>	<u>11,841,872</u>	<u>11,841,872</u>	<u>--</u>
<i>Suntrust Leasing</i>						
U.S. Treasury Money Market Mutual Funds	4.51%	On Demand	5,383,615	5,838,615	5,383,615	--
<b>Total investments outside investment pool</b>			<b>\$ 77,283,758</b>	<b>\$ 77,738,758</b>	<b>\$ 77,283,758</b>	<b>\$ --</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.

### Credit Risk

State law and the County's Investment Policy limit investments in commercial paper to the rating of A1 by Standards & Poor's or P-1 by Moody's Investors Service. State law and the County's Investment Policy also limit investments in corporate bonds to the rating of A by Standard & Poor's and Moody's Investors Service. The County does not have credit limits on government agency securities.

### Concentration of Credit Risk

At June 30, 2007, 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

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 2: **Cash and Investments** (continued)

Concentration of Credit Risk (continued)

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, 2007.

	<u>S&amp;P</u>	<u>Moody's</u>	<u>% of Portfolio</u>
<b>Investments in Investment Pool</b>			
U.S. Government Agencies	AAA	Aaa	22.73%
Negotiable Certificates of Deposit	AA	AA <sub>2</sub>	26.05%
Medium Term Notes	AA-	AA <sub>3</sub>	23.07%
Commercial Paper	P1	A1	22.95%
Teeter Note	Unrated	Unrated	2.34%
Money Markets	A-1	P-1	1.27%
Local Agency Investment Fund (LAIF)	Unrated	Unrated	1.59%
<b>Total for investments in pool</b>			<u><u>100.00%</u></u>
<b>Investments Outside Investment Pool</b>			
<i>Bank of New York</i>			
Money Market Mutual Funds	Unrated	Unrated	21.16%
Investment Agreements	AA	Aa1	75.46%
Repurchase Agreement	AA	Aa1	3.38%
			<u><u>100.00%</u></u>

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.

# COUNTY OF SANTA CRUZ, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 2: **Cash and Investments** (continued)

## Local Agency Investment Fund

The County Treasurer's Pool maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisor Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

At June 30, 2007, the County's investment position in the State of California Local Agency Investment Fund (LAIF) was \$10,087,683, which approximates fair value and is the same value as the pool shares. The total amount invested by all public agencies in LAIF on that day was \$65.8 billion. Of that amount, 96.5% was invested in non-derivative financial products and 3.5% in structured notes and asset-backed securities.

At June 30, 2007 the difference between the cost and fair value of cash and investments was not material (fair value close to 100% of carrying value). Therefore, an adjustment to fair value was not required. Fair value is based on information provided by the State for the Local Agency Investment Fund. Investments are liquid.

## County Investment Pool Condensed Financial Statements

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2007:

### **Statement of Net Assets**

Net assets held for pool participants	<u>\$ 646,247,308</u>
Equity of internal pool participants	\$ 313,787,783
Equity of external pool participants	<u>332,459,525</u>
Total net assets	<u>\$ 646,247,308</u>

### **Statement of Changes in Net Assets**

Net assets held for pool participants at July 1, 2006	\$ 618,471,138
Net change in investments by pool participants	<u>27,776,170</u>
Net assets held for pool participants at June 30, 2007	<u>\$ 646,247,308</u>



COUNTY OF SANTA CRUZ, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 3: **Restricted Cash and Investments**

Cash and investments at June 30, 2007 that are restricted by legal or contractual requirements are comprised of the following:

Governmental Activities

<u>General Fund</u>	
Reserved for Government Center energy project	\$ 5,383,615
<u>Redevelopment Agency</u>	
Reserved for capital projects and low moderate income housing project expenditures	55,168,836
<u>Nonmajor Governmental Funds</u>	
Reserved for debt service	<u>16,731,307</u>
Subtotal	<u>77,283,758</u>

Business-Type Activities

<u>County Disposal Site CSA 9C</u>	
Reserved for landfill deposits	4,836,649
<u>Nonmajor Enterprise Funds</u>	
Reserved for Debt Service and bond reserves	<u>68,517</u>
Subtotal	<u>4,905,166</u>

Component Unit

<u>Santa Cruz County Sanitation District</u>	
Reserved for Debt Service	<u>1,420,117</u>

Total Restricted Cash and Investments \$ 83,609,041

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 4: **Receivables**

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

	<u>General Fund</u>	<u>Redevelopment Agency</u>	<u>Nonmajor Funds</u>	<u>Internal Service Funds</u>	<u>Total Governmental Activities</u>
<i>Governmental Activities:</i>					
Accounts	\$ 36,576,382	\$ --	\$ 6,229,563	\$ 128,348	\$ 42,934,293
Interest	--	217,462	--	--	217,462
Taxes	<u>926,451</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>926,451</u>
Gross receivables	37,502,833	217,462	6,229,563	128,348	44,078,206
Less: allowance for uncollectibles	<u>(6,336,623)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(6,336,623)</u>
Total Receivables	<u>\$ 31,166,210</u>	<u>\$ 217,462</u>	<u>\$ 6,229,563</u>	<u>\$ 128,348</u>	<u>\$ 37,741,583</u>

	<u>County Disposal Sites CSA</u>	<u>Nonmajor Funds</u>	<u>Total Business-Type Activities</u>
<i>Business-Type Activities</i>			
Accounts Receivable	<u>\$ 647,810</u>	<u>\$ 170,424</u>	<u>\$ 818,234</u>

Governmental funds report deferred revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received or accrued but not yet earned.

At June 30, 2007, the various components of deferred revenue and unearned revenue reported were as follows:

	<u>Unearned</u>
<i>Governmental Activities:</i>	
Grant drawdowns prior to meeting all eligibility requirements	\$ 33,520,029
Other receivables	<u>169,770</u>
Total Governmental Activities	<u>\$ 33,689,799</u>

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 5: **Interfund Transactions**

Interfund Balances

Interfund balances at June 30, 2007 consisted of the following:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 468,966
	Fiduciary Funds	4,811,183
Nonmajor Governmental Funds	Nonmajor Governmental Funds	3,258,383
Internal Service Funds	Internal Service Funds	<u>1,106,982</u>
		<u>\$ 9,645,514</u>

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.

Interfund Transfers

The following transfers are between governmental funds. These transfers were eliminated in the consolidation for the governmental activities:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental Funds	\$ 10,669	Various
	Nonmajor Governmental Funds	6,414,231	Debt service
	Nonmajor Governmental Funds	1,145,097	Capital projects
	Internal Service Funds	201,768	Various
Redevelopment Agency	Nonmajor Governmental Funds	11,678,310	Various
Nonmajor Governmental Funds	Redevelopment Agency	44	Capital projects
	General Fund	1,039,575	Various
	General Fund	600,000	
	Nonmajor Governmental Funds	500,048	Various
	Nonmajor Governmental Funds	5,799,163	Capital projects
	Nonmajor Governmental Funds	<u>405,643</u>	Debt service
		<u>\$ 27,794,548</u>	

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

## COUNTY OF SANTA CRUZ, CALIFORNIA

### Notes to the Financial Statements For the Year Ended June 30, 2007

#### Note 6: Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2007
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 48,867,561	\$ 6,629,937	\$ --	\$ --	\$ 55,497,498
Construction in progress	6,634,020	9,433,503	--	(6,485,568)	9,581,955
Total capital assets, not being depreciated	55,501,581	16,063,440	--	(6,485,568)	65,079,453
Capital assets, being depreciated:					
Infrastructure	466,793,992	17,333,988	--	--	484,127,980
Buildings	100,410,152	1,700,594	--	6,485,568	108,596,314
Machinery and equipment	41,999,698	4,875,008	(2,155,053)	--	44,719,653
Total capital assets, being depreciated	609,203,842	23,909,590	(2,155,053)	6,485,568	637,443,947
Less accumulated depreciation for:					
Infrastructure	(149,632,724)	(10,620,754)	--	--	(160,253,478)
Buildings	(45,646,379)	(3,580,714)	--	--	(49,227,093)
Machinery and equipment	(36,355,512)	(3,115,955)	1,999,636	--	(37,471,831)
Total accumulated depreciation	(231,634,615)	(17,317,423)	1,999,636	--	(246,952,402)
Total capital assets, being depreciated, net	377,569,227	6,592,167	(155,417)	6,485,568	390,491,545
Government activities capital assets, net	<u>\$ 433,070,808</u>	<u>\$ 22,655,607</u>	<u>\$ (155,417)</u>	<u>\$ --</u>	<u>\$ 455,570,998</u>
<b>Business-type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 1,858,849	\$ --	\$ --	\$ --	\$ 1,858,849
Construction in progress	4,347,416	68,483	(13,930)	(61,280)	4,340,689
Total capital assets, not being depreciated	6,206,265	68,483	(13,930)	(61,280)	6,199,538
Capital assets, being depreciated:					
Buildings	27,403,523	2,876,811	--	61,280	30,341,614
Machinery and equipment	9,348,899	1,346,383	(663,935)	--	10,031,347
Total capital assets, being depreciated	36,752,422	4,223,194	(663,935)	61,280	40,372,961
Less accumulated depreciation for:					
Buildings	(12,845,980)	(1,046,928)	--	1,000,464	(12,892,444)
Machinery and equipment	(5,892,686)	(804,019)	663,935	(1,000,464)	(7,033,234)
Total accumulated depreciation	(18,738,666)	(1,850,947)	663,935	--	(19,925,678)
Total capital assets, being depreciated, net	18,013,756	2,372,247	--	61,280	20,447,283
Business-type activities capital assets, net	<u>\$ 24,220,021</u>	<u>\$ 2,440,730</u>	<u>\$ (13,930)</u>	<u>\$ --</u>	<u>\$ 26,646,821</u>

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 6: **Capital Assets** (continued)

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

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &amp;</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2007</u>
<i>Capital assets, not being depreciated:</i>					
Construction in progress	\$ 8,404,809	\$ 3,894,504	\$ --	\$ (6,209,264)	\$ 6,090,049
Total capital assets, not being depreciated	<u>8,404,809</u>	<u>3,894,504</u>	<u>--</u>	<u>(6,209,264)</u>	<u>6,090,049</u>
<i>Capital assets, being depreciated:</i>					
Pumping stations	32,931,676	--	--	1,678,580	34,610,256
Transmission systems	57,726,260	--	--	4,530,684	62,256,944
Sewage treatment plants	33,225,000	--	--	--	33,225,000
Mobile equipment	2,775,570	152,275	(131,860)	--	2,795,985
Other equipment	2,006,883	134,554	--	--	2,141,437
Total capital assets, being depreciated	<u>128,665,389</u>	<u>286,829</u>	<u>(131,860)</u>	<u>6,209,264</u>	<u>135,029,622</u>
Less accumulated depreciation for:					
Pumping stations	(14,426,341)	(716,310)	--	--	(15,142,651)
Transmission systems	(22,930,952)	(1,413,589)	--	--	(24,344,541)
Sewage treatment plants	(5,912,664)	(862,987)	--	--	(6,775,651)
Mobile equipment	(1,566,026)	(238,650)	131,860	--	(1,672,816)
Other equipment	(1,438,555)	(155,792)	--	--	(1,594,347)
Total accumulated depreciation	<u>(46,274,538)</u>	<u>(3,387,328)</u>	<u>131,860</u>	<u>--</u>	<u>(49,530,006)</u>
Total capital assets, being depreciated, net	<u>82,390,851</u>	<u>(3,100,499)</u>	<u>--</u>	<u>6,209,264</u>	<u>85,499,616</u>
Total Capital Assets, net	<u>\$ 90,795,660</u>	<u>\$ 794,005</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 91,589,665</u>

Depreciation expense was charged to governmental functions as follows:

	<u>Total</u>
<b>Governmental Activities:</b>	
General government	\$ 2,268,002
Public protection	980,388
Public ways	10,743,767
Health and sanitation	786,677
Public assistance	198,312
Recreation and culture	191,223
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>2,149,054</u>
Total	<u>\$ 17,317,423</u>

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 6: **Capital Assets** (continued)

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

<b>Business-type Activities:</b>	
County Disposal Sites CSA	1,556,720
Boulder Creek CSA	55,465
Rolling Woods CSA	7,969
Freedom County Sanitation District	127,696
Davenport Sanitation District	80,291
Place de Mer CSA	5,542
Sand Dollar Beach CSA	12,267
Trestle Beach CSA	1,357
Summit West CSA	<u>3,640</u>
 Total	 <u><u>\$ 1,850,947</u></u>

Note 7: **Payables**

Payables at June 30, 2007 are as follows:

	<u>Vendors</u>	<u>Salaries &amp; Benefits</u>	<u>Accrued Interest</u>	<u>Total Payables</u>
<b><u>Governmental Activities:</u></b>				
General Fund	\$ 11,138,193	\$ 7,176,617	\$ --	\$ 18,314,810
Redevelopment Agency	575,333	47,207	--	622,540
Nonmajor Governmental Funds	4,159,033	4,996	--	4,164,029
Internal Service Funds	821,932	1,263,227	3,296	2,088,455
Total Governmental Funds	<u><u>\$ 16,694,491</u></u>	<u><u>\$ 8,492,047</u></u>	<u><u>\$ 3,296</u></u>	<u><u>\$ 25,189,834</u></u>
	<u>Vendors</u>	<u>Salaries &amp; Benefits</u>	<u>Accrued Interest</u>	<u>Total Payables</u>
<b><u>Business-type Activities:</u></b>				
County Disposal Sites CSA 9C	\$ 562,867	\$ --	\$ 10,989	\$ 573,856
Nonmajor Enterprise Funds	467,780	--	12,695	480,475
Total Governmental Funds	<u><u>\$ 1,030,647</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 23,684</u></u>	<u><u>\$ 1,054,331</u></u>

Note 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.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 8: **Short-Term Debt – Tax and Revenue Anticipation Notes** (continued)

Tax and revenue anticipation notes payable debt activity for the year ended June 30, 2007 was as follows:

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Balance July 1, 2006</u>	<u>Addition</u>	<u>Deletion</u>	<u>Accrued Interest</u>	<u>Balance June 30, 2007</u>
2006	4.0%	\$ 51,994,444	\$ --	\$ 51,994,444	\$ --	\$ --
2007	4.5%	--	43,500,000	--	1,952,063	45,452,063
<b>Total</b>		<u>\$ 51,994,444</u>	<u>\$ 43,500,000</u>	<u>\$ 51,994,444</u>	<u>\$ 1,952,063</u>	<u>\$ 45,452,063</u>

Note 9: **Capital Leases**

The County has entered into certain capital lease agreements under which the related equipment, computers, vehicles, and furniture will become the property of the County when all terms of the lease agreements are met.

	<u>Stated Interest Rate</u>	<u>Present Value of Remaining Payments as of June 30, 2007</u>
<b>Governmental Fund Activities:</b>		
Central Duplicating – Xerox machine	7.50%	\$ 10,340
Energy Efficient Infrastructure	4.42%	5,989,594
<b>Total Capital Lease Obligations</b>		<u>\$ 5,999,934</u>
<b>Business-type Activities:</b>		
D9T Bulldozer	4.32%	\$ 502,244
<b>Total Capital Lease Obligations</b>		<u>\$ 502,244</u>

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Equipment, computers, furniture, and vehicles	\$ 67,381	\$ --
Construction in progress	658,866	1,028,328
<b>Total Assets Under Capital Lease</b>	<u>726,247</u>	<u>1,028,328</u>
Less: Accumulated depreciation	56,151	102,833
<b>Net Value</b>	<u>\$ 670,096</u>	<u>\$ 925,495</u>

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 9: **Capital Leases** (continued)

As of June 30, 2007, capital lease annual amortization is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2008	\$ 246,558	\$ 267,510
2009	471,694	267,510
2010	471,694	--
2011	471,694	--
2012	471,694	--
2013-17	2,358,470	--
2018-22	2,358,470	--
2023-27	<u>2,358,470</u>	<u>--</u>
 Total Requirements	 9,208,744	 535,020
 Less: Interest	 <u>3,208,810</u>	 <u>32,776</u>
 Present Value of Remaining Payments	 <u>\$ 5,999,934</u>	 <u>\$ 502,244</u>

Note 10: **Long-Term Liabilities**

Long-term liabilities at June 30, 2007 included the following:

<u>Type of Indebtedness (Purpose)</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2007</u>
<b><u>Governmental Activities</u></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)					
Serial certificates	9/1/97-9/1/26	4.00-5.65%	\$190,000-\$1,605,000	\$ 20,955,000	\$ 16,515,000
Term bonds	3/1/21-9/1/23	5.60%	\$1,230,000-\$1,370,000	3,900,000	3,900,000
2002 Issue (refinanced road improvements, a detention facility, a library, equipment, purchases of parkland and construction of a transfer station; financed improvements to County buildings)					
Serial certificates	8/1/03-8/1/22	4.00-5.15%	\$50,000-\$730,000	4,380,000	1,765,000
Term certificates	8/1/23-8/1/32	5.25%	\$100,000-\$155,000	1,260,000	1,260,000
Unamortized bond premium				126,230	109,398



# COUNTY OF SANTA CRUZ, CALIFORNIA

## Notes to the Financial Statements For the Year Ended June 30, 2007

### Note 10: Long-Term Liabilities (continued)

<u>Type of Indebtedness (Purpose)</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2007</u>
<b><u>Governmental Activities</u></b> (continued)					
<i>Refunding Certificates of Participation</i> (continued)					
2005 Issue (defeased 1995A Lease Revenue Refunding Bonds and financed construction and improvements to the Santa Cruz County Water Street and Rountree Lane Detention facilities)					
Serial certificates	8/1/05-8/1/20	2.75-4.25%	\$500,000-\$910,000	\$ 10,580,000	\$ 9,430,000
Unamortized bond discount				(67,249)	(58,283)
2001 Series B Lease Revenue Bonds Issue (financed equipment for the Santa Cruz County Departments of Public Works, County Counsel and Agricultural Commissioner, and improvements to the Health Services Buildings)					
Serial bonds	8/1/02-8/1/26	2.10-4.625%	\$200,000-\$760,000	9,675,000	6,150,000
Term bonds	2/1/27-8/1/31	4.75%	\$405,000-\$485,000	2,225,000	2,225,000
2002 Series A Issue (refinanced construction and equipment costs for the Santa Cruz County Consolidated Emergency Communications Center)					
Serial bonds	6/15/04-6/15/12	2.00-3.50%	\$76,000-\$295,000	1,449,665	572,736
Term bonds	6/15/13-6/15/24	5.25%	\$81,000-\$140,214	1,288,063	1,288,063
Unamortized bond premium				65,966	57,170
<i>Revenue Bonds</i>					
1995 Series B Issue (financed improvements to existing drainage facilities of the Santa Cruz County Flood Control Zone No. 7)					
Serial bonds	8/1/97-8/1/10	4.20-6.35%	\$175,000-\$360,000	3,565,000	1,315,000
Term bonds	2/1/11-8/1/12	6.50%	\$380,000-\$405,000	785,000	785,000
<i>Local Agency Revenue Bonds</i>					
1999 Issue (defeased 1992 Place de Mer and 1993 Sand Dollar Beach Districts, and financed construction of the Sunset Beach Water Main Extension Project)					
Local obligation bonds	9/2/00-9/2/19	4.00-5.50%	\$20,000-\$85,000	895,000	445,000
<i>Certificates of Participation</i>					
2004 Series Issue (financed payments due for settlement of lawsuits arising from damage to property caused by flooding of the Pajaro River)					
Serial certificates	6/1/05-6/1/2024	2.25-5.00%	\$525,000-\$1,720,000	23,000,000	21,030,000
Unamortized bond premium				27,378	23,271

# COUNTY OF SANTA CRUZ, CALIFORNIA

## Notes to the Financial Statements For the Year Ended June 30, 2007

### Note 10: Long-Term Liabilities (continued)

<u>Type of Indebtedness (Purpose)</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2007</u>
<b><u>Governmental Activities</u></b> (continued)					
<i>Certificates of Participation</i> (continued)					
2006 Series Issue (financed improvements to Watsonville Courthouse and Buena Vista Landfill)					
Serial certificates	8/1/07-8/1/2028	3.50-4.50%	\$180,000-\$410,000	\$ 4,786,333	\$ 4,786,333
Term certificates	8/1/2029-8/1/2032	4.50%		972,644	972,644
Term certificates	8/1/2033-8/1/2036	4.625%		1,161,022	1,161,022
Unamortized bond discount				(56,826)	(56,826)
Total Public Financing Authority Debt				<u>90,973,227</u>	<u>73,675,529</u>
<i>CA Health Facilities Financing Authority (CHFFA)</i>					
1987 (financed capital projects for County health facilities)					
Notes	1987-2011	7.20%	\$60,000-\$757,000	<u>3,829,696</u>	<u>897,805</u>
<i>Redevelopment Agency Tax Allocation Bonds</i>					
(to finance Live Oak/Soquel community improvement projects)					
1996 Issue Subordinate Tax Allocation Bonds					
Serial bonds	9/1/97-9/1/14	4.00-5.50%	\$180,000-\$485,000	5,845,000	3,235,000
Term bonds	9/1/15-9/1/17	5.60%	\$510,000-\$570,000	1,620,000	1,620,000
Term bonds	9/1/18-9/1/22	5.625%	\$600,000-\$725,000	3,335,000	3,335,000
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	14,585,000
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	5,750,000
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	43,300,000
Unamortized bond discount				(194,382)	(165,225)
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	452,759

# COUNTY OF SANTA CRUZ, CALIFORNIA

## Notes to the Financial Statements For the Year Ended June 30, 2007

### Note 10: Long-Term Liabilities (continued)

<u>Type of Indebtedness (Purpose)</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2007</u>
<b><u>Governmental Activities</u></b> (continued)					
<i>Redevelopment Agency Tax Allocation Bonds</i> (continued)					
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	\$ 2,265,000
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)	(43,654)
2007 Taxable Housing Tax Allocation Refunding Bonds					
Term bonds	9/1/07-9/1/17	5.208%	\$70,000-\$165,000	1,080,000	1,080,000
Term bonds	9/1/18-9/1/30	5.495%	\$120,000-\$1,250,000	9,675,000	9,675,000
Total Redevelopment Agency Bonds				<u>184,348,830</u>	<u>172,143,880</u>
<i>Internal Service Funds</i>					
Loan payable - Santa Cruz County Public Financing Authority					
Loans payable	8/1/88-8/1/06	2.10-4.75%	\$330,000-\$560,000	3,249,566	665,066
Unamortized bond discount				(42,217)	(12,062)
Total Internal Service Funds				<u>3,207,349</u>	<u>653,004</u>
Total Governmental Activities				<u>\$ 282,359,102</u>	<u>\$ 247,370,218</u>
<b><u>Business-Type Activities</u></b>					
<i>Loans Payable</i>					
Enterprise Fund - Sand Dollar Beach					
Santa Cruz County Public Financing Authority					
	9/1/99-9/1/08	4.99-6.09%	\$10,000-\$20,000	\$ 135,000	\$ 39,000
Enterprise Fund - County Disposal Sites CSA 9					
Loans payable	8/1/88-8/1/08	5.5-8.375%	\$145,000-\$380,000	7,328,287	338,000
Unamortized bond discount				(72,495)	(3,272)
<i>Certificates of Participation</i>					
2006 Series Issue (financed improvements to Watsonville Courthouse and Buena Vista Landfill)					
Serial certificates	8/1/07-8/1/2028	2.50%	\$4,550-\$10,575	1,438,667	1,438,667
Term certificates	2/28/95-7/1/2024	2.75%	\$3,550-\$4,817	292,356	292,356
Term certificates	5/31/01-5/21/2020	2.60%	\$5,940-\$9,429	348,978	348,978
Unamortized bond discount				(46,928)	(46,928)

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 10: **Long-Term Liabilities** (continued)

<u>Type of Indebtedness (Purpose)</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2007</u>
<b><u>Business-Type Activities</u></b> (continued)					
<i>Certificates of Participation</i> (continued)					
Enterprise Fund - Davenport Sanitation District					
California State Department of Water Resources	1/1/88-1/1/2022	2.50%	\$4,550-\$10,575	\$ 250,000	\$ 133,768
California Technology, Trade & Commerce Agency	2/28/95-7/1/2025	2.75%	\$3,550-4,817	310,691	214,291
California State Water Resources Control Board - Revolving Loan	5/31/01-5/31/2020	2.60%	\$5,940-\$9,429	<u>151,547</u>	<u>105,569</u>
Total Business-Type Activities				<u>\$ 10,136,102</u>	<u>\$ 2,860,428</u>
<b><u>Component Unit - Santa Cruz County Sanitation District (SCCSD)</u></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	\$ 8,450,000
2004 Issue Limited Obligation Improvement Bonds Freedom Boulevard Sewer Assessment District (financed construction of sewer facility)					
Serial bonds	9/2/05-9/2/18	1.85-5.25%	\$55,000-\$90,000	950,000	840,000
Loans payable - City of Santa Cruz	2000-2019	2.80%	\$928,354-\$1,564,248	24,374,832	16,160,263
Unamortized bond premium				<u>41,252</u>	<u>36,782</u>
Total Component Unit				<u>\$ 34,701,084</u>	<u>\$ 25,487,045</u>

# COUNTY OF SANTA CRUZ, CALIFORNIA

## Notes to the Financial Statements For the Year Ended June 30, 2007

### Note 10: Long-Term Liabilities (continued)

The following is a summary of long-term liabilities transactions for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Amounts Due Within One Year	Amounts Due Beyond One Year
<b>Governmental Activities:</b>						
PFA-1996 Refunding Certificates of Participation	\$ 20,975,000	\$ --	\$ 560,000	\$ 20,415,000	\$ 590,000	\$ 19,825,000
PFA-2002 Refunding Certificates of Participation	3,730,000	--	705,000	3,025,000	730,000	2,295,000
2002 Unamortized Bond Premium	113,606	--	4,208	109,398	4,208	105,190
Subtotal	3,843,606	--	709,208	3,134,398	734,208	2,400,190
PFA-2005 Refunding Certificates of Participation	9,930,000	--	500,000	9,430,000	515,000	8,915,000
2005 Unamortized Bond Discount	(62,766)	--	(4,483)	(58,283)	(4,483)	(53,800)
Subtotal	9,867,234	--	495,517	9,371,717	510,517	8,861,200
PFA-2001B Lease Revenue Bonds	9,135,000	--	760,000	8,375,000	535,000	7,840,000
PFA-2002A Lease Revenue Refunding Bonds	1,977,248	--	116,449	1,860,799	118,825	1,741,974
2002A Unamortized Bond Premium	59,369	--	2,199	57,170	2,199	54,971
Subtotal	2,036,617	--	118,648	1,917,969	121,024	1,796,945
PFA-1995B Revenue Bonds	2,385,000	--	285,000	2,100,000	300,000	1,800,000
PFA-1999 Local Agency Revenue Bonds	520,000	--	75,000	445,000	85,000	360,000
PFA-2004 Certificates of Participation	21,890,000	--	860,000	21,030,000	890,000	20,140,000
2004 Unamortized Bond Premium	24,640	--	1,369	23,271	1,369	21,902
Subtotal	21,914,640	--	861,369	21,053,271	891,369	20,161,902
2006 Certificates of Participation	--	6,920,000	--	6,920,000	115,000	6,805,000
2006 Unamortized Bond Premium	--	(56,826)	--	(56,826)	--	(56,826)
	--	6,863,174	--	6,863,174	115,000	6,748,174
CA Health Facility	1,071,635	--	173,830	897,805	186,840	710,965
Redevelopment Agency-Bonds	174,425,000	10,755,000	13,280,000	171,900,000	3,315,000	168,585,000
Unamortized bond discount	(216,863)	--	(7,984)	(208,879)	(11,224)	(197,655)
Unamortized bond premium	468,371	--	15,612	452,759	15,612	437,147
Subtotal	174,676,508	10,755,000	13,287,628	172,143,880	3,319,388	168,824,492
Compensated Absences	17,330,776	17,020,909	16,081,487	18,270,198	14,250,755	4,019,443
Capital Leases	26,764	5,989,594	26,764	5,989,594	--	5,989,594
Total	263,782,780	40,628,677	33,434,451	270,977,006	21,639,101	249,337,905
<b>Internal Service Funds</b>						
Loan Payable	1,189,299	--	524,233	665,066	330,175	334,891
Unamortized bond discount	(18,094)	--	(6,032)	(12,062)	(6,031)	(6,031)
	1,171,205	--	518,201	653,004	324,144	328,860
Estimated Claims	26,699,093	15,448,012	12,439,327	29,707,778	11,494,000	18,213,778
Compensated Absences	3,694,312	3,431,076	3,341,356	3,784,032	2,951,544	832,488
Capital Leases	25,736	--	15,396	10,340	10,340	--
Total Internal Service Funds	31,590,346	18,879,088	16,314,280	34,155,154	14,780,028	19,375,126
<b>Total Governmental Activities</b>	<b>\$ 295,373,126</b>	<b>\$ 59,507,765</b>	<b>\$ 49,748,731</b>	<b>\$ 305,132,160</b>	<b>\$ 36,419,129</b>	<b>\$ 268,713,031</b>

## COUNTY OF SANTA CRUZ, CALIFORNIA

### Notes to the Financial Statements For the Year Ended June 30, 2007

#### Note 10: Long-Term Liabilities (continued)

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Amounts Due Within One Year	Amounts Due Beyond One Year
<b>Business-Type Activities:</b>						
<i>Enterprise Funds</i>						
Loans payable						
Sand Dollar Beach	\$ 54,000	\$ --	\$ 15,000	39,000	\$ 20,000	\$ 19,000
County Disposal Sites	663,000	--	325,000	338,000	338,000	--
Unamortized bond discount	(6,546)	--	(3,274)	(3,272)	(3,272)	--
	<u>656,454</u>	<u>--</u>	<u>321,726</u>	<u>334,728</u>	<u>334,728</u>	<u>--</u>
Davenport Sanitation	477,294	--	23,666	453,628	24,292	429,336
Total Loans Payable	<u>1,187,748</u>	<u>--</u>	<u>360,392</u>	<u>827,356</u>	<u>379,020</u>	<u>448,336</u>
<i>Certificates of Participation</i>						
Enterprise Fund - County Disposal Sites						
2006 Issue	--	2,080,000	--	2,080,000	170,000	1,910,000
Unamortized Bond Discount	--	(46,928)	--	(46,928)	--	(46,928)
Subtotal	<u>--</u>	<u>2,033,072</u>	<u>--</u>	<u>2,033,072</u>	<u>170,000</u>	<u>1,863,072</u>
<i>Capital Leases</i>						
Enterprise Fund - County Disposal Sites	25,736	756,054	279,545	502,245	245,813	256,432
<i>Postclosure Liability</i>						
Enterprise - County Disposal Sites	4,307,396	325,532	--	4,632,928	--	4,632,928
Total Business-Type Activities	<u>\$ 5,520,880</u>	<u>\$ 3,114,658</u>	<u>\$ 639,937</u>	<u>\$ 7,995,601</u>	<u>\$ 794,833</u>	<u>\$ 7,200,768</u>
<b>Component Unit - Santa Cruz County</b>						
<b>Sanitation District</b>						
2005 Wastewater Revenue Refunding Bonds	\$ 8,925,000	\$ --	\$ 475,000	\$ 8,450,000	\$ 490,000	7,960,000
Limited Obligation Refunding Improvement Bonds	895,000	--	55,000	840,000	55,000	785,000
Loan Payable	17,280,579	--	1,120,316	16,160,263	1,151,684	15,008,579
Unamortized bond premium	39,017	--	2,235	36,782	2,236	34,546
Total Component Unit	<u>\$ 27,139,596</u>	<u>\$ --</u>	<u>\$ 1,652,551</u>	<u>\$ 25,487,045</u>	<u>\$ 1,698,920</u>	<u>\$ 23,788,125</u>

For financial reporting purposes, generally accepted accounting principles define the reporting entity as the primary government (the County), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Accordingly, at June 30, 2007, long-term debt of Santa Cruz County includes debt of the Santa Cruz County Redevelopment Agency (RDA), the Public Financing Authority, and Local Assessment Districts.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 10: **Long-Term Liabilities** (continued)

California Community Redevelopment Law (Health and Safety Code 33000 et seq) establishes the Santa Cruz County Redevelopment Agency as a distinct and separate legal entity responsible for its own bonded debt obligations. The RDA Tax Allocation Bonds are not a debt of the County of Santa Cruz, and the County is under no circumstances liable therefore. Similarly, the Public Financing Authority is a separate legal entity for whose debts the County of Santa Cruz is not liable. All Special Assessment debt disclosed on the County's financial report is payable solely from levies collected from property owners within an assessment area. The County has no obligations on this debt. The County is acting in an agent capacity for the property owners.

The County of Santa Cruz is therefore not obligated in any way for Redevelopment, Public Financing Authority, or Local Assessment obligations.

Internal Service Funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Estimated claims and compensated absences are generally liquidated by the General Fund and Internal Service Funds.

**Governmental Activities**

At June 30, 2007, annual debt service requirements of governmental activities to maturity are as follows:

*Public Financing Authority*

Fiscal Year June 30,	Lease Revenue		Refunding		Certificates of Participation	
	Refunding Bonds		Certificates of Participation		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 118,825	\$ 85,988	\$ 1,835,000	\$ 1,572,399	\$ 1,005,000	\$ 1,211,793
2009	121,202	82,423	1,195,000	1,512,249	1,045,000	1,180,893
2010	128,331	78,787	1,255,000	1,462,553	1,075,000	1,146,465
2011	128,331	74,616	1,300,000	1,408,814	1,120,000	1,115,730
2012	76,048	70,285	1,375,000	1,350,928	1,165,000	1,075,221
2013-2017	449,159	293,700	7,950,000	5,727,417	6,540,000	4,575,796
2018-2022	567,984	163,569	9,365,000	3,551,491	8,125,000	2,995,707
2023-2027	270,921	21,585	7,765,000	1,353,596	4,545,000	1,145,276
2028-2032	--	--	675,000	132,956	1,480,000	597,813
2033-2037	--	--	155,000	4,069	1,850,000	221,094
	<u>\$ 1,860,801</u>	<u>\$ 870,953</u>	<u>\$ 32,870,000</u>	<u>\$ 18,076,472</u>	<u>\$ 27,950,000</u>	<u>\$ 15,265,788</u>

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 10: **Long-Term Liabilities** (continued)

Governmental Activities (continued)

*Public Financing Authority* (continued)

Fiscal Year June 30,	Lease Revenue Bonds		Revenue Bonds		Local Agency Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 535,000	\$ 354,078	\$ 300,000	\$ 122,705	\$ 85,000	\$ 21,473
2009	550,000	336,439	320,000	104,255	40,000	18,328
2010	200,000	323,676	335,000	84,270	25,000	16,670
2011	205,000	316,334	360,000	62,455	20,000	15,513
2012	215,000	308,456	380,000	38,675	25,000	14,330
2013-2017	1,200,000	1,403,806	405,000	13,163	145,000	49,261
2018-2022	1,485,000	1,112,362	--	--	105,000	8,663
2023-2027	1,760,000	739,569	--	--	--	--
2028-2032	2,225,000	273,719	--	--	--	--
	<u>\$ 8,375,000</u>	<u>\$ 5,168,439</u>	<u>\$ 2,100,000</u>	<u>\$ 425,523</u>	<u>\$ 445,000</u>	<u>\$ 144,238</u>

In August 2006, the County issued \$9,000,000 of 2006 certificates of participation maturing in 2036 with interest rates ranging from 3.50 to 4.625 percent. The proceeds of the certificates are being used to fund improvements at the Watsonville Courthouse and the Buena Vista Landfill. Principal retirements and related interest payments are paid from the General Fund and the County Disposal Sites CSA 9C enterprise fund.

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

*California Health Facilities Financing Authority (CHFFA)*

Fiscal Year June 30,	Principal	Interest
2008	\$ 186,840	\$ 58,553
2009	200,951	44,632
2010	216,138	29,659
2011	232,470	13,555
2012	61,522	732
	<u>\$ 897,921</u>	<u>\$ 147,131</u>



**COUNTY OF SANTA CRUZ, CALIFORNIA**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 10: **Long-Term Liabilities** (continued)

Governmental Activities (continued)

*Redevelopment Agency*

Fiscal Year June 30,	Tax Allocation Bonds		
	Principal	Interest	Total
2008	\$ 3,315,000	\$ 8,281,243	\$ 11,596,243
2009	3,330,000	8,297,758	11,627,758
2010	3,450,000	8,171,337	11,621,337
2011	3,580,000	8,033,184	11,613,184
2012	3,730,000	7,882,164	11,612,164
2013-2017	21,270,000	36,710,441	57,980,441
2018-2022	26,845,000	30,978,054	57,823,054
2023-2027	32,760,000	23,204,465	55,964,465
2028-2032	37,455,000	14,351,247	51,806,247
2033-2037	36,165,000	3,846,501	40,011,501
	<u>\$ 171,900,000</u>	<u>\$ 149,756,394</u>	<u>\$ 321,656,394</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 redevelopment agency revenues.

On May 24, 2007, the Santa Cruz County Redevelopment Agency issued 2007 Taxable Housing Tax Allocation Refunding Bonds in the amount of \$10,755,000 with interest rates ranging from 5.208% to 5.495% to advance refund \$10,000,000 of outstanding Subordinate Tax Allocation Bonds, 2000 Taxable Series B with interest rates ranging from 7.75% to 7.875%. The net proceeds of \$10,366,346 (after payment of \$388,654 in underwriting fees, insurance, and other issuance costs) plus an additional \$1,010,660 of 2000 Taxable Series B Reserve Fund and Interest Account monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable escrow account with a trustee to provide for the payment of the refunded debt. As a result, the Subordinate Tax Allocation Bonds, 2000 Taxable Series B are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

As a result of the advance refunding, the Santa Cruz County Redevelopment Agency reduced its total debt service requirements by \$3,432,864 and obtained an economic gain of \$1,229,577.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 10: **Long-Term Liabilities** (continued)

Governmental Activities (continued)

*Internal Service*

At June 30, 2007, annual debt service requirements of the internal service fund's loans payable to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 330,175	\$ 16,419
2009	<u>334,891</u>	<u>5,609</u>
Total Requirements	<u>\$ 665,066</u>	<u>\$ 22,028</u>

Business-Type Activities

At June 30, 2007, annual debt service requirements of business-type activities to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Loans Payable</u>		<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 382,282	\$ 20,779	\$ 170,000	\$ 73,916
2009	43,936	12,198	185,000	67,704
2010	25,603	10,959	190,000	61,046
2011	26,257	10,282	200,000	54,026
2012	26,950	9,586	200,000	46,826
2013-2017	145,809	36,841	1,135,000	112,102
2018-2022	146,569	16,733	--	--
2023-2025	<u>33,223</u>	<u>1,250</u>	<u>--</u>	<u>--</u>
Total Requirements	<u>\$ 830,630</u>	<u>\$ 118,629</u>	<u>\$ 2,080,000</u>	<u>\$ 415,621</u>

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

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 10: **Long-Term Liabilities** (continued)

Component Unit

At June 30, 2007, annual debt service requirements of the Santa Cruz County Sanitation District to maturity are as follows:

Fiscal Year June 30,	Revenue Bonds		Special Assessment Bonds		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 490,000	\$ 329,453	\$ 55,000	\$ 36,795	\$ 1,151,684	\$ 452,487
2009	515,000	314,378	60,000	34,920	1,183,932	420,240
2010	535,000	298,628	60,000	32,730	1,217,082	387,090
2011	705,000	280,733	60,000	30,389	1,251,160	353,012
2012	730,000	256,263	65,000	27,825	1,286,193	317,979
2013-2017	4,235,000	795,531	365,000	91,721	6,991,759	1,029,100
2018-2022	1,240,000	69,750	175,000	9,276	3,078,454	174,146
	<u>\$ 8,450,000</u>	<u>\$ 2,344,736</u>	<u>\$ 840,000</u>	<u>\$ 263,656</u>	<u>\$ 16,160,264</u>	<u>\$ 3,134,054</u>

The 2004 Issue Limited Obligation Improvement Bonds – Freedom Boulevard Sewer Assessment District is collateralized by liens against properties of the assessments. Bond retirements and related interest payments are paid from assessments levied against the properties that benefit from the improvements.

During 2005, the Santa Cruz County Sanitation District issued Limited Obligation Refunding Improvement Bonds to refinance the Freedom Blvd. Special Assessment bonds, pay costs related to the issuance of the bonds and to make a deposit to a Reserve Fund.

The Loan Payable – City 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 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, as defined in the Indenture.

Legal Debt Limit

The County’s legal annual debt service limit as of June 30, 2007, is approximately \$406,337,945. 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, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 10: **Long-Term Liabilities** (continued)

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. During the coming year, the County has hired a consultant to perform calculations of excess investment earnings on various bonds and financings.

Note 11: **Landfill Closure And Postclosure Costs**

The County of Santa Cruz 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, The 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 each County landfill's capacity used as of each balance sheet date.

As of June 30, 2007, a liability for closure and postclosure maintenance in the amount of \$4,632,928 is reflected in the County Disposal Sites Enterprise Fund based upon landfill capacity used to date. As of June 30, 2007, Ben Lomond landfill was filled to 100% capacity, and the County estimates that the Buena Vista landfill is filled to 55.23% of capacity with an estimated remaining useful life of 14 years. The County will recognize the remaining estimated cost of closure and postclosure maintenance of \$3,756,862 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2007. 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, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 11: **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, 2007, cash of \$4,632,277 is held for this purpose, reported as restricted assets on the balance sheet. 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 landfill is provided for through a "Pledge of Revenue". The County Board of Supervisors adopted resolutions pledging future Refuse Disposal District (CSA 9-C) revenues annually through the prescribed postclosure maintenance period. An initial postclosure cost was estimated at the time of adoption of Pledge of Revenue resolutions and is adjusted for inflation on an annual basis.

Note 12: **Deficit Net Assets**

Individual proprietary fund deficit net assets at June 30, 2007 are as follows:

Internal Service Funds	
Central duplicating	\$ 454,942
Self-insurance – Worker’s compensation	19,894,545
Self-insurance – Liability and property	835,206

The Central Duplicating fund had deficit net assets of \$454,942 that resulted from current year losses.

The Workers’ Compensation fund and the Liability and Property fund had deficit net assets of \$19,894,545 and \$835,206, respectively, related to the losses payable for claims and the inclusion of estimates for incurred but not reported (IBNR) claims. It is anticipated that the County will have sufficient funds to pay annual requirements.

Note 13: **Defined Benefit Pension Plan**

**Plan Description**

All eligible County employees participate in the California Public Employees’ Retirement System (PERS). PERS is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within the state. PERS provides retirement, disability, and death benefits based on the employees’ years of service, age and final compensation.

## COUNTY OF SANTA CRUZ, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 13: **Defined Benefit Pension Plan** (continued)

### Plan Description (continued)

Employees vest after five years of PERS-credited service and they are eligible for service retirement if they are 50 years old or over and have at least 5 years of PERS-credited service. These provisions and all other requirements are established by state statute and County resolutions. Copies of PERS' annual financial report and the required 10-year trend information may be obtained from their executive office at 400 Q Street, Sacramento, California 95814.

### Funding Policy

Participants are required to contribute 7% and 9% for miscellaneous and safety employees, respectively, of their annual covered salary. The County makes the contributions required of County employees on their behalf and for their account.

The County is also required to contribute at an actuarially determined rate. The 2007 fiscal year contributions as a percentage of annual covered payroll were 11.931% for miscellaneous employees, 14.606% for safety employees, and 24.226% for safety sheriff employees. The contribution requirements of plan members and the County are established and may be amended by PERS.

### Annual Pension Costs

The County's annual pension cost for the current year and two previous years was \$31,078,866, \$31,465,470, and \$26,000,605, respectively. These were equal to the annually required contribution. The current year's required contribution was determined as part of the June 30, 2004 actuarial valuation using a modification of the Entry Age Normal Actuarial Cost Method. The actuarial assumptions includes: (a) a rate of return on investments of 7.75% for miscellaneous and safety employees; (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. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of the pension plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. There are averages of 27 years and 32 years remaining in the amortization period at June 30, 2004 (the valuation date) under the miscellaneous and safety plan, respectively. There was no net pension obligation upon implementation of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 13: **Defined Benefit Pension Plan** (continued)

Annual Pension Costs (continued)

Three year trend information (amounts in thousands):

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$ 26,000	100%	\$ --
6/30/06	31,465	100%	--
6/30/07	31,079	100%	--

Note 14: **Post-Retirement Health Care Benefits**

In addition to the pension benefits described above, the County provides post-retirement pre-Medicare health care benefits for retirees and their dependents in accordance with the various employee representation units' agreements. These benefits are provided for those retirees who:

- Are enrolled in a medical plan at the time of retirement, and
- File an application for monthly retirement through PERS at the time of separation.

At June 30, 2007, approximately 629 retirees were eligible to receive such benefits. County contributions for fiscal year 2006-2007 were \$2,519,953. These contributions are funded on a pay-as-you-go basis.

Note 15: **Deferred Compensation Plan**

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

The County implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, on July 1, 1997. The Statement requires new reporting standards for deferred compensation plans. Under these new requirements, the County no longer owns the

## COUNTY OF SANTA CRUZ, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 15: **Deferred Compensation Plan** (continued)

amount deferred by employees or related income on these amounts as long as all assets and income of the Plan are held in trust for the exclusive benefit of participants and their beneficiaries.

As of June 30, 2007, the Plan's assets, at market value, of \$82,019,807 are not recorded in the County's financial statements.

Note 16: **Commitments**

As of June 30, 2007, 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 \$4,122,760 and \$6,585,488, respectively.

Note 17: **Contingencies**

A. **Litigation**

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

B. **Federal and State Grants**

The County participates in a number of Federal and State grant programs subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs for or including the year ended June 30, 2007, have not yet been conducted or settled. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. 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 any audit disallowances would have a significant effect on the financial position of the County.

C. **Medicare and Medi-Cal Reimbursements**

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



COUNTY OF SANTA CRUZ, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 18: **Self-Insurance**

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, medical malpractice, 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, a joint powers authority whose purpose is to develop and fund programs of excess insurance for its member counties. The Authority is governed by a Board of Directors consisting of representatives of the member counties. Self-insurance limits per occurrence and 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, 2007, 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 annually. Annual premiums are charged by each self-insurance fund using various allocation methods which include actual costs, trends in claims experience and number of participants.

The change in the balance of claims liabilities during the fiscal years ended June 30, 2007 and 2006 for all self-insurance Internal Service Funds combined is as follows:

	<u>2007</u>	<u>2006</u>
Unpaid claims and claim adjustment expenses, beginning of the fiscal year	\$ 26,699,093	\$ 19,102,048
Incurred claims and claim adjustment expenses	12,439,326	16,966,846
Claim payments	<u>(9,430,641)</u>	<u>(9,369,801)</u>
Unpaid claims and claim adjustment expenses, end of the fiscal year	<u>\$ 29,707,778</u>	<u>\$ 26,699,093</u>

At June 30, 2007, the self-insurance funds held a total of \$10,941,742 in cash for the payment of these claims.

## COUNTY OF SANTA CRUZ, CALIFORNIA

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 18: **Self-Insurance** (continued)

### **Workers' 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 for any amount required by statute. At June 30, 2007, the estimated future liabilities were \$25,054,000. 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.

### **Dental and Health**

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, 2007, the County had an estimated future liability of \$84,778 for dental and health. The County is fully insured for its alternative capitation dental program and for health coverage for employees represented by Operating Engineers Union Local 3.

### **Liability and Property**

The County is fully self-insured with no excess insurance coverage under the County's general insurance program. At June 30, 2007, the County had estimated future liabilities totaling \$4,494,000 which included estimates for known claims and losses as well as 50% of losses incurred but not reported (IBNR), and multiplying the amount by an estimated present value discount factor of 89.1%.

### **Unemployment Insurance**

The Unemployment Insurance self-insurance program is considered a "reimbursable" program by 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, 2007, estimated future liabilities were \$75,000.

Note 19: **Subsequent Events**

On July 12, 2007, the County issued a Tax and Revenue Anticipation Note at 4.50% in the amount of \$48 million. 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 notes are due July 11, 2008 and are collateralized by fiscal year 2007-2008 unrestricted revenues.

## COUNTY OF SANTA CRUZ, CALIFORNIA

### Notes to the Financial Statements For the Year Ended June 30, 2007

Note 19: **Subsequent Events** (continued)

In November 2007, the County issued \$7,370,000 of 2007 tax allocation bonds maturing in September 2022 with interest rates ranging from 4.0 to 5.25 percent. The proceeds of the bonds will be used to refund the County Redevelopment Agency's outstanding 1996 tax allocation bonds.

Note 20: **New Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) recently released new accounting and financial reporting standards. GASB Statement No. 45, *Accounting and Financial Reporting by Employers of Postemployment Benefits Other than Pensions (OPEB)*, may have a significant impact on the County's financial reporting process.

GASB Statement No. 45 establishes standards for the measurement, recognition and display of OPEB expenses/expenditures, related assets and liabilities, note disclosures and, if applicable, required supplementary information in the financial reports of state and local government employers. GASB Statement No. 45 will be effective for the fiscal year ending June 30, 2008.

The GASB has issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings. The statement also includes disclosure requirements for future revenues that are pledged or sold. The requirements of the new statement become effective for fiscal periods beginning after December 15, 2006.

The GASB has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. The requirements of the new statement become effective for fiscal periods beginning after December 15, 2007.

GASB Statement No. 50 amends GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The provisions of Statement No. 50 generally are effective for periods beginning after June 15, 2007.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Note 20: **New Accounting Pronouncements** (continued)

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, provides needed guidance regarding how to identify, account for, and report intangible assets. The requirements of Statement No. 51 are effective for financial statements for periods beginning after June 15, 2009.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**  
**(Other than MD&A)**

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**COUNTY OF SANTA CRUZ, CALIFORNIA**

Schedule of Funding Progress  
 California Public Employees' Retirement System (See Note 13)  
 (Unaudited – See Accompanying Independent Auditor's Report)  
 For the Year Ended June 30, 2007

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:

<u>Valuation Date</u>	<u>Accrued Liability (a)</u>	<u>Actuarial Value of Assets (b)</u>	<u>Unfunded Liability (UAAL) (a)-(b)</u>	<u>Funded Status (b)/(a)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a % of Payroll [(a)-(b)]/(c)</u>
6/30/04	\$ 640,929,153	\$ 543,783,166	\$ 97,145,987	84.8%	\$ 145,451,167	66.8%
6/30/05	703,842,376	593,842,088	110,000,288	84.4%	148,852,557	73.9%
6/30/06	761,510,789	651,395,532	110,115,257	85.5%	154,484,172	71.3%

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
<b>Budgetary Balances, Beginning</b>	\$ 36,121,376	\$ 36,121,376	\$ 36,121,376	\$ --
<b>Resources (inflows)</b>				
Taxes	80,453,409	80,453,409	84,189,724	3,736,315
Licenses	9,982,514	9,982,514	10,183,174	200,660
Fines, forfeitures and penalties	5,418,039	5,474,805	5,655,990	181,185
Revenue from use of money and property	4,309,932	4,311,952	5,601,014	1,289,062
Aid from other governmental agencies	184,275,256	192,057,841	188,436,256	(3,621,585)
Charges for current services	48,980,081	49,125,305	47,591,931	(1,533,374)
Other revenues	6,776,846	7,746,250	2,494,102	(5,252,148)
Transfers in	29,307,393	30,321,393	1,955,489	(28,365,904)
Inception of lease purchase agreement	--	--	5,989,594	5,989,594
Amounts Available for Appropriation	<u>369,503,470</u>	<u>379,473,469</u>	<u>352,097,274</u>	<u>(27,376,195)</u>
<b>Charges to appropriations (outflows)</b>				
<u>General Government</u>				
Board of Supervisors				
Salaries and employee benefits	2,132,011	2,132,011	2,031,533	100,478
Services and supplies	81,762	79,006	70,907	8,099
Total	<u>2,213,773</u>	<u>2,211,017</u>	<u>2,102,440</u>	<u>108,577</u>
Clerk of the Board				
Salaries and employee benefits	404,548	404,548	376,374	28,174
Services and supplies	109,301	107,881	109,594	(1,713)
Intrafund transfers	(5,000)	(5,000)	(4,579)	(421)
Total	<u>508,849</u>	<u>507,429</u>	<u>481,389</u>	<u>26,040</u>
Administrative Office				
Salaries and employee benefits	1,967,889	1,967,889	1,744,259	223,630
Services and supplies	1,089,509	623,836	331,212	292,624
Other charges	240,702	240,702	240,702	--
Intrafund transfers	(931,010)	(931,010)	(930,858)	(152)
Total	<u>2,367,090</u>	<u>1,901,417</u>	<u>1,385,315</u>	<u>516,102</u>

continued

The notes to the budgetary comparison schedules are an integral part of this schedule.



**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2007  
(continued)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<u>General Government (continued)</u>				
Auditor-Controller				
Salaries and employee benefits	\$ 2,890,190	\$ 2,890,190	\$ 2,487,480	\$ 402,710
Services and supplies	1,781,129	1,857,234	1,841,481	15,753
Other charges	125,712	145,489	144,808	681
Interfund transfers	(1,863,234)	(1,863,234)	(2,090,391)	227,157
Capital assets	2,100	2,100	2,077	23
Total	<u>2,935,897</u>	<u>3,031,779</u>	<u>2,385,455</u>	<u>646,324</u>
Treasurer - Tax Collector				
Salaries and employee benefits	1,336,502	1,336,502	1,200,469	136,033
Services and supplies	637,618	556,370	507,385	48,985
Intrafund transfers	(154,056)	(154,056)	(154,056)	--
Capital assets	10,000	10,000	1,796	8,204
Total	<u>1,830,064</u>	<u>1,748,816</u>	<u>1,555,594</u>	<u>193,222</u>
Assessor				
Salaries and employee benefits	3,090,514	3,090,514	2,923,332	167,182
Services and supplies	630,322	474,433	413,182	61,251
Intrafund transfers	(114,334)	(114,334)	(114,334)	--
Total	<u>3,606,502</u>	<u>3,450,613</u>	<u>3,222,180</u>	<u>228,433</u>
Purchasing				
Salaries and employee benefits	344,706	336,328	336,325	3
Services and supplies	351,198	326,055	242,413	83,642
Intrafund transfers	(214,945)	(214,945)	(214,945)	--
Total	<u>480,959</u>	<u>447,438</u>	<u>363,793</u>	<u>83,645</u>
County Counsel				
Salaries and employee benefits	2,522,154	2,522,154	2,450,833	71,321
Services and supplies	246,470	249,654	227,161	22,493
Intrafund transfers	(740,600)	(740,600)	(793,642)	53,042
Total	<u>2,028,024</u>	<u>2,031,208</u>	<u>1,884,352</u>	<u>146,856</u>

continued

The notes to the budgetary comparison schedules are an integral part of this schedule.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2007  
(continued)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<u>General Government (continued)</u>				
Personnel				
Salaries and employee benefits	\$ 3,080,817	\$ 3,080,817	\$ 2,872,299	\$ 208,518
Services and supplies	347,371	398,616	371,055	27,561
Intrafund transfers	(452,702)	(452,702)	(452,702)	--
Total	<u>2,975,486</u>	<u>3,026,731</u>	<u>2,790,652</u>	<u>236,079</u>
County Clerk/Elections				
Salaries and employee benefits	1,339,230	1,426,230	1,426,228	2
Services and supplies	1,663,718	1,588,785	1,168,802	419,983
Capital assets	2,296,377	2,299,877	2,280,188	19,689
Total	<u>5,299,325</u>	<u>5,314,892</u>	<u>4,875,218</u>	<u>439,674</u>
Communications				
Salaries and employee benefits	626,723	626,723	470,512	156,211
Services and supplies	2,062,105	2,064,601	2,011,070	53,531
Intrafund transfers	(409,349)	(409,349)	(387,083)	(22,266)
Total	<u>2,279,479</u>	<u>2,281,975</u>	<u>2,094,499</u>	<u>187,476</u>
General Services				
Salaries and employee benefits	4,051,616	4,161,103	4,161,102	1
Services and supplies	4,148,470	4,035,278	3,450,823	584,455
Other charges	4,500	4,500	4,394	106
Capital assets	--	2,131	2,127	4
Interfund transfers	(4,356,333)	(4,356,333)	(4,117,257)	(239,076)
Total	<u>3,848,253</u>	<u>3,846,679</u>	<u>3,501,189</u>	<u>345,490</u>
Real Property Management				
Services and supplies	63,000	65,020	65,018	2
Total	<u>63,000</u>	<u>65,020</u>	<u>65,018</u>	<u>2</u>
Plant Acquisition				
Capital assets	--	--	659,966	(659,966)
Appropriations for contingencies	1,174,950	1,174,950	--	1,174,950
Total	<u>1,174,950</u>	<u>1,174,950</u>	<u>659,966</u>	<u>514,984</u>

continued

The notes to the budgetary comparison schedules are an integral part of this schedule.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2007  
(continued)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<u>General Government (continued)</u>				
Surveyor				
Services and supplies	\$ 565,219	\$ 565,219	\$ 300,568	\$ 264,651
Intrafund transfers	--	--	(10,113)	10,113
Total	<u>565,219</u>	<u>565,219</u>	<u>290,455</u>	<u>274,764</u>
DPW Engineering				
Services and supplies	<u>205,750</u>	<u>205,750</u>	<u>152,079</u>	<u>53,671</u>
Total	<u>205,750</u>	<u>205,750</u>	<u>152,079</u>	<u>53,671</u>
Central Stores				
Salaries and employee benefits	123,339	129,540	129,398	142
Services and supplies	38,907	38,915	37,060	1,855
Intrafund transfers	(187,905)	(187,905)	(192,971)	5,066
Total	<u>(25,659)</u>	<u>(19,450)</u>	<u>(26,513)</u>	<u>7,063</u>
Total General Government	<u>32,356,961</u>	<u>31,791,484</u>	<u>27,783,081</u>	<u>4,008,403</u>
<u>Public Protection</u>				
Courts				
Services and supplies	39,853	39,853	36,017	3,836
Other charges	<u>2,478,393</u>	<u>2,478,393</u>	<u>2,429,398</u>	<u>48,995</u>
Total	<u>2,518,246</u>	<u>2,518,246</u>	<u>2,465,415</u>	<u>52,831</u>
Grand Jury				
Services and supplies	<u>55,289</u>	<u>75,236</u>	<u>64,255</u>	<u>10,981</u>
Total	<u>55,289</u>	<u>75,236</u>	<u>64,255</u>	<u>10,981</u>
Child Support				
Salaries and employee benefits	5,330,288	5,400,288	5,269,406	130,882
Services and supplies	1,307,701	1,367,427	1,365,282	2,145
Other charges	2,500	2,500	--	2,500
Total	<u>6,640,489</u>	<u>6,770,215</u>	<u>6,634,688</u>	<u>135,527</u>

continued

The notes to the budgetary comparison schedules are an integral part of this schedule.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2007  
(continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Public Protection (continued)</u>				
District Attorney				
Salaries and employee benefits	\$ 9,205,352	\$ 9,158,849	\$ 9,158,848	\$ 1
Services and supplies	1,192,949	1,279,501	1,206,300	73,201
Intrafund transfers	(85,000)	(85,000)	(73,485)	(11,515)
Capital assets	28,000	--	--	--
Total	<u>10,341,301</u>	<u>10,353,350</u>	<u>10,291,663</u>	<u>61,687</u>
Public Defender				
Services and supplies	7,322,155	7,322,155	6,885,170	436,985
Total	<u>7,322,155</u>	<u>7,322,155</u>	<u>6,885,170</u>	<u>436,985</u>
Sheriff-Coroner				
Salaries and employee benefits	18,535,713	18,766,829	18,688,450	78,379
Services and supplies	4,986,238	4,931,371	4,289,838	641,533
Intrafund transfers	(4,150)	(4,150)	(2,950)	(1,200)
Capital assets	283,573	1,659,436	402,254	1,257,182
Total	<u>23,801,374</u>	<u>25,353,486</u>	<u>23,377,592</u>	<u>1,975,894</u>
Jail and Rehabilitation Center				
Salaries and employee benefits	15,790,974	15,631,477	14,812,014	819,463
Services and supplies	6,691,885	6,821,932	6,299,642	522,290
Capital assets	81,644	216,571	65,062	151,509
Total	<u>22,564,503</u>	<u>22,669,980</u>	<u>21,176,718</u>	<u>1,493,262</u>
Juvenile Hall				
Salaries and employee benefits	2,624,313	2,624,313	2,685,815	(61,502)
Services and supplies	905,090	908,428	825,126	83,302
Intrafund transfers	(1,500)	(1,500)	--	(1,500)
Total	<u>3,527,903</u>	<u>3,531,241</u>	<u>3,510,941</u>	<u>20,300</u>

continued

The notes to the budgetary comparison schedules are an integral part of this schedule.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2007  
(continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Public Protection (continued)</u>				
Probation Department				
Salaries and employee benefits	\$ 7,922,974	\$ 8,114,422	\$ 7,543,796	\$ 570,626
Services and supplies	3,869,234	4,192,715	3,813,297	379,418
Intrafund transfers	(40,391)	(126,220)	(80,100)	(46,120)
Capital assets	16,000	36,488	12,500	23,988
Total	<u>11,767,817</u>	<u>12,217,405</u>	<u>11,289,493</u>	<u>927,912</u>
State Correctional Schools				
Services and supplies	5,740	5,740	--	5,740
Other charges	149,260	149,260	47,235	102,025
Total	<u>155,000</u>	<u>155,000</u>	<u>47,235</u>	<u>107,765</u>
Agricultural Commissioner/Weights and Measures				
Salaries and employee benefits	1,777,014	1,777,014	1,588,988	188,026
Services and supplies	861,264	862,897	367,641	495,256
Intrafund transfers	(133,775)	(133,775)	(160,303)	26,528
Capital assets	2,500	2,500	2,481	19
Total	<u>2,507,003</u>	<u>2,508,636</u>	<u>1,798,807</u>	<u>709,829</u>
Public Works - Other Construction Inspection				
Services and supplies	110,000	110,000	70,558	39,442
Total	<u>110,000</u>	<u>110,000</u>	<u>70,558</u>	<u>39,442</u>
Recorder				
Salaries and employee benefits	868,607	868,607	705,309	163,298
Services and supplies	571,811	564,124	417,555	146,569
Capital assets	88,000	88,000	59,969	28,031
Total	<u>1,528,418</u>	<u>1,520,731</u>	<u>1,182,833</u>	<u>337,898</u>

continued

The notes to the budgetary comparison schedules are an integral part of this schedule.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2007  
(continued)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<u>Public Protection (continued)</u>				
County Emergency Office				
Salaries and employee benefits	\$ 242,499	\$ 251,338	\$ 249,745	\$ 1,593
Services and supplies	312,412	288,973	281,170	7,803
Intrafund transfers	(12,095)	(12,095)	--	(12,095)
Total	<u>542,816</u>	<u>528,216</u>	<u>530,915</u>	<u>(2,699)</u>
Local Agency Formation Commission				
Other charges	95,133	95,133	95,133	--
Total	<u>95,133</u>	<u>95,133</u>	<u>95,133</u>	<u>--</u>
Planning Department				
Salaries and employee benefits	9,759,092	9,759,092	8,984,044	775,048
Services and supplies	7,025,456	7,011,281	6,076,402	934,879
Intrafund transfers	(3,535,008)	(3,535,008)	(3,364,932)	(170,076)
Capital assets	51,000	51,000	36,424	14,576
Total	<u>13,300,540</u>	<u>13,286,365</u>	<u>11,731,938</u>	<u>1,554,427</u>
Animal Pound				
Services and supplies	1,329,637	--	--	--
Other charges	--	1,329,637	1,252,367	77,270
Total	<u>1,329,637</u>	<u>1,329,637</u>	<u>1,252,367</u>	<u>77,270</u>
Association of Monterey Bay Area Govts.				
Other charges	31,574	31,574	31,547	27
Total	<u>31,574</u>	<u>31,574</u>	<u>31,547</u>	<u>27</u>
Total Public Protection	<u>108,139,198</u>	<u>110,376,605</u>	<u>102,437,268</u>	<u>7,939,337</u>

continued

The notes to the budgetary comparison schedules are an integral part of this schedule.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2007  
(continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Health and Sanitation</u>				
Health Services Agency				
Salaries and employee benefits	\$ 57,411,831	\$ 56,424,869	\$ 52,855,336	\$ 3,569,533
Services and supplies	44,088,423	48,219,925	42,720,080	5,499,845
Other charges	19,849,126	25,821,999	23,702,939	2,119,060
Intrafund transfers	(17,055,847)	(17,265,717)	(16,813,130)	(452,587)
Capital assets	289,000	442,334	156,851	285,483
Total	<u>104,582,533</u>	<u>113,643,409</u>	<u>102,622,076</u>	<u>11,021,333</u>
Public Guardian				
Salaries and employee benefits	720,065	770,065	747,088	22,977
Services and supplies	89,533	69,635	41,402	28,233
Capital assets	2,900	2,900	--	2,900
Total	<u>812,498</u>	<u>842,600</u>	<u>788,490</u>	<u>54,110</u>
Mosquito Abatement				
Salaries and employee benefits	675,184	675,184	577,991	97,193
Services and supplies	591,112	619,081	306,586	312,495
Capital assets	110,000	110,000	--	110,000
Total	<u>1,376,296</u>	<u>1,404,265</u>	<u>884,577</u>	<u>519,688</u>
Air Pollution				
Other charges	30,743	30,743	30,743	--
Total	<u>30,743</u>	<u>30,743</u>	<u>30,743</u>	<u>--</u>
Total Health and Sanitation	<u>106,802,070</u>	<u>115,921,017</u>	<u>104,325,886</u>	<u>11,595,131</u>

continued

The notes to the budgetary comparison schedules are an integral part of this schedule.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2007  
(continued)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<u>Public Assistance</u>				
Department of Social Services				
Salaries and employee benefits	\$ 43,163,234	\$ 44,375,464	\$ 39,072,074	\$ 5,303,390
Services and supplies	13,978,017	14,573,850	13,362,891	1,210,959
Other charges	11,014,523	11,377,523	9,354,817	2,022,706
Intrafund transfers	(332,290)	(332,290)	(351,741)	19,451
Capital assets	22,380	39,680	36,793	2,887
Total	<u>67,845,864</u>	<u>70,034,227</u>	<u>61,474,834</u>	<u>8,559,393</u>
Community Programs				
Other charges	3,893,404	3,893,404	3,893,403	1
Total	<u>3,893,404</u>	<u>3,893,404</u>	<u>3,893,403</u>	<u>1</u>
Categorical Aids				
Other charges	31,567,487	31,567,487	28,798,282	2,769,205
Total	<u>31,567,487</u>	<u>31,567,487</u>	<u>28,798,282</u>	<u>2,769,205</u>
General Assistance				
Services and supplies	17,920	17,920	--	17,920
Other charges	411,168	411,168	336,945	74,223
Total	<u>429,088</u>	<u>429,088</u>	<u>336,945</u>	<u>92,143</u>
Burial of Indigents				
Services and supplies	47,273	38,766	24,232	14,534
Total	<u>47,273</u>	<u>38,766</u>	<u>24,232</u>	<u>14,534</u>
Family Relations				
Services and supplies	64,057	64,057	58,460	5,597
Other charges	1,143,138	1,143,138	956,861	186,277
Total	<u>1,207,195</u>	<u>1,207,195</u>	<u>1,015,321</u>	<u>191,874</u>
Homeless				
Other charges	380,933	399,555	352,028	47,527
Total	<u>380,933</u>	<u>399,555</u>	<u>352,028</u>	<u>47,527</u>

continued

The notes to the budgetary comparison schedules are an integral part of this schedule.



**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2007  
(continued)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<u>Public Assistance (continued)</u>				
Wards of Court				
Services and supplies	\$ 10,000	\$ 10,000	\$ 5,641	\$ 4,359
Other charges	175,000	175,000	134,285	40,715
Total	<u>185,000</u>	<u>185,000</u>	<u>139,926</u>	<u>45,074</u>
Veterans Service Officer				
Salaries and employee benefits	397,261	397,261	374,351	22,910
Services and supplies	36,105	46,127	41,159	4,968
Total	<u>433,366</u>	<u>443,388</u>	<u>415,510</u>	<u>27,878</u>
Total Public Assistance	<u>105,989,610</u>	<u>108,198,110</u>	<u>96,450,481</u>	<u>11,747,629</u>
<u>Education</u>				
Agricultural Extension Services				
Salaries and employee benefits	139,338	139,338	123,578	15,760
Services and supplies	30,038	30,084	28,488	1,596
Total	<u>169,376</u>	<u>169,422</u>	<u>152,066</u>	<u>17,356</u>
Total Education	<u>169,376</u>	<u>169,422</u>	<u>152,066</u>	<u>17,356</u>
<u>Recreation and Culture</u>				
Recreation and Cultural Services				
Salaries and employee benefits	4,686,587	4,686,587	4,612,280	74,307
Services and supplies	1,761,654	1,836,174	1,630,589	205,585
Other charges	399,485	413,485	413,485	--
Intrafund transfers	(182,767)	(182,767)	(180,640)	(2,127)
Capital assets	100,000	129,243	110,498	18,745
Total	<u>6,764,959</u>	<u>6,882,722</u>	<u>6,586,212</u>	<u>296,510</u>
Total Recreation and Culture	<u>6,764,959</u>	<u>6,882,722</u>	<u>6,586,212</u>	<u>296,510</u>

continued

The notes to the budgetary comparison schedules are an integral part of this schedule.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2007  
(continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Public Ways and Facilities</u>				
Public Ways - DPW				
Services and supplies	\$ 218,742	\$ 218,742	\$ 179,300	\$ 39,442
Total	<u>218,742</u>	<u>218,742</u>	<u>179,300</u>	<u>39,442</u>
 Total Public Ways and Facilities	 <u>218,742</u>	 <u>218,742</u>	 <u>179,300</u>	 <u>39,442</u>
 <u>Debt Service</u>				
Debt Service				
Services and supplies	43,990	43,990	41,807	2,183
Interest	875,082	875,082	1,482,316	(607,234)
Total	<u>919,072</u>	<u>919,072</u>	<u>1,524,123</u>	<u>(605,051)</u>
 Total Debt Service	 <u>919,072</u>	 <u>919,072</u>	 <u>1,524,123</u>	 <u>(605,051)</u>
 Total Expenditures	 <u>361,359,988</u>	 <u>374,477,173</u>	 <u>339,438,417</u>	 <u>35,038,756</u>

continued

The notes to the budgetary comparison schedules are an integral part of this schedule.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2007  
(continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Other Financing Uses</u>				
Transfers Out				
Auditor-Controller	\$ 10,669	\$ 10,669	\$ 10,669	\$ --
General services	43,000	43,000	43,000	--
Agricultural Commissioner/Weights and Me	110,000	110,000	--	110,000
Plant Acquisition	980,000	980,000	980,000	--
District Attorney	28,000	28,000	52,980	(24,980)
Probation Department	28,000	28,000	23,675	4,325
Health Services Agency	--	--	217,122	(217,122)
Department of Social Services	50,000	50,000	30,091	19,909
Public financing authority	<u>7,761,651</u>	<u>7,761,651</u>	<u>6,414,228</u>	<u>1,347,423</u>
Total Transfers Out	<u>9,011,320</u>	<u>9,011,320</u>	<u>7,771,765</u>	<u>1,239,555</u>
Total Other Financing Uses	<u>9,011,320</u>	<u>9,011,320</u>	<u>7,771,765</u>	<u>1,239,555</u>
Total Charges to Appropriation	<u>370,371,308</u>	<u>383,488,493</u>	<u>347,210,182</u>	<u>36,278,311</u>
<b>Budgetary Balances, Ending</b>	<u><u>\$ 35,253,538</u></u>	<u><u>\$ 32,106,352</u></u>	<u><u>\$ 41,008,468</u></u>	<u><u>\$ 8,902,116</u></u>

The notes to the budgetary comparison schedules are an integral part of this schedule.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2007

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

Sources/Inflows of Resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 352,097,274
Differences - budget to GAAP:	
Inception of capital leases are not revenues for financial reporting purposes	(5,989,594)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(1,955,489)</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 344,152,191</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule	\$ 347,210,182
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(7,771,765)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 339,438,417</u>

The notes to the budgetary comparison schedules are an integral part of this schedule.

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule  
Special Revenue Fund - Redevelopment Agency  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Budgetary Fund Balances, Beginning</b>	\$ 129,596,113	\$ 129,596,113	\$ 129,596,113	\$ --
<b>Resources (inflows)</b>				
Taxes	18,926,355	18,926,355	22,453,197	3,526,842
Revenue from use of money and property	3,656,591	3,656,591	6,105,670	2,449,079
Other revenue	120,370	120,370	136,842	16,472
Long-term debt issued	--	90,000	--	(90,000)
Transfers in	3,861,045	3,861,045	44	(3,861,001)
Amounts available for appropriation	<u>26,564,361</u>	<u>26,654,361</u>	<u>28,695,753</u>	<u>2,041,392</u>
<b>Charges to appropriations (outflows)</b>				
Salaries and employee benefits	1,710,242	1,710,242	1,319,643	390,599
Services and supplies	2,082,508	7,548,739	3,405,049	4,143,690
Other charges	61,017,906	51,574,164	8,777,683	42,796,481
Appropriations for contingencies	--	76,391	--	76,391
Capital assets	7,823,500	11,814,620	6,716,753	5,097,867
Debt service	12,011,831	12,011,831	--	12,011,831
Other financing uses	3,855,046	3,855,046	11,678,310	(7,823,264)
Total charges to appropriations	<u>88,501,033</u>	<u>88,591,033</u>	<u>31,897,438</u>	<u>56,693,595</u>
<b>Budgetary Fund Balances, Ending</b>	<u>\$ 67,659,441</u>	<u>\$ 67,659,441</u>	<u>\$ 126,394,428</u>	<u>\$ 58,734,987</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 statement \$ 28,695,753

Differences - budget to GAAP:

    Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. (44)

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - Special Revenue Fund - Redevelopment Agency \$ 28,695,709

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement \$ 31,897,438

Differences - budget to GAAP:

    Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. (11,678,310)

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - Special Revenue Fund - Redevelopment Agency \$ 20,219,128

# COUNTY OF SANTA CRUZ, CALIFORNIA

## Notes to the Budgetary Comparison Schedules For the Year Ended June 30, 2007

### **Budget and Budgetary Accounting**

#### ***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.

- Prior to July 1, the County Administrative Officer submits to the Board of Supervisors 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.
- On or before August 20, public hearings are conducted to obtain public comments. Such hearings shall be concluded within 10 calendar days.
- On or before October 3, the budget is legally enacted through passage of a resolution.
- 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.
- Budget units are expenditure classifications which identify accounting or cost centers necessary or desirable for control of the County financial operation. The Board of Supervisors approves all transfers of budgeted appropriation amounts between budget units within any fund or between expenditure objects.
- The County of Santa Cruz uses formal budgetary integration as a management control device during the year for the primary government and all blended component units, except the Bostwick Lane, Mansfield Street, Pajaro Dunes, Fire Station, Local Assessment Districts, and the Public Financing Authority that do not annually adopt a budget.
- Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

## COUNTY OF SANTA CRUZ, CALIFORNIA

### Notes to the Budgetary Comparison Schedules For the Year Ended June 30, 2007

#### **Budget and Budgetary Accounting** (continued)

- 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, services and supplies. All budgetary changes during the budget year require Board action as set forth in the “Budget Act”. Unencumbered appropriations at year-end lapse into fund balance. See the following paragraph for encumbered appropriations at year-end.

The County Board of Supervisors made several supplementary budgetary appropriations throughout the year, primarily to the Special Revenue, Capital Project, and Enterprise 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.





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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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**COUNTY OF SANTA CRUZ, CALIFORNIA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

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

**Debt Service Funds** are used for the periodic payment of interest and principal on the County's long-term liabilities.

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



**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and investments	\$ 24,566,814	\$ 31,321	\$ 2,237,054	\$ 26,835,189
Restricted cash	11,841,872	4,889,435	--	16,731,307
Receivables	3,597,682	95,393	2,536,488	6,229,563
Due from other funds	--	--	3,258,383	3,258,383
Deferred charges	22,000	--	--	22,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 40,028,368</u>	<u>\$ 5,016,149</u>	<u>\$ 8,031,925</u>	<u>\$ 53,076,442</u>
<b><u>LIABILITIES</u></b>				
Payables	\$ 2,881,460	\$ 2,765	\$ 1,279,804	\$ 4,164,029
Due to other funds	3,724,858	2,491	--	3,727,349
Deferred revenue	2,196,198	26,065	8,344	2,230,607
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>8,802,516</u>	<u>31,321</u>	<u>1,288,148</u>	<u>10,121,985</u>
<b><u>FUND BALANCES</u></b>				
Reserved for :				
Encumbrances	9,230,373	--	5,374,341	14,604,714
Debt service	1,919,811	4,984,828	--	6,904,639
Capital asset acquisition	6,663,678	--	--	6,663,678
Unreserved, reported in:				
Special revenue funds				
Undesignated	13,411,990	--	--	13,411,990
Capital projects funds	--	--	1,369,436	1,369,436
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>31,225,852</u>	<u>4,984,828</u>	<u>6,743,777</u>	<u>42,954,457</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 40,028,368</u>	<u>\$ 5,016,149</u>	<u>\$ 8,031,925</u>	<u>\$ 53,076,442</u>

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Fiscal Year Ended June 30, 2007

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
<b>Revenues:</b>				
Taxes	\$ 13,304,401	\$ --	\$ --	\$ 13,304,401
Fines, forfeits and penalties	16,842	--	--	16,842
Revenue from use of money and property	1,807,023	338,765	76,448	2,222,236
Aid from other governments	13,364,757	--	2,401,844	15,766,601
Charges for services	10,059,570	--	--	10,059,570
Other	375,774	--	583,368	959,142
<b>Total Revenues</b>	<u>38,928,367</u>	<u>338,765</u>	<u>3,061,660</u>	<u>42,328,792</u>
<b>Expenditures:</b>				
Current:				
General government	241,128	--	--	241,128
Public protection	9,957,676	--	--	9,957,676
Public ways and facilities	20,936,217	--	--	20,936,217
Public assistance	1,530,846	--	--	1,530,846
Education	4,558,455	--	--	4,558,455
Recreation and culture	1,202,562	--	--	1,202,562
Capital outlay	--	--	10,299,165	10,299,165
Debt Service:				
Principal	3,846,449	3,280,000	--	7,126,449
Bond issue costs	361,675	376,418	--	738,093
Interest and fiscal charges	3,382,493	9,745,255	--	13,127,748
<b>Total Expenditures</b>	<u>46,017,501</u>	<u>13,401,673</u>	<u>10,299,165</u>	<u>69,718,339</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,089,134)</u>	<u>(13,062,908)</u>	<u>(7,237,505)</u>	<u>(27,389,547)</u>
<b>Other Financing Sources (Uses):</b>				
Refunding bonds issued	--	10,755,000	--	10,755,000
Discount on bonds issued	(62,698)	--	--	(62,698)
Payment to refunded escrow agent	--	(10,366,347)	--	(10,366,347)
Certificates of participation issued	9,000,000	--	--	9,000,000
Transfers in	7,014,676	11,678,310	6,944,261	25,637,247
Transfers out	(8,330,429)	(44)	(14,000)	(8,344,473)
<b>Total Other Financing Sources (Uses)</b>	<u>7,621,549</u>	<u>12,066,919</u>	<u>6,930,261</u>	<u>26,618,729</u>
<b>Net change in fund balances</b>	532,415	(995,989)	(307,244)	(770,818)
Fund Balances - Beginning	<u>30,693,437</u>	<u>5,980,817</u>	<u>7,051,021</u>	<u>43,725,275</u>
Fund Balances - Ending	<u>\$ 31,225,852</u>	<u>\$ 4,984,828</u>	<u>\$ 6,743,777</u>	<u>\$ 42,954,457</u>

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule  
Capital Projects Funds  
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Budgetary Fund Balances, Beginning	\$ 7,132,524	\$ 7,132,524	\$ 7,051,021	\$ (81,503)
Resources (inflows):				
Fines, forfeits and penalties	--	151,500	--	(151,500)
Aid from other governmental agencies	--	2,597,052	2,401,844	(195,208)
Use of money and property	--	--	76,448	76,448
Other revenue	--	3,442,099	583,368	(2,858,731)
Transfers in	806,000	7,698,100	6,944,261	(753,839)
Amounts available for appropriation	<u>806,000</u>	<u>13,888,751</u>	<u>10,005,921</u>	<u>(3,882,830)</u>
Charges to appropriations (outflows):				
Capital assets	806,000	13,847,751	10,299,165	3,548,586
Transfers out	--	14,000	14,000	--
Total charges to appropriations	<u>806,000</u>	<u>13,861,751</u>	<u>10,313,165</u>	<u>3,548,586</u>
Budgetary Fund Balances, Ending	<u>\$ 7,132,524</u>	<u>\$ 7,159,524</u>	<u>\$ 6,743,777</u>	<u>\$ (415,747)</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 statement \$ 10,005,921

Differences - budget to GAAP:

    Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. (6,944,261)

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - Nonmajor Capital Projects Fund \$ 3,061,660

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement \$ 10,313,165

Differences - budget to GAAP:

    Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. (14,000)

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - Nonmajor Capital Projects Fund \$ 10,299,165





**COUNTY OF SANTA CRUZ, CALIFORNIA**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2007**

Nonmajor special revenue funds used by the County are listed below:

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.

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.

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.

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 **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.

The **Private Revitalization of Downtown** fund is primarily used to account for Community Development Block Grant programs. The principal source of revenues are State grants, and housing rehabilitation loan repayments.

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.

The **Health Services** fund is to provide for future purchases of health facilities.

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

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

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



**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2007

	<u>Library</u>	<u>Fire</u>	<u>Off Highway Road and Transportation</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 420,812	\$ 2,804,173	\$ 1,420,418
Restricted cash	--	--	--
Receivables	--	--	3,098,040
Deferred charges	--	--	--
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 420,812</u>	<u>\$ 2,804,173</u>	<u>\$ 4,518,458</u>
<b><u>LIABILITIES</u></b>			
Payables	\$ --	\$ 1,634,514	\$ 402,698
Due to other funds	--	--	--
Deferred revenue	--	--	2,074,757
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>--</u>	<u>1,634,514</u>	<u>2,477,455</u>
<b><u>FUND BALANCES</u></b>			
Reserved for :			
Encumbrances	--	379,389	6,137,177
Debt service	--	--	--
Capital asset acquisition	--	--	--
Unreserved			
Undesignated	420,812	790,270	(4,096,174)
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>420,812</u>	<u>1,169,659</u>	<u>2,041,003</u>
Total Liabilities and Fund Balances	<u>\$ 420,812</u>	<u>\$ 2,804,173</u>	<u>\$ 4,518,458</u>

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Balance Sheet (continued)  
 Nonmajor Special Revenue Funds  
 June 30, 2007

	<u>Public Financing Authority</u>	<u>Fish and Game</u>	<u>Private Revitalization of Downtown</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ --	\$ 77,072	\$ 2,145,379
Restricted cash	11,841,872	--	--
Receivables	--	--	--
Deferred charges	--	--	--
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 11,841,872</u>	<u>\$ 77,072</u>	<u>\$ 2,145,379</u>
<b><u>LIABILITIES</u></b>			
Payables	\$ --	\$ 3,722	\$ 4,200
Due to other funds	3,258,383	--	--
Deferred revenue	--	--	(13,920)
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>3,258,383</u>	<u>3,722</u>	<u>(9,720)</u>
<b><u>FUND BALANCES</u></b>			
Reserved for :			
Encumbrances	--	1,996	65,500
Debt service	1,919,811	--	--
Capital asset acquisition	6,663,678	--	--
Unreserved			
Undesignated	--	71,354	2,089,599
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>8,583,489</u>	<u>73,350</u>	<u>2,155,099</u>
Total Liabilities and Fund Balances	<u>\$ 11,841,872</u>	<u>\$ 77,072</u>	<u>\$ 2,145,379</u>

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Balance Sheet (continued)  
 Nonmajor Special Revenue Funds  
 June 30, 2007

	Park Dedication & State Park Bonds	Health Services	Santa Cruz Flood Control & Water Conservation Zone 7
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 2,175,876	\$ 797,130	\$ 1,692,519
Restricted cash	--	--	--
Receivables	469,685	--	--
Deferred charges	--	22,000	--
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 2,645,561</u>	<u>\$ 819,130</u>	<u>\$ 1,692,519</u>
<b><u>LIABILITIES</u></b>			
Payables	\$ 14,574	\$ --	\$ 16,314
Due to other funds	466,475	--	--
Deferred revenue	--	--	--
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>481,049</u>	<u>--</u>	<u>16,314</u>
<b><u>FUND BALANCES</u></b>			
Reserved for :			
Encumbrances	597,143	--	117,260
Debt service		--	--
Capital asset acquisition	--	--	--
Unreserved			
Undesignated	1,567,369	819,130	1,558,945
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Fund Balances	<u>2,164,512</u>	<u>819,130</u>	<u>1,676,205</u>
Total Liabilities and Fund Balances	<u>\$ 2,645,561</u>	<u>\$ 819,130</u>	<u>\$ 1,692,519</u>

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Balance Sheet (continued)  
 Nonmajor Special Revenue Funds  
 June 30, 2007

Districts Governed by the Board of Supervisors

	<u>Public Protection</u>	<u>Health and Sanitation</u>	<u>Recreation and Culture</u>	<u>Public Ways and Facilities</u>	<u>Geologic Hazard Abatement Districts</u>
<b><u>ASSETS</u></b>					
Cash and investments	\$ 6,071,392	\$ 60,371	\$ 1,179,404	\$ 5,551,124	\$ 171,144
Restricted cash	--	--	--	--	--
Receivables	28,483	--	--	1,474	--
Deferred charges	--	--	--	--	--
 Total Assets	 <u>\$ 6,099,875</u>	 <u>\$ 60,371</u>	 <u>\$ 1,179,404</u>	 <u>\$ 5,552,598</u>	 <u>\$ 171,144</u>
<b><u>LIABILITIES</u></b>					
Payables	\$ 721,608	\$ --	\$ 9,862	\$ 73,968	\$ --
Due to other funds	--	--	--	--	--
Deferred revenue	(27,859)	--	--	163,220	--
 Total Liabilities	 <u>693,749</u>	 <u>--</u>	 <u>9,862</u>	 <u>237,188</u>	 <u>--</u>
<b><u>FUND BALANCES</u></b>					
Reserved for :					
Encumbrances	245,399	--	--	1,686,509	--
Debt service	--	--	--	--	--
Capital asset acquisition	--	--	--	--	--
Unreserved					
Undesignated	5,160,727	60,371	1,169,542	3,628,901	171,144
 Total Fund Balances	 <u>5,406,126</u>	 <u>60,371</u>	 <u>1,169,542</u>	 <u>5,315,410</u>	 <u>171,144</u>
 Total Liabilities and Fund Balances	 <u>\$ 6,099,875</u>	 <u>\$ 60,371</u>	 <u>\$ 1,179,404</u>	 <u>\$ 5,552,598</u>	 <u>\$ 171,144</u>

continued

COUNTY OF SANTA CRUZ, CALIFORNIA

Combining Balance Sheet (continued)  
Nonmajor Special Revenue Funds  
June 30, 2007

	<u>Total</u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 24,566,814
Restricted cash	11,841,872
Receivables	3,597,682
Deferred charges	<u>22,000</u>
 Total Assets	 <u><u>\$ 40,028,368</u></u>
<b><u>LIABILITIES</u></b>	
Payables	\$ 2,881,460
Due to other funds	3,724,858
Deferred revenue	<u>2,196,198</u>
 Total Liabilities	 <u>8,802,516</u>
<b><u>FUND BALANCES</u></b>	
Reserved for :	
Encumbrances	9,230,373
Debt service	1,919,811
Capital asset acquisition	6,663,678
Unreserved	
Undesignated	<u>13,411,990</u>
 Total Fund Balances	 <u>31,225,852</u>
 Total Liabilities and Fund Balances	 <u><u>\$ 40,028,368</u></u>

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2007

	<u>Library</u>	<u>Fire</u>	<u>Off Highway Road and Transportation</u>
<b>Revenues:</b>			
Taxes	\$ 4,449,790	\$ 1,695,812	\$ --
Fines, forfeits and penalties	--	--	--
Revenue from use of money and property	31	88,090	31,418
Aid from other governments	208,084	222,910	12,130,442
Charges for services	--	1,107,944	479,069
Other	--	20,069	28,505
<b>Total Revenues</b>	<u>4,657,905</u>	<u>3,134,825</u>	<u>12,669,434</u>
<b>Expenditures:</b>			
Current:			
General government	--	--	--
Public protection	--	2,439,595	--
Public ways and facilities	--	--	14,125,120
Public assistance	--	--	--
Education	4,558,455	--	--
Recreation and culture	--	--	--
Debt Service:			
Principal	--	--	--
Bond issue costs	--	--	--
Interest and fiscal charges	--	--	6,023
<b>Total Expenditures</b>	<u>4,558,455</u>	<u>2,439,595</u>	<u>14,131,143</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>99,450</u>	<u>695,230</u>	<u>(1,461,709)</u>
<b>Other Financing Sources (Uses):</b>			
Refunding bonds issued	--	--	--
Discount on refunding bonds issued	--	--	--
Transfers in	--	--	--
Transfers out	(5,566)	--	--
<b>Total Other Financing Sources (Uses)</b>	<u>(5,566)</u>	<u>--</u>	<u>--</u>
<b>Net change in fund balances</b>	93,884	695,230	(1,461,709)
Fund Balances - Beginning	<u>326,928</u>	<u>474,429</u>	<u>3,502,712</u>
Fund Balances - Ending	<u>\$ 420,812</u>	<u>\$ 1,169,659</u>	<u>\$ 2,041,003</u>

continued



**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2007

	<u>Public Financing Authority</u>	<u>Fish and Game</u>	<u>Private Revitalization of Downtown</u>
<b>Revenues:</b>			
Taxes	\$ --	\$ --	\$ --
Fines, forfeits and penalties	--	16,842	--
Revenue from use of money and property	611,467	3,889	149,215
Aid from other governments	324,804	--	--
Charges for services	--	--	153,100
Other	--	--	237,450
<b>Total Revenues</b>	<u>936,271</u>	<u>20,731</u>	<u>539,765</u>
<b>Expenditures:</b>			
Current:			
General government	241,128	--	--
Public protection	--	12,970	--
Public ways and facilities	2,046,175	--	--
Public assistance	--	--	1,530,846
Education	--	--	--
Recreation and culture	--	--	--
Debt Service:			
Principal	3,846,449	--	--
Bond issue costs	361,675	--	--
Interest and fiscal charges	3,376,470	--	--
<b>Total Expenditures</b>	<u>9,871,897</u>	<u>12,970</u>	<u>1,530,846</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,935,626)</u>	<u>7,761</u>	<u>(991,081)</u>
<b>Other Financing Sources (Uses):</b>			
Refunding bonds issued	9,000,000	--	--
Discount on refunding bonds issued	(62,698)	--	--
Transfers in	6,819,873	--	--
Transfers out	(5,799,163)	--	--
<b>Total Other Financing Sources (Uses)</b>	<u>9,958,012</u>	<u>--</u>	<u>--</u>
<b>Net change in fund balances</b>	1,022,386	7,761	(991,081)
Fund Balances - Beginning	<u>7,561,103</u>	<u>65,589</u>	<u>3,146,180</u>
Fund Balances - Ending	<u>\$ 8,583,489</u>	<u>\$ 73,350</u>	<u>\$ 2,155,099</u>

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2007

	Park Dedication & State Park Bonds	Health Services	Santa Cruz Flood Control & Water Conservation Zone 7
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>			
Taxes	\$ --	\$ --	\$ --
Fines, forfeits and penalties	--	--	--
Revenue from use of money and property	126,574	40,804	68,022
Aid from other governments	96,547	--	--
Charges for services	382,518	--	1,430,956
Other	--	--	--
<b>Total Revenues</b>	<u>605,639</u>	<u>40,804</u>	<u>1,498,978</u>
<b>Expenditures:</b>			
Current:			
General government	--	--	--
Public protection	--	--	970,067
Public ways and facilities	--	--	--
Public assistance	--	--	--
Education	--	--	--
Recreation and culture	415,944	--	--
Debt Service:			
Principal	--	--	--
Bond issue costs	--	--	--
Interest and fiscal charges	--	--	--
<b>Total Expenditures</b>	<u>415,944</u>	<u>--</u>	<u>970,067</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>189,695</u>	<u>40,804</u>	<u>528,911</u>
<b>Other Financing Sources (Uses):</b>			
Refunding bonds issued	--	--	--
Discount on refunding bonds issued	--	--	--
Transfers in	184,134	--	--
Transfers out	(500,048)	--	(405,643)
<b>Total Other Financing Sources (Uses)</b>	<u>(315,914)</u>	<u>--</u>	<u>(405,643)</u>
<b>Net change in fund balances</b>	(126,219)	40,804	123,268
Fund Balances - Beginning	<u>2,290,731</u>	<u>778,326</u>	<u>1,552,937</u>
Fund Balances - Ending	<u>\$ 2,164,512</u>	<u>\$ 819,130</u>	<u>\$ 1,676,205</u>

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2007

	Districts Governed by the Board of Supervisors				
	Public Protection	Health and Sanitation	Recreation and Culture	Public Ways and Facilities	Geologic Hazard Abatement Districts
<b>Revenues:</b>					
Taxes	\$ 5,646,639	\$ --	\$ 872,948	\$ 639,212	\$ --
Fines, forfeits and penalties	--	--	--	--	--
Revenue from use of money and property	337,121	3,091	52,531	285,977	8,793
Aid from other governments	266,462	--	8,439	107,069	--
Charges for services	934,692	--	325,421	5,245,870	--
Other	--	--	7	89,743	--
<b>Total Revenues</b>	<u>7,184,914</u>	<u>3,091</u>	<u>1,259,346</u>	<u>6,367,871</u>	<u>8,793</u>
<b>Expenditures:</b>					
Current:					
General government	--	--	--	--	--
Public protection	6,534,270	--	--	--	774
Public ways and facilities	--	--	7	4,764,915	--
Public assistance	--	--	--	--	--
Education	--	--	--	--	--
Recreation and culture	--	--	786,618	--	--
Debt Service:					
Principal	--	--	--	--	--
Bond issue costs	--	--	--	--	--
Interest and fiscal charges	--	--	--	--	--
<b>Total Expenditures</b>	<u>6,534,270</u>	<u>--</u>	<u>786,625</u>	<u>4,764,915</u>	<u>774</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>650,644</u>	<u>3,091</u>	<u>472,721</u>	<u>1,602,956</u>	<u>8,019</u>
<b>Other Financing Sources (Uses):</b>					
Refunding bonds issued	--	--	--	--	--
Discount on refunding bonds issued	--	--	--	--	--
Transfers in	--	--	10,669	--	--
Transfers out	(600,000)	--	(135,452)	(884,557)	--
<b>Total Other Financing Sources (Uses)</b>	<u>(600,000)</u>	<u>--</u>	<u>(124,783)</u>	<u>(884,557)</u>	<u>--</u>
<b>Net change in fund balances</b>	50,644	3,091	347,938	718,399	8,019
Fund Balances - Beginning	<u>5,355,482</u>	<u>57,280</u>	<u>821,604</u>	<u>4,597,011</u>	<u>163,125</u>
Fund Balances - Ending	<u>\$ 5,406,126</u>	<u>\$ 60,371</u>	<u>\$ 1,169,542</u>	<u>\$ 5,315,410</u>	<u>\$ 171,144</u>

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2007

	<u>Total</u>
<b>Revenues:</b>	
Taxes	\$ 13,304,401
Fines, forfeits and penalties	16,842
Revenue from use of money and property	1,807,023
Aid from other governments	13,364,757
Charges for services	10,059,570
Other	375,774
<b>Total Revenues</b>	<u>38,928,367</u>
 <b>Expenditures:</b>	
Current:	
General government	241,128
Public protection	9,957,676
Public ways and facilities	20,936,217
Public assistance	1,530,846
Education	4,558,455
Recreation and culture	1,202,562
Debt Service:	
Principal	3,846,449
Bond issue costs	361,675
Interest and fiscal charges	3,382,493
<b>Total Expenditures</b>	<u>46,017,501</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>(7,089,134)</u>
 <b>Other Financing Sources (Uses):</b>	
Refunding bonds issued	9,000,000
Discount on refunding bonds issued	(62,698)
Transfers in	7,014,676
Transfers out	(8,330,429)
<b>Total Other Financing Sources (Uses)</b>	<u>7,621,549</u>
 <b>Net change in fund balances</b>	 532,415
 Fund Balances - Beginning	 <u>30,693,437</u>
 Fund Balances - Ending	 <u>\$ 31,225,852</u>

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule  
Library  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balances, Beginning	\$ 326,928	\$ 326,928	\$ 326,928	\$ --
Resources (inflows):				
Taxes	4,373,640	4,439,964	4,449,790	9,826
Revenue from use of money		--	31	31
Aid from other governmental agencies	91,888	161,888	208,084	46,196
Amounts available for appropriation	4,465,528	4,601,852	4,657,905	56,053
Charges to appropriations (outflows):				
Services and supplies	4,467,394	4,598,148	4,558,455	39,693
Transfers out	--	5,570	5,566	4
Total charges to appropriations	4,467,394	4,603,718	4,564,021	39,697
Budgetary Fund Balances, Ending	\$ 325,062	\$ 325,062	\$ 420,812	\$ 95,750
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:				
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 4,564,021
Differences - budget to GAAP:				
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.				(5,566)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - Nonmajor Special Revenue Funds				\$ 4,558,455

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule  
Fire  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balances, Beginning	\$ 474,429	\$ 474,429	\$ 474,429	\$ --
Resources (inflows):				
Taxes	1,629,128	1,629,128	1,695,812	66,684
Aid from other governmental agencies	110,414	380,414	222,910	(157,504)
Charges for current services	180,200	180,200	1,107,944	927,744
Use of money and property	37,540	37,540	88,090	50,550
Other revenue	939,464	939,464	20,069	(919,395)
Amounts available for appropriation	<u>2,896,746</u>	<u>3,166,746</u>	<u>3,134,825</u>	<u>(31,921)</u>
Charges to appropriations (outflows):				
Salaries and employee benefits	193,839	193,839	167,128	26,711
Services and supplies	2,408,813	2,360,524	2,169,219	191,305
Other charges	179,657	179,657	90,772	88,885
Capital assets	145,000	456,000	12,476	443,524
Total charges to appropriations	<u>2,927,309</u>	<u>3,190,020</u>	<u>2,439,595</u>	<u>750,425</u>
Budgetary Fund Balances, Ending	<u>\$ 443,866</u>	<u>\$ 451,155</u>	<u>\$ 1,169,659</u>	<u>\$ 718,504</u>

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule  
Off Highway Road and Transportation  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balances, Beginning	\$ 3,502,712	\$ 3,502,712	\$ 3,502,712	\$ --
Resources (inflows):				
Aid from other governmental agencies	19,936,091	23,027,447	12,130,442	(10,897,005)
Charges for current services	4,051,573	4,122,573	479,069	(3,643,504)
Use of money and property	111,725	111,725	31,418	(80,307)
Other revenue	--	--	28,505	28,505
Amounts available for appropriation	<u>24,099,389</u>	<u>27,261,745</u>	<u>12,669,434</u>	<u>(14,592,311)</u>
Charges to appropriations (outflows):				
Services and supplies	27,649,961	30,806,294	14,125,120	16,681,174
Debt service	--	6,023	6,023	--
Total charges to appropriations	<u>27,649,961</u>	<u>30,812,317</u>	<u>14,131,143</u>	<u>16,681,174</u>
Budgetary Fund Balances, Ending	<u>\$ (47,860)</u>	<u>\$ (47,860)</u>	<u>\$ 2,041,003</u>	<u>\$ 2,088,863</u>

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule  
Fish and Game  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balances, Beginning	\$ 65,589	\$ 65,589	\$ 65,589	\$ --
Resources (inflows):				
Fines, forfeitures and penalties	5,000	5,000	16,842	11,842
Use of money and property	500	500	3,889	3,389
Amounts available for appropriation	<u>5,500</u>	<u>5,500</u>	<u>20,731</u>	<u>15,231</u>
Charges to appropriations (outflows):				
Other charges	20,213	20,513	9,248	11,265
Capital assets	6,500	6,500	3,722	2,778
Total charges to appropriations	<u>26,713</u>	<u>27,013</u>	<u>12,970</u>	<u>14,043</u>
Budgetary Fund Balances, Ending	<u>\$ 44,376</u>	<u>\$ 44,076</u>	<u>\$ 73,350</u>	<u>\$ 29,274</u>



**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule  
Private Revitalization of Downtown  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balances, Beginning	\$ 3,146,180	\$ 3,146,180	\$ 3,146,180	\$ --
Resources (inflows):				
Use of money and property	58,917	58,917	149,215	90,298
Charges for current services	50,000	50,000	153,100	103,100
Other revenue	1,800	1,800	237,450	235,650
Transfers in	24,703	24,703	--	(24,703)
Amounts available for appropriation	<u>135,420</u>	<u>135,420</u>	<u>539,765</u>	<u>404,345</u>
Charges to appropriations (outflows):				
Services and supplies	2,378,209	2,378,209	1,454,777	923,432
Other charges	155,400	155,400	76,069	79,331
Transfers out	24,620	24,620	--	24,620
Total charges to appropriations	<u>2,558,229</u>	<u>2,558,229</u>	<u>1,530,846</u>	<u>1,027,383</u>
Budgetary Fund Balances, Ending	<u>\$ 723,371</u>	<u>\$ 723,371</u>	<u>\$ 2,155,099</u>	<u>\$ 1,431,728</u>

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule  
Park Dedication & State Park Bonds  
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Budgetary Fund Balances, Beginning	\$ 2,290,731	\$ 2,290,731	\$ 2,290,731	\$ --
Resources (inflows):				
Aid from other governmental agencies	1,694,517	1,694,517	96,547	(1,597,970)
Use of money and property	67,410	67,410	126,574	59,164
Charges for current services	461,732	461,732	382,518	(79,214)
Other revenue	172,600	172,600	--	(172,600)
Transfers in	172,257	172,257	184,134	11,877
Amounts available for appropriation	<u>2,568,516</u>	<u>2,568,516</u>	<u>789,773</u>	<u>(1,778,743)</u>
Charges to appropriations (outflows):				
Services and supplies	111,204	111,204	110,196	1,008
Capital assets	3,794,877	3,794,877	305,748	3,489,129
Transfers out	953,164	953,164	500,048	453,116
Total charges to appropriations	<u>4,859,245</u>	<u>4,859,245</u>	<u>915,992</u>	<u>3,943,253</u>
Budgetary Fund Balances, Ending	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 2,164,512</u>	<u>\$ 2,164,510</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 budgetary comparison statement \$ 789,773

Differences - budget to GAAP:

    Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. (184,134)

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - Nonmajor Special Revenue Funds \$ 605,639

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement \$ 915,992

Differences - budget to GAAP:

    Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. (500,048)

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - Nonmajor Special Revenue Funds \$ 415,944

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule  
 Santa Cruz Control & Water Conservation - Zone 7  
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Budgetary Fund Balances, Beginning	\$ 1,552,937	\$ 1,552,937	\$ 1,552,937	\$ --
Resources (inflows):				
Use of money and property	25,000	25,000	68,022	43,022
Charges for current services	1,418,200	1,418,200	1,430,956	12,756
Amounts available for appropriation	1,443,200	1,443,200	1,498,978	55,778
Charges to appropriations (outflows):				
Services and supplies	1,268,739	1,268,739	321,310	947,429
Other charges	429,251	429,251	410,150	19,101
Capital assets	1,133,236	1,133,236	238,607	894,629
Transfers out	--	--	405,643	(405,643)
Total charges to appropriations	2,831,226	2,831,226	1,375,710	1,455,516
Budgetary Fund Balances, Ending	\$ 164,911	\$ 164,911	\$ 1,676,205	\$ 1,511,294
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:				
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 1,375,710
Differences - budget to GAAP:				
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.				(405,643)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - Nonmajor Special Revenue Funds				\$ 970,067

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule  
 Districts Governed by the Board of Supervisors - Public Protection  
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balances, Beginning	\$ 5,355,482	\$ 5,355,482	\$ 5,355,482	\$ --
Resources (inflows):				
Taxes	5,483,428	5,512,121	5,646,639	134,518
Aid from other governmental agencies	181,217	222,517	266,462	43,945
Use of money and property	149,722	149,722	337,121	187,399
Charges for current services	<u>1,259,081</u>	<u>1,293,081</u>	<u>934,692</u>	<u>(358,389)</u>
Amounts available for appropriation	<u>7,073,448</u>	<u>7,177,441</u>	<u>7,184,914</u>	<u>7,473</u>
Charges to appropriations (outflows):				
Salaries and employee benefits	29,996	29,996	5,444	24,552
Services and supplies	7,070,213	7,037,126	4,664,948	2,372,178
Other charges	1,554,834	1,554,834	1,539,464	15,370
Capital assets	2,855,971	2,825,295	324,414	2,500,881
Transfers out	<u>--</u>	<u>--</u>	<u>600,000</u>	<u>(600,000)</u>
Total charges to appropriations	<u>11,511,014</u>	<u>11,447,251</u>	<u>7,134,270</u>	<u>4,312,981</u>
Budgetary Fund Balances, Ending	<u>\$ 917,916</u>	<u>\$ 1,085,672</u>	<u>\$ 5,406,126</u>	<u>\$ 4,320,454</u>
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:				
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 7,134,270
Differences - budget to GAAP:				
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.				<u>(600,000)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - Nonmajor Special Revenue Funds				<u>\$ 6,534,270</u>

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule  
 Districts Governed by the Board of Supervisors - Health and Sanitation  
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balances, Beginning	\$ 57,280	\$ 57,280	\$ 57,280	\$ --
Resources (inflows):				
Use of money and property	2,000	2,000	3,091	1,091
Amounts available for appropriation	2,000	2,000	3,091	1,091
Charges to appropriations (outflows):				
Services and supplies	59,280	59,280	--	59,280
Total charges to appropriations	59,280	59,280	--	59,280
Budgetary Fund Balances, Ending	\$ --	\$ --	\$ 60,371	\$ 60,371

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule  
 Districts Governed by the Board of Supervisors - Recreation and Culture  
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Budgetary Fund Balances, Beginning	\$ 821,604	\$ 821,604	\$ 821,604	\$ --
Resources (inflows):				
Taxes	708,179	708,179	872,948	164,769
Aid from other governmental agencies	7,177	7,177	8,439	1,262
Use of money and property	25,222	25,222	52,531	27,309
Charges for current services	333,388	333,388	325,421	(7,967)
Transfers in	171,325	171,325	10,669	(160,656)
Amounts available for appropriation	<u>1,245,291</u>	<u>1,245,291</u>	<u>1,270,008</u>	<u>24,717</u>
Charges to appropriations (outflows):				
Services and supplies	1,219,804	1,219,804	786,618	433,186
Other charges	121,931	121,931	--	121,931
Transfers out	--	--	135,452	(135,452)
Total charges to appropriations	<u>1,341,735</u>	<u>1,341,735</u>	<u>922,070</u>	<u>419,665</u>
Budgetary Fund Balances, Ending	<u>\$ 725,160</u>	<u>\$ 725,160</u>	<u>\$ 1,169,542</u>	<u>\$ 444,382</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 budgetary comparison statement \$ 1,270,008

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 \$ 1,259,339

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement \$ 922,070

Differences - budget to GAAP:

    Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. (135,452)

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - Nonmajor Special Revenue Funds \$ 786,618

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Budgetary Comparison Schedule  
 Districts Governed by the Board of Supervisors - Public Ways and Facilities  
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balances, Beginning	\$ 4,597,011	\$ 4,597,011	\$ 4,597,011	\$ --
Resources (inflows):				
Taxes	604,722	604,722	639,212	34,490
Aid from other governmental agencies	5,661	182,854	107,069	(75,785)
Use of money and property	97,919	98,114	285,977	187,863
Charges for current services	5,263,943	5,263,943	5,245,870	(18,073)
Other revenue	--	53,925	89,743	35,818
Amounts available for appropriation	<u>5,972,245</u>	<u>6,203,558</u>	<u>6,367,871</u>	<u>164,313</u>
Charges to appropriations (outflows):				
Services and supplies	6,159,046	6,535,889	4,153,593	2,382,296
Other charges	60,093	60,093	45,754	14,339
Capital assets	1,784,927	1,639,602	565,568	1,074,034
Transfers out	1,353,878	1,353,578	884,557	469,021
Total charges to appropriations	<u>9,357,944</u>	<u>9,589,162</u>	<u>5,649,472</u>	<u>3,939,690</u>
Budgetary Fund Balances, Ending	<u>\$ 1,211,312</u>	<u>\$ 1,211,407</u>	<u>\$ 5,315,410</u>	<u>\$ 4,104,003</u>
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:				
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 5,649,472
Differences - budget to GAAP:				
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.				(884,557)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - Nonmajor Special Revenue Funds				\$ 4,764,915





**COUNTY OF SANTA CRUZ, CALIFORNIA**  
**NONMAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2007**

Nonmajor debt service funds used by the County are listed below:

The **Redevelopment Agency Bonds** fund accounts 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 in the Live Oak/Soquel Community Improvement Project Area, and for refunding outstanding bonds.

The **Local Assessment Bonds** fund accounts for the accumulation of resources for, and the payment of interest and principal on, special assessment bonds issued by local improvement districts. The bonds were issued to finance the cost of various construction activities and infrastructure improvements, which have a special and direct benefit to the related property owners. The County acts as an agent only in these transactions; these bonds do not constitute an indebtedness of the County. Cash in Local Assessment Bonds is residual cash to be refunded in 2007-08.



**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Balance Sheet  
 Nonmajor Debt Service Funds  
 June 30, 2007

	Redevelopment Agency Bonds	Local Assessment Bonds	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ --	\$ 31,321	\$ 31,321
Restricted cash	4,889,435	--	4,889,435
Receivables	95,393	--	95,393
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 4,984,828</u>	<u>\$ 31,321</u>	<u>\$ 5,016,149</u>
<b><u>LIABILITIES</u></b>			
Payables	\$ --	\$ 2,765	\$ 2,765
Due to other funds	--	2,491	2,491
Deferred revenue	--	26,065	26,065
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>                    </u>	<u>31,321</u>	<u>31,321</u>
<b><u>FUND BALANCES</u></b>			
Reserved for:			
Debt service	4,984,828	--	4,984,828
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Fund Balances	<u>4,984,828</u>	<u>                    </u>	<u>4,984,828</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities and Fund Balances	<u>\$ 4,984,828</u>	<u>\$ 31,321</u>	<u>\$ 5,016,149</u>

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Debt Service Funds  
 For the Year Ended June 30, 2007

	Redevelopment Agency Bonds	Local Assessment Bonds	Total
<b>Revenues:</b>			
Use of money and property	\$ 337,162	\$ 1,603	\$ 338,765
Total Revenues	<u>337,162</u>	<u>1,603</u>	<u>338,765</u>
<b>Expenditures:</b>			
Debt Service:			
Principal	3,280,000	--	3,280,000
Bond issue costs	376,418	--	376,418
Interest and fiscal charges	9,742,490	2,765	9,745,255
Total Expenditures	<u>13,398,908</u>	<u>2,765</u>	<u>13,401,673</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(13,061,746)</u>	<u>(1,162)</u>	<u>(13,062,908)</u>
Other Financing Sources (Uses):			
Refunding bonds issued	10,755,000	--	10,755,000
Payment to refunded escrow agent	(10,366,347)	--	(10,366,347)
Transfers in	11,678,310	--	11,678,310
Transfers out	(44)	--	(44)
Total Other Financing Sources (Uses)	<u>12,066,919</u>	<u>--</u>	<u>12,066,919</u>
<b>Net Change in Fund Balances</b>	(994,827)	(1,162)	(995,989)
Fund Balances - Beginning	<u>5,979,655</u>	<u>1,162</u>	<u>5,980,817</u>
Fund Balances - Ending	<u><u>\$ 4,984,828</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 4,984,828</u></u>

**COUNTY OF SANTA CRUZ, CALIFORNIA**  
**NONMAJOR ENTERPRISE FUNDS**  
**JUNE 30, 2007**

Nonmajor enterprise funds used by the County are listed below:

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

**Septic Tank Maintenance CSA 12.** This county service area provides maintenance for septic tanks in unincorporated areas of the County. User fees are the principal source of revenue.

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

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



**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Fund Net Assets  
Nonmajor Enterprise Funds  
June 30, 2007

	Boulder Creek CSA 7	Rolling Woods CSA 10	Septic Tank Maintenance CSA 12	Freedom County Sanitation District
<b><u>ASSETS</u></b>				
Current Assets:				
Cash and investments	\$ 200,462	\$ 14,715	\$ 1,780,549	\$ 3,317,911
Restricted cash	--	--	--	--
Receivables	354	--	22,000	51,765
<b>Total Current Assets</b>	<b><u>200,816</u></b>	<b><u>14,715</u></b>	<b><u>1,802,549</u></b>	<b><u>3,369,676</u></b>
Noncurrent Assets:				
Capital Assets				
Nondepreciable				
Construction in progress	--	--	--	3,650
Depreciable				
Buildings and structures	1,533,542	321,381	--	5,901,069
Equipment	42,305	694	45,518	13,349
Accumulated depreciation	(990,814)	(169,600)	(45,518)	(2,897,639)
<b>Total Noncurrent Assets</b>	<b><u>585,033</u></b>	<b><u>152,475</u></b>	<b><u>--</u></b>	<b><u>3,020,429</u></b>
<b>Total Assets</b>	<b><u>\$ 785,849</u></b>	<b><u>\$ 167,190</u></b>	<b><u>\$ 1,802,549</u></b>	<b><u>\$ 6,390,105</u></b>
<b><u>LIABILITIES</u></b>				
Current Liabilities:				
Payables	\$ 33,615	\$ 52	\$ 200,500	\$ 229,364
Current portion of other long-term debt	--	--	--	--
<b>Total Current Liabilities</b>	<b><u>33,615</u></b>	<b><u>52</u></b>	<b><u>200,500</u></b>	<b><u>229,364</u></b>
Noncurrent Liabilities:				
Other long-term debt	--	--	--	--
<b>Total Noncurrent Liabilities</b>	<b><u>--</u></b>	<b><u>--</u></b>	<b><u>--</u></b>	<b><u>--</u></b>
<b>Total Liabilities</b>	<b><u>33,615</u></b>	<b><u>52</u></b>	<b><u>200,500</u></b>	<b><u>229,364</u></b>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	585,033	152,475	--	3,020,429
Restricted - other purposes	--	--	--	--
Unrestricted	167,201	14,663	1,602,049	3,140,312
<b>Total Net Assets</b>	<b><u>752,234</u></b>	<b><u>167,138</u></b>	<b><u>1,602,049</u></b>	<b><u>6,160,741</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 785,849</u></b>	<b><u>\$ 167,190</u></b>	<b><u>\$ 1,802,549</u></b>	<b><u>\$ 6,390,105</u></b>

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Fund Net Assets (continued)  
 Nonmajor Enterprise Funds  
 June 30, 2007

	Davenport Sanitation District	Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20
<b><u>ASSETS</u></b>				
Current Assets:				
Cash and investments	\$ 196,567	\$ 60,790	\$ 186,421	\$ 42,323
Restricted cash	61,291	--	7,226	--
Receivables	96,305	--	--	--
Total Current Assets	<u>354,163</u>	<u>60,790</u>	<u>193,647</u>	<u>42,323</u>
Noncurrent Assets:				
Capital Assets:				
Nondepreciable				
Construction in progress	29,722	--	--	--
Depreciable				
Buildings and structures	3,228,517	188,209	458,781	--
Equipment	17,345	41,178	--	13,569
Accumulated depreciation	<u>(1,263,051)</u>	<u>(105,586)</u>	<u>(125,388)</u>	<u>(3,392)</u>
Total Noncurrent Assets	<u>2,012,533</u>	<u>123,801</u>	<u>333,393</u>	<u>10,177</u>
<b>Total Assets</b>	<b><u>\$ 2,366,696</u></b>	<b><u>\$ 184,591</u></b>	<b><u>\$ 527,040</u></b>	<b><u>\$ 52,500</u></b>
<b><u>LIABILITIES</u></b>				
Current Liabilities:				
Payables	\$ 2,509	\$ --	\$ 13,242	\$ 211
Current portion of other long-term debt	24,292	--	20,000	--
Total Current Liabilities	<u>26,801</u>	<u>--</u>	<u>33,242</u>	<u>211</u>
Noncurrent Liabilities:				
Other long-term debt	<u>429,336</u>	<u>--</u>	<u>19,000</u>	<u>--</u>
Total Noncurrent Liabilities	<u>429,336</u>	<u>--</u>	<u>19,000</u>	<u>--</u>
Total Liabilities	<u>456,137</u>	<u>--</u>	<u>52,242</u>	<u>211</u>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	1,558,905	123,801	294,393	10,177
Restricted - other purposes	61,292	--	7,226	--
Unrestricted	290,362	60,790	173,179	42,112
Total Net Assets	<u>1,910,559</u>	<u>184,591</u>	<u>474,798</u>	<u>52,289</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 2,366,696</u></b>	<b><u>\$ 184,591</u></b>	<b><u>\$ 527,040</u></b>	<b><u>\$ 52,500</u></b>

continued



**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Fund Net Assets (continued)  
 Nonmajor Enterprise Funds  
 June 30, 2007

	Summit West <u>CSA 54</u>	Graham Hill <u>CSA 57</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and investments	\$ 30,549	\$ 217,716	\$ 6,048,003
Restricted cash	--	--	68,517
Receivables	--	--	170,424
Total Current Assets	<u>30,549</u>	<u>217,716</u>	<u>6,286,944</u>
Noncurrent Assets:			
Capital Assets:			
Nondepreciable			
Construction in progress	--	--	33,372
Depreciable			
Buildings and structures	145,600	--	11,777,099
Equipment	--	--	173,958
Accumulated depreciation	<u>(29,120)</u>	<u>--</u>	<u>(5,630,108)</u>
Total Noncurrent Assets	<u>116,480</u>	<u>--</u>	<u>6,354,321</u>
<b>Total Assets</b>	<b><u>\$ 147,029</u></b>	<b><u>\$ 217,716</u></b>	<b><u>\$ 12,641,265</u></b>
<b><u>LIABILITIES</u></b>			
Current Liabilities:			
Payables	\$ --	\$ 982	\$ 480,475
Current portion of other long-term debt	--	--	44,292
Total Current Liabilities	<u>--</u>	<u>982</u>	<u>524,767</u>
Noncurrent Liabilities:			
Other long-term debt	<u>--</u>	<u>--</u>	<u>448,336</u>
Total Noncurrent Liabilities	<u>--</u>	<u>--</u>	<u>448,336</u>
Total Liabilities	<u>--</u>	<u>982</u>	<u>973,103</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	116,480	--	5,861,693
Restricted - other purposes	--	--	68,518
Unrestricted	<u>30,549</u>	<u>216,734</u>	<u>5,737,951</u>
Total Net Assets	<u>147,029</u>	<u>216,734</u>	<u>11,668,162</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 147,029</u></b>	<b><u>\$ 217,716</u></b>	<b><u>\$ 12,641,265</u></b>

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2007

	<u>Boulder Creek CSA 7</u>	<u>Rolling Woods CSA 10</u>	<u>Septic Tank Maintenance CSA 12</u>	<u>Freedom County Sanitation District</u>
<b>Operating Revenues:</b>				
Charges for services	\$ 350,562	\$ 62,260	\$ 958,638	\$ 670,230
Other revenues	--	--	--	--
<b>Total Operating Revenues</b>	<u>350,562</u>	<u>62,260</u>	<u>958,638</u>	<u>670,230</u>
<b>Operating Expenses:</b>				
Services and supplies	243,999	54,480	874,711	473,936
Depreciation and amortization	55,465	7,969	--	127,696
<b>Total Operating Expenses</b>	<u>299,464</u>	<u>62,449</u>	<u>874,711</u>	<u>601,632</u>
<b>Operating Income (Loss)</b>	<u>51,098</u>	<u>(189)</u>	<u>83,927</u>	<u>68,598</u>
<b>Non-Operating Revenues (Expenses):</b>				
Aid from other governmental units	8,054	164	--	1,174
Interest and investment income	4,902	244	92,117	163,032
Interest expense	--	--	--	--
Property taxes	--	--	--	--
Special assessments	--	--	--	--
Other	--	--	--	--
<b>Total Non-Operating Revenues (Expenses)</b>	<u>12,956</u>	<u>408</u>	<u>92,117</u>	<u>164,206</u>
<b>Net Income (Loss) Before Transfers and Contributions</b>	64,054	219	176,044	232,804
Capital contributions	--	--	--	--
<b>Change in Net Assets</b>	64,054	219	176,044	232,804
Net Assets - Beginning	<u>688,180</u>	<u>166,919</u>	<u>1,426,005</u>	<u>5,927,937</u>
Net Assets - Ending	<u><u>\$ 752,234</u></u>	<u><u>\$ 167,138</u></u>	<u><u>\$ 1,602,049</u></u>	<u><u>\$ 6,160,741</u></u>

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (continued)  
 Nonmajor Enterprise Funds  
 For the Year Ended June 30, 2007

	<u>Davenport Sanitation District</u>	<u>Place de Mer CSA 2</u>	<u>Sand Dollar Beach CSA 5</u>	<u>Trestle Beach CSA 20</u>
<b>Operating Revenues:</b>				
Charges for services	\$ 443,018	\$ 72,414	\$ 210,840	\$ 53,106
Other revenues	--	--	434	--
<b>Total Operating Revenues</b>	<u>443,018</u>	<u>72,414</u>	<u>211,274</u>	<u>53,106</u>
<b>Operating Expenses:</b>				
Services and supplies	316,415	58,428	201,742	38,725
Depreciation and amortization	80,291	5,542	12,267	1,357
<b>Total Operating Expenses</b>	<u>396,706</u>	<u>63,970</u>	<u>214,009</u>	<u>40,082</u>
<b>Operating Income (Loss)</b>	<u>46,312</u>	<u>8,444</u>	<u>(2,735)</u>	<u>13,024</u>
<b>Non-Operating Revenues (Expenses):</b>				
Aid from other governmental units	2,055	--	826	141
Interest and investment income	10,294	2,226	9,379	1,348
Interest expense	(12,877)	--	(1,756)	--
Property taxes	21,516	--	--	--
Special assessments	--	--	21,917	--
Other	11,156	--	--	--
<b>Total Non-Operating Revenues (Expenses)</b>	<u>32,144</u>	<u>2,226</u>	<u>30,366</u>	<u>1,489</u>
<b>Net Income (Loss) Before Transfers and Contributions</b>	78,456	10,670	27,631	14,513
Capital contributions	7,997	--	--	--
<b>Change in Net Assets</b>	86,453	10,670	27,631	14,513
Net Assets - Beginning	<u>1,824,106</u>	<u>173,921</u>	<u>447,167</u>	<u>37,776</u>
Net Assets - Ending	<u><u>\$ 1,910,559</u></u>	<u><u>\$ 184,591</u></u>	<u><u>\$ 474,798</u></u>	<u><u>\$ 52,289</u></u>

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (continued)  
 Nonmajor Enterprise Funds  
 For the Year Ended June 30, 2007

	<u>Summit West CSA 54</u>	<u>Graham Hill CSA 57</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Charges for services	\$ --	\$ 72,227	\$ 2,893,295
Other revenues	--	--	434
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	--	72,227	2,893,729
	<hr/>	<hr/>	<hr/>
<b>Operating Expenses:</b>			
Services and supplies	31	19,991	2,282,458
Depreciation and amortization	3,640	--	294,227
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	3,671	19,991	2,576,685
	<hr/>	<hr/>	<hr/>
<b>Operating Income (Loss)</b>	<u>(3,671)</u>	<u>52,236</u>	<u>317,044</u>
<b>Non-Operating Revenues (Expenses):</b>			
Aid from other governmental units	--	--	12,414
Interest and investment income	1,565	9,234	294,341
Interest expense	--	--	(14,633)
Property taxes	--	--	21,516
Special assessments	--	--	21,917
Other	--	--	11,156
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	1,565	9,234	346,711
	<hr/>	<hr/>	<hr/>
<b>Net Income (Loss) Before Transfers and Contributions</b>	(2,106)	61,470	663,755
Capital contributions	--	--	7,997
	<hr/>	<hr/>	<hr/>
<b>Change in Net Assets</b>	(2,106)	61,470	671,752
Net Assets - Beginning	149,135	155,264	10,996,410
	<hr/>	<hr/>	<hr/>
Net Assets - Ending	<u>\$ 147,029</u>	<u>\$ 216,734</u>	<u>\$11,668,162</u>

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2007

	Boulder Creek CSA 7	Rolling Woods CSA 10	Septic Tank Maintenance CSA 12	Freedom County Sanitation District
<b>CASH FLOWS FROM</b>				
<b>OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 350,562	\$ 62,260	\$ 980,638	\$ 618,465
Payments to suppliers for goods and services	(68,790)	(40,433)	(888,559)	(137,434)
Payments for interfund services used	<u>(169,681)</u>	<u>(13,995)</u>	<u>--</u>	<u>(245,546)</u>
Net Cash Provided (Used) by Operating Activities	<u>112,091</u>	<u>7,832</u>	<u>92,079</u>	<u>235,485</u>
<b>CASH FLOWS FROM NONCAPITAL</b>				
<b>FINANCING ACTIVITIES:</b>				
Property taxes	--	--	--	--
Subsidy from other governmental agencies	<u>7,700</u>	<u>164</u>	<u>--</u>	<u>1,174</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>7,700</u>	<u>164</u>	<u>--</u>	<u>1,174</u>
<b>CASH FLOWS FROM CAPITAL AND</b>				
<b>RELATED FINANCING ACTIVITIES:</b>				
Capital contributions	--	--	--	--
Purchase of capital assets	--	--	--	(230,281)
Principal paid on long-term debt	--	--	--	--
Interest paid on long-term debt	--	--	--	--
Loan reimbursements	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>--</u>	<u>--</u>	<u>--</u>	<u>(230,281)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends received	<u>4,903</u>	<u>244</u>	<u>92,117</u>	<u>163,032</u>
Net Cash Provided by Investing Activities	<u>4,903</u>	<u>244</u>	<u>92,117</u>	<u>163,032</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	124,694	8,240	184,196	169,410
Cash and Cash Equivalents, Beginning of Year	<u>75,768</u>	<u>6,475</u>	<u>1,596,353</u>	<u>3,148,501</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 200,462</u></u>	<u><u>\$ 14,715</u></u>	<u><u>\$ 1,780,549</u></u>	<u><u>\$ 3,317,911</u></u>

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Cash Flows (continued)  
 Nonmajor Enterprise Funds  
 For the Year Ended June 30, 2007

	Davenport Sanitation District	Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 452,110	\$ 72,414	\$ 211,274	\$ 53,106
Payments to suppliers for goods and services	(78,340)	(21,494)	(44,905)	(8,002)
Payments for interfund services used	<u>(236,479)</u>	<u>(36,934)</u>	<u>(153,538)</u>	<u>(30,513)</u>
Net Cash Provided (Used) by Operating Activities	<u>137,291</u>	<u>13,986</u>	<u>12,831</u>	<u>14,591</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Property taxes	21,516	--	21,917	--
Subsidy from other governmental agencies	<u>1,775</u>	<u>--</u>	<u>826</u>	<u>142</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>23,291</u>	<u>--</u>	<u>22,743</u>	<u>142</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital contributions	3,756	--	--	--
Purchase of capital assets	(10,662)	--	(31,899)	--
Principal paid on long-term debt	(23,667)	--	(15,000)	--
Interest paid on long-term debt	(12,891)	--	(4,500)	--
Loan reimbursements	<u>11,246</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(32,218)</u>	<u>--</u>	<u>(51,399)</u>	<u>--</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends received	<u>10,294</u>	<u>2,226</u>	<u>9,379</u>	<u>1,348</u>
Net Cash Provided by Investing Activities	<u>10,294</u>	<u>2,226</u>	<u>9,379</u>	<u>1,348</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	138,658	16,212	(6,446)	16,081
Cash and Cash Equivalents, Beginning of Year	<u>119,200</u>	<u>44,578</u>	<u>200,093</u>	<u>26,242</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 257,858</u></u>	<u><u>\$ 60,790</u></u>	<u><u>\$ 193,647</u></u>	<u><u>\$ 42,323</u></u>

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Cash Flows (continued)  
 Nonmajor Enterprise Funds  
 For the Year Ended June 30, 2007

	Summit West <u>CSA 54</u>	Graham Hill <u>CSA 57</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ --	\$ 72,227	\$ 2,873,056
Payments to suppliers for goods and services	(29)	(5,759)	(1,293,745)
Payments for interfund services used	(2)	(13,250)	(899,938)
	<u>(31)</u>	<u>53,218</u>	<u>679,373</u>
Net Cash Provided (Used) by Operating Activities			
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Property taxes	--	--	43,433
Subsidy from other governmental agencies	--	--	11,781
	<u>--</u>	<u>--</u>	<u>55,214</u>
Net Cash Provided (Used) by Noncapital Financing Activities			
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital contributions	--	--	3,756
Purchase of capital assets	--	--	(272,842)
Principal paid on long-term debt	--	--	(38,667)
Interest paid on long-term debt	--	--	(17,391)
Loan reimbursements	--	--	11,246
	<u>--</u>	<u>--</u>	<u>(313,898)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends received	<u>1,565</u>	<u>9,234</u>	<u>294,342</u>
Net Cash Provided by Investing Activities	<u>1,565</u>	<u>9,234</u>	<u>294,342</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,534	62,452	715,031
Cash and Cash Equivalents, Beginning of Year	<u>29,015</u>	<u>155,264</u>	<u>5,401,489</u>
Cash and Cash Equivalents, End of Year	<u>\$ 30,549</u>	<u>\$ 217,716</u>	<u>\$ 6,116,520</u>

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Cash Flows (continued)  
 Nonmajor Enterprise Funds  
 For the Year Ended June 30, 2007

	<u>Boulder Creek CSA 7</u>	<u>Rolling Woods CSA 10</u>	<u>Septic Tank Maintenance CSA 12</u>	<u>Freedom County Sanitation District</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by</b>				
Operating Activities:				
Operating income (loss)	\$ 51,098	\$ (189)	\$ 83,927	\$ 68,598
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	55,465	7,969	--	127,696
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	--	--	66,500	(51,765)
Increase (decrease) in:				
Payables	<u>5,528</u>	<u>52</u>	<u>(58,348)</u>	<u>90,956</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ 112,091</u></u>	<u><u>\$ 7,832</u></u>	<u><u>\$ 92,079</u></u>	<u><u>\$ 235,485</u></u>

continued



**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Cash Flows (continued)  
 Nonmajor Enterprise Funds  
 For the Year Ended June 30, 2007

	<u>Davenport Sanitation District</u>	<u>Place de Mer CSA 2</u>	<u>Sand Dollar Beach CSA 5</u>	<u>Trestle Beach CSA 20</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by</b>				
Operating Activities:				
Operating income (loss)	\$ 46,312	\$ 8,444	\$ (2,735)	\$ 13,024
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	80,291	5,542	12,267	1,357
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	9,093	--	--	--
Increase (decrease) in:				
Payables	<u>1,595</u>	<u>--</u>	<u>3,299</u>	<u>210</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ 137,291</u></u>	<u><u>\$ 13,986</u></u>	<u><u>\$ 12,831</u></u>	<u><u>\$ 14,591</u></u>

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Cash Flows (continued)  
 Nonmajor Enterprise Funds  
 For the Year Ended June 30, 2007

	<u>Summit West CSA 54</u>	<u>Graham Hill CSA 57</u>	<u>Total</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by</b>			
Operating Activities:			
Operating income (loss)	\$ (3,671)	\$ 52,236	\$ 317,044
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	3,640	--	294,227
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables	--	--	23,828
Increase (decrease) in:			
Payables	--	982	44,274
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ (31)</u></u>	<u><u>\$ 53,218</u></u>	<u><u>\$ 679,373</u></u>

**COUNTY OF SANTA CRUZ, CALIFORNIA**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2007**

Internal service funds used at the County are listed below:

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

The **Information Services** fund accounts for data processing and telecommunication services provided by County departments.

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.

The **Service Center** fund accounts for maintenance of the County fleet of vehicles and for related services to other County departments.

The **Self-Insurance** funds account for the County's self-insured risk management, dental and health, liability and property, worker's compensation, employee benefit staffing, and state compensation insurance program.



**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Fund Net Assets  
Internal Service Funds  
June 30, 2007

	<u>Central Duplicating</u>	<u>Information Services</u>	<u>Public Works</u>	<u>Service Center</u>
<b><u>ASSETS</u></b>				
Current Assets:				
Cash and investments	\$ --	\$ 1,016,624	\$ 4,120,979	\$ --
Receivables	--	8,936	69,660	350
Due from other funds	--	--	--	--
Deposits with others	--	--	487,881	--
Inventory	--	--	511,498	50,859
Prepaid items	12,546	--	24,339	--
<b>Total Current Assets</b>	<u>12,546</u>	<u>1,025,560</u>	<u>5,214,357</u>	<u>51,209</u>
Noncurrent Assets:				
Capital Assets				
Land	--	--	62,914	34,173
Buildings and structures	--	--	2,262,520	473,443
Equipment	367,112	10,079,237	10,188,298	6,716,811
Accumulated depreciation	(298,095)	(8,233,767)	(9,165,354)	(4,965,390)
<b>Total Noncurrent Assets</b>	<u>69,017</u>	<u>1,845,470</u>	<u>3,348,378</u>	<u>2,259,037</u>
<b>Total Assets</b>	<u>\$ 81,563</u>	<u>\$ 2,871,030</u>	<u>\$ 8,562,735</u>	<u>\$ 2,310,246</u>
<b><u>LIABILITIES</u></b>				
Current Liabilities:				
Payables	\$ 25,390	\$ 529,797	\$ 1,187,807	\$ 91,345
Due to other funds	492,745	--	--	614,237
Current portion of other long-term debt	--	--	324,144	--
Current lease contracts	10,340	--	--	--
Compensated absences	6,263	469,989	2,419,350	18,251
<b>Total Current Liabilities</b>	<u>534,738</u>	<u>999,786</u>	<u>3,931,301</u>	<u>723,833</u>
Noncurrent Liabilities:				
Other long-term debt	--	--	328,860	--
Compensated absences	1,767	132,561	682,381	5,148
<b>Total Noncurrent Liabilities</b>	<u>1,767</u>	<u>132,561</u>	<u>1,011,241</u>	<u>5,148</u>
<b>Total Liabilities</b>	<u>536,505</u>	<u>1,132,347</u>	<u>4,942,542</u>	<u>728,981</u>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	58,677	1,845,470	2,695,374	2,259,037
Unrestricted	(513,619)	(106,787)	924,819	(677,772)
<b>Total Net Assets</b>	<u>(454,942)</u>	<u>1,738,683</u>	<u>3,620,193</u>	<u>1,581,265</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 81,563</u>	<u>\$ 2,871,030</u>	<u>\$ 8,562,735</u>	<u>\$ 2,310,246</u>

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Fund Net Assets (continued)  
Internal Service Funds  
June 30, 2007

	Self-Insurance			
	Risk Management and Self-Insurance	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance
<b><u>ASSETS</u></b>				
Current Assets:				
Cash and investments	\$ 751,362	\$ 1,855,129	\$ 2,682,371	\$ 5,092,566
Receivables	--	49,402	--	--
Due from other funds	--	--	1,106,982	--
Deposits with others	--	--	--	150,000
Inventory	--	--	--	--
Prepaid items	--	--	--	--
<b>Total Current Assets</b>	<b>751,362</b>	<b>1,904,531</b>	<b>3,789,353</b>	<b>5,242,566</b>
Noncurrent Assets:				
Capital Assets				
Land	--	--	--	--
Buildings and structures	--	--	--	--
Equipment	55,237	--	--	--
Accumulated depreciation	(55,237)	--	--	--
<b>Total Noncurrent Assets</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total Assets</b>	<b>\$ 751,362</b>	<b>\$ 1,904,531</b>	<b>\$ 3,789,353</b>	<b>\$ 5,242,566</b>
<b><u>LIABILITIES</u></b>				
Current Liabilities:				
Payables	\$ 25,374	\$ 44	\$ 130,559	\$ 83,111
Due to other funds	--	--	--	--
Current portion of other long-term debt	--	--	4,494,000	7,000,000
Current lease contracts	--	--	--	--
Compensated absences	15,942	--	--	--
<b>Total Current Liabilities</b>	<b>41,316</b>	<b>44</b>	<b>4,624,559</b>	<b>7,083,111</b>
Noncurrent Liabilities:				
Other long-term debt	--	84,778	--	18,054,000
Compensated absences	4,497	--	--	--
<b>Total Noncurrent Liabilities</b>	<b>4,497</b>	<b>84,778</b>	<b>--</b>	<b>18,054,000</b>
<b>Total Liabilities</b>	<b>45,813</b>	<b>84,822</b>	<b>4,624,559</b>	<b>25,137,111</b>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	--	--	--	--
Unrestricted	705,549	1,819,709	(835,206)	(19,894,545)
<b>Total Net Assets</b>	<b>705,549</b>	<b>1,819,709</b>	<b>(835,206)</b>	<b>(19,894,545)</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 751,362</b>	<b>\$ 1,904,531</b>	<b>\$ 3,789,353</b>	<b>\$ 5,242,566</b>

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Fund Net Assets (continued)  
Internal Service Funds  
June 30, 2007

	Self-Insurance		Total
	Employee Benefit Staffing	State Unemployment Insurance	
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and investments	\$ 103,870	\$ 456,444	\$ 16,079,345
Receivables	--	--	128,348
Due from other funds	--	--	1,106,982
Deposits with others	--	--	637,881
Inventory	--	--	562,357
Prepaid items	--	--	36,885
Total Current Assets	103,870	456,444	18,551,798
Noncurrent Assets:			
Capital Assets			
Land	--	--	97,087
Buildings and structures	--	--	2,735,963
Equipment	--	--	27,406,695
Accumulated depreciation	--	--	(22,717,843)
Total Noncurrent Assets	--	--	7,521,902
<b>Total Assets</b>	<b>\$ 103,870</b>	<b>\$ 456,444</b>	<b>\$ 26,073,700</b>
<b><u>LIABILITIES</u></b>			
Current Liabilities:			
Payables	\$ 15,028	\$ --	\$ 2,088,455
Due to other funds	--	--	1,106,982
Current portion of other long-term debt	--	--	11,818,144
Current lease contracts	--	--	10,340
Compensated absences	21,749	--	2,951,544
Total Current Liabilities	36,777	--	17,975,465
Noncurrent Liabilities:			
Other long-term debt	--	75,000	18,542,638
Compensated absences	6,134	--	832,488
Total Noncurrent Liabilities	6,134	75,000	19,375,126
Total Liabilities	42,911	75,000	37,350,591
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	--	--	6,858,558
Unrestricted	60,959	381,444	(18,135,449)
Total Net Assets	60,959	381,444	(11,276,891)
<b>Total Liabilities and Net Assets</b>	<b>\$ 103,870</b>	<b>\$ 456,444</b>	<b>\$ 26,073,700</b>

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2007

	<u>Central Duplicating</u>	<u>Information Services</u>	<u>Public Works</u>	<u>Service Center</u>
<b>Operating Revenues:</b>				
Charges for services	\$ 1,057,881	\$ 11,678,090	\$ 32,945,456	\$ 2,017,958
Other revenues	--	177,826	--	--
	<u>1,057,881</u>	<u>11,855,916</u>	<u>32,945,456</u>	<u>2,017,958</u>
Total Operating Revenues				
<b>Operating Expenses:</b>				
Salaries and employee benefits	222,333	7,007,417	25,297,202	469,972
Services and supplies	717,092	3,315,585	5,545,093	1,100,748
Insurance and compensation claims	--	121,604	1,201,886	6,749
Depreciation and amortization	41,792	591,764	702,732	807,118
	<u>981,217</u>	<u>11,036,370</u>	<u>32,746,913</u>	<u>2,384,587</u>
Total Operating Expenses				
<b>Operating Income (Loss)</b>	<u>76,664</u>	<u>819,546</u>	<u>198,543</u>	<u>(366,629)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Gain (loss) on disposal of capital assets	--	(2,229)	6,692	35,179
Intergovernmental revenue	--	--	9,097	--
Amortization of bond issuance costs	--	--	(12,170)	--
Amortization of bond discount	--	--	(6,031)	--
Interest and investment income	--	--	--	--
Interest expense	(1,237)	--	(25,687)	--
	<u>(1,237)</u>	<u>(2,229)</u>	<u>(28,099)</u>	<u>35,179</u>
Total Non-Operating Revenues (Expenses)				
<b>Net Income Before Transfers</b>	75,427	817,317	170,444	(331,450)
Transfers in	--	--	--	201,768
<b>Change in Net Assets</b>	75,427	817,317	170,444	(129,682)
Net Assets - Beginning	<u>(530,369)</u>	<u>921,366</u>	<u>3,449,749</u>	<u>1,710,947</u>
Net Assets - Ending	<u>\$ (454,942)</u>	<u>\$ 1,738,683</u>	<u>\$ 3,620,193</u>	<u>\$ 1,581,265</u>

continued



**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (continued)  
 Internal Service Funds  
 For the Year Ended June 30, 2007

	Self-Insurance			
	Risk Manage- ment and Self Insurance	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance
<b>Operating Revenues:</b>				
Charges for services	\$ 1,175,000	\$ 1,308,485	\$ 2,933,421	\$ 7,077,513
Other revenues	20,000	--	25,000	16,188
<b>Total Operating Revenues</b>	<b>1,195,000</b>	<b>1,308,485</b>	<b>2,958,421</b>	<b>7,093,701</b>
<b>Operating Expenses:</b>				
Salaries and employee benefits	432,962	--	--	--
Services and supplies	448,983	17,041	908,297	1,255,416
Insurance and compensation claims	11,680	1,813,019	4,052,618	6,287,570
Depreciation and amortization	943	--	--	--
<b>Total Operating Expenses</b>	<b>894,568</b>	<b>1,830,060</b>	<b>4,960,915</b>	<b>7,542,986</b>
<b>Operating Income (Loss)</b>	<b>300,432</b>	<b>(521,575)</b>	<b>(2,002,494)</b>	<b>(449,285)</b>
<b>Non-Operating Revenues (Expenses):</b>				
Gain (loss) on disposal of capital assets	--	--	--	--
Intergovernmental revenue	--	--	--	--
Amortization of bond issuance costs	--	--	--	--
Amortization of bond discount	--	--	--	--
Interest and investment income	40,393	111,076	218,940	291,674
Interest expense	--	--	--	--
<b>Total Non-Operating Revenues (Expenses)</b>	<b>40,393</b>	<b>111,076</b>	<b>218,940</b>	<b>291,674</b>
<b>Net Income Before Transfers</b>	<b>340,825</b>	<b>(410,499)</b>	<b>(1,783,554)</b>	<b>(157,611)</b>
Transfers in	--	--	--	--
<b>Change in Net Assets</b>	<b>340,825</b>	<b>(410,499)</b>	<b>(1,783,554)</b>	<b>(157,611)</b>
Net Assets - Beginning	364,724	2,230,208	948,348	(19,736,934)
Net Assets - Ending	<u>\$ 705,549</u>	<u>\$ 1,819,709</u>	<u>\$ (835,206)</u>	<u>\$ (19,894,545)</u>

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (continued)  
Internal Service Funds  
For the Year Ended June 30, 2007

	Self-Insurance		Total
	Employee Benefit Staffing	State Unemployment Insurance	
<b>Operating Revenues:</b>			
Charges for services	\$ 729,272	\$ 249,919	\$ 61,172,995
Other revenues	--	--	239,014
<b>Total Operating Revenues</b>	<b>729,272</b>	<b>249,919</b>	<b>61,412,009</b>
<b>Operating Expenses:</b>			
Salaries and employee benefits	392,302	--	33,822,188
Services and supplies	306,133	293	13,614,681
Insurance and compensation claims	--	274,439	13,769,565
Depreciation and amortization	--	--	2,144,349
<b>Total Operating Expenses</b>	<b>698,435</b>	<b>274,732</b>	<b>63,350,783</b>
<b>Operating Income (Loss)</b>	<b>30,837</b>	<b>(24,813)</b>	<b>(1,938,774)</b>
<b>Non-Operating Revenues (Expenses):</b>			
Gain (loss) on disposal of capital assets	--	--	39,642
Intergovernmental revenue	--	--	9,097
Amortization of bond issuance costs	--	--	(12,170)
Amortization of bond discount	--	--	(6,031)
Interest and investment income	11,488	25,373	698,944
Interest expense	--	--	(26,924)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>11,488</b>	<b>25,373</b>	<b>702,558</b>
<b>Net Income Before Transfers</b>	<b>42,325</b>	<b>560</b>	<b>(1,236,216)</b>
Transfers in	--	--	201,768
<b>Change in Net Assets</b>	<b>42,325</b>	<b>560</b>	<b>(1,034,448)</b>
Net Assets - Beginning	18,634	380,884	(10,242,443)
Net Assets - Ending	<u>\$ 60,959</u>	<u>\$ 381,444</u>	<u>\$ (11,276,891)</u>

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2007

	<u>Central Duplicating</u>	<u>Information Services</u>	<u>Public Works</u>	<u>Service Center</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 1,057,880	\$ 11,896,980	\$ 946,217	\$ 2,017,888
Receipts from interfund services provided	--	--	32,148,188	--
Payments to suppliers for goods and services	(699,750)	(3,310,749)	(6,803,976)	(1,127,907)
Payments to employees for services	(222,848)	(6,903,494)	(25,219,156)	(472,083)
Payments for judgements and claims	--	--	--	--
Other receipts	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	135,282	1,682,737	1,071,273	417,898
	<hr/>	<hr/>	<hr/>	<hr/>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers received	--	--	--	201,768
Transfers paid	--	(8,363)	--	--
Loan repayment	--	--	--	(336,422)
Loan proceeds	--	--	--	614,237
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Noncapital Financing Activities	--	(8,363)	--	479,583
	<hr/>	<hr/>	<hr/>	<hr/>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital contributions	--	--	8,880	--
Loan proceeds	492,745	--	--	--
Loan repayment	(595,877)	--	--	--
Proceeds from sale of capital assets	--	--	21,795	55,603
Purchase of capital assets	(15,518)	(742,849)	(673,956)	(953,084)
Principal payments on long-term debt	(15,395)	--	(560,741)	--
Interest payments on long-term debt	(1,237)	--	(27,088)	--
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Capital and Related Financing Activities	(135,282)	(742,849)	(1,231,110)	(897,481)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends received	--	--	--	--
Net Cash Provided by Investing Activities	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	--	931,525	(159,837)	--
Cash and Cash Equivalents, Beginning of Year	--	85,099	4,280,816	--
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and Cash Equivalents, End of Year	\$ --	\$ 1,016,624	\$ 4,120,979	\$ --
	<hr/>	<hr/>	<hr/>	<hr/>

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Cash Flows (continued)  
Internal Service Funds  
For the Year Ended June 30, 2007

	Self-Insurance			
	Risk Manage- ment and Self Insurance	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 1,195,000	\$ 1,355,317	\$ 2,933,421	\$ 7,077,513
Receipts from interfund services provided	--	--	--	--
Payments to suppliers for goods and services	(450,910)	(167,389)	(4,901,926)	(3,089,422)
Payments to employees for services	(481,128)	--	--	--
Payments for judgements and claims	(11,680)	(1,664,647)	1,856,685	(3,300,193)
Other receipts	--	--	25,000	16,188
Net Cash Provided (Used) by Operating Activities	<u>251,282</u>	<u>(476,719)</u>	<u>(86,820)</u>	<u>704,086</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers received	--	--	--	--
Transfers paid	--	--	(1,106,982)	--
Loan repayment	--	--	--	--
Loan proceeds	--	--	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	<u>--</u>	<u>--</u>	<u>(1,106,982)</u>	<u>--</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital contributions	--	--	--	--
Loan proceeds	--	--	--	--
Loan repayment	--	--	--	--
Proceeds from sale of capital assets	--	--	--	--
Purchase of capital assets	--	--	--	--
Principal payments on long-term debt	--	--	--	--
Interest payments on long-term debt	--	--	--	--
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends received	<u>40,393</u>	<u>111,076</u>	<u>218,940</u>	<u>291,673</u>
Net Cash Provided by Investing Activities	<u>40,393</u>	<u>111,076</u>	<u>218,940</u>	<u>291,673</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>291,675</u>	<u>(365,643)</u>	<u>(974,862)</u>	<u>995,759</u>
Cash and Cash Equivalents, Beginning of Year	<u>459,687</u>	<u>2,220,772</u>	<u>3,657,233</u>	<u>4,096,807</u>
Cash and Cash Equivalents, End of Year	<u>\$ 751,362</u>	<u>\$ 1,855,129</u>	<u>\$ 2,682,371</u>	<u>\$ 5,092,566</u>

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Cash Flows (continued)  
Internal Service Funds  
For the Year Ended June 30, 2007

	Self-Insurance		Total
	Employee Benefit Staffing	State Unemployment Insurance	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 729,272	\$ 249,919	\$ 29,459,407
Receipts from interfund services provided	--	--	32,148,188
Payments to suppliers for goods and services	(306,133)	(117,793)	(20,975,955)
Payments to employees for services	(380,791)	--	(33,679,500)
Payments for judgements and claims	--	(156,939)	(3,276,774)
Other receipts	--	--	41,188
 Net Cash Provided (Used) by Operating Activities	 42,348	 (24,813)	 3,716,554
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers received	--	--	201,768
Transfers paid	--	--	(1,115,345)
Loan repayment	--	--	(336,422)
Loan proceeds	--	--	614,237
 Net Cash Provided (Used) by Noncapital Financing Activities	 --	 --	 (635,762)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital contributions	--	--	8,880
Loan proceeds	--	--	492,745
Loan repayment	--	--	(595,877)
Proceeds from sale of capital assets	--	--	77,398
Purchase of capital assets	--	--	(2,385,407)
Principal payments on long-term debt	--	--	(576,136)
Interest payments on long-term debt	--	--	(28,325)
 Net Cash Provided (Used) by Capital and Related Financing Activities	 --	 --	 (3,006,722)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends received	11,488	25,373	698,943
Net Cash Provided by Investing Activities	11,488	25,373	698,943
 <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	 53,836	 560	 773,013
Cash and Cash Equivalents, Beginning of Year	50,034	455,884	15,306,332
Cash and Cash Equivalents, End of Year	\$ 103,870	\$ 456,444	\$ 16,079,345

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Cash Flows (continued)  
Internal Service Funds  
For the Year Ended June 30, 2007

	<u>Central Duplicating</u>	<u>Information Services</u>	<u>Public Works</u>	<u>Service Center</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by</b>				
Operating Activities:				
Operating income (loss)	\$ 76,664	\$ 819,546	\$ 198,543	\$ (366,629)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	41,792	591,764	702,732	807,118
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	--	41,064	148,949	(70)
Inventory	--	--	(109,790)	(7,387)
Deposits	--	--	30,891	--
Prepaid items	7,190	--	--	--
Increase (decrease) in:				
Payables	10,152	126,381	54,370	(13,022)
Accrued salaries and benefits	720	16,298	--	1,330
Claims adjustment	--	60	--	--
Other long-term debt	--	--	--	--
Compensated absences	(1,236)	87,624	45,578	(3,442)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 135,282</u>	<u>\$ 1,682,737</u>	<u>\$ 1,071,273</u>	<u>\$ 417,898</u>

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Cash Flows (continued)  
Internal Service Funds  
For the Year Ended June 30, 2007

	Self-Insurance			
	Risk Manage- ment and Self Insurance	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by</b>				
Operating Activities:				
Operating income (loss)	\$ 300,432	\$ (521,575)	\$ (2,002,494)	\$ (449,285)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	943	--	--	--
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	--	46,832	--	--
Inventory	--	--	--	--
Deposits	--	--	--	--
Prepaid items	--	--	--	--
Increase (decrease) in:				
Payables	(1,927)	(1,976)	57,119	1,371
Accrued salaries and benefits	1,333	--	--	--
Claims adjustment	--	--	1,856,685	1,152,000
Other long-term debt	--	--	1,870	--
Compensated absences	(49,499)	--	--	--
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 251,282</b>	<b>\$ (476,719)</b>	<b>\$ (86,820)</b>	<b>\$ 704,086</b>

continued

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Cash Flows (continued)  
Internal Service Funds  
For the Year Ended June 30, 2007

	Self-Insurance		Total
	Employee Benefit Staffing	State Unemployment Insurance	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by</b>			
Operating Activities:			
Operating income (loss)	\$ 30,837	\$ (24,813)	\$ (1,938,774)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	--	--	2,144,349
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables	--	--	236,775
Inventory	--	--	(117,177)
Deposits	--	--	30,891
Prepaid items	--	--	7,190
Increase (decrease) in:			
Payables	--	--	232,468
Accrued salaries and benefits	814	--	20,495
Claims adjustment	--	--	3,008,745
Other long-term debt	--	--	1,870
Compensated absences	10,697	--	89,722
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 42,348</b>	<b>\$ (24,813)</b>	<b>\$ 3,716,554</b>



**COUNTY OF SANTA CRUZ, CALIFORNIA**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2007**

**Agency Funds** 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.

Agency funds used by the County are listed below:

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

The **Payroll** funds account for various employee payroll deductions, tax withholdings and employer contributions for fringe benefits.

The **Property Tax Collection** funds account for the collection and distribution of property taxes and interest on bank deposits of other local governmental agencies.



**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b><u>Intergovernmental Agency</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 42,844,591	\$ 375,429,791	\$ 365,139,892	\$ 53,134,490
Receivables	4,429,433	57,853,270	57,529,485	4,753,218
Total Assets	<u>\$ 47,274,024</u>	<u>\$ 433,283,061</u>	<u>\$ 422,669,377</u>	<u>\$ 57,887,708</u>
<b>Liabilities:</b>				
Accounts payable	\$ 415,944	\$ 87,209,943	\$ 87,295,091	\$ 330,796
Due to other funds	4,441,246	407,078	37,141	4,811,183
Agency funds held for others	42,416,834	440,989,244	430,660,349	52,745,729
Total Liabilities	<u>\$ 47,274,024</u>	<u>\$ 528,606,265</u>	<u>\$ 517,992,581</u>	<u>\$ 57,887,708</u>
<b><u>Payroll</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 2,505,948	\$ 261,373,837	\$ 260,764,484	\$ 3,115,301
Total Assets	<u>\$ 2,505,948</u>	<u>\$ 261,373,837</u>	<u>\$ 260,764,484</u>	<u>\$ 3,115,301</u>
<b>Liabilities:</b>				
Accounts payable	\$ 2,493,938	\$ 540,753,822	\$ 540,132,459	\$ 3,115,301
Due to other funds	12,010	--	12,010	--
Total Liabilities	<u>\$ 2,505,948</u>	<u>\$ 540,753,822</u>	<u>\$ 540,144,469</u>	<u>\$ 3,115,301</u>
<b><u>Property Tax Collection</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 5,039,248	\$ 796,326,650	\$ 794,232,397	\$ 7,133,501
Receivable	9,752,141	364,269,042	359,812,258	14,208,925
Total Assets	<u>\$ 14,791,389</u>	<u>\$ 1,160,595,692</u>	<u>\$1,154,044,655</u>	<u>\$ 21,342,426</u>
<b>Liabilities:</b>				
Accounts payable	\$ (2,562)	\$ 10,634,127	\$ 10,631,192	\$ 373
Due to other governmental units	14,793,951	1,159,752,946	1,153,204,844	21,342,053
Total Liabilities	<u>\$ 14,791,389</u>	<u>\$ 1,170,387,073</u>	<u>\$1,163,836,036</u>	<u>\$ 21,342,426</u>

**COUNTY OF SANTA CRUZ, CALIFORNIA**

Combining Statement of Changes in Assets and Liabilities (continued)  
 Agency Funds  
 For the Year Ended June 30, 2007

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b><u>TOTAL</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 50,389,787	\$ 1,433,130,278	\$ 1,420,136,773	\$ 63,383,292
Receivables	14,181,574	422,122,312	417,341,743	18,962,143
Total Assets	<u>\$ 64,571,361</u>	<u>\$ 1,855,252,590</u>	<u>\$ 1,837,478,516</u>	<u>\$ 82,345,435</u>
<b>Liabilities:</b>				
Accounts payable	\$ 2,907,320	\$ 638,597,892	\$ 638,058,742	\$ 3,446,470
Due to other funds	4,453,256	407,078	49,151	4,811,183
Due to other governmental units	14,793,951	1,159,752,946	1,153,204,844	21,342,053
Agency funds held for others	42,416,834	440,989,244	430,660,349	52,745,729
Total Liabilities	<u>\$ 64,571,361</u>	<u>\$ 2,239,747,160</u>	<u>\$ 2,221,973,086</u>	<u>\$ 82,345,435</u>

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# **STATISTICAL SECTION**

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# COUNTY OF SANTA CRUZ

## Statistical Section

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

<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>	179-183
<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>	184-186
<b>Debt Capacity</b> <i>These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.</i>	187-189
<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>	190-197
<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>	198-200

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

	<b>Fiscal Year</b>				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 332,526	\$ 263,521	\$ 244,386	\$ 46,942	\$ 43,069
Restricted	39,024	96,829	103,442	16,192	19,585
Unrestricted	<u>6,532</u>	<u>3,703</u>	<u>13,017</u>	<u>2,545</u>	<u>1,040</u>
Total governmental activities net assets	<u>\$ 378,082</u>	<u>\$ 364,053</u>	<u>\$ 360,845</u>	<u>\$ 65,679</u>	<u>\$ 63,694</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 23,266	\$ 23,032	\$ 22,869	\$ 21,425	\$ 20,301
Restricted	250	261	255	308	277
Unrestricted	<u>12,628</u>	<u>12,972</u>	<u>13,041</u>	<u>14,013</u>	<u>19,032</u>
Total business-type activities net assets	<u>\$ 36,144</u>	<u>\$ 36,265</u>	<u>\$ 36,165</u>	<u>\$ 35,746</u>	<u>\$ 39,610</u>
<b>Total primary government</b>					
Invested in capital assets, net of related debt	\$ 355,792	\$ 286,553	\$ 267,255	\$ 68,367	\$ 63,370
Restricted	39,274	97,090	103,697	16,500	19,862
Unrestricted	<u>19,160</u>	<u>16,675</u>	<u>26,058</u>	<u>16,558</u>	<u>20,072</u>
Total primary government net assets	<u>\$ 414,226</u>	<u>\$ 400,318</u>	<u>\$ 397,010</u>	<u>\$ 101,425</u>	<u>\$ 103,304</u>

Note: Prior year information is presented in accordance with the County's implementation of GASB #34 beginning with FY 2002.

<sup>(1)</sup> The increase in total governmental activities net assets and, therefore, in total primary government net assets is related to the County's full implementation of the infrastructure provisions of GASB #34.

**COUNTY OF SANTA CRUZ**  
**Government-Wide Changes in Net Assets**  
**Last Five Fiscal Years**  
**(accrual basis of accounting)**  
**(Reported in Thousands)**

	Fiscal Year				
	2007	2006	2005	2004	2003
<b>Expenses</b>					
Government activities:					
General government	\$ 29,116	\$ 25,887	\$ 27,948	\$ 25,066	\$ 23,335
Public protection	113,608	112,832	104,329	115,996	106,223
Public ways and facilities	26,840	39,017	7,589	41,230	31,030
Health and sanitation	105,039	97,340	33,103	81,903	75,039
Public assistance	98,679	97,378	84,028	83,910	86,609
Education	4,714	4,502	85,081	3,926	3,470
Recreation and culture	7,399	6,662	3,977	7,949	8,125
Interest on long term debt	16,026	12,205	8,986	8,453	8,742
Total government activities expenses	<u>401,421</u>	<u>395,823</u>	<u>355,041</u>	<u>368,433</u>	<u>342,573</u>
Business-type activities:					
County Disposal Site CSA	\$ 13,540	\$ 13,022	\$ 11,831	12,381	12,260
Boulder Creek CSA	299	353	317	327	396
Rolling Woods CSA	62	62	57	46	63
Septic Tank Maintenance CSA	875	718	997	793	718
Freedom County Sanitation CSA	602	533	280	551	530
Davenport Sanitation District CSA	410	432	501	401	379
Place de Mer CSA	64	50	68	36	65
Sand Dollar Beach CSA	216	220	181	148	212
Trestle Beach CSA	40	45	30	26	33
Summit West CSA	4	4	4	4	4
Graham Hill CSA	20	18	6	7	7
Total business-type activities expense	<u>16,131</u>	<u>15,457</u>	<u>14,272</u>	<u>14,720</u>	<u>14,667</u>
Total primary government expenses	<u>\$ 417,552</u>	<u>\$ 411,280</u>	<u>\$ 369,313</u>	<u>\$ 383,153</u>	<u>\$ 357,240</u>
<b>Program Revenues</b>					
Governmental activities:					
Fees, fines and charges for service					
General Government	\$ 16,467	\$ 16,797	\$ 23,169	\$ 4,499	\$ 3,719
Health, Sanitation and Public Assistance	25,324	22,307	16,727	32,130	28,255
Public Protection	23,792	23,328	23,428	20,050	18,136
Other	7,933	5,939	7,664	7,318	7,173
Operating grants and contributions	196,695	192,287	175,187	184,464	188,239
Capital grants and contributions	7,508	5,632	6,828	-	-
Total governmental activities program revenue:	<u>277,719</u>	<u>266,290</u>	<u>253,003</u>	<u>248,462</u>	<u>245,522</u>
Business-type activities:					
Charges for service	13,299	13,223	12,723	12,185	10,923
Operating grants and contributions	127	101	258	320	389
Capital grants and contributions	8	4	20	2	9
Total business-type activities program revenues	<u>13,434</u>	<u>13,328</u>	<u>13,001</u>	<u>12,507</u>	<u>11,321</u>
Total primary government program revenue:	<u>\$ 291,153</u>	<u>\$ 279,618</u>	<u>\$ 266,004</u>	<u>\$ 260,969</u>	<u>\$ 256,843</u>
Net (expense)/revenue					
Governmental activities	\$ (123,702)	\$ (129,533)	\$ (102,038)	\$ (119,971)	\$ (97,051)
Business-type activities	(2,697)	(2,129)	(1,271)	(2,213)	(3,346)
Total primary government net expense	<u>\$ (126,399)</u>	<u>\$ (131,662)</u>	<u>\$ (103,309)</u>	<u>\$ (122,184)</u>	<u>\$ (100,397)</u>
<b>General Revenue and Other Changes in Net Assets</b>					
Governmental activities:					
Property taxes	\$ 104,814	\$ 95,746	\$ 82,709	\$ 64,881	\$ 58,190
Other taxes	15,133	14,443	14,796	14,212	13,070
Interest and investment income	14,628	11,655	6,040	3,673	5,424
Miscellaneous	3,155	11,576	8,388	10,953	9,776
Total governmental activities	<u>137,730</u>	<u>133,420</u>	<u>111,933</u>	<u>93,719</u>	<u>86,460</u>
Business-type activities:					
Interest and investment income	1,064	859	511	293	517
Miscellaneous	1,513	1,370	1,179	642	513
Total business-type activities	<u>2,577</u>	<u>2,229</u>	<u>1,690</u>	<u>935</u>	<u>1,030</u>
Total primary government	<u>\$ 140,307</u>	<u>\$ 135,649</u>	<u>\$ 113,623</u>	<u>\$ 94,654</u>	<u>\$ 87,490</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 14,028	\$ 3,887	\$ 9,895	\$ (26,252)	\$ (10,591)
Business-type activities	(120)	100	419	(1,278)	(2,316)
Total primary government	<u>\$ 13,908</u>	<u>\$ 3,987</u>	<u>\$ 10,314</u>	<u>\$ (27,530)</u>	<u>\$ (12,907)</u>

Note: Prior year information is presented in accordance with the County's implementation of GASB #34 beginning with FY 2007.

**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
1998	22,552	1	1,334	2,141	3,118	1,480	9,063	70	39,759
1999	23,603	17	1,406	2,722	3,305	1,639	8,349	75	41,116
2000	26,031	(13)	1,008	2,755	3,841	2,164	9,179	89	45,054
2001	27,965	(6)	3,338	3,334	4,082	1,867	9,755	88	50,423
2002	30,115	5	3,213	3,138	3,262	1,754	6,810	152	48,449
2003	31,496	3	2,995	3,038	3,245	1,821	181	135	42,914
2004	34,412	52	4,328	1,850	3,375	2,770	265	120	47,172
2005	51,892	28	3,036	7,218	3,806	3,213	N/A <sup>2</sup>	69	69,262
2006	61,118 <sup>3</sup>	49 <sup>3</sup>	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

<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. The 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

<sup>3</sup> Amounts were misreported in prior year and have been restated here.

**COUNTY OF SANTA CRUZ**  
**Fund Balances of Government Funds**  
**Last Five Fiscal Years**  
(modified accrual basis of accounting)  
(Reported in Thousands)

	Fiscal Year				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund					
Reserved	\$ 3,893	\$ 5,433	\$ 2,151	\$ 3,266	\$ 3,626
Unreserved	37,115	30,688	26,807	19,137	28,068
Total general fund	<u>\$ 41,008</u>	<u>\$ 36,121</u>	<u>\$ 28,958</u>	<u>\$ 22,403</u>	<u>\$ 31,694</u>
All other governmental funds					
Reserved	\$ 44,736	\$ 36,209	\$ 40,215	\$ 46,242	\$ 40,039
Unreserved, reported in:					
Special revenue funds	123,244	131,835	67,317	76,479	82,853
Capital project funds	1,369	5,277	6,226	8,123	10,060
Total all other governmental funds	<u>\$ 169,349</u>	<u>\$ 173,321</u>	<u>\$ 113,758</u>	<u>\$ 130,844</u>	<u>\$ 132,952</u>

Note: Prior year information is presented in accordance with the County's implementation of GASB #34 beginning with FY 2002.

**COUNTY OF SANTA CRUZ**  
**Changes in Fund Balances of Governmental Funds**  
**Last Five Fiscal Years**  
**(modified accrual basis of accounting)**  
**(Reported in Thousands)**

	Fiscal Year				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Revenues</b>					
Taxes	\$ 119,947	\$ 110,189	\$ 97,506	\$ 79,092	\$ 71,261
Licenses	10,183	9,481	10,072	9,013	7,776
Fines, forfeitures and penalties	5,673	6,440	12,784	5,199	4,312
Use of money and property	13,929	11,109	5,802	3,673	5,424
Aid from other governmental agencies	204,203	198,214	182,007	184,745	187,135
Charges for current services	57,652	54,653	47,738	49,786	45,194
Other revenues	3,590	9,417	8,347	11,308	10,203
Total revenues	<u>415,177</u>	<u>399,503</u>	<u>364,256</u>	<u>342,816</u>	<u>331,305</u>
<b>Expenditures</b>					
Current					
General government	28,024	24,086	25,718	23,639	20,886
Public protection	112,395	111,868	104,108	105,350	101,845
Public ways and facilities	41,335	39,119	7,440	26,519	28,944
Health and sanitation	104,326	95,717	42,176	83,238	73,562
Public assistance	97,981	95,987	83,982	85,585	85,112
Education	4,711	4,502	84,639	4,017	3,421
Recreation and culture	7,789	7,377	3,971	7,918	7,917
Capital outlay	10,299	3,451	3,825	5,417	10,681
Debt service					
Principal	7,126	6,339	7,136	4,512	-
Bond redemption	-	-	335	-	5,330
Bond issue costs	738	1,998	-	2,117	-
Interest and fiscal charges	14,652	10,842	9,292	8,697	9,254
Total expenditures	<u>429,376</u>	<u>401,286</u>	<u>372,622</u>	<u>357,009</u>	<u>346,952</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(14,199)	(1,783)	(8,366)	(14,193)	(15,647)
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	-	-	-	5	3
Debt issue cost	-	-	-	-	(267)
Proceeds from long-term debt	-	68,860	-	23,000	-
Proceeds from COP	9,000	-	-	-	-
Premium on long-term debt	-	468	-	27	192
Discount on long-term debt	(63)	(45)	(67)	(194)	-
Proceeds from refunding bonds	10,755	-	10,580	48,435	8,378
Payment to bond refunding escrow agent	(10,366)	-	(11,590)	(46,392)	(5,726)
Transfers in	27,593	88,914	20,241	37,819	42,697
Transfers out	(27,795)	(89,008)	(20,241)	(60,019)	(42,697)
Inception of lease purchase agreement	5,990	-	-	109	-
Total other financing sources (uses)	<u>15,114</u>	<u>69,189</u>	<u>(1,077)</u>	<u>2,790</u>	<u>2,580</u>
Net change in Fund Balance	<u>\$ 915</u>	<u>\$ 67,406</u>	<u>\$ (9,443)</u>	<u>\$ (11,403)</u>	<u>\$ (13,067)</u>
Debt service as a percentage of non-capital expenditures	5.84%	5.00%	4.86%	4.46%	4.36%

Note: Prior year information is presented in accordance with the County's implementation of GASB #34 beginning with FY 2002.

**COUNTY OF SANTA CRUZ**  
**General Fund Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**(Reported in Thousands)**

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Tax Levy Collected	Delinquent Tax Collections	Total Tax Collections
1998	\$ 22,336	\$ 22,552	101.0 %	\$ 1	\$ 22,553
1999	23,351	23,603	101.1	17	23,620
2000	25,059	26,031	103.9	(13)	26,018
2001	27,199	27,965	102.8	(6)	27,959
2002	30,125	30,115	99.9	5	30,120
2003	31,496	31,496	100.0	3	31,499
2004	34,479	34,412	99.8	52	34,464
2005	52,095	51,892	99.6	28	51,920
2006	57,243	61,118	106.8	48	61,166
2007	65,331	66,783	102.2	117	66,900

**COUNTY OF SANTA CRUZ**  
**Assessed Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(Reported in Thousands)**

Fiscal Year	Secured	Unsecured	Total
1998	\$ 16,079,760	\$ 638,308	\$ 16,718,068
1999	17,366,712	663,510	18,030,222
2000	18,750,835	714,516	19,465,351
2001	20,541,442	800,498	21,341,940
2002	21,849,406	801,139	22,650,545
2003	23,387,410	785,326	24,172,736
2004	25,106,093	748,200	25,854,293
2005	27,584,028	792,922	28,376,950
2006	30,238,488	811,727	31,050,215
2007	32,507,036	843,037	33,350,073

**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					
1998	1.014	1.117	24.0 %	5.0 %	59.0 %	12.0 %	100.0 %
1999	1.008	1.157	25.0	5.0	58.0	12.0	100.0
2000	1.012	1.136	26.0	5.0	57.0	12.0	100.0
2001	1.022	1.183	26.0	5.0	57.0	12.0	100.0
2002	1.019	1.144	27.0	5.0	56.0	12.0	100.0
2003	1.015	1.185	27.0	5.0	56.0	12.0	100.0
2004	1.055	1.202	25.0	5.0	57.0	13.0	100.0
2005	1.062	1.200	25.0	5.0	57.0	13.0	100.0
2006	1.040	1.162	26.0	5.0	56.0	13.0	100.0
2007	1.049	1.132	26.5	5.0	56.0	12.5	100.0



**COUNTY OF SANTA CRUZ**  
**Ratios of Outstanding Debt by Type**  
**Last Five Fiscal Years**  
**(Reported in Thousands, Except Per Capita Information)**

	Fiscal Year				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities					
Capital leases	\$ 6,000	\$ 53	\$ 337	\$ 671	\$ 928
Refunding Certificates of Participation	32,921	34,686	36,541	27,177	28,286
Acquisition and Refunding Certificates of Participation	-	-	-	-	-
Lease Revenue Bonds	8,375	9,135	9,875	10,595	11,300
Lease Revenue Refunding Bonds	1,918	2,037	2,153	15,064	16,459
Revenue Bonds	2,100	2,385	2,655	2,910	3,150
Local Agency Revenue Bonds	445	520	585	655	720
Certificates of Participation	27,916	21,915	22,441	23,027	-
CA Health Facilities Financing Authority (CHFFA)	898	1,072	1,233	1,382	1,522
Local Assessment Bonds	-	-	-	40	75
Redevelopment Agency Tax Allocation Bonds	172,144	174,677	108,147	110,816	109,050
Redevelopment Agency CERTS Loans Payable	-	-	352	679	986
Internal Service Funds	653	1,171	1,699	2,208	1,042
Business-type activities					
Loans Payable	2,860	1,188	1,817	2,374	2,041
Capital leases	-	-	-	-	-
Component Unit	25,487	27,140	28,697	30,393	31,867
Total Primary government	<u>\$ 281,718</u>	<u>\$ 275,976</u>	<u>\$ 216,531</u>	<u>\$ 227,991</u>	<u>\$ 207,426</u>
Percentage of personal income <sup>1</sup>	2.65%	2.69% <sup>3</sup>	2.28% <sup>3</sup>	2.40% <sup>3</sup>	2.14% <sup>3</sup>
Per capita <sup>2</sup>	\$ 1,130	\$ 1,101 <sup>3</sup>	\$ 861 <sup>3</sup>	\$ 900 <sup>3</sup>	\$ 812 <sup>3</sup>

Note:

Prior year information is presented in accordance with the County's implementation of GASB #34 beginning with FY 2002.

<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 2005 is based on 2004 calendar year personal income data, etc.). Personal income data is provided

<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 2005 is based on 2004 calendar year per capita income data, etc.). Per capita income data is provided by the Bureau of Economic A

<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**  
**June 30, 2007**

Full Cash Value	\$ <u>32,507,035,630</u>	
Debt Limit 1.25 percent of Full Cash Value *	\$ 406,337,945	
Amount of Debt Applicable to Debt Limit		--
Legal Debt Margin	\$ <u>406,337,945</u>	

\* Note: 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.

**COUNTY OF SANTA CRUZ**  
**Statement of Direct and Overlapping Debt**  
**June 30, 2007**

	Net Debt Outstanding	Percentage Applicable to County	County's Share of Debt
<hr/>			
<b>SCHOOL DISTRICTS</b>			
Elementary	\$ 60,100,441	100%	\$ 60,100,441
High School	51,277,244	100%	51,277,244
Unified	96,668,226	100%	96,668,226
Community College	182,685,343	100%	182,685,343
<b>SPECIAL DISTRICTS</b>			
Fire	315,000	100%	315,000
Water	2,046,160	100%	2,046,160
Total Direct and Overlapping Debt			<u><u>\$ 393,092,414</u></u>

**COUNTY OF SANTA CRUZ**  
**Budgeted Positions**  
**Last Ten Years**

DEPARTMENT/FUNCTION	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07
ADMINISTRATIVE OFFICE	15.30	15.30	15.30	15.30	15.30	14.30	13.30	18.00	18.00	18.00
CLERK OF THE BOARD	5.00	5.00	5.00	5.00	5.00	5.00	5.00	-	-	-
AG COMMISSIONER <sup>1</sup>	14.00	14.00	15.58	15.58	17.81	17.26	17.00	18.00	20.00	21.00
MOSQUITO ABATEMENT	3.00	3.00	3.00	3.00	3.00	3.00	3.71	4.00	4.00	8.00
WEIGHTS & MEASURES <sup>1</sup>	2.50	3.00	3.00	3.00	3.00	3.00	2.00	2.00	-	-
PEST DETECTION	2.00	2.00	2.32	2.32	2.32	2.48	-	-	-	-
AG EXTENSION	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
ASSESSOR	39.00	39.00	39.00	40.00	40.00	38.00	38.00	38.00	38.00	38.00
AUDITOR-CONTROLLER	28.55	29.55	29.50	29.50	30.50	30.00	29.00	29.00	29.00	29.50
BOARD OF SUPERVISORS	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
COMMISSIONS	1.50	1.50	1.50	1.50	1.50	-	-	-	-	-
RECORDER	11.75	12.00	14.00	14.00	14.00	15.00	16.00	12.00	13.00	13.00
ELECTIONS	6.00	7.00	7.00	8.50	8.50	7.00	7.50	11.00	10.00	12.00
COUNTY COUNSEL	21.00	21.00	21.00	21.20	23.20	21.50	20.00	19.00	19.50	19.50
COURTS	142.75	-	-	-	-	-	-	-	-	-
DISTRICT ATTORNEY	158.75	170.25	172.75	182.75	102.50	94.00	87.50	84.50	81.50	85.50
CHILD SUPPORT SERVICES	-	-	-	-	86.75	92.75	85.75	70.50	68.50	68.50
EMERGENCY SERVICES	1.50	1.00	3.00	2.00	4.00	4.00	3.25	3.00	1.75	1.75
COMMUNICATIONS	4.00	6.00	6.00	7.00	7.00	7.00	7.00	6.00	6.00	-
FIRE MARSHALL	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.55
GENERAL SERVICES	8.00	10.00	10.00	10.00	12.00	10.00	9.00	9.00	11.00	11.00
FACILITIES MAINTENANCE	34.00	33.00	34.00	35.00	37.00	40.00	39.00	36.00	37.00	38.00
PURCHASING	3.50	3.00	3.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00
CENTRAL STORES/DUP	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
SERVICE CENTER	6.00	6.00	6.00	7.00	7.00	7.00	6.00	6.00	6.00	6.00
HEALTH SERVICES	475.00	487.75	530.25	562.85	607.41	579.25	571.70	546.60	577.60	647.75
SOCIAL SERVICES	412.90	446.10	481.50	552.10	563.60	521.10	440.10	432.60	481.10	511.10
SOCIAL SVCS MSSP	7.75	7.75	7.75	-	-	-	-	-	-	-
PUBLIC GUARDIAN <sup>2</sup>	15.00	14.00	15.00	16.00	16.00	17.00	14.00	9.00	-	-
CETA/JTPA	45.00	52.00	60.00	-	-	-	-	-	-	-
WORKFORCE INVESTMENT ADMIN	-	-	-	5.00	6.00	7.00	5.00	-	-	-
VETERANS SERVICES	4.00	4.00	4.00	5.00	5.00	5.00	3.00	3.00	5.00	5.00
IHSS PUBLIC AUTHORITY	-	-	-	-	-	5.00	4.00	-	-	-
INFORMATION SVCS/TELEPHONE	68.00	71.00	76.00	81.50	81.50	81.50	78.50	73.25	71.25	78.25
INFORMATION SVCS/COMM. TECH.	-	-	-	-	-	-	-	-	-	6.00
PARKS & REC	43.41	45.50	51.00	66.00	70.50	67.75	63.50	53.55	53.05	53.75
PERSONNEL	21.80	23.10	25.85	23.00	26.00	24.50	23.50	22.50	22.50	23.50
AFFIRMATIVE ACTION	1.00	-	-	-	-	-	-	-	-	-
RISK MANAGEMENT	3.50	4.50	5.50	10.55	10.75	10.75	10.75	10.75	9.75	10.75
PLANNING	82.25	87.75	95.25	98.50	110.75	93.75	90.50	98.50	99.25	99.25
PROBATION	64.50	74.00	96.00	101.00	110.50	108.00	86.50	86.00	88.00	90.00
JUVENILE HALL	29.50	36.00	36.00	31.00	31.00	31.00	29.00	33.00	32.00	31.00
PUBLIC WORKS	260.00	263.50	268.00	281.00	289.00	308.00	303.00	298.00	296.00	303.50
RDA	13.00	13.00	13.00	15.00	15.00	15.00	16.00	11.00	13.00	13.00
SHERIFF-CORONER	152.00	164.50	172.50	179.50	180.50	177.50	175.50	169.00	170.50	172.75
DETENTION	144.50	133.00	157.00	144.00	146.00	137.00	137.00	136.00	138.00	144.00
COURT SECURITY	-	-	-	22.00	21.00	22.00	22.00	22.00	23.00	24.00
TREASURER	17.50	17.50	20.50	20.50	20.50	19.50	14.50	15.50	15.75	16.25
TOTAL	2,391.21	2,349.55	2,529.05	2,643.15	2,758.39	2,668.89	2,504.06	2,413.25	2,486.00	2,627.15

<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**  
**General Information**  
**For the 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
1997-98	249	\$ 263,750	\$ 1,059	\$ 22,552	\$ 91
1998-99	253	282,886	1,118	23,605	93
1999-00	255	316,018	1,239	26,031	102
2000-01	260	370,462	1,425	27,965	108
2001-02	260	395,942	1,523	30,115	116
2002-03	260	374,714	1,441	31,496	121
2003-04	260	371,187	1,428	34,412	132
2004-05	260	368,492	1,417	51,892	200
2005-06	262	398,859	1,522	61,118	233
2006-07	264	434,371	1,645	66,783	253

Fiscal Year	Assessed Valuation (In thousands)	Per Capita Income (3)	Personal Income (3) (In thousands)	School Enrollment (4)	Unemployment Rate (5)
1997-98	\$ 16,079,760	\$ 27,941	\$ 6,738,519	63,827	7.6
1998-99	17,366,712	29,528	7,244,437	64,575	7.3
1999-00	18,750,835	31,320	7,857,895	64,583	6.3
2000-01	20,541,442	33,735	8,557,538	65,861	5.6
2001-02	21,849,406	39,145	10,014,548	66,952	6.1
2002-03	23,387,410	38,034	9,714,123	67,896	8.0
2003-04	25,106,093	37,465	9,495,857	67,596	8.1
2004-05	27,584,028	37,767	9,498,586	67,224	7.0
2005-06	30,238,488	40,907	10,258,018	67,387	6.3
2006-07	32,507,036	42,643	10,635,924	66,501	5.6

**SOURCES**

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

(2) Santa Cruz County Final Budget.

(3) Bureau of Economic Analysis. Figures are for the preceding calendar year (e.g. Fiscal Year 2006-07 is 2005 calendar year data, etc.). 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) Employment Development Department.

**COUNTY OF SANTA CRUZ**  
**Schedule of Insurance in Effect**  
**June 30, 2007**

<u>COVERAGE</u>	<u>DETAILS OF COVERAGE</u>	<u>LIMITS</u>
Property	CSAC-EIA Deductible All Risk Limits (portion of limits are shared) Earthquake Limits (portion of limits are shared)	\$ 5,000 600,000,000 75,000,000
Boiler and Machinery	Boiler & Machinery coverage included effective March, 2004 \$5,000 deductible except: Earthquake - 5% of total unit values per occurrence: building/contents Flood - 2% of total unit values per occurrence: building/contents	
Crime Bond Blanket Program	National Union Fire Insurance Company Faithful Performance Bond (covers failure to faithfully perform duties and employee dishonestly.) Includes all employees and Treasurer. \$25,000 deductible.	10,000,000
Crime/Bond Buy Down	National Union Fire Insurance Company \$2,500 deductible	25,000
Non-owned aircraft	Old Republic Insurance Includes passengers bodily injury and property damage combined each occurrence Emergency Expense Search & Rescue Medical Expense Passenger	5,000,000 5,000 25,000 1,000
Excess Workers' Compensation Employer's Liability	CSAC-EIA National Union Fire Ins. Co. \$500,000 SIR deductible per occurrence Workers' Compensation and Employer's Liability	250,000,000
HSA Malpractice and General Liability	CSAC-EIA Lexington Insurance Comprehensive hospital professional and general liability for HSA staff and operations and Jail \$10,000 deductible	10,000,000
Fine Arts	Travelers \$500 deductible	125,000
Excess Liability (GLII)	CSAC-Excess Insurance Authority Excess Liability Insurance \$1,000,000 Self-Insured Retention to \$15,000,000	15,000,000
Optional Excess	CSAC - Excess Insurance Authority \$20 Million xs \$15 Million	
County Fire Auto & Liability Insurance	American Alternative Insurance Co. (VFIS) Includes property insurance for County owned fire stations including contents, business interruption, money & securities, boiler & machinery, \$1,000 deductible Host Liquor Liability (included in GL) Auto Liability Sublimits: Uninsured/Underinsured	3,000,000 1,000,000 60,000
Pollution Program	CSAC-Excess Gulf Underwriters Pollution Program Self-Insured Retention/Deductible: \$500,000	10,000,000

**COUNTY OF SANTA CRUZ**  
**Property Value, Construction and Bank Deposits**  
**Last Ten 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)
1997	529	222	751	141,785	45,709	187,494	2,244,576
1998	453	186	639	142,755	109,088	251,843	2,401,761
1999	372	134	506	132,342	61,886	194,228	2,441,888
2000	430	157	587	156,430	44,384	200,814	2,606,037
2001	398	204	602	147,572	47,912	195,484	2,758,594
2002	404	518	922	178,623	30,097	208,720	3,627,402
2003	654	548	1,202	238,334	36,602	274,936	3,853,001
2004	739	65	804	216,038	37,611	253,649	3,970,008
2005	669	225	894	208,121	49,300	257,421	4,112,131
2006	411	33	444	137,642	51,747	189,389	4,165,185

2007 calendar year new construction and property value data and fiscal year deposit data is not available. 2005 single and multiple family units were restated by the California Department of Finance and have been restated here.

**SOURCES FOR PROPERTY VALUATION AND NEW DWELLING UNIT INFORMATION:**

California Department of Finance - Financial and Economic Research Unit

**SOURCES FOR DEPOSIT INFORMATION:**

FDIC Bank & Thrift Branch Office Data Book

**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
1998	\$ 114,897	\$ 114,897	\$ 236,216	\$ 236,224
1999	113,024	116,257	220,368	220,384
2000	112,080	112,080	211,796	215,830
2001	142,117	142,126	210,911	221,694
2002	85,959	91,280	188,796	188,852
2003	108,902	95,479	189,469	187,323
2004	80,523	88,249	186,878	186,878
2005	36,663	36,663	154,503	154,479
2006	36,701	36,693	154,044	157,688
2007	131,731	131,731	157,990	157,028

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**  
**Outstanding Debt of the Public Financing Authority**  
**June 30, 2007**  
**(Reported in Thousands)**

<u>YEAR OF ISSUANCE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
<b>CERTIFICATES OF PARTICIPATION</b>			
1995B	\$ 2,100	\$ 426	\$ 2,526
1996	20,415	13,334	33,749
1999	445	144	589
2001B	8,375	5,168	13,543
2002	3,025	1,900	4,925
2002A	1,861	871	2,732
2004	21,030	9,683	30,713
2005	9,430	2,842	12,272
2006	9,000	5,982	14,982
 Total Certificates of Participation	 <u>75,681</u>	 <u>40,349</u>	 <u>116,030</u>
 Total debt outstanding for the Public Financing Authority	 <u>\$ 75,681</u>	 <u>\$ 40,349</u>	 <u>\$ 116,030</u>

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

**COUNTY OF SANTA CRUZ**

**Principal Taxpayers**

**June 30, 2007**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value</u>	<u>Percentage of Total Assessed Valuation</u>
Pacific Gas & Electric Company	Gas & Electric Utility	\$161,199,707	25 %
Lone Star	Cement Manufacturer	75,060,423	12
NNN Enterprise Way LLC et al	Software Producer	63,799,109	10
Macerich Partnership L P	Commercial Real Estate	63,263,622	10
Watsonville Hospital Corp	Hospital	57,037,519	9
AT&T California	Telephone Utility	52,280,664	8
Santa Cruz Seaside Company	Amusement Park	48,153,968	8
Cypress Point RE Investors LLC	Apartment Complex	39,802,437	6
Seagate Technology	Electronic Manufacturer	39,231,837	6
George Ow, Jr. et al	Real Estate	36,599,349	6
Totals		<u>\$636,428,635</u>	<u>100 %</u>

Note: Principal taxpayer data is derived from the fiscal year 2006 tax roll, which is billed and collected during fiscal year 2007.

**COUNTY OF SANTA CRUZ**  
**Principal Employers**  
**June 30, 2007**

<b>Employer</b>	<b>Product/Service</b>	<b>Number of Employees<sup>0</sup></b>
University of California at Santa Cruz	Education	5,000-9,999
Pajaro Valley Unified School District	Education	1,000-4,999
County of Santa Cruz	County Services	1,000-4,999
Dominican Hospital	Hospital	1,000-4,999
Cabrillo College	Education	1,000-4,999
Santa Cruz Beach Boardwalk	Amusement/Recreation	1,000-4,999
Santa Cruz City School District	Education	500-999
City of Santa Cruz	City Services	500-999
Seagate Technology	Disc Drives	500-999
Watsonville Hospital	Hospital	500-999
West Marine	Retail	500-999
City of Watsonville	City Services	500-999

<sup>0</sup> Number of employees reflect an average range based on California Employment Development Department data. Some data was obtained from individual employers and then categorized according to EDD ranges.

**COUNTY OF SANTA CRUZ**  
**Operating Indicators by Function**  
**Last Five Fiscal Years**

Function	Fiscal Year				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Public Assistance</b>					
Human Resources Agency					
Adult Protective Services					
Referrals received	756 <sup>1</sup>	713 <sup>0</sup>	618	574	548
Investigations completed	491 <sup>1</sup>	482 <sup>0</sup>	390	361	369
Family and Children's Services					
Annual referrals (families)	2,700 <sup>1</sup>	3,100 <sup>0</sup>	3,348	3,062	2,956
Finalized adoptions	40 <sup>1</sup>	41 <sup>0</sup>	41	31	35
Monthly average number of licensed foster homes	124 <sup>1</sup>	113 <sup>0</sup>	109	108	107
Benefit Services					
Average number of Medi-Cal recipients	24,877 <sup>1</sup>	24,135 <sup>0</sup>	21,723	20,990	18,940
<b>Public Ways and Facilities</b>					
Public Works					
Roads					
Miles of road maintained	600	600	600	600	600
Potholes repaired	5000-6000	5,000-6,000	5,000-6,000	5,000-6,000	5,000-6,000
Minor culverts maintained	2,200	2,262	2,261	2,260	2,258
Bridges and major culverts maintained	159	159	159	159	159
Traffic signs replaced/repared	2,200	2,425	2,400	2,350	2,300
Miles of street sweeping	5,000	4,550	5,000	4,900	4,800
Sanitation					
Miles of pipe maintained	222	222	222	222	220
Maintenance call responses	501	381	127	122	120
Landfill					
Waste generated (tons)	229,877	230,000	201,000	205,971	211,693
Waste disposed (tons)	99,423	87,400	86,430	94,745	103,730
<b>Recreation and Cultural Services</b>					
Parks, Opens Space and Cultural Services					
Facility bookings	7,389 <sup>1</sup>	7,238	7,096	6,677	6,414
Recreation registrations	4,898 <sup>1</sup>	4,777	4,343	7,228	7,353
Swim admissions	78,126 <sup>1</sup>	76,746	77,522	74,676	68,086

Sources: Various County Departments

Note: Indicators are not available for the General Government, Health & Sanitation and Education Functions. Prior year information is presented in accordance with the County's implementation of GASB #34 beginning with FY 2002.

<sup>0</sup> Fiscal year 2006 numbers have been restated here to reflect actual data.

<sup>1</sup> Data is estimated as presented in the proposed 06/07 Proposed Budget.

**COUNTY OF SANTA CRUZ**  
**Operating Indicators by Function**  
**Last Five Fiscal Years**

Function	Fiscal Year				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Public Protection</b>					
Agricultural Commissioner					
High risk quarantine inspections	2,800 <sup>1</sup>	2,686 <sup>0</sup>	2,600	2,300	2,700
District Attorney					
Criminal Prosecution					
Felony filings	2,008 <sup>1</sup>	2,251 <sup>0</sup>	2,551	2,314	2,040
Juvenile filings	636 <sup>1</sup>	714 <sup>0</sup>	1,046	1,262	681
Consumer Affairs					
Number of calls received	3,272 <sup>1</sup>	3,165	3,046	3,012 <sup>2</sup>	7,767
Number of written complaints received	262 <sup>1</sup>	228	206	195	244
Planning					
Building permits issued	3,817 <sup>1</sup>	3,894 <sup>0</sup>	3,616	3,588	3,549
Building permit inspection sites visited	12,000 <sup>1</sup>	12,157 <sup>0</sup>	12,247	11,420	11,101
Resolved code compliance cases	860 <sup>1</sup>	907 <sup>0</sup>	1,025	1,064	1,196
Probation <sup>3</sup>					
Juvenile division referrals	n/a <sup>4</sup>	2,222	2,671	2,353	2,694
Juvenile division petitions filed	n/a <sup>4</sup>	1,216	1,236	1,293	1,472
Juvenile court investigations	n/a <sup>4</sup>	296	284	232	226
Public Defender					
Total cases	12,700 <sup>1</sup>	12,604 <sup>0</sup>	12,290	13,864	14,496
Sheriff/Coroner (Investigation Division) <sup>3</sup>					
Felony cases cleared	n/a	n/a	675	741	719
Misdemeanor cases cleared	n/a	n/a	336	365	395
Detention					
Main jail bookings	13,479	13,109	12,721	12,834	13,200
Weights and Measures					
Establishments visited	2,200 <sup>1</sup>	2,175	2,051	1,951	1,660
<b>Special District</b>					
Mosquito Abatement/Vector Control CSA #53					
Mosquito inspections	4,482 <sup>1</sup>	4,547 <sup>0</sup>	3,052	3,112	1,950

Sources: Various County Departments

Note: Indicators are not available for the General Government, Health & Sanitation and Education Functions. Prior year information is presented in accordance with the County's implementation of GASB #34 beginning with FY 2002.

<sup>0</sup> Fiscal year 2006 numbers have been restated here to reflect actual data.

<sup>1</sup> Data is estimated as presented in the proposed 06/07 Proposed Budget

<sup>2</sup> Consumer Affairs Coordinator reduced to half time.

<sup>3</sup> Data is presented on a calendar year basis.

<sup>4</sup> Calendar year data is not yet available.

**COUNTY OF SANTA CRUZ**  
**Capital Assets Statistics by Function**  
**Last Five Fiscal Years**

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

Note: Prior year information is presented in accordance with the County's implementation of GASB #34 beginning with FY 2002.

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

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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.

**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/CUFRs and to provide technical assistance and peer recognition to the finance officers preparing them.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS.** Financial statements that incorporate all of a government's governmental and business-type activities, as well as its nonfiduciary component units. There are two basic government-wide financial statements: the statement of net assets and the statement of net activities. Both basic governmental financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

**INFRASTRUCTURE.** Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems.

**INTERFUND RECEIVABLE/PAYABLE.** Short-term loans made by one fund to another, or the current portion of an advance to or from another fund.

**INTERFUND TRANSFERS.** Flow of assets (such as cash or goods) between funds and blended component units of the primary government without equivalent flows of assets in return and without a requirement for payment.

**INTERNAL SERVICE FUND.** A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

**JOINT VENTURE.** A legal entity or other contractual arrangement in which a government participates as a separate and specific activity for the benefit of the public or service recipients and in which the government retains an ongoing financial interest.

**LAPSE.** As applied to appropriations, the automatic termination of an appropriation. Except for indeterminate appropriations and continuing appropriations, an appropriation is made for a certain period of time. At the end of this period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.

**LEASE-PURCHASE AGREEMENTS.** Contractual agreements that are termed leases, but that in substance are purchase contracts.

**LEGAL LEVEL OF BUDGETARY CONTROL.** The level at which spending in excess of budgeted amounts would be a violation of law.

**LEVEL OF BUDGETARY CONTROL.** The level at which a government's management may not reallocate resources without special approval from the legislative body.

**LIABILITIES.** Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

**LOANS RECEIVABLE.** An asset account reflecting amounts loaned to individuals or organizations external to a government, including notes taken as security for such loans. Loans to other funds and governments should be recorded and reported separately.

**MAJOR FUND.** A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The general fund is always a major fund. Otherwise, major funds are funds whose revenues/expenditures, assets or liabilities are at least 10 percent of corresponding totals for all government or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other government or enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

**MANAGEMENT'S DISCUSSION AND ANALYSIS.** A component of required supplementary information used to introduce the basic financial statements and to provide an analytical overview of the entity's financial activities.

**MEASUREMENT FOCUS.** A way of presenting an entity's financial performance and position by considering which *resources* are measured (financial or economic) and *when* the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, proprietary fund financial statements and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

**MODIFIED ACCRUAL BASIS.** The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g. bond issue proceeds) are recognized when they become susceptible to accrual, that is when they become both "measurable" and "available to finance expenditures of the current period." "Available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, expenditures are recognized when the fund liability is incurred. All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting.

**OTHER FINANCING SOURCES.** An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the other financing sources category is limited to items so classified by GAAP.

**OTHER FINANCING USES.** A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of other financing uses category is limited to items so classified by GAAP.

**OVERLAPPING DEBT.** The proportionate share property within each government must bear of the debts of all local governments located wholly or in part within the geographic boundaries of the reporting government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessment receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

**PROGRAM REVENUES.** Term used in connection with the government-wide statement of activities. Revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

**PROPRIETARY FUNDS.** Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

**REBATABLE ARBITRAGE.** A term used in connection with the reinvestment of the proceeds of tax-exempt debt. A requirement to remit to the federal government interest revenue in excess of interest costs when the proceeds from the sale of tax-exempt securities are reinvested in a taxable money market instrument with a materially higher yield.

**REPORTING ENTITY.** The oversight unit and all of its component units, if any, that are combined in the CAFR/BFS.

**REQUIRED SUPPLEMENTARY INFORMATION.** Consists of statements, schedules, statistical data or other information which, according to the GASB, is necessary to supplement, although not required to be a part of the basic financial statements.

**RESERVED FUND BALANCE.** The portion of a governmental fund's net assets that is not available for appropriation.

**RESTRICTED ASSETS.** Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

**RESTRICTED NET ASSETS.** A component of net assets calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

**RETAINED EARNINGS.** An equity account reflecting the accumulated earnings of an enterprise or internal service fund.

**REVENUE BONDS.** Bonds whose principal and interest are payable exclusively from earnings of an enterprise fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the enterprise fund's property.

**RISK MANAGEMENT.** All the ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

**SELF-INSURANCE.** A term often used to describe the retention by an entity of a risk of loss arising out of the ownership of property or from some other cause, instead of transferring that risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets to fund any related losses. Because no insurance is involved, the term self-insurance is a misnomer.

**SINGLE AUDIT.** An audit performed in accordance with the Single Audit Act of 1997 and Office of Management and Budget's (OMB) Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. The Single Audit Act allows or requires governments (depending on the amount of federal assistance received) to have one audit performed to meet the needs of all federal agencies.

**SPECIAL DISTRICT.** An independent unit of local government organized to perform a single government function or a restricted number of related functions. Special districts usually have the power to incur debt and levy taxes; however, certain types of special districts are entirely dependent upon enterprise earnings and cannot impose taxes. Examples of special districts are water districts, drainage districts, flood control districts, hospital districts, fire protection districts, transit authorities, port authorities and electric power authorities.

**SPECIAL REVENUE FUND.** A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**TAX AND REVENUE ANTICIPATION NOTES (TRANS).** Notes issued in anticipation of the collection of taxes and revenues, usually retireable only from tax collections, and frequently only from the proceeds of the tax and revenues levy whose collection they anticipate.

**TRUST FUNDS.** Funds used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments and/or other funds.

**UNDESIGNATED UNRESERVED FUND BALANCE.** That portion of a fund balance that is available for spending or appropriation and has not been "earmarked" for specified purposes by the chief executive officer or the legislative body.

**UNQUALIFIED OPINION.** An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

**UNRESERVED FUND BALANCE.** That portion of a fund balance available for spending or appropriation in the future.

**UNRESTRICTED NET ASSETS.** That portion of net assets that is neither restricted nor invested in capital assets (net of related debt).