

COUNTY OF SANTA CRUZ
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2008



Coastline near Natural Bridges State Beach, Santa Cruz County

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

Natural Bridges State Beach

This beach, with its famous natural bridge, is an excellent vantage point for viewing shore birds, migrating whales, and seals and otters playing offshore. Further along the beach, tidepools offer a glimpse of life beneath the sea. Low tides reveal sea stars, crabs, sea anemones, and other colorful ocean life.

Photo by Janet Orsi

County of Santa Cruz, California

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

Prepared Under the Direction of
Mary Jo Walker
Auditor-Controller

County of Santa Cruz
For the year ended June 30, 2008

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COUNTY OF SANTA CRUZ

AUDITOR-CONTROLLER'S OFFICE

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

December 23, 2008

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, 2008 is hereby submitted, in accordance with the statutes of the State of California. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County of Santa Cruz. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activity have been included. The independent auditors, Caporicci and Larson, who have rendered an unqualified opinion thereon, have audited these statements. Their report is provided herein.

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

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

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

FINANCIAL INFORMATION

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

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

PROFILE OF THE COUNTY

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

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

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

The County of Santa Cruz is the second smallest county in California in terms of land mass and the 23rd of 58 counties in terms of population. The County's population is 266,519. Approximately half live in one of the County's four cities; Capitola, Santa Cruz, Scotts Valley, and Watsonville, with the other half living in the unincorporated portions of the County.

ECONOMIC CONDITIONS AND OUTLOOK

Regionally, the Santa Cruz area is similar to many parts of the country in that the economy has slowed considerably. The area is experiencing a general slowing of economic activity, resulting in large part from a recession in the real estate and construction industry and the financial market meltdown. The Santa Cruz area enjoyed a fairly healthy economy during the past few years after recovering from the pronounced economic downturn in 2001. In the three prior fiscal years, real estate sales resulted in the assessed value of real property increasing in the County by about 9% per year. However, the subprime mortgage lending crisis has significantly reduced home sales across the nation, including those in Santa Cruz County. Although the average sales price of property has declined by 24% from August 2007 to August 2008, the assessed values of real property in the County actually grew by 3% in fiscal year 2008-09. Assessed value growth will likely be lower in the coming fiscal year. Another indicator of the local economy is retail sales. Countywide sales tax receipts increased during fiscal year 2007-08 by a modest 4.1% over the previous year, and sales during the previous fiscal year finally surpassed the level that they were in 2000-01 before the prior economic downturn. Tourism is important to the local economy as well, and the Santa Cruz area experienced gains in occupancy and slightly stronger tourist spending than in the prior year. Transient Occupancy Tax collections increased about 8.5% in the unincorporated County during fiscal year 2007-08 compared to the prior year, due in part to a renewed focus on Transient Occupancy Tax audits of lodging providers in the unincorporated area over the past several years.

The County's fiscal year 2008-09 budget adopted by the County Board of Supervisors reflects a balanced and cautious fiscal plan. In a year with a recession in the real estate market, reduced interest rates, and the general slowing of economic activity both globally and locally, the fiscal year 2008-09 budget reflected a reduction in all areas of government. 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.

During the past year, the County drew upon its General Fund reserves to balance the fiscal year 2008-09 budget. Total General Fund reserves and designations were \$14,601,983 at June 30, 2007, reduced to \$10,965,196 at June 30, 2008, not including \$1,782,529 in encumbrance reserves for future purchase orders or contracts. The General Fund reserves and designations are projected to be \$9,363,342 as of June 30, 2009. The largest portion of this decrease is from using \$1 million of the Working Capital Reserve and eliminating the \$508,489 designation for the Federally Qualified Health Care program phase out, which was used to fund the Health Services Agency during fiscal year 2008-09.

At the State level, the California Legislative Analyst's Office is projecting a \$9 billion deficit for 2008-09 and \$19 billion budget gap for fiscal year 2009-10. The State's struggling economy has severely reduced expected revenues. The California economy was fairly strong in the first half of the decade, based in part on the robust real estate market which peaked in 2006. The significant downturn in construction and other real estate activities since 2006 is primarily responsible for the State's weakening economy. Closing a projected \$28 billion budget shortfall will be a monumental task. 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, realized a loss of 5.1% on its investments for the year ended June 30, 2008. This is the first year in the last five years that CALPERS realized a loss on its investments. 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 used to pick-up a portion of their retirement costs, but this practice stopped during the fiscal year. County employees also participate in the CALPERS health insurance program, whose basic HMO rates increased by 7.4% in 2008, but will not increase in 2009.

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 and 2007-08.

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

As of late December 2008, the Governor had not announced any intention to declare a state of severe fiscal hardship, which would 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's Department managed the Light Brown Apple Moth infestation, which was discovered in Santa Cruz County in April 2007. The Light Brown Apple Moth is a threat to the County's thriving agriculture business and the local environment. The State mandated aerial spraying to control and eradicate this pest, which caused much concern among citizen groups and local agencies.
- 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 \$565,000, primarily by not funding several positions. The Assessor's Office is also a key member of the team which is updating the County's property tax system.
- The County Recorder's Office 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 and 33 deed books which had to be digitally scanned. The Recorder also began the new multi-year Social Security Truncation Program to review all digitized and microfilm records and redact social security numbers from those records.
- The Auditor-Controller's Office 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 was completed during fiscal year 2008-09.

- Child Support Services is transitioning to a “paperless” system for case files, with the goal of increasing collections of current and arrears child support.
- The County Administrative Office represented the County in the new Watsonville Superior Court building which was completed in April 2008. The new facility replaces 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. Financing was provided by the County of Santa Cruz, the City of Watsonville and the Superior Court.
- The County Clerk’s Office supported 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 continued to face 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 2008-09, limiting resources available for other types of cases. The Office successfully obtained funding from 13 grants and other revenue sources totaling approximately \$1.5 million. The Office also successfully implemented the Discovery Module for the DAMION Case Management System, allowing the District Attorney to produce and maintain electronic evidence more efficiently and effectively.
- The General Services Department completed an extensive energy efficiency project at the County Government Center which included 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, evaluated options for financing various service level alternatives and equipment needs to determine the impact that a proposed new Fire District would have on County Fire services.
- The Health Services Agency is focusing its efforts on meeting legal mandates, complying with grant requirements, and maintaining patient and community safety. The Agency is facing significant reductions in State funding which is amplified through further reductions in leveraged federal revenues. The most significant impacts will be in the Mental Health, Substance Abuse, Public Health and MediCruz programs.
- The Human Services Department is heavily leveraged by federal and state funding, and with reductions from those funding sources, all programs are reducing services. Adult and Long-Term Care, CareerWorks, Benefits Services (Medi-Cal, Foodstamps, General Assistance, and Foster Care) and Family and Children’s Services are negatively impacted. At the same time, the number of clients and service requests has increased. The Department places its first priority this year on maintaining the mandated and entitlement-based programs.
- The 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, and replacing the County’s Property Tax System.

- The Parks, Open Space and Cultural Services Department completed the Highlands Park playground and the Pinto Lake Park disc golf course, and began the athletic fields at Bonny Doon Elementary School. In the current year, they will begin design of the Farm Park and the Jose Avenue Park, and development of a master plan for McGregor/Seacliff Park.
- The Personnel and Risk Management Department worked closely with departments and employee unions to retain as many employees as possible, in response to a proposed reduction of 276 positions in the fiscal year 2008-09 budget. The department was successful in that almost all of the required position reductions were met through attrition and employee redeployment, resulting in only two employees actually losing their jobs.
- 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 will continue work to streamline and simplify the permit review process, provide more effective delivery of code enforcement services, and implement 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 continues to repair the 70 damaged sites from the very heavy rain storms in 2006. The Department has been working with the Federal Emergency Management Agency and the California Office of Emergency Services to repair these sites, the cost of which is expected to exceed \$15 million. The County Pavement Management Program and the backlog of deferred road resurfacing work will also continue using Redevelopment Agency funds and State Proposition 42 and 1B. The Department also 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. A major focus this coming year will be to begin developing the Records Management and Detention Management Systems.
- The Treasurer-Tax Collector's Office continues its work to expand a delinquent court fine collection program in accordance with the provisions of SB 940. This comprehensive collection program provides appropriate follow-up activities for debt collection as well as additional revenues for the County and other local agencies. This Office is also a key member of the team which is updating the County's property tax system.

OTHER INFORMATION

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Santa Cruz for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

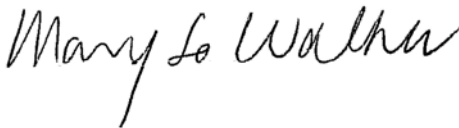
To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

AUDITOR-CONTROLLER ACKNOWLEDGMENTS

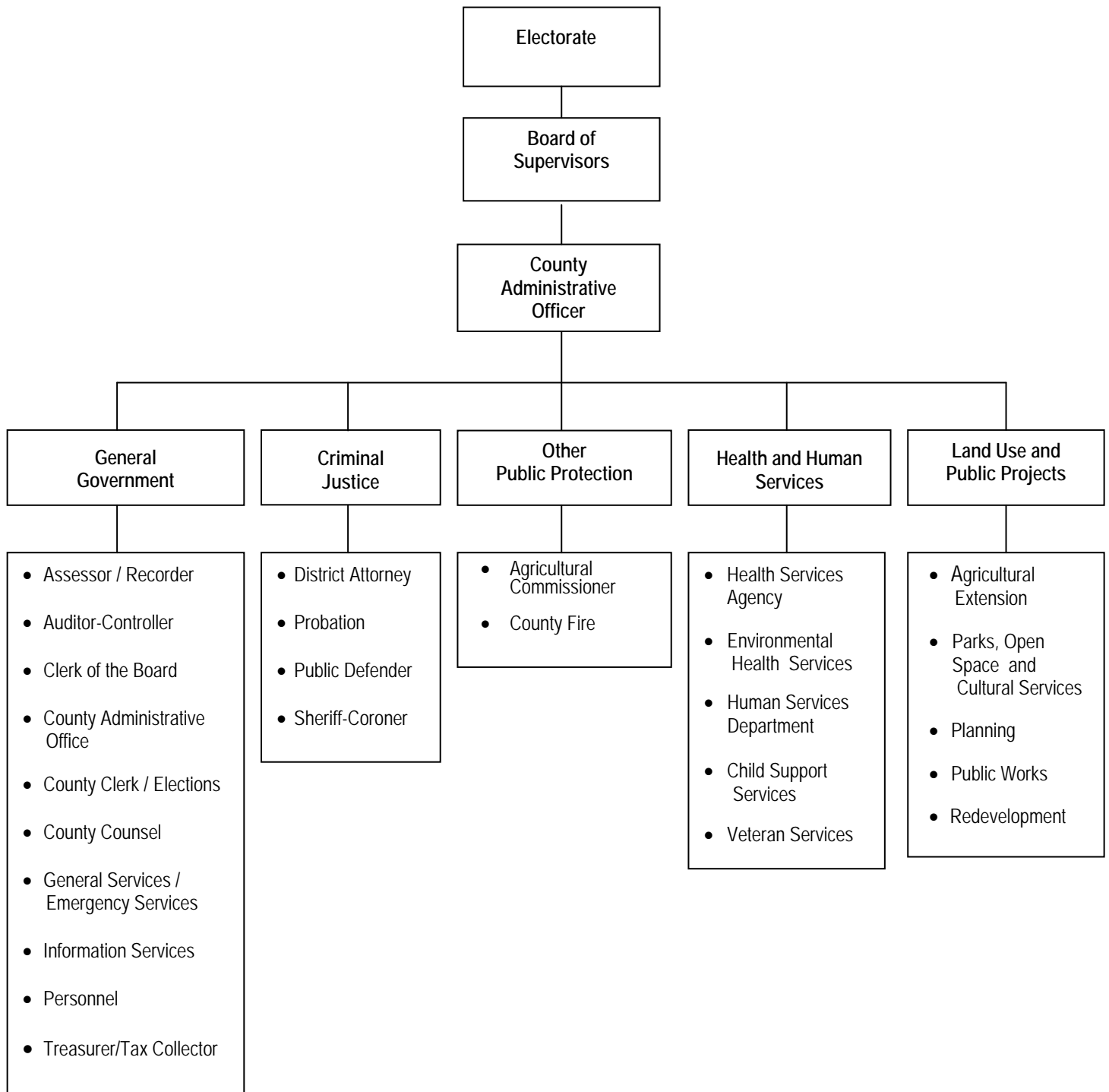
I wish to express my appreciation to my Accounting Division and Audit Division, the County departments that participated, and Caporicci and Larson for their contributions, assistance, and guidance in the preparation of this report.

Respectfully submitted,



Mary Jo Walker
Auditor-Controller

COUNTY OF SANTA CRUZ



Directory of Public Officials

Elective Officers

| | | <u>Term ends</u> |
|---------------------------|--------------------|------------------|
| Supervisor, 1st District | 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 | Kathy Sokolik |
| Director of General Services | Nancy Carr-Gordon (Interim Dir.) |
| Director of Information Services | Kevin Bowling |
| Director of Human Services Department | Cecilia Espinola |
| Director of Planning | Tom Burns |
| Director of Public Works/Road Commissioner | Thomas Bolich |
| Santa Cruz County Fire Chief | John Ferriera |
| Health Officer | Dr. Poki Namkung |
| Health Services Administrator | Rama Khalsa |
| Parks, Recreation and Cultural Services | Joe Schulz |
| Personnel Director | Michael McDougall |
| Probation Officer | Scott MacDonald |
| Redevelopment Agency Administrator | Betsey Lynberg |
| Veteran's Services Officer | 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, 2007

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.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Santa Cruz, California (County), as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Subsequent to the basic financial statement date of June 30, 2008 and the year then ended, the United States has entered into a Financial Credit Crisis. Although the United States Federal Government has taken actions which, at least in part, are intended to relieve and correct this Financial Credit Crisis, investments are subject to significant impairment and losses. To date, the County has not been informed and is not aware of any investment losses. Accordingly, such investment losses, if any, have not been reflected in the accompanying basic financial statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

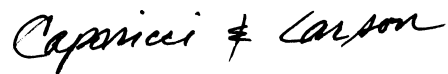
To the Honorable Board of Supervisors
of the County of Santa Cruz
Santa Cruz, California
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As described in Note 1 to the basic financial statements, the County adopted Statement of Governmental Accounting Standards Board No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2008 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



Oakland, California
December 23, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS



County of Santa Cruz
Management's Discussion and Analysis
For the year ended June 30, 2008

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, 2008. 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 2007 - 2008 fiscal year by \$395,609,811 (*net assets*). Of this amount, \$354,988,763 represents invested in capital assets, net of related debt, \$55,353,717 is restricted for specific purposes (restricted net assets), and a negative unrestricted net assets of \$14,732,669 partially attributed to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 45.
- The government's total net assets decreased by \$18,615,756. This decrease is related to the inclusion for the first time of Other Post Employment Benefits (OPEB) per the recently released GASB Statement No. 45.
- As of June 30, 2008, the County's governmental funds reported combined ending fund balances of \$198,308,491, a decrease of \$14,128,862 in comparison with the prior year. Approximately 79% of the combined fund balances, \$157,227,494, 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 \$27,158,802, of which \$2,151,215 was reserved and \$10,596,510 was designated for various purposes as shown on page 27, with the remaining \$14,411,077 budgeted to be spent in the next year.
- The County's total long-term liabilities are \$286,873,054, an increase of \$10,959,255, in comparison with the prior year. The increase resulted primarily from the recognition of Other Post Employment Benefits Liability not included in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

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

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2008

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.

The government-wide financial statements can be found on pages 19-21 of this report.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related funds which are used to account for resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements – 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.

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2008

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

The governmental funds financial statements can be found on pages 27-30 of this report.

Proprietary funds are used to account for services for which the County charges customers—either outside customers or internal units or departments of the County. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The County maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The County enterprise funds used to account for the operations of the County include the County Disposal Sites CSA 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 government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary funds financial statements can be found on pages 33-36 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The fiduciary funds the County maintains are agency and investment trust funds. Since agency and trust funds are custodial in nature, they do not involve the measurement of results of operations.

The fiduciary funds financial statements can be found on pages 39-40 of this report

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 45-92 of this report.

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2008

Required Supplementary Information (other than MD&A)

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

The County adopts an annual budget, which is a compilation of operating budgets from individual functional units within the General Fund, Special Revenue Funds, Capital Projects Funds and Proprietary Funds. Budgets are adopted for all funds except for Debt Service Funds, Fiduciary Funds and certain special revenue funds, namely the Public Finance Authority, Geological Hazard Abatement Districts, and Health Realignment Funds. A budgetary comparison schedule has been provided for the General Fund and Redevelopment Agency special revenue fund to demonstrate compliance with these budgets. These can be found on pages 97-108 of this report.

Combining Statements and Schedules

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

| | Net Assets | | | | | |
|---|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Assets: | | | | | | |
| Current and other assets | \$ 334,162,574 | \$ 335,973,130 | \$ 12,576,130 | \$ 18,546,981 | \$ 346,738,704 | \$ 354,520,111 |
| Capital assets | 464,604,841 | 455,570,998 | 28,333,335 | 26,646,821 | 492,938,176 | 482,217,819 |
| Total assets | <u>798,767,415</u> | <u>791,544,128</u> | <u>40,909,465</u> | <u>45,193,802</u> | <u>839,676,880</u> | <u>836,737,930</u> |
| Liabilities: | | | | | | |
| Current and other liabilities | 156,131,616 | 144,749,400 | 1,062,399 | 1,054,331 | \$ 157,194,015 | \$ 145,803,731 |
| Long-term liabilities | 281,289,577 | 268,713,031 | 5,583,477 | 7,995,601 | 286,873,054 | 276,708,632 |
| Total liabilities | <u>437,421,193</u> | <u>413,462,431</u> | <u>6,645,876</u> | <u>9,049,932</u> | <u>444,067,069</u> | <u>422,512,363</u> |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt | 327,708,298 | 332,525,671 | 27,280,465 | 23,265,712 | 354,988,763 | 355,791,383 |
| Restricted | 55,167,127 | 39,024,059 | 186,590 | 250,079 | 55,353,717 | 39,274,138 |
| Unrestricted | (21,529,203) | 6,531,967 | 6,796,534 | 12,628,079 | (14,732,669) | 19,160,046 |
| Total net assets | <u>\$ 361,346,222</u> | <u>\$ 378,081,697</u> | <u>\$ 34,263,589</u> | <u>\$ 36,143,870</u> | <u>\$ 395,609,811</u> | <u>\$ 414,225,567</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 \$395,609,811 at the close of the current fiscal year.

The portion of the County's net assets invested in capital assets, net of related debt, \$354,988,763 (90%), 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.

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2008

An additional portion of the County's net assets, \$55,353,717 (14%), represents resources that are subject to external restrictions on how they may be used.

The remaining negative \$14,732,669 (-4%) represents the unrestricted net assets. This negative balance is a result of having long term liabilities that are funded on a pay-as-you-go basis, appropriating resources each year as payments come due. An example of this is retiree health benefits.

| | Change in Net Assets | | | | | |
|------------------------------------|-----------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 73,095,400 | \$ 73,516,605 | \$ 13,236,482 | \$ 13,298,637 | \$ 86,331,882 | \$ 86,815,242 |
| Operating grants and contributions | 208,046,645 | 196,694,631 | 123,262 | 127,243 | 208,169,907 | 196,821,874 |
| Capital grants and contributions | 3,542,077 | 7,508,226 | 25,000 | 7,997 | 3,567,077 | 7,516,223 |
| General Revenues: | | | | | - | - |
| Property taxes | 111,744,843 | 104,814,172 | | - | 111,744,843 | 104,814,172 |
| Other taxes | 15,621,921 | 15,133,150 | | - | 15,621,921 | 15,133,150 |
| Investment earnings | 11,857,710 | 14,627,864 | 755,917 | 1,063,576 | 12,613,627 | 15,691,440 |
| Miscellaneous | 13,401,887 | 3,155,133 | 3,048,136 | 1,512,787 | 16,450,023 | 4,667,920 |
| Gain (Loss) on sale of assets | (78,576) | - | | - | (78,576) | - |
| Total revenues | <u>437,231,907</u> | <u>415,449,781</u> | <u>17,188,797</u> | <u>16,010,240</u> | <u>454,420,704</u> | <u>431,460,021</u> |
| Expenses: | | | | | | |
| General government | 48,765,413 | 29,116,055 | - | - | 48,765,413 | 29,116,055 |
| Public protection | 117,000,939 | 113,608,327 | - | - | 117,000,939 | 113,608,327 |
| Public ways and facilities | 47,209,011 | 26,840,081 | - | - | 47,209,011 | 26,840,081 |
| Health and sanitation | 112,559,950 | 105,039,158 | - | - | 112,559,950 | 105,039,158 |
| Public assistance | 101,454,173 | 98,679,172 | - | - | 101,454,173 | 98,679,172 |
| Education | 5,209,160 | 4,713,527 | - | - | 5,209,160 | 4,713,527 |
| Recreation and culture | 8,558,160 | 7,398,705 | - | - | 8,558,160 | 7,398,705 |
| Interest on long-term debt | 13,210,576 | 16,025,856 | - | - | 13,210,576 | 16,025,856 |
| County Disposal Sites CSA | - | - | 16,088,197 | 13,539,661 | 16,088,197 | 13,539,661 |
| Boulder Creek CSA | - | - | 437,972 | 299,464 | 437,972 | 299,464 |
| Rolling Woods CSA | - | - | 77,928 | 62,449 | 77,928 | 62,449 |
| Septic Tank Maintenance CSA | - | - | 965,769 | 874,711 | 965,769 | 874,711 |
| Freedom County Sanitation District | - | - | 609,066 | 601,632 | 609,066 | 601,632 |
| Davenport Sanitation District | - | - | 419,465 | 409,583 | 419,465 | 409,583 |
| Place Del Mer CSA | - | - | 38,951 | 63,970 | 38,951 | 63,970 |
| Sand Dollar Beach CSA | - | - | 314,147 | 215,765 | 314,147 | 215,765 |
| Trestle Beach CSA | - | - | 72,824 | 40,082 | 72,824 | 40,082 |
| Summit West CSA | - | - | 31,471 | 3,671 | 31,471 | 3,671 |
| Graham Hill CSA | - | - | 13,288 | 19,991 | 13,288 | 19,991 |
| Total expenses | <u>453,967,382</u> | <u>401,420,881</u> | <u>19,069,078</u> | <u>16,130,979</u> | <u>473,036,460</u> | <u>417,551,860</u> |
| Change in net assets | (16,735,475) | 14,028,900 | (1,880,281) | (120,739) | (18,615,756) | 13,908,161 |
| Net assets, beginning of year | 378,081,697 | 364,052,797 | 36,143,870 | 36,264,609 | 414,225,567 | 400,317,406 |
| Prior period adjustment | - | - | - | - | - | - |
| Net assets, end of year | <u>\$ 361,346,222</u> | <u>\$ 378,081,697</u> | <u>\$ 34,263,589</u> | <u>\$ 36,143,870</u> | <u>\$ 395,609,811</u> | <u>\$ 414,225,567</u> |

Analysis of Change in Net Assets

The County's net assets decreased by \$18,615,756 during the current fiscal year. These decreases are explained in the government and business-type activity discussion below.

- **Governmental activities** decreased the County's net assets by \$16,735,475, accounting for 90% of the total decrease in net assets of the County, primarily resulting from increases in expenditures and recognition of Other Post-Employment Benefits (OPEB) liabilities.

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2008

The increase in expenditures is largely in the general government sector for the recognition of OPEB expenditures, and public ways and facilities. There was also an increase in Health and Sanitation expenditures.

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, 2008, the County's governmental funds reported combined ending fund balances of \$198,308,491, a decrease of \$12,048,862 in comparison with the prior year. Approximately 79% of the combined fund balances, \$157,227,494, is available to meet the County's current and future needs (*unreserved fund balance*). The remaining \$41,080,997 is reserved and not available for new spending because it has been committed: (1) \$5,897,086 to pay debt, (2) \$4,219,280 for asset acquisitions, (3) \$15,383,577 to liquidate contractual commitments of the period, and (4) \$15,581,054 for a variety of other purposes.

Revenues for governmental functions totaled \$437,733,738 in fiscal year 2007-2008, which represents an increase of \$22,557,046, or 5% from fiscal year 2006-2007. Expenditures for governmental functions totaling \$452,638,360 increased by \$23,262,476, or 5%, from fiscal year 2006-2007. In the fiscal year 2007-2008, expenditures for governmental functions exceeded revenues by \$14,904,622, which was offset by other financing sources of \$775,760.

The general fund is the primary operating fund of the County. At June 30, 2008, the general fund's total fund balance was \$27,158,802, of which \$2,151,215 was reserved and \$25,007,587 was unreserved. Of the unreserved fund balance, \$10,596,510 was designated for various purposes, with the remaining \$14,411,077 (along with \$1,782,529 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 6.86% of the total general fund expenditures of \$364,355,894, while its total fund balance represents 7.45% of that same amount. The unreserved portion of the general fund balance reflects budget savings, without which would necessitate further budgetary reductions.

The Redevelopment Agency is a major special revenue fund of the County. At June 30, 2008, the unreserved but designated fund balance was \$107,185,493, while its total fund balance was \$126,863,840, an increase of \$469,412 from the prior year. Designations include \$62,350,174 for Redevelopment Agency projects and \$44,835,319 for Redevelopment Agency debt service.

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2008

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 | | | | | |
| | 2008 | % of Total | 2007 | % of Total | Change |
| Taxes and assessments | \$ 127,366,765 | 29.10 | \$ 119,947,322 | 28.89 | \$ 7,419,443 |
| Licenses and permits | 10,084,237 | 2.30 | 10,183,174 | 2.45 | (98,937) |
| Fines and forfeitures | 4,911,102 | 1.12 | 5,672,832 | 1.37 | (761,730) |
| Use of money and property | 11,082,214 | 2.53 | 13,928,920 | 3.36 | (2,846,706) |
| Intergovernmental | 211,572,316 | 48.34 | 204,202,857 | 49.18 | 7,369,459 |
| Charge for services | 58,100,061 | 13.27 | 57,651,501 | 13.89 | 448,560 |
| Other revenues | 14,617,043 | 3.34 | 3,590,086 | 0.86 | 11,026,957 |
| Total | <u>\$ 437,733,738</u> | <u>100%</u> | <u>\$ 415,176,692</u> | <u>100%</u> | <u>\$ 22,557,046</u> |

The changes are primarily due to growth in property tax revenues, and intergovernmental grant revenues, offset by a reduction in interest income. The increase in other revenues was due to contributions from other funds to the capital projects fund.

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

| Expenditures Classified by Function | | | | | |
|--|-----------------------|-------------|-----------------------|-------------|----------------------|
| Governmental Funds | | | | | |
| | 2008 | % of Total | 2007 | % of Total | Change |
| General government | \$ 33,489,970 | 7.40 | \$ 28,024,209 | 6.53 | \$ 5,465,761 |
| Public protection | 123,435,438 | 27.27 | 112,394,944 | 26.17 | 11,040,494 |
| Public ways and facilities | 37,736,152 | 8.34 | 41,334,645 | 9.63 | (3,598,493) |
| Health and sanitation | 109,152,045 | 24.11 | 104,325,886 | 24.30 | 4,826,159 |
| Public assistance | 102,975,548 | 22.75 | 97,981,327 | 22.82 | 4,994,221 |
| Education | 5,039,819 | 1.11 | 4,710,521 | 1.10 | 329,298 |
| Recreation and culture | 9,188,892 | 2.03 | 7,788,774 | 1.81 | 1,400,118 |
| Capital outlay | 10,671,475 | 2.36 | 10,299,165 | 2.40 | 372,310 |
| Debt service - bond redemption | 7,343,825 | 1.62 | 7,126,449 | 1.66 | 217,376 |
| Debt service - issue cost | 262,702 | 0.06 | 738,093 | 0.17 | (475,391) |
| Debt service - interest and fiscal charges | 13,342,494 | 2.95 | 14,651,871 | 3.41 | (1,309,377) |
| Total | <u>\$ 452,638,360</u> | <u>100%</u> | <u>\$ 429,375,884</u> | <u>100%</u> | <u>\$ 23,262,476</u> |

The largest increase was in public protection expenditures, followed by an increase in the grant funded functions of health and sanitation, and public assistance. General governmental expenditures also showed an increase.

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

| Other Financing Sources/(Uses) | | | | | |
|--|-------------------|-------------|----------------------|-------------|------------------------|
| Governmental Funds | | | | | |
| | 2008 | % of Total | 2007 | % of Total | Change |
| Proceeds from long-term debt | \$ 7,370,000 | 950.04 | \$ 19,755,000 | 130.71 | \$ (12,385,000) |
| Premium on long-term debt | 224,669 | 28.96 | - | 0.00 | 224,669 |
| Discount on long-term debt | - | 0.00 | (62,698) | (0.41) | 62,698 |
| Payments to bond refunding escrow agents | (8,011,905) | (1,032.78) | (10,366,347) | (68.59) | 2,354,442 |
| Transfers in | 31,921,355 | 4,114.85 | 27,592,780 | 182.57 | 4,328,575 |
| Transfers out | (32,042,605) | (4,130.48) | (27,794,548) | (183.90) | (4,248,057) |
| Sale of Fixed Assets | 1,254,579 | 161.72 | - | 0.00 | 1,254,579 |
| Gain/(Loss) on land held for resale | (33,969) | (4.38) | - | 0.00 | (33,969) |
| Inception of lease purchase agreements | 93,636 | 12.07 | 5,989,594 | 39.63 | (5,895,958) |
| Total | <u>\$ 775,760</u> | <u>100%</u> | <u>\$ 15,113,781</u> | <u>100%</u> | <u>\$ (14,338,021)</u> |

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2008

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 | \$ 357,609,578 | \$ 28,825,097 | \$ 42,540,451 | \$ 359,071 | \$ 8,399,541 | \$ 437,733,738 |
| Expenditures | (364,355,894) | (17,414,529) | (48,240,147) | (11,956,315) | (10,671,475) | (452,638,360) |
| Net other financing sources/(uses) | (7,103,350) | (10,941,156) | 2,227,903 | 10,791,554 | 5,800,809 | 775,760 |
| Net change in fund balances | (13,849,666) | 469,412 | (3,471,793) | (805,690) | 3,528,875 | (14,128,862) |
| Fund balances, beginning (restated) | 41,008,468 | 126,394,428 | 33,305,852 | 4,984,828 | 6,743,777 | 212,437,353 |
| Fund balances, ending | \$ 27,158,802 | \$ 126,863,840 | \$ 29,834,059 | \$ 4,179,138 | \$ 10,272,652 | \$ 198,308,491 |

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 \$23,042,454 at June 30, 2008, of which \$1,528,558 was unrestricted.

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

| | Major Funds | Nonmajor Funds | Total |
|--|---------------------------|----------------|----------------|
| | County Disposal Sites CSA | | |
| Operating revenues | \$ 11,889,622 | \$ 2,776,619 | \$ 14,666,241 |
| Operating expenses | (15,959,306) | (2,968,177) | (18,927,483) |
| Operating loss | (4,069,684) | (191,558) | (4,261,242) |
| Net non-operating revenues/(expenses) | 489,021 | 302,593 | 791,614 |
| Net income/(loss) before contributions | (3,580,663) | 111,035 | (3,469,628) |
| Capital contributions | - | 25,000 | 25,000 |
| Change in net assets | \$ (3,580,663) | \$ 136,035 | \$ (3,444,628) |

GENERAL FUND BUDGETARY HIGHLIGHTS

After the adoption of the fiscal year 2007-2008 budget, the original general fund budget was increased by \$6,050,594 during the year, primarily due to additional financial resources made available from the State and Federal Agencies. Actual expenditures in the general fund were \$6,565,060 less than the original budget, excluding appropriations for general contingencies. The 2007-2008 total expenditures were \$24,917,477 or 7% more than the prior fiscal year, largely in the grant-funded functions of health and sanitation, public assistance, and public protection. General Fund actual revenues were \$15,848,225 lower than the original budget.

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

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2008 totaled \$492,938,176 (net of accumulated depreciation of \$284,215,952). 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 \$10,720,357 or 2%.

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.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Land | \$ 55,196,544 | \$ 55,497,498 | \$ 1,858,849 | \$ 1,858,849 | \$ 57,055,393 | \$ 57,356,347 |
| Construction in progress | 887,935 | 9,581,955 | 4,402,489 | 4,340,689 | 5,290,424 | 13,922,644 |
| Infrastructure | 497,260,833 | 484,127,980 | - | - | 497,260,833 | 484,127,980 |
| Buildings and structures | 129,120,251 | 108,596,314 | 33,178,926 | 30,341,614 | 162,299,177 | 138,937,928 |
| Equipment | 44,857,997 | 44,719,653 | 10,390,304 | 10,031,347 | 55,248,301 | 54,751,000 |
| Total | <u>\$ 727,323,560</u> | <u>\$ 702,523,400</u> | <u>\$ 49,830,568</u> | <u>\$ 46,572,499</u> | <u>\$ 777,154,128</u> | <u>\$ 749,095,899</u> |

Additional information on the County's capital assets can be found in Note No. 6 on pages 68-70 of this report.

Long-term Debt

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|-----------------------|--------------------------|---------------------|-----------------------|-----------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Tax allocation bonds | \$ 168,549,183 | \$ 172,143,880 | \$ - | \$ - | \$ 168,549,183 | \$ 172,143,880 |
| Refunding certificates of participation | 31,086,390 | 32,921,115 | - | - | 31,086,390 | 32,921,115 |
| Lease revenue bonds | 7,840,000 | 8,375,000 | - | - | 7,840,000 | 8,375,000 |
| Lease revenue refunding bonds | 1,796,946 | 1,917,969 | - | - | 1,796,946 | 1,917,969 |
| Certificates of participation | 28,821,970 | 29,949,517 | - | - | 28,821,970 | 29,949,517 |
| Revenue bonds | 2,160,000 | 2,545,000 | - | - | 2,160,000 | 2,545,000 |
| CA Health Facility | 710,841 | 897,805 | - | - | 710,841 | 897,805 |
| Loans payable | 928,860 | 653,004 | 448,348 | 827,356 | 1,377,208 | 1,480,360 |
| Capital leases | 6,050,926 | 5,999,934 | 604,522 | 502,245 | 6,655,448 | 6,502,179 |
| Total | <u>\$ 247,945,116</u> | <u>\$ 255,403,224</u> | <u>\$ 1,052,870</u> | <u>\$ 1,329,601</u> | <u>\$ 248,997,986</u> | <u>\$ 256,732,825</u> |

For the governmental activities, the County had total long-term debt outstanding of \$247,945,116 as compared to \$255,403,224 in the prior year (excluding compensated absences and estimated claims), a decrease of \$7,458,108. During the year, retirement of debt amounted to \$15,793,341, and new debt issuance amounted to \$8,288,305.

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2008

For the business-type activities, the County had total long-term debt outstanding of \$1,052,870 as compared to \$1,329,601 in the prior year (excluding post-closure liability), a decrease of \$276,731. During the year, retirement of debt amounted to \$795,904 and new debt issuance amounted to \$519,173.

The component unit, Santa Cruz Sanitation District, had total long-term debt outstanding of \$23,788,126 as compared to \$25,487,045 in the prior year. This amount was comprised of \$7,960,000 of Waste Water Revenue Refunding Bonds, \$785,000 of Limited Obligation Refunding Improvement Bonds, \$15,008,579 of Loans Payable, and \$34,547 of unamortized bond premium. During the year, retirement of debt amounted to \$1,698,919, and there were no additions to long-term debt for the component unit.

The County's total debt decreased by \$7,734,839, or 3.0%, during the current fiscal year (excluding compensated absences, estimated claims, and post-closure liability). The key factor in this decrease resulted primarily from the retirement of debt.

Additional information on the County's long-term debt can be found in Note No. 9 on pages 72-81 of this report.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS



**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**



County of Santa Cruz
Statement of Net Assets
June 30, 2008

| | Primary Government | | | Component Unit |
|---|-------------------------|--------------------------|-----------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| ASSETS | | | | |
| Cash and investments | \$ 226,539,291 | \$ 9,144,659 | \$ 235,683,950 | \$ 30,225,481 |
| Restricted cash and investments | 53,381,120 | 5,170,719 | 58,551,839 | 1,466,795 |
| Receivables, net | 30,776,038 | 652,206 | 31,428,244 | - |
| Loans receivable | 14,894,583 | - | 14,894,583 | - |
| Deposits with others | 622,559 | 60,986 | 683,545 | - |
| Inventory | 628,526 | 40,622 | 669,148 | 65,344 |
| Prepaid items | 221,061 | - | 221,061 | - |
| Land held for resale | 317,785 | - | 317,785 | - |
| Notes receivable | - | - | - | 55,077 |
| Advances to other entities | 50,000 | - | 50,000 | - |
| Other assets | 51,776 | - | 51,776 | - |
| Deferred charges | 4,186,773 | - | 4,186,773 | 126,990 |
| Internal balances | 2,493,062 | (2,493,062) | - | - |
| Capital assets: | | | | |
| Non-depreciable assets | 56,084,479 | 6,261,338 | 62,345,817 | 9,113,666 |
| Depreciable assets, net | 408,520,362 | 22,071,997 | 430,592,359 | 88,000,840 |
| Total assets | 798,767,415 | 40,909,465 | 839,676,880 | 129,054,193 |
| LIABILITIES | | | | |
| Payables | 26,684,268 | 591,816 | 27,276,084 | 1,369,613 |
| Accrued interest payable | 3,720,390 | - | 3,720,390 | 498,032 |
| Tax and revenue anticipation notes payable | 50,154,000 | - | 50,154,000 | - |
| Unearned revenue | 34,839,558 | - | 34,839,558 | - |
| Compensated absences: | | | | |
| Due within one year | 20,617,209 | - | 20,617,209 | - |
| Due in more than one year | 2,380,874 | - | 2,380,874 | - |
| Estimated claims: | | | | |
| Due within one year | 12,513,333 | - | 12,513,333 | - |
| Due in more than one year | 17,194,445 | - | 17,194,445 | - |
| Other long-term liabilities: | | | | |
| Due within one year | 7,602,858 | 470,583 | 8,073,441 | 1,761,167 |
| Due in more than one year | 240,342,258 | 5,583,477 | 245,925,735 | 22,026,959 |
| OPEB Liability | 21,372,000 | - | 21,372,000 | - |
| Total liabilities | 437,421,193 | 6,645,876 | 444,067,069 | 25,655,771 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 327,708,298 | 27,280,465 | 354,988,763 | 73,326,381 |
| Restricted for: | | | | |
| Debt service | 5,897,086 | - | 5,897,086 | 969,940 |
| Capital asset acquisition | 10,031,832 | - | 10,031,832 | - |
| Public safety | 8,938,508 | - | 8,938,508 | - |
| Health and public assistance | 915,542 | - | 915,542 | - |
| Public ways and public facilities | 29,384,159 | - | 29,384,159 | - |
| Other | - | 186,590 | 186,590 | - |
| Unrestricted | (21,529,203) | 6,796,534 | (14,732,669) | 29,102,101 |
| Total net assets | \$ 361,346,222 | \$ 34,263,589 | \$ 395,609,811 | \$ 103,398,422 |

See accompanying Notes to Basic Financial Statements.

County of Santa Cruz
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2008

| Functions/Programs | Expenses | Program Revenues | | | Total |
|---------------------------------------|-----------------------|----------------------|------------------------------------|----------------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 48,765,413 | \$ 16,952,838 | \$ 3,636,955 | \$ 636,737 | \$ 21,226,530 |
| Public protection | 117,000,939 | 24,795,130 | 37,448,464 | 453,865 | 62,697,459 |
| Public ways and facilities | 47,209,011 | 5,628,163 | 10,116,550 | 2,431,372 | 18,176,085 |
| Health and sanitation | 112,559,950 | 21,879,303 | 77,606,993 | - | 99,486,296 |
| Public assistance | 101,454,173 | 1,796,181 | 79,080,676 | 20,103 | 80,896,960 |
| Education | 5,209,160 | - | 149,666 | - | 149,666 |
| Recreation and cultural services | 8,558,160 | 2,043,785 | 7,341 | - | 2,051,126 |
| Interest on long-term debt | 13,210,576 | - | - | - | - |
| Total governmental activities | 453,967,382 | 73,095,400 | 208,046,645 | 3,542,077 | 284,684,122 |
| Business-type activities: | | | | | |
| County Disposal Sites CSA 9C | 16,088,197 | 10,460,255 | 123,419 | - | 10,583,674 |
| Boulder Creek CSA 7 | 437,972 | 360,051 | (354) | - | 359,697 |
| Rolling Woods CSA 10 | 77,928 | 75,673 | - | - | 75,673 |
| Septic Tank Maintenance CSA 12 | 965,769 | 850,958 | - | - | 850,958 |
| Freedom County Sanitation District | 609,066 | 615,225 | - | - | 615,225 |
| Davenport County Sanitation District | 419,465 | 444,752 | 197 | 25,000 | 469,949 |
| Place de Mer CSA 2 | 38,951 | 75,490 | - | - | 75,490 |
| Sand Dollar Beach CSA 5 | 314,147 | 234,712 | - | - | 234,712 |
| Trestle Beach CSA 20 | 72,824 | 44,183 | - | - | 44,183 |
| Summit West CSA 54 | 31,471 | - | - | - | - |
| Graham Hill CSA 57 | 13,288 | 75,183 | - | - | 75,183 |
| Total business-type activities | 19,069,078 | 13,236,482 | 123,262 | 25,000 | 13,384,744 |
| Total primary government | \$ 473,036,460 | \$ 86,331,882 | \$ 208,169,907 | \$ 3,567,077 | \$ 298,068,866 |
| Component unit: | | | | | |
| Santa Cruz County Sanitation District | \$ 15,996,347 | \$ 18,329,876 | \$ 2,580 | \$ - | \$ 18,332,456 |

General Revenues:

| |
|--|
| Taxes: |
| Property taxes |
| Property transfer fees |
| Sales and use taxes |
| Transient occupancy taxes |
| Other taxes |
| Total taxes |
| Use of money and property |
| Miscellaneous |
| Gain (Loss) on sale of assets |
| Total general revenues |
| Change in net assets |
| Net assets - beginning of year, as restated |
| Net assets - end of year |

See accompanying Notes to Basic Financial Statements.

| Net (Expense) Revenue and Changes in Net Assets | | | |
|--|-----------------------------|-----------------------|-----------------------|
| Governmental Activities | Business-Type Activities | Total | Component Unit |
| \$ (27,538,883) | \$ - | \$ (27,538,883) | |
| (54,303,480) | - | (54,303,480) | |
| (29,032,926) | - | (29,032,926) | |
| (13,073,654) | - | (13,073,654) | |
| (20,557,213) | - | (20,557,213) | |
| (5,059,494) | - | (5,059,494) | |
| (6,507,034) | - | (6,507,034) | |
| (13,210,576) | - | (13,210,576) | |
| <u>(169,283,260)</u> | <u>-</u> | <u>(169,283,260)</u> | |
| - | (5,504,523) | (5,504,523) | |
| - | (78,275) | (78,275) | |
| - | (2,255) | (2,255) | |
| - | (114,811) | (114,811) | |
| - | 6,159 | 6,159 | |
| - | 50,484 | 50,484 | |
| - | 36,539 | 36,539 | |
| - | (79,435) | (79,435) | |
| - | (28,641) | (28,641) | |
| - | (31,471) | (31,471) | |
| - | 61,895 | 61,895 | |
| - | <u>(5,684,334)</u> | <u>(5,684,334)</u> | |
| <u>(169,283,260)</u> | <u>(5,684,334)</u> | <u>(174,967,594)</u> | |
| | | | <u>\$ 2,336,109</u> |
| 111,744,843 | - | 111,744,843 | 102,835 |
| 1,464,210 | - | 1,464,210 | - |
| 8,904,473 | - | 8,904,473 | - |
| 4,621,944 | - | 4,621,944 | - |
| 631,294 | - | 631,294 | - |
| <u>127,366,764</u> | <u>-</u> | <u>127,366,764</u> | <u>102,835</u> |
| 11,857,710 | 755,917 | 12,613,627 | 1,346,887 |
| 13,401,887 | 3,048,136 | 16,450,023 | - |
| (78,576) | - | (78,576) | 3,735 |
| <u>152,547,785</u> | <u>3,804,053</u> | <u>156,351,838</u> | <u>1,453,457</u> |
| <u>(16,735,475)</u> | <u>(1,880,281)</u> | <u>(18,615,756)</u> | <u>3,789,566</u> |
| <u>378,081,697</u> | <u>36,143,870</u> | <u>414,225,567</u> | <u>99,608,856</u> |
| <u>\$ 361,346,222</u> | <u>\$ 34,263,589</u> | <u>\$ 395,609,811</u> | <u>\$ 103,398,422</u> |



FUND FINANCIAL STATEMENTS



GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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



County of Santa Cruz
Balance Sheet
Governmental Funds
June 30, 2008

| | Major Funds | | Non-Major Governmental Funds | Total Governmental Funds |
|--|-----------------------|-------------------------|------------------------------------|--------------------------------|
| | General Fund | Redevelopment Agency | | |
| ASSETS | | | | |
| Cash and investments | \$ 101,187,364 | \$ 67,745,348 | \$ 36,943,055 | \$ 205,875,767 |
| Restricted cash and investments | 764,250 | 44,486,419 | 8,130,451 | 53,381,120 |
| Receivables, net | 26,255,803 | 174,940 | 4,188,010 | 30,618,753 |
| Due from other funds | 373,231 | 64,658 | 653,566 | 1,091,455 |
| Loans receivable | - | 14,894,583 | - | 14,894,583 |
| Deposits with others | 92,000 | - | - | 92,000 |
| Inventory | 125,186 | - | - | 125,186 |
| Prepays | 144,920 | - | - | 144,920 |
| Land held for resale | - | 317,785 | - | 317,785 |
| Advances to other entities | 50,000 | - | - | 50,000 |
| Advances to other funds | - | - | 1,910,000 | 1,910,000 |
| Other assets | - | - | 51,776 | 51,776 |
| Total assets | \$ 128,992,754 | \$ 127,683,733 | \$ 51,876,858 | \$ 308,553,345 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Payables | \$ 18,670,426 | \$ 755,235 | \$ 4,734,180 | \$ 24,159,841 |
| Tax and revenue anticipation notes payable | 50,154,000 | - | - | 50,154,000 |
| Due to other funds | 373,231 | 64,658 | 653,566 | 1,091,455 |
| Deferred revenue | 32,636,295 | - | 2,203,263 | 34,839,558 |
| Total liabilities | 101,833,952 | 819,893 | 7,591,009 | 110,244,854 |
| Fund Balances: | | | | |
| Reserved for: | | | | |
| Encumbrances and reappropriations | \$ 1,782,529 | \$ 4,465,979 | \$ 9,135,069 | \$ 15,383,577 |
| Inventory, prepaids and imprest cash | 318,686 | - | - | 318,686 |
| Advances and loans | 50,000 | 14,894,583 | - | 14,944,583 |
| Land held for resale | - | 317,785 | - | 317,785 |
| Debt service | - | - | 5,897,086 | 5,897,086 |
| Capital asset acquisition | - | - | 4,219,280 | 4,219,280 |
| Unreserved: | | | | |
| Designated, reported in: | | | | |
| General fund: | | | | |
| Health Services Facility | 499,600 | - | - | 499,600 |
| Emergency reserve | 1,251,089 | - | - | 1,251,089 |
| Federal Qualified Health Program | 508,489 | - | - | 508,489 |
| Working Capital | 6,000,000 | - | - | 6,000,000 |
| Liabilities | 1,000,000 | - | - | 1,000,000 |
| Economic uncertainty | 1,337,332 | - | - | 1,337,332 |
| Special revenue funds: | | | | |
| RDA projects | - | 62,350,174 | - | 62,350,174 |
| RDA debt service | - | 44,835,319 | - | 44,835,319 |
| Undesignated, reported in: | | | | |
| General fund | 14,411,077 | - | - | 14,411,077 |
| Special revenue funds | - | - | 14,761,762 | 14,761,762 |
| Capital project funds | - | - | 10,272,652 | 10,272,652 |
| Total fund balances | 27,158,802 | 126,863,840 | 44,285,849 | 198,308,491 |
| Total liabilities and fund balances | \$ 128,992,754 | \$ 127,683,733 | \$ 51,876,858 | \$ 308,553,345 |

See accompanying Notes to Basic Financial Statements.

County of Santa Cruz
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2008

Total Fund Balances - Total Governmental Funds \$ 198,308,491

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. (Net of \$7,022,795 of internal service fund capital assets) 457,582,046

Bond issuance costs from issuing debt were expenditures in the governmental funds. However, they were deferred and subject to capitalization and amortization in the Government-Wide Financial Statements. 4,186,773

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

| | |
|--|-------------|
| Internal service funds included in governmental activities | (7,288,272) |
| Transfer of internal service funds to business-type activities | 583,062 |

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

| | | |
|--|------------------|---------------|
| Tax allocation bonds, including discount | \$ (168,549,183) | |
| Refunding certificates of participation, including premium | (31,086,390) | |
| Lease revenue bonds | (7,840,000) | |
| Lease revenue refunding bonds, including premium | (1,796,946) | |
| Certificates of participation, including premium | (28,821,970) | |
| Compensated absences | (19,317,232) | |
| Revenue bonds | (2,160,000) | |
| California Health Facilities Financing Authority | (710,841) | |
| CA Transportation Finance Bank | (600,000) | |
| OPEB Liability | (21,372,000) | |
| Capital leases | (6,050,926) | (288,305,488) |

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds. (3,720,390)

Net Assets of Governmental Activities \$ 361,346,222

County of Santa Cruz
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2008

| | Major Funds | | Non-Major Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------------|------------------------------------|--------------------------------|
| | General Fund | Redevelopment Agency | | |
| REVENUES: | | | | |
| Taxes | \$ 89,724,832 | \$ 23,623,938 | \$ 14,017,995 | \$ 127,366,765 |
| Licenses and permits | 10,084,237 | - | - | 10,084,237 |
| Fines, forfeits, and penalties | 4,873,062 | 20,229 | 17,811 | 4,911,102 |
| Use of money and property | 4,256,544 | 5,149,875 | 1,675,795 | 11,082,214 |
| Aid from other governments | 196,290,269 | - | 15,282,047 | 211,572,316 |
| Charges for services | 46,128,487 | - | 11,971,574 | 58,100,061 |
| Other revenues | 6,252,147 | 31,055 | 8,333,841 | 14,617,043 |
| Total revenues | 357,609,578 | 28,825,097 | 51,299,063 | 437,733,738 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 33,470,839 | - | 19,131 | 33,489,970 |
| Public protection | 111,377,765 | - | 12,057,673 | 123,435,438 |
| Public ways and facilities | 216,318 | 17,414,529 | 20,105,305 | 37,736,152 |
| Health and sanitation | 109,151,693 | - | 352 | 109,152,045 |
| Public assistance | 101,541,517 | - | 1,434,031 | 102,975,548 |
| Education | 159,344 | - | 4,880,475 | 5,039,819 |
| Recreation and culture | 6,915,775 | - | 2,273,117 | 9,188,892 |
| Capital outlay | - | - | 10,671,475 | 10,671,475 |
| Debt service: | - | - | - | - |
| Principal | - | - | 7,343,825 | 7,343,825 |
| Bond issue costs | - | - | 262,702 | 262,702 |
| Interest and fiscal charges | 1,522,643 | - | 11,819,851 | 13,342,494 |
| Total expenditures | 364,355,894 | 17,414,529 | 70,867,937 | 452,638,360 |
| REVENUES OVER / (UNDER) EXPENDITURES | (6,746,316) | 11,410,568 | (19,568,874) | (14,904,622) |
| OTHER FINANCING SOURCES / (USES): | | | | |
| Refunding bonds issued | - | - | 7,370,000 | 7,370,000 |
| Premium on refunding bonds issued | - | - | 224,669 | 224,669 |
| Payment to refunded escrow agent | - | - | (8,011,905) | (8,011,905) |
| Inception of capital lease | 93,636 | - | - | 93,636 |
| Sale of capital assets | - | 301,603 | 952,976 | 1,254,579 |
| (Loss) on land held for resale | - | (33,969) | - | (33,969) |
| Transfers in | 1,474,039 | 3,885,823 | 26,561,493 | 31,921,355 |
| Transfers out | (8,671,025) | (15,094,613) | (8,276,967) | (32,042,605) |
| Total other financing sources / (uses) | (7,103,350) | (10,941,156) | 18,820,266 | 775,760 |
| Net change in fund balances | (13,849,666) | 469,412 | (748,608) | (14,128,862) |
| FUND BALANCES: | | | | |
| Beginning of year, as restated | 41,008,468 | 126,394,428 | 45,034,457 | 212,437,353 |
| End of year | \$ 27,158,802 | \$ 126,863,840 | \$ 44,285,849 | \$ 198,308,491 |

See accompanying Notes to Basic Financial Statements.

County of Santa Cruz

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (14,128,862)

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

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

| | | |
|---|---------------|-----------|
| Expenditures for general capital assets, infrastructure, and other related capital assets | \$ 25,936,357 | |
| Less current year depreciation | (16,403,407) | 9,532,950 |

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

| | | |
|---------------------------------------|-------------|---------|
| Refunding tax allocation bonds issued | (7,370,000) | |
| Payment to refunded escrow agent | 8,011,905 | |
| Inception of capital lease | (93,636) | |
| Premium on long-term debt | (224,669) | |
| Debt issue costs | 262,702 | 586,302 |

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

| | | |
|--|-----------|-----------|
| Tax allocation bonds | 3,158,095 | |
| Refunding certificates of participation | 1,835,000 | |
| Certificates of participation | 1,175,000 | |
| Lease revenue bonds | 535,000 | |
| Lease revenue refunding bonds | 118,824 | |
| Revenue bonds | 385,000 | |
| California Health Facilities Financing Authority | 186,964 | |
| Capital leases | 32,304 | 7,426,187 |

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

| | | |
|---|-------------|-------------|
| Amortization of bond premium / discount | 20,765 | |
| Amortization of bond issuance costs | (221,834) | |
| Change in accrued interest payable | 278,185 | |
| Change in compensated absences | (1,647,034) | (1,569,918) |

OPEB obligation costs do not require current resources, so it is not reported in the governmental funds (21,372,000)

Internal service funds were used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds was reported with governmental activities. 3,988,619

Reverse of prior year transfer of internal service funds to business-type activities (1,781,815)
 Transfer of internal service funds to business-type activities 583,062

Change in Net Assets of Governmental Activities \$ (16,735,475)

PROPRIETARY FUNDS

FINANCIAL STATEMENTS

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

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



County of Santa Cruz
Statement of Net Assets
Proprietary Funds
June 30, 2008

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities Internal Service Funds |
|---|---|---------------------------------|----------------------|---|
| | County Disposal Sites CSA 9C | Nonmajor Enterprise Funds | Total | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 3,424,920 | \$ 5,719,739 | \$ 9,144,659 | \$ 20,663,524 |
| Restricted cash and investments | 5,099,398 | 71,321 | 5,170,719 | - |
| Receivables, net | 469,565 | 182,641 | 652,206 | 157,285 |
| Due from other funds | - | - | - | 1,116,064 |
| Deposits with others | 60,986 | - | 60,986 | 530,559 |
| Inventory | 40,622 | - | 40,622 | 503,340 |
| Prepaid items | - | - | - | 76,141 |
| Total current assets | <u>9,095,491</u> | <u>5,973,701</u> | <u>15,069,192</u> | <u>23,046,913</u> |
| Capital assets: | | | | |
| Non-depreciable: | | | | |
| Land | 1,858,849 | - | 1,858,849 | 97,087 |
| Construction-in-progress | 4,312,872 | 89,617 | 4,402,489 | - |
| Depreciable: | | | | |
| Buildings and structures | 21,138,967 | 12,039,959 | 33,178,926 | 2,864,684 |
| Equipment | 10,245,423 | 144,881 | 10,390,304 | 27,697,866 |
| Accumulated depreciation | (15,617,057) | (5,880,176) | (21,497,233) | (23,636,842) |
| Total capital assets | <u>21,939,054</u> | <u>6,394,281</u> | <u>28,333,335</u> | <u>7,022,795</u> |
| Total assets | <u>31,034,545</u> | <u>12,367,982</u> | <u>43,402,527</u> | <u>30,069,708</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Payables | 476,379 | 115,437 | 591,816 | 2,524,427 |
| Due to other funds | - | - | - | 1,116,064 |
| Advances from other funds | 1,910,000 | - | 1,910,000 | - |
| Current portion of long-term debt | - | 43,936 | 43,936 | 328,860 |
| Current lease contracts | 426,647 | - | 426,647 | - |
| Claims liability | - | - | - | 12,513,333 |
| Compensated absences, due within one year | - | - | - | 2,845,356 |
| Total current liabilities | <u>2,813,026</u> | <u>159,373</u> | <u>2,972,399</u> | <u>19,328,040</u> |
| Noncurrent liabilities: | | | | |
| Loan Payable | - | - | - | - |
| Long-term debt | 177,875 | 404,412 | 582,287 | - |
| Claims liability | - | - | - | 17,194,445 |
| Closure and postclosure care costs liability | 5,001,190 | - | 5,001,190 | - |
| Compensated absences, due in more than one year | - | - | - | 835,495 |
| Total noncurrent liabilities | <u>5,179,065</u> | <u>404,412</u> | <u>5,583,477</u> | <u>18,029,940</u> |
| Total liabilities | <u>7,992,091</u> | <u>563,785</u> | <u>8,555,876</u> | <u>37,357,980</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 21,334,532 | 5,945,933 | 27,280,465 | 6,693,935 |
| Restricted for: | | | | |
| Other | 179,364 | 7,226 | 186,590 | - |
| Unrestricted | 1,528,558 | 5,851,038 | 7,379,596 | (13,982,207) |
| Total net assets | <u>23,042,454</u> | <u>11,804,197</u> | <u>34,846,651</u> | <u>(7,288,272)</u> |
| Total liabilities and net assets | <u>\$ 31,034,545</u> | <u>\$ 12,367,982</u> | <u>\$ 43,402,527</u> | <u>\$ 30,069,708</u> |
| Net Assets of Business-type Activities | | | \$ 34,846,651 | |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | (583,062) | |
| Net Assets of Business-type Activities per Government-Wide Financial Statements | | | <u>\$ 34,263,589</u> | |

See accompanying Notes to Basic Financial Statements.

County of Santa Cruz
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2008

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|---|---|---------------------------------|--------------------|---|
| | County Disposal Sites CSA 9C | Nonmajor Enterprise Funds | Total | Activities Internal Service Funds |
| OPERATING REVENUES: | | | | |
| Charges for services | \$ 10,460,255 | \$ 2,776,227 | \$ 13,236,482 | \$ 65,045,064 |
| Other | 1,429,367 | 392 | 1,429,759 | 316,637 |
| Total operating revenues | 11,889,622 | 2,776,619 | 14,666,241 | 65,361,701 |
| OPERATING EXPENSES: | | | | |
| Salaries and employee benefits | - | - | - | 34,645,604 |
| Services and supplies | 14,268,772 | 2,672,593 | 16,941,365 | 14,095,327 |
| Insurance and compensation claims | - | - | - | 10,680,360 |
| Depreciation | 1,690,534 | 295,584 | 1,986,118 | 2,776,372 |
| Total operating expenses | 15,959,306 | 2,968,177 | 18,927,483 | 62,197,663 |
| OPERATING INCOME / (LOSS) | (4,069,684) | (191,558) | (4,261,242) | 3,164,038 |
| NONOPERATING REVENUES / (EXPENSES): | | | | |
| Aid from other governments | 123,419 | (157) | 123,262 | (217) |
| Gain / (loss) on disposal of capital assets | (2,620) | - | (2,620) | (44,607) |
| Amortization of bond issuance costs | (5,309) | - | (5,309) | (12,170) |
| Amortization of bond discount | (3,122) | - | (3,122) | (6,031) |
| Use of money and property | 494,493 | 261,424 | 755,917 | 775,498 |
| Interest expense | (117,840) | (12,704) | (130,544) | (9,142) |
| Property taxes | - | 23,112 | 23,112 | - |
| Special assessments | - | 19,762 | 19,762 | - |
| Other | - | 11,156 | 11,156 | - |
| Total nonoperating revenues | 489,021 | 302,593 | 791,614 | 703,331 |
| INCOME / (LOSS) BEFORE OPERATING TRANSFERS | (3,580,663) | 111,035 | (3,469,628) | 3,867,369 |
| OPERATING TRANSFERS: | | | | |
| Capital contributions | - | 25,000 | 25,000 | - |
| Transfers in | - | - | - | 121,250 |
| Total operating transfers | - | 25,000 | 25,000 | 121,250 |
| Net income / (loss) | (3,580,663) | 136,035 | (3,444,628) | 3,988,619 |
| NET ASSETS: | | | | |
| Beginning of year, | 26,623,117 | 11,668,162 | 38,291,279 | (11,276,891) |
| End of year | \$ 23,042,454 | \$ 11,804,197 | \$ 34,846,651 | \$ (7,288,272) |
| Net Loss of Business-type Activities | | | \$ (3,444,628) | |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | 1,564,347 | |
| Net Loss of Business-type Activities per Government-Wide Financial Statements | | | \$ (1,880,281) | |

See accompanying Notes to Basic Financial Statements.

County of Santa Cruz
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2008

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|---|---|---------------------|----------------------|---------------------------|
| | County | Nonmajor | Total | Activities |
| | Disposal Sites CSA 9C | Enterprise Funds | | Internal Service Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Receipts from customers and users | \$ 11,889,622 | \$ 2,780,572 | \$ 14,670,194 | \$ 31,576,824 |
| Receipts from interfund services provided | - | - | - | 33,005,294 |
| Payments to suppliers for goods and services | (6,815,569) | (2,139,517) | (8,955,086) | (19,153,073) |
| Payments to employees for services | - | - | - | (34,576,821) |
| Payments to interfund services used | (7,453,203) | (833,531) | (8,286,734) | - |
| Payments for judgments and claims | - | - | - | - |
| Other receipts | - | - | - | (4,647,710) |
| Net cash provided / (used) by operating activities | (2,379,150) | (192,476) | (2,571,626) | 6,204,514 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Transfers from other funds | 93,000 | - | 93,000 | 1,228,232 |
| Transfers to other funds | (93,000) | - | (93,000) | (1,116,063) |
| Loan proceeds | - | - | - | 638,243 |
| Loan repayments | - | - | - | (614,237) |
| Property taxes | - | 42,873 | 42,873 | - |
| Subsidies from other governmental agencies | 123,419 | 196 | 123,615 | - |
| Net cash provided / (used) by noncapital financing activities | 123,419 | 43,069 | 166,488 | 136,175 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Capital contributions | - | 25,000 | 25,000 | - |
| Proceeds from sale of capital assets | 145,000 | - | 145,000 | 10,599 |
| Purchase of capital assets | (2,754,365) | (416,050) | (3,170,415) | (2,177,314) |
| Principal paid on long-term debt | (754,896) | (44,299) | (799,195) | (340,515) |
| Interest paid on long-term debt | (180,548) | (13,374) | (193,922) | (9,853) |
| Long-term debt proceeds | 268,392 | - | 268,392 | - |
| Loan proceeds | - | - | - | 477,820 |
| Loan repayments | - | 11,246 | 11,246 | (492,745) |
| Net cash provided / (used) by capital and related financing activities | (3,276,417) | (437,477) | (3,713,894) | (2,532,008) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Investment earnings received | 494,492 | 261,424 | 755,916 | 775,498 |
| Net cash provided / (used) by investing activities | 494,492 | 261,424 | 755,916 | 775,498 |
| Net increase / (decrease) in cash and cash equivalents | (5,037,656) | (325,460) | (5,363,116) | 4,584,179 |
| CASH AND CASH EQUIVALENTS: | | | | |
| Beginning of year | 13,561,974 | 6,116,520 | 19,678,494 | 16,079,345 |
| End of year | <u>\$ 8,524,318</u> | <u>\$ 5,791,060</u> | <u>\$ 14,315,378</u> | <u>\$ 20,663,524</u> |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES: | | | | |
| Borrowing under capital lease | <u>\$ 519,173</u> | <u>\$ -</u> | <u>\$ 519,173</u> | <u>\$ -</u> |

See accompanying Notes to Basic Financial Statements.

(Continued)

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

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|---|---|---------------------|-----------------------|---------------------|
| | County | Nonmajor | Total | Activities |
| | Disposal | Enterprise | | Internal |
| | Sites CSA 9C | Funds | | Service Funds |
| RECONCILIATION OF OPERATING INCOME / (LOSS) | | | | |
| TO NET CASH PROVIDED/ (USED) BY OPERATING ACTIVITIES: | | | | |
| Operating income / (loss) | \$ (4,069,684) | \$ (191,558) | \$ (4,261,242) | \$ 3,164,038 |
| Adjustments to reconcile operating income / (loss) to net cash provided / (used) by operating activities: | | | | |
| Depreciation | 1,690,534 | 295,584 | 1,986,118 | 2,776,372 |
| Changes in assets and liabilities: | | | | |
| (Increase) / decrease in: | | | | |
| Receivables | 178,245 | 4,345 | 182,590 | (28,937) |
| Inventory | - | - | - | 59,017 |
| Prepaid items | - | - | - | (51,425) |
| Increase / (decrease) in: | | | | |
| Payables | (58,900) | (300,847) | (359,747) | 388,630 |
| Closure and postclosure care costs liability | (119,345) | - | (119,345) | - |
| Compensated absences | - | - | - | (103,181) |
| Net cash provided / (used) by operating activities | \$ (2,379,150) | \$ (192,476) | \$ (2,571,626) | \$ 6,204,514 |

(Concluded)

FIDUCIARY FUND FINANCIAL STATEMENTS

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

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

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



County of Santa Cruz
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

| | Agency Funds | Investment Trust Fund |
|---|----------------------|-----------------------------|
| ASSETS | | |
| Cash and investments | \$ 52,810,749 | \$ 321,631,768 |
| Receivables | 23,536,536 | - |
| Total assets | \$ 76,347,285 | 321,631,768 |
| LIABILITIES | | |
| Accounts payable | \$ 3,917,934 | - |
| Due to other governmental units | 26,487,139 | - |
| Agency funds held for others | 45,942,212 | - |
| Total liabilities | \$ 76,347,285 | - |
| NET ASSETS | | |
| Net assets held in trust for investment pool participants | | \$ 321,631,768 |

County of Santa Cruz
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2008

| | Investment Trust Fund |
|------------------------------------|------------------------------|
| ADDITIONS: | |
| Contribution from investment pool | \$ 1,440,620,180 |
| Use of money and property | 11,215,453 |
| Total additions | <u>1,451,835,633</u> |
| DEDUCTIONS: | |
| Distributions from investment pool | 1,462,663,390 |
| Total deductions | <u>1,462,663,390</u> |
| Change in net assets | (10,827,757) |
| NET ASSETS: | |
| Beginning of year | <u>332,459,525</u> |
| End of year | <u><u>\$ 321,631,768</u></u> |

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS



County of Santa Cruz
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For the year ended June 30, 2008

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County of Santa Cruz
Notes to Basic Financial Statements
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

Blended Component Units

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

Blended Component Units, Continued

Santa Cruz Flood Control and Water Conservation District – Zone 7

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

Santa Cruz County Redevelopment Agency

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

Santa Cruz County Public Financing Authority

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

Discretely Presented Component Unit

Santa Cruz County Sanitation District

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

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
- Fire Protection
- Off Highway, Road and Transportation
- Public Financing Authority
- Fish and Game
- Private Revitalization of Downtown
- Redevelopment Agency
- Park Dedication and State Park Bonds
- 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
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

Public Ways and Facilities

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

Geologic Hazard Abatement Districts (GHAD)

- Corralitos GHAD
- Mid-County GHAD
- Heartwood GHAD

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

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements

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

These basic financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the County's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

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

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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

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

Governmental Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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

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

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

Proprietary Fund Financial Statements

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

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

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

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

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Additionally, the County reports the following fund types:

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

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

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

C. Cash, Cash Equivalents and Investments

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

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

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

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

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., current portion of interfund loans) or "advances from/to other funds" (i.e., noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Governmental-Wide Financial Statements as "internal balances."

E. Inventories and Prepaid Items

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

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

F. Capital Assets

Government-Wide Financial Statements

Capital assets, which include land, construction-in-progress, buildings and improvements, improvements other than buildings, machinery and equipment, autos and trucks, equipment under capitalized lease, and infrastructure assets (e.g., roads, bridges, traffic signals, and similar items), are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements. County policy has set the capitalization threshold for reporting capital assets at \$1,500 (for equipment and vehicles) and \$25,000 (for infrastructure, buildings and structures). Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated assets are valued at their estimated fair market value on the date donated.

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

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

In June 1999, GASB issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. For infrastructure systems, the County elected to use the "Basic Approach" as defined by GASB Statement No. 34 for infrastructure reporting. GASB Statement No. 34 requires the County to report and depreciate new infrastructure assets effective with the beginning of the 2001-2002 fiscal year. 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 year ending 2005.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets, Continued

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

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

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

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

Fund Financial Statements

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

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

G. Land Held for Resale

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

H. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other financed obligations are reported as liabilities in the proprietary fund financial statements and government-wide financial statements.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Long-Term Debt, Continued

Fund Financial Statements

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

I. Compensated Absences

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Claims Payable

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

K. Unearned and Deferred Revenue

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

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Net Assets and Fund Balances

Government-Wide Financial Statements - In the government-wide financial statements, net assets are classified in the following:

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

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

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

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

As of June 30, 2008, the reservations of fund balance are described below:

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

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

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Use of Restricted and Unrestricted Net Assets

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

N. Property Tax Levy, Collection and Maximum Rates

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

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

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

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

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

O. Use of Estimates

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

P. New Pronouncements

In 2008, the County adopted new accounting standards in order to conform to the following GASB Statements:

- GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans (OPEB)* – this Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.
- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* – this Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues.
- GASB Statement No. 50, *Pension Disclosures – An Amendment of GASB Statements No. 25 and 27* – this Statement more closely aligns the financial reporting requirements for pensions with those for other post-employment benefits (OPEB), and in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

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, 2008, is distributed July 1, 2008, and is shown as part of receivables on the financial statements.

The following is a summary of cash and investments at June 30, 2008:

| Government-Wide Statement of Net Assets | | | | | | | |
|---|-----------------------|----------------------|-----------------------|----------------------|----------------------|-----------------------|-----------------------|
| Governmental | Business-Type | | Sanitation | Agency | Investment | County | |
| Activities | Activities | Total | District | Funds | Trust | Total | |
| | | | Total | Total | Total | Total | |
| Cash and Investments | \$ 226,539,291 | \$ 9,144,659 | \$ 235,683,950 | \$ 30,225,481 | \$ 52,810,749 | \$ 321,631,768 | \$ 640,351,948 |
| Restricted Cash and Investments | 53,381,120 | 5,170,719 | 58,551,839 | 1,466,795 | - | - | 60,018,634 |
| Total Cash and Investments | \$ 279,920,411 | \$ 14,315,378 | \$ 294,235,789 | \$ 31,692,276 | \$ 52,810,749 | \$ 321,631,768 | \$ 700,370,582 |

| | Cash and Investments | Restricted Cash | Total |
|---|-------------------------|----------------------|-----------------------|
| Primary Government and Fiduciary Funds: | | | |
| Cash on hand or imprest cash | \$ 3,677 | \$ - | \$ 3,677 |
| Deposits in treasury pool | 22,747,335 | - | 22,747,335 |
| Investments in treasury pool | 592,517,069 | - | 592,517,069 |
| Deposits in other banks | - | 29,103 | 29,103 |
| Investments in other pools | - | 53,381,122 | 53,381,122 |
| Restricted cash in treasury pool: | | | |
| Davenport Sanitation District | (34,990) | 34,990 | - |
| Disposal Sites | (5,099,398) | 5,099,398 | - |
| Sand Dollar Beach | (7,226) | 7,226 | - |
| Total | 610,126,467 | 58,551,839 | 668,678,306 |
| Component Unit: | | | |
| Restricted cash in treasury pool | (496,798) | 496,798 | - |
| Investments in treasury pool | 30,722,279 | - | 30,722,279 |
| Investments in other banks | - | 969,997 | 969,997 |
| Total | 30,225,481 | 1,466,795 | 31,692,276 |
| Total cash and investments | \$ 640,351,948 | \$ 60,018,634 | \$ 700,370,582 |

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

2. CASH AND INVESTMENTS, Continued

It is the policy of the County to offset outstanding warrants through an agency fund, the result of which increased the agency fund's aggregate cash balance by \$24,397,699 at June 30, 2008.

At June 30, 2008, the County's cash on hand, deposits, and investments consisted of:

| | Treasury Pool | Other Banks/ Investment Pools | Total |
|---|-----------------------|-------------------------------------|-----------------------|
| Primary Government and Fiduciary Funds: | | | |
| Cash on hand or imprest cash | \$ 3,677 | \$ - | \$ 3,677 |
| Deposits | 22,747,335 | 29,103 | 22,776,438 |
| Investments | 592,517,069 | 53,381,122 | 645,898,191 |
| Total Primary Government | 615,268,081 | 53,410,225 | 668,678,306 |
| Component Unit: | | | |
| Investments | 30,722,279 | 969,997 | 31,692,276 |
| Total Component Unit | 30,722,279 | 969,997 | 31,692,276 |
| Total reporting entity | \$ 645,990,360 | \$ 54,380,222 | \$ 700,370,582 |

The carrying amounts of the County's cash deposits were \$22,776,438 at June 30, 2008. Bank balances at June 30, 2008, were \$14,799,705 which were fully insured or collateralized with securities held by the pledging financial institutions in the County's name as discussed below.

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

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

2. CASH AND INVESTMENTS, Continued

A. Investments

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's investment policy, where more restrictive. The table also identifies certain provisions of the County's investment policy that address interest rate risk, credit risk, and concentration risk.

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

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

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

2. CASH AND INVESTMENTS, Continued

A. Investments, Continued

At June 30, 2008, the County had the following investments:

| | Interest Rates | Maturities | Par | Cost | Fair Value |
|--|-------------------|--------------------|-----------------------|-----------------------|-----------------------|
| Investments in investment pool: | | | | | |
| U.S. government agencies | 2.13%-5.18% | 07/23/08-03/10/11 | \$ 294,000,000 | \$ 294,599,136 | \$ 294,637,398 |
| Negotiable certificates of deposit | 2.52% -2.8% | 07/07/08-09/02/08 | 145,000,000 | 145,000,442 | 145,000,442 |
| Medium-term notes | 2.99%-5.5% | 02/27/09- 01/12/11 | 90,000,000 | 90,029,345 | 89,845,950 |
| Commercial paper | 2.24% | 7/29/2008 | 10,000,000 | 9,980,425 | 9,980,425 |
| Medium-Term Note - Teeter note | 2% -5.435% | 07/31/08-08/15/10 | 20,630,000 | 20,630,000 | 20,630,000 |
| Money market mutual funds | 2.64% | On demand | 23,000,000 | 23,000,000 | 23,085,300 |
| Local Agency Investment Fund (LAIF) | | On demand | 40,000,000 | 40,000,000 | 40,000,000 |
| Demand deposits and cash | | On demand | 22,751,012 | 22,751,012 | 22,751,012 |
| Total investments in investment pool | | | \$ 645,381,012 | \$ 645,990,360 | \$ 645,930,527 |
| Investments outside investment pool: | | | | | |
| <i>Bank of New York:</i> | | | | | |
| Money market mutual funds | Various | On demand | \$ 142,732 | \$ 142,732 | \$ 142,732 |
| Investment agreements | 6.24% | 09/01/22 | 1,351,250 | 1,351,250 | 1,351,250 |
| Repurchase agreements | 5.48% | 09/01/30 | 2,612,276 | 2,612,276 | 2,612,276 |
| Investment agreements | Various | Various | 45,453,383 | 45,453,383 | 45,453,383 |
| Certificates of deposit | 2.28% | 03/11/09 | 29,103 | 29,103 | 29,103 |
| Total | | | 49,588,744 | 49,588,744 | 49,588,744 |
| <i>Public Finance Authority:</i> | | | | | |
| <i>Bank of New York:</i> | | | | | |
| Money market mutual funds | Various | On demand | 2,796,623 | 2,796,623 | 2,796,623 |
| Investment agreements | Various | Various | 1,230,605 | 1,230,605 | 1,230,605 |
| Total | | | 4,027,228 | 4,027,228 | 4,027,228 |
| U.S. Treasury money market mutual funds | 1.45% | On demand | 764,250 | 764,250 | 764,250 |
| Total investments outside investment pool | | | \$ 54,380,222 | \$ 54,380,222 | \$ 54,380,222 |

B. Interest Rate Risk

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

2. CASH AND INVESTMENTS, Continued

B. Interest Rate Risk, Continued

At June 30, 2008, the County had the following investment maturities:

| Investment Type | Cost | Investment Maturities (In Years) | | | |
|-------------------------------------|-----------------------|----------------------------------|-----------------------|-----------------------|----------------------|
| | | Less than 1 | 1 to 2 | 2 to 3 | 3 to 4 |
| Demand deposits and cash | \$ 22,751,012 | \$ 22,751,012 | \$ - | \$ - | \$ - |
| Investment Pool | 539,609,348 | 239,813,497 | 161,631,103 | 118,023,320 | 20,141,429 |
| Medium-Term Note - Teeter note | 20,630,000 | - | 20,630,000 | - | - |
| Money market mutual funds | 26,703,605 | 26,703,605 | - | - | - |
| Local Agency Investment Fund (LAIF) | 40,000,000 | 40,000,000 | - | - | - |
| Investment Agreements | 48,035,238 | - | - | 48,035,238 | - |
| Repurchase Agreements | 2,612,276 | 2,612,276 | - | - | - |
| Certificates of Deposit | 29,103 | 29,103 | - | - | - |
| Total | \$ 700,370,582 | \$ 331,909,493 | \$ 182,261,103 | \$ 166,058,558 | \$ 20,141,429 |

C. Concentration of Credit Risk

At June 30, 2008, in accordance with State law and the County's Investment Policy, the County did not have 5% or more of its net investment in commercial paper, corporate bonds or medium term notes of a single organization, nor did it have 10% or more of its net investment in any one money market mutual fund. Investments in obligations of the U.S. government, U.S. government agencies, or government-sponsored enterprises are exempt from these limitations.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County Investment Pool's fair value at June 30, 2008.

| | S & P | Moody's | % of Portfolio |
|--|---------|---------|----------------|
| Investments in investment pool: | | | |
| U.S. Government agencies | AAA | Aaa | 47.27% |
| Negotiable certificates of deposit | AA | Aa-Aaa | 23.27% |
| Medium-term notes | AA-AAA | Aa-Aaa | 14.45% |
| Commercial paper | P1 | A1+ | 1.60% |
| Teeter note/other | Unrated | Unrated | 3.31% |
| Money market mutual funds | Unrated | Unrated | 3.69% |
| Local Agency Investment Fund (LAIF) | Unrated | Unrated | 6.42% |
| Total investments in investment pool | | | 100.00% |
| Investments outside investment pool: | | | |
| Money market mutual funds | Unrated | Unrated | 7.00% |
| Investment agreements | AA | Aa1 | 88.00% |
| Repurchase agreements | AA | Aa1 | 5.00% |
| Total investments outside investment pool | | | 100.00% |

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

2. CASH AND INVESTMENTS, Continued

D. Custodial Credit Risk

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

E. Local Agency Investment Fund

The County is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The County's investments with LAIF at June 30, 2008, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

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

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

As of June 30, 2008, the County had \$40,000,000 invested in LAIF, which had invested 14.72% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 3.466% in the previous year. LAIF provided a fair value factor of 0.999950219 to calculate the fair value of the investments in LAIF. However, an adjustment was not made to reflect the fair market value of LAIF, as the fair market value adjustment was considered immaterial.

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

F. County Investment Pool Summary

The following represents a summary of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2008:

| | |
|--|-----------------------|
| Statement of Net Assets: | |
| Net assets held for pool participants | \$ 645,990,360 |
| Equity of internal pool participants | 324,358,592 |
| Equity of external pool participants | 321,631,768 |
| Total net assets | \$ 645,990,360 |
| Statement of Changes in Net Assets: | |
| Net assets held for pool participants at July 1, 2007 | \$ 646,247,308 |
| Net change in balance by pool participants | (256,948) |
| Net assets held for pool participants at June 30, 2008 | \$ 645,990,360 |

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

3. RESTRICTED CASH AND INVESTMENTS

Cash and investments at June 30, 2008 that are restricted by legal or contractual requirements are comprised of the following:

| | | |
|--|----|--------------------------|
| <u>Governmental Activities</u> | | |
| General Fund: | | |
| Used for Government Center energy project | \$ | 764,250 |
| Redevelopment Agency: | | |
| Used for capital projects and low/moderate income housing project expenditures | | 44,486,419 |
| Non-major Governmental Funds: | | |
| Used for debt service | | 8,130,451 |
| Subtotal | | <u>53,381,120</u> |
| <u>Business-Type Activities</u> | | |
| County Disposal Site CSA 9C: | | |
| Used for landfill deposits | | 5,099,398 |
| Non-major Enterprise Funds: | | |
| Used for debt service and bond reserves | | 71,321 |
| Subtotal | | <u>5,170,719</u> |
| <u>Component Unit</u> | | |
| Santa Cruz County Sanitation District: | | |
| Used for debt service | | 1,466,795 |
| Total restricted cash and investments | \$ | <u><u>60,018,634</u></u> |

4. RECEIVABLES

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

| | General | Redevelopment | Non-major | Internal | Total |
|------------------------------------|----------------------|-------------------|---------------------|-------------------|----------------------|
| | Fund | Agency | Funds | Service | Governmental |
| | | | | Funds | Activities |
| Governmental Activities: | | | | | |
| Accounts | \$ 31,675,188 | \$ 174,940 | \$ 4,188,010 | \$ 157,285 | \$ 36,195,423 |
| Taxes | 1,483,302 | - | - | - | 1,483,302 |
| Gross receivables | 33,158,490 | 174,940 | 4,188,010 | 157,285 | 37,678,725 |
| Less: allowance for uncollectibles | (6,902,687) | - | - | - | (6,902,687) |
| Total receivables | <u>\$ 26,255,803</u> | <u>\$ 174,940</u> | <u>\$ 4,188,010</u> | <u>\$ 157,285</u> | <u>\$ 30,776,038</u> |

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

4. RECEIVABLES, Continued

| | County Disposal Sites CSA | Non-major Funds | Total Business-Type Activities |
|---------------------------|---------------------------------|--------------------|--------------------------------------|
| Business-Type Activities: | | | |
| Accounts receivable | \$ 469,565 | \$ 182,641 | \$ 652,206 |

5. INTERFUND TRANSACTIONS

A. Government-Wide Financial Statements

Long-Term Internal Balances

At June 30, 2008, the County had the following long-term internal balances:

| Internal Balances Payable | |
|------------------------------|--------------------------|
| Governmental Activities | |
| Internal Balances Receivable | Business-Type Activities |
| | \$ 2,493,062 |

This balance consisted of a long-term advance between the Public Financing Authority Fund and the County Disposal Site CSA 9 C Fund of \$1,910,000 and an adjustment to reflect the consolidation of internal service fund activities related to enterprise funds of \$583,062.

B. Fund Financial Statements

Due to/from

The County had the following due to/from other funds as of June 30, 2008:

| Due to Other Funds | Due from Other Funds | | | | | |
|------------------------------|---------------------------|---------------------------------|------------------------------------|------------------------------|---------------------|------------|
| | General Fund | Redevelopment Agency Fund | Non-Major Governmental Funds | Internal Service Funds | Total | |
| | General Fund | \$ 373,231 | \$ - | \$ - | \$ - | \$ 373,231 |
| | Redevelopment Agency Fund | - | 64,658 | - | - | 64,658 |
| Non-major Governmental Funds | - | - | 653,566 | - | 653,566 | |
| Internal Service Funds | - | - | - | 1,116,064 | 1,116,064 | |
| Total | \$ 373,231 | \$ 64,658 | \$ 653,566 | \$ 1,116,064 | \$ 2,207,519 | |

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Long-Term Advances

The County had the following long-term advances as of June 30, 2008:

| Advances from Other Funds | | Advances to Other Funds |
|---------------------------|---------------------------------|---------------------------------|
| | | Public Financing Authority Fund |
| | County Disposal Site CSA 9 Fund | \$ 1,910,000 |

This balance consists of a long-term advance between the Public Financing Authority Fund and the County Disposal Site CSA 9 C Fund of \$1,910,000.

Transfers In/Out

The County had the following transfers for the year ending June 30, 2008:

| Transfers Out | Transfers In | | | | |
|------------------------------|---------------------|---------------------|----------------------|------------------------|----------------------|
| | General Fund | Redevelopment Fund | Non-Major | | Total |
| | | | Governmental Funds | Internal Service Funds | |
| General Fund | \$ - | \$ - | \$ 8,549,775 | \$ 121,250 | \$ 8,671,025 |
| Redevelopment Fund | - | 3,885,823 | 11,208,790 | - | 15,094,613 |
| Non-Major Governmental Funds | 1,474,039 | - | 6,802,928 | - | 8,276,967 |
| Total | \$ 1,474,039 | \$ 3,885,823 | \$ 26,561,493 | \$ 121,250 | \$ 32,042,605 |

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

6. CAPITAL ASSETS

A. Government-Wide Financial Statements

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

| | Balance July 1, 2007 | Additions | Retirements | Transfers & Adjustments | Balance June 30, 2008 |
|--|-------------------------|----------------------|-----------------------|----------------------------|--------------------------|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 55,497,498 | \$ 802,660 | \$ (1,103,614) | \$ - | \$ 55,196,544 |
| Construction-in-progress | 9,581,955 | 648,985 | - | (9,343,005) | 887,935 |
| Total capital assets, not being depreciated | 65,079,453 | 1,451,645 | (1,103,614) | (9,343,005) | 56,084,479 |
| Capital assets, being depreciated: | | | | | |
| Infrastructure | 484,127,980 | 13,132,853 | - | - | 497,260,833 |
| Buildings | 108,596,314 | 15,818,146 | (1,045,382) | 5,751,173 | 129,120,251 |
| Machinery and equipment | 44,719,653 | 3,637,112 | (3,483,478) | (15,290) | 44,857,997 |
| Total capital assets, being depreciated | 637,443,947 | 32,588,111 | (4,528,860) | 5,735,883 | 671,239,081 |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | (160,253,478) | (11,088,848) | - | - | (171,342,326) |
| Buildings | (49,227,093) | (4,295,713) | 53,631 | - | (53,469,175) |
| Machinery and equipment | (37,471,831) | (3,795,218) | 3,344,541 | 15,290 | (37,907,218) |
| Total accumulated depreciation | (246,952,402) | (19,179,779) | 3,398,172 | 15,290 | (262,718,719) |
| Total capital assets, being depreciated, net | 390,491,545 | 13,408,332 | (1,130,688) | 5,751,173 | 408,520,362 |
| Governmental activities capital assets, net | \$ 455,570,998 | \$ 14,859,977 | \$ (2,234,302) | \$ (3,591,832) | \$ 464,604,841 |

Depreciation expense was charged to governmental functions as follows:

| | Total |
|---|----------------------|
| <u>Governmental Activities:</u> | |
| General government | \$ 2,633,220 |
| Public protection | 1,482,302 |
| Public ways and facilities | 10,960,671 |
| Health and sanitation | 672,107 |
| Public assistance | 200,694 |
| Education | 219,685 |
| Recreation and culture | 234,728 |
| Subtotal | 16,403,407 |
| Capital assets held by the County's internal services funds are charged to the various functions based on their usage of the assets | 2,776,372 |
| Total | \$ 19,179,779 |

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

| | Balance July 1, 2007 | Additions | Retirements | Adjustments/ Transfers | Balance June 30, 2008 |
|---|-------------------------|---------------------|---------------------|---------------------------|--------------------------|
| Business-Type activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 1,858,849 | \$ - | \$ - | \$ - | \$ 1,858,849 |
| Construction-in-progress | 4,340,689 | 193,200 | - | (131,400) | 4,402,489 |
| Total capital assets, not being depreciated | <u>6,199,538</u> | <u>193,200</u> | <u>-</u> | <u>(131,400)</u> | <u>6,261,338</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings | 30,341,614 | 2,705,912 | - | 131,400 | 33,178,926 |
| Machinery and equipment | 10,031,347 | 921,140 | (516,669) | (45,514) | 10,390,304 |
| Total capital assets, being depreciated | <u>40,372,961</u> | <u>3,627,052</u> | <u>(516,669)</u> | <u>85,886</u> | <u>43,569,230</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (12,892,444) | (1,173,631) | - | - | (14,066,075) |
| Machinery and equipment | (7,033,234) | (812,487) | 369,049 | 45,514 | (7,431,158) |
| Total accumulated depreciation | <u>(19,925,678)</u> | <u>(1,986,118)</u> | <u>369,049</u> | <u>45,514</u> | <u>(21,497,233)</u> |
| Total capital assets, being depreciated, net | <u>20,447,283</u> | <u>1,640,934</u> | <u>(147,620)</u> | <u>131,400</u> | <u>22,071,997</u> |
| Business-Type activities capital assets, net | <u>\$ 26,646,821</u> | <u>\$ 1,834,134</u> | <u>\$ (147,620)</u> | <u>\$ -</u> | <u>\$ 28,333,335</u> |

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

| | Total |
|------------------------------------|---------------------|
| <u>Business-Type Activities:</u> | |
| County Disposal Sites CSA 9C | \$ 1,690,534 |
| Boulder Creek CSA 7 | 57,151 |
| Rolling Woods CSA 10 | 7,969 |
| Freedom County Sanitation District | 125,752 |
| Davenport Sanitation District | 81,906 |
| Place de Mer CSA 2 | 5,542 |
| Sand Dollar Beach CSA 5 | 12,267 |
| Trestle Beach CSA 20 | 1,357 |
| Summit West CSA 54 | 3,640 |
| Total | <u>\$ 1,986,118</u> |

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

6. CAPITAL ASSETS, Continued

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

| | Balance July 1, 2007 | Additions | Retirements | Adjustments/ Transfers | Balance June 30, 2008 |
|---|-------------------------|---------------------|-------------------|---------------------------|--------------------------|
| Capital assets, not being depreciated: | | | | | |
| Construction-in-progress | \$ 6,090,050 | \$ 4,922,899 | \$ - | \$ (1,899,283) | \$ 9,113,666 |
| Total capital assets, not being depreciated | 6,090,050 | 4,922,899 | - | (1,899,283) | 9,113,666 |
| Capital assets, being depreciated: | | | | | |
| Pumping stations | 34,610,256 | 85,453 | - | 1,289,837 | 35,985,546 |
| Transmission systems | 62,256,942 | 2,700,143 | - | 409,987 | 65,367,072 |
| Sewage treatment plants | 33,225,001 | 406,510 | - | 199,459 | 33,830,970 |
| Mobile equipment | 2,795,986 | 364,054 | (134,393) | - | 3,025,647 |
| Other equipment | 2,141,436 | 135,532 | - | - | 2,276,968 |
| Total capital assets, being depreciated | 135,029,621 | 3,691,692 | (134,393) | 1,899,283 | 140,486,203 |
| Less accumulated depreciation for: | | | | | |
| Pumping stations | (15,142,651) | (753,101) | - | - | (15,895,752) |
| Transmission systems | (24,344,541) | (1,089,176) | - | - | (25,433,717) |
| Sewage treatment plants | (6,775,651) | (827,547) | - | - | (7,603,198) |
| Mobile equipment | (1,672,816) | (256,307) | 132,597 | - | (1,796,526) |
| Other equipment | (1,594,347) | (161,823) | - | - | (1,756,170) |
| Total accumulated depreciation | (49,530,006) | (3,087,954) | 132,597 | - | (52,485,363) |
| Total capital assets, being depreciated, net | 85,499,616 | 603,738 | (1,796) | 1,899,283 | 88,000,840 |
| Total capital assets, net | \$ 91,589,666 | \$ 5,526,637 | \$ (1,796) | \$ - | \$ 97,114,506 |

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

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

Tax and revenue anticipation notes payable debt activity for the year ended June 30, 2008 was as follows:

| Fiscal Year | Interest Rate | Beginning Balance | Additions | Deletions | Accrued Interest | Ending Balance |
|----------------|------------------|----------------------|------------|-----------------|---------------------|-------------------|
| 2007 | 4.5% | \$ 45,452,063 | \$ - | \$ (45,452,063) | \$ - | \$ - |
| 2008 | 4.5% | - | 48,000,000 | - | 2,154,000 | 50,154,000 |

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

8. CAPITAL LEASES

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

| | Stated Interest Rate | Present Value of Remaining Payments as of June 30, 2008 |
|--|----------------------------|--|
| <u>Governmental Activities:</u> | | |
| Health Services Agency-Analyzer | 4.80% | \$ 61,332 |
| Energy efficient infrastructure | 4.42% | 5,989,594 |
| Total capital lease obligations | | \$ 6,050,926 |
| <u>Business-Type Activities:</u> | | |
| D9T Bulldozer | 4.32% | \$ 256,432 |
| Landfill Compactor | 4.50% | 348,090 |
| Total capital lease obligations | | \$ 604,522 |

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

| | Governmental Activities | Business-Type Activities |
|---|----------------------------|-----------------------------|
| Equipment, computers, furniture, and vehicles | \$ 93,636 | \$ 1,547,501 |
| Structures and Improvements | 5,381,495 | - |
| Total assets under capital lease | 5,475,131 | 1,547,501 |
| Less: accumulated depreciation | 184,065 | 345,582 |
| Net value | \$ 5,291,066 | \$ 1,201,919 |

As of June 30, 2008, capital lease annual amortization is as follows:

| Year Ending June 30, | Governmental Activities | Business-Type Activities |
|-------------------------------------|----------------------------|-----------------------------|
| 2009 | \$ 504,584 | \$ 453,389 |
| 2010 | 504,584 | 185,879 |
| 2011 | 471,693 | - |
| 2012 | 471,693 | - |
| 2013 | 471,693 | - |
| 2014-2018 | 2,358,467 | - |
| 2019-2023 | 2,358,467 | - |
| 2024-2027 | 1,886,776 | - |
| Total Requirements | 9,027,957 | 639,268 |
| Less: Interest | 2,977,031 | 34,746 |
| Present Value of Remaining Payments | \$ 6,050,926 | \$ 604,522 |

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

9. LONG-TERM DEBT

The following is a summary of long-term liabilities transactions for the year ended June 30, 2008:

| | Balance July 1, 2007 | Debt Issued | Debt Retired | Balance June 30, 2008 | Due in one year | Due in more than one year |
|--|-------------------------|----------------------|------------------------|--------------------------|----------------------|------------------------------|
| Governmental Activity Debt: | | | | | | |
| PFA-1996 Refunding Certificates of Participation | \$ 20,415,000 | \$ - | \$ (590,000) | \$ 19,825,000 | \$ 620,000 | \$ 19,205,000 |
| PFA-2002 Refunding Certificates of Participation | 3,025,000 | - | (730,000) | 2,295,000 | 50,000 | 2,245,000 |
| 2002 Unamortized bond premium | 109,398 | - | (4,208) | 105,190 | 4,208 | 100,982 |
| Subtotal | 3,134,398 | - | (734,208) | 2,400,190 | 54,208 | 2,345,982 |
| PFA-2005 Refunding Certificates of Participation | 9,430,000 | - | (515,000) | 8,915,000 | 525,000 | 8,390,000 |
| 2005 Unamortized bond discount | (58,283) | - | 4,483 | (53,800) | (4,483) | (49,317) |
| Subtotal | 9,371,717 | - | (510,517) | 8,861,200 | 520,517 | 8,340,683 |
| PFA-2001B Lease Revenue Bonds | 8,375,000 | - | (535,000) | 7,840,000 | 550,000 | 7,290,000 |
| PFA-2002A Lease Revenue Refunding Bonds | 1,860,799 | - | (118,824) | 1,741,975 | 121,202 | 1,620,773 |
| 2002A Unamortized bond premium | 57,170 | - | (2,199) | 54,971 | 2,199 | 52,772 |
| Subtotal | 1,917,969 | - | (121,023) | 1,796,946 | 123,401 | 1,673,545 |
| PFA-1995B Revenue Bonds | 2,100,000 | - | (300,000) | 1,800,000 | 320,000 | 1,480,000 |
| PFA-1999 Local Agency Revenue Bonds | 445,000 | - | (85,000) | 360,000 | 40,000 | 320,000 |
| PFA-2004 Certificates of Participation | 21,030,000 | - | (890,000) | 20,140,000 | 920,000 | 19,220,000 |
| 2004 Unamortized bond premium | 23,271 | - | (1,369) | 21,902 | 1,369 | 20,533 |
| Subtotal | 21,053,271 | - | (891,369) | 20,161,902 | 921,369 | 19,240,533 |
| 2006 Certificates of Participation | 9,000,000 | - | (285,000) | 8,715,000 | 310,000 | 8,405,000 |
| 2006 Unamortized bond discount | (56,826) | - | 1,894 | (54,932) | (1,894) | (53,038) |
| Subtotal | 8,943,174 | - | (283,106) | 8,660,068 | 308,106 | 8,351,962 |
| CA Health Facility | 897,805 | - | (186,964) | 710,841 | 201,085 | 509,756 |
| CA Transportation Finance Bank | - | 600,000 | - | 600,000 | - | 600,000 |
| Redevelopment Agency Bonds | 171,900,000 | 7,370,000 | (11,170,000) | 168,100,000 | 3,390,000 | 164,710,000 |
| Unamortized bond discount | (208,879) | - | 11,224 | (197,655) | (11,224) | (186,431) |
| Unamortized bond premium | 452,759 | 224,669 | (30,590) | 646,838 | 30,590 | 616,248 |
| Subtotal | 172,143,880 | 7,594,669 | (11,189,366) | 168,549,183 | 3,409,366 | 165,139,817 |
| Compensated Absences | 18,270,198 | 17,939,700 | (16,892,669) | 19,317,229 | 17,771,853 | 1,545,376 |
| Capital Leases | 5,989,594 | 93,636 | (32,304) | 6,050,926 | 205,946 | 5,844,980 |
| Total Governmental Activity | \$ 273,057,006 | \$ 26,228,005 | \$ (32,351,526) | \$ 266,933,485 | \$ 25,045,851 | \$ 241,887,634 |

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

9. LONG-TERM DEBT, Continued

| | Balance July 1, 2007 | Debt Issued | Debt Retired | Balance June 30, 2008 | Due in one year | Due in more than one year |
|---|-------------------------|----------------------|------------------------|--------------------------|----------------------|------------------------------|
| Governmental Activity Debt, Continued: | | | | | | |
| Internal Service Funds: | | | | | | |
| Loans payable | \$ 665,066 | \$ - | \$ (330,175) | \$ 334,891 | \$ 334,891 | \$ - |
| Unamortized bond discount | (12,062) | - | 6,031 | (6,031) | (6,031) | - |
| Subtotal | 653,004 | - | (324,144) | 328,860 | 328,860 | - |
| Compensated absences | 3,784,032 | 3,393,071 | (3,496,249) | 3,680,854 | 2,845,356 | 835,498 |
| Estimated claims | 29,707,778 | - | - | 29,707,778 | 12,513,333 | 17,194,445 |
| Capital leases | 10,340 | - | (10,340) | - | - | - |
| Total Internal Service Funds | \$ 34,155,154 | \$ 3,393,071 | \$ (3,830,733) | \$ 33,717,492 | \$ 15,687,549 | \$ 18,029,943 |
| Total Government-Wide Activities | | | | | | |
| Compensated absences | 22,054,230 | 21,332,771 | (20,388,918) | 22,998,083 | 20,617,209 | 2,380,874 |
| Estimated claims | 29,707,778 | - | - | 29,707,778 | 12,513,333 | 17,194,445 |
| Other long-term liabilities | 255,450,152 | 8,288,305 | (15,793,341) | 247,945,116 | 7,602,858 | 240,342,258 |
| Total Government-Wide Activities | \$ 307,212,160 | \$ 29,621,076 | \$ (36,182,259) | \$ 300,650,977 | \$ 40,733,400 | \$ 259,917,577 |
| Business-Type Activities | | | | | | |
| <i>Enterprise Funds</i> | | | | | | |
| Loans payable | | | | | | |
| Sand Dollar Beach | \$ 39,000 | \$ - | \$ (20,000) | \$ 19,000 | \$ 19,000 | \$ - |
| County disposal sites | 338,000 | - | (338,000) | - | - | - |
| Unamortized bond discount | (3,272) | - | 3,272 | - | - | - |
| Subtotal | 334,728 | - | (334,728) | - | - | - |
| Davenport Sanitation | 453,628 | - | (24,280) | 429,348 | 24,936 | 404,412 |
| Total Loans Payable | 827,356 | - | (379,008) | 448,348 | 43,936 | 404,412 |
| <i>Capital Leases</i> | | | | | | |
| Enterprise Fund - County disposal sites | 502,245 | 519,173 | (416,896) | 604,522 | 426,647 | 177,875 |
| <i>Postclosure Liability</i> | | | | | | |
| Enterprise Fund - County disposal sites | 4,632,928 | 368,262 | - | 5,001,190 | - | 5,001,190 |
| Total Business-Type Activities | \$ 5,962,529 | \$ 887,435 | \$ (795,904) | \$ 6,054,060 | \$ 470,583 | \$ 5,583,477 |
| Component Unit - Santa Cruz County | | | | | | |
| Sanitation District | | | | | | |
| 2005 Wastewater Revenue Refunding Bonds | \$ 8,450,000 | \$ - | \$ (490,000) | \$ 7,960,000 | \$ 515,000 | \$ 7,445,000 |
| 2005 Limited Obligation Refunding | | | | | | |
| Improvement Bonds | 840,000 | - | (55,000) | 785,000 | 60,000 | 725,000 |
| Loan payable | 16,160,263 | - | (1,151,684) | 15,008,579 | 1,183,932 | 13,824,647 |
| Unamortized bond premium | 36,782 | - | (2,235) | 34,547 | 2,235 | 32,312 |
| Total Component Unit | \$ 25,487,045 | \$ - | \$ (1,698,919) | \$ 23,788,126 | \$ 1,761,167 | \$ 22,026,959 |

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

9. LONG-TERM DEBT, Continued

Descriptions of the long-term liabilities at June 30, 2008 are as follows:

| Type of Indebtedness (Purpose) | Maturity | Interest Rates | Annual Principal Installments | Original Issue Amount | Outstanding at June 30, 2008 |
|---|-----------------|----------------|---|-----------------------|------------------------------|
| Governmental Activities: | | | | | |
| Public Financing Authority | | | | | |
| <i>Refunding Certificates of Participation</i> | | | | | |
| 1996 Issue (finance construction of the County Emeline Avenue Health Services building and an infirmary in the County Medium Security Detention Facility) | | | | | |
| Serial certificates | 9/1/97-9/1/26 | 4.00-5.65% | \$190,000-\$1,065,000 | \$ 20,955,000 | \$ 15,925,000 |
| Term bonds | 3/1/21-9/1/23 | 5.60% | \$1,230,000-\$1,370,000 | 3,900,000 | 3,900,000 |
| | | | | Total 1996 Issue | 19,825,000 |
| 2002 Issue (refinance road improvements, a detention facility, a library, equipment, purchase of parkland and construction of a transfer station) | | | | | |
| Serial certificates | 8/1/03-8/1/22 | 4.00-5.15% | \$50,000-\$730,000 | 4,380,000 | 1,035,000 |
| Term bonds | 8/1/23-8/1/32 | 5.25% | \$100,000-\$155,000 | 1,260,000 | 1,260,000 |
| Unamortized bond premium | | | | 126,230 | 105,190 |
| | | | | Total 2002 Issue | 2,400,190 |
| 2005 Issue (defeased 1995A Lease Revenue Refunding Bonds and financed construction and improvements of the Santa Cruz County Water Street and Roundtree Lane detention facility) | | | | | |
| Serial certificates | 8/1/05-8/1/20 | 2.75-4.25% | \$500,000-\$910,000 | 10,580,000 | 8,915,000 |
| Unamortized bond discount | | | | (67,249) | (53,800) |
| | | | | Total 2005 Issue | 8,861,200 |
| | | | Total Refunding Certificates of Participation | | 31,086,390 |
| | | | Net Premiums/(Discounts) | | 51,390 |
| | | | Outstanding Balance | | 31,035,000 |
| <i>Lease Revenue Bonds</i> | | | | | |
| 2001 Series B Lease Revenue Bonds (finance equipment for the Santa Cruz County Department of Public Works, County Counsel, Agricultural Commissioner, and improvements to the Health Services building) | | | | | |
| Serial bonds | 8/1/02-8/1/26 | 2.10-4.625% | \$200,000-\$760,000 | 9,675,000 | 5,615,000 |
| Term bonds | 2/1/27-8/1/31 | 4.75% | \$405,000-\$485,000 | 2,225,000 | 2,225,000 |
| | | | | Total 2001 Issue | 7,840,000 |
| | | | Total Lease Revenue Bonds | | 7,840,000 |
| <i>Lease Revenue Refunding Bonds</i> | | | | | |
| 2002 Series A (refinance construction and equipment costs for the Santa Cruz County Consolidated Emergency Communication Center) | | | | | |
| Serial bonds | 6/15/04-6/15/12 | 2.00-3.50% | \$76,000-\$295,000 | 1,449,665 | 453,912 |
| Term bonds | 6/15/13-6/15/24 | 5.25% | \$81,000-\$140,214 | 1,288,063 | 1,288,063 |
| Unamortized Bond premium | | | | 126,230 | 54,971 |
| | | | | Total 2002 Issue | 1,796,946 |
| | | | Total Lease Revenue Refunding Bonds | | 1,796,946 |
| | | | Net Premiums/(Discounts) | | 54,971 |
| | | | Outstanding Balance | | 1,741,975 |

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

9. LONG-TERM DEBT, Continued

| Type of Indebtedness (Purpose) | Maturity | Interest Rates | Annual Principal Installments | Original Issue Amount | Outstanding at June 30, 2008 |
|---|---------------|----------------|-------------------------------|-------------------------------------|------------------------------|
| Governmental Activities, Continued: | | | | | |
| Public Financing Authority, Continued | | | | | |
| <i>Revenue Bonds</i> | | | | | |
| 1995 Series B Issue (financed improvements to existing drainage facilities of the Santa Cruz County Flood Control Zone No. 7) | | | | | |
| Serial bonds | 8/1/97-8/1/10 | 4.20-6.35% | \$175,000-\$360,000 | \$ 3,565,000 | \$ 1,015,000 |
| Term bonds | 2/1/11-8/1/12 | 6.50% | \$380,000-\$405,000 | 785,000 | 785,000 |
| | | | | Total 1995 Issue | 1,800,000 |
| <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 | 360,000 |
| <i>Certificates of Participation</i> | | | | | |
| 2004 Series Issue (financed payments due for settlement of lawsuits arising from damage to property caused by flooding of the Pajaro River) | | | | | |
| Serial certificates | 6/1/05-6/1/24 | 2.25-5.00% | \$525,000-\$1,720,000 | 23,000,000 | 20,140,000 |
| Unamortized bond premium | | | | 27,378 | 21,902 |
| | | | | Total 2004 Issue | 20,161,902 |
| 2006 Series Issue (financed improvements to Watsonville Courthouse and Buena Vista Landfill) | | | | | |
| Serial certificates | 8/1/07-8/1/28 | 3.50-4.50% | \$180,000-\$410,000 | 6,225,000 | 5,940,000 |
| Term certificates | 8/1/29-8/1/32 | 4.50% | | 1,265,000 | 1,265,000 |
| Term certificates | 8/1/33-8/1/36 | 4.625% | | 1,510,000 | 1,510,000 |
| Unamortized bond discount | | | | (56,826) | (54,932) |
| | | | | Total 2006 Issue | 8,660,068 |
| | | | | Total Certificates of Participation | 28,821,970 |
| | | | | Net Premiums/(Discounts) | (33,030) |
| | | | | Outstanding Balance | 28,855,000 |
| <i>CA Health Facilities Financing Authority (CHFFA)</i> | | | | | |
| 1987 (financed capital projects for County health facilities) | | | | | |
| Notes | 1987-2011 | 7.20% | \$60,000-\$757,000 | 3,829,696 | 710,841 |
| <i>CA Transportation Finance Bank</i> | | | | | |
| 2004 (financed road storm damage repair) | | | | | |
| Loan | 2004-2010 | 1% | Interest Only | 600,000 | 600,000 |
| Redevelopment Agency | | | | | |
| <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 | - |
| Term bonds | 9/1/15-9/1/17 | 5.60% | \$510,000-\$570,000 | 1,620,000 | - |
| Term bonds | 9/1/18-9/1/22 | 5.625% | \$600,000-\$725,000 | 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 | 13,950,000 |

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

9. LONG-TERM DEBT, Continued

| Type of Indebtedness (Purpose) | Maturity | Interest Rates | Annual Principal Installments | Original Issue Amount | Outstanding at June 30, 2008 |
|---|-----------------|----------------|-------------------------------|-----------------------|------------------------------|
| Governmental Activities, Continued: | | | | | |
| Redevelopment Agency, Continued | | | | | |
| <i>Redevelopment Agency Tax Allocation Bonds, Continued</i> | | | | | |
| 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 | \$ 5,575,000 |
| 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 | 41,500,000 |
| Unamortized bond discount | | | | (194,382) | (155,506) |
| 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 | 437,147 |
| 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 | 2,060,000 |
| 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) | (42,149) |
| 2007 Taxable Housing Tax Allocation Refunding Bonds | | | | | |
| Term bonds | 9/1/07-9/1/17 | 5.208% | \$70,000-\$165,000 | 1,080,000 | 915,000 |
| Term bonds | 9/1/18-9/1/30 | 5.495% | \$120,000-\$1,250,000 | 9,675,000 | 9,675,000 |
| 2007 Series A Tax Allocation Refunding Bonds | | | | | |
| Serial bonds | 09/1/08-09/1/22 | 4-5.25% | \$375,000-\$640,000 | 7,370,000 | 7,370,000 |
| Unamortized bond premium | | | | 224,669 | 209,691 |
| Total Redevelopment Agency Bonds | | | | | 168,549,183 |
| Net Premiums/(Discounts) | | | | | 449,183 |
| Outstanding Balance | | | | | 168,100,000 |
| <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 | 334,891 |
| Unamortized bond discount | | | | (42,217) | (6,031) |
| Total Internal Service Funds | | | | | 328,860 |
| Total Governmental Activities | | | | | \$ 247,945,116 |

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

9. LONG-TERM DEBT, Continued

| Type of Indebtedness (Purpose) | Maturity | Interest Rates | Annual Principal Installments | Original Issue Amount | Outstanding at June 30, 2008 |
|---|-----------------|----------------|-------------------------------|-----------------------|------------------------------|
| Business-Type Activities: | | | | | |
| <i>Loans Payable</i> | | | | | |
| Enterprise Fund - Sand Dollar Beach (refund original assessment bonds and improvements at Sand Dollar Beach) Santa Cruz County Public Financing Authority | 9/1/99-9/1/08 | 4.99-6.09% | \$10,000-\$20,000 | \$ 135,000 | \$ 19,000 |
| Enterprise Fund - Davenport Sanitation District California State Department of Water Resources (used to upgrade existing water facilities) | 1/1/88-1/1/22 | 2.5% | \$4,550-\$10,575 | 250,000 | 126,320 |
| <i>Certificates of Participation</i> | | | | | |
| California Technology, Trade & Commerce Agency (used to fund sanitation system improvements) | 2/28/95-7/1/25 | 2.50% | \$3,550-\$4,817 | 310,691 | 204,389 |
| California State Water Resources Control Board - revolving loan (fund sewer reconstruction project) | 5/31/01-5/31/20 | 2.60% | \$5,940-\$9,429 | 151,547 | 98,639 |
| | | | | Total | 429,348 |
| | | | | Total Loans | 448,348 |
| <i>Capital Leases</i> | | | | | |
| County Disposal Site | | | | | 604,522 |
| Landfill post closure | | | | | 5,001,190 |
| Total Business-Type Activities | | | | | \$ 6,054,060 |
| Component Unit - Santa Cruz County Sanitation District (SCCSD) | | | | | |
| 2005 Wastewater Revenue Refunding Bonds (financed the SCCSD's share of the improvements to the City of Santa Cruz sewer treatment facility) Serial bonds | 9/1/05-9/1/19 | 2.80-5.0% | \$140,000-\$940,000 | 9,335,000 | 7,960,000 |
| 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 | 785,000 |
| Loans payable - City of Santa Cruz (construct treatment plant expansion) Unamortized bond premium | 2000-2019 | 2.80% | \$928,354-\$1,564,248 | 24,374,832 41,252 | 15,008,579 34,547 |
| Total Component Unit | | | | | \$ 23,788,126 |

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

9. LONG-TERM DEBT, Continued

A. Governmental Activities

At June 30, 2008, annual debt service requirements of governmental activities to maturity are as follows:

Public Financing Authority

| Year Ending June 30, | Refunding Certificates of Participation | | Lease Revenue Refunding Bonds | | Certificates of Participation | |
|----------------------|--|----------------------|----------------------------------|-------------------|-------------------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2009 | \$ 1,195,000 | \$ 1,512,249 | \$ 121,202 | \$ 82,423 | \$ 1,230,000 | \$ 1,248,597 |
| 2010 | 1,255,000 | 1,462,553 | 128,331 | 78,787 | 1,265,000 | 1,207,512 |
| 2011 | 1,300,000 | 1,408,814 | 128,331 | 74,616 | 1,320,000 | 1,162,646 |
| 2012 | 1,375,000 | 1,350,928 | 76,048 | 70,285 | 1,365,000 | 1,112,328 |
| 2013 | 1,425,000 | 1,288,740 | 80,801 | 67,623 | 1,415,000 | 1,058,640 |
| 2014-2018 | 8,385,000 | 5,343,382 | 470,548 | 270,119 | 7,745,000 | 4,369,710 |
| 2019-2023 | 8,900,000 | 3,086,707 | 596,502 | 133,749 | 8,500,000 | 2,620,158 |
| 2024-2028 | 6,490,000 | 954,100 | 140,212 | 7,361 | 2,955,000 | 926,034 |
| 2029-2033 | 710,000 | 96,600 | - | - | 1,550,000 | 529,638 |
| 2034-2037 | - | - | - | - | 1,510,000 | 143,606 |
| Total | \$ 31,035,000 | \$ 16,504,073 | \$ 1,741,975 | \$ 784,963 | \$ 28,855,000 | \$ 14,378,869 |

| Year Ending June 30, | Lease Revenue Bonds | | Revenue Bonds | | Local Agency Revenue Bonds | |
|----------------------|---------------------|---------------------|---------------------|-------------------|-------------------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 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 | 220,000 | 300,026 | 405,000 | 13,163 | 25,000 | 12,999 |
| 2014-2018 | 1,250,000 | 1,352,571 | - | - | 155,000 | 41,075 |
| 2019-2023 | 1,535,000 | 1,043,258 | - | - | 70,000 | 3,850 |
| 2024-2028 | 1,845,000 | 655,950 | - | - | - | - |
| 2029-2033 | 1,820,000 | 177,650 | - | - | - | - |
| Total | \$ 7,840,000 | \$ 4,814,360 | \$ 1,800,000 | \$ 302,818 | \$ 360,000 | \$ 122,765 |

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

9. LONG-TERM DEBT, Continued

A. Governmental Activities, Continued

California Health Facilities Financing Authority (CHFFA)

| Year Ending June 30, | Principal | Interest | Total |
|----------------------|-------------------|------------------|-------------------|
| 2009 | \$ 201,085 | \$ 44,632 | \$ 245,717 |
| 2010 | 216,280 | 29,659 | 245,939 |
| 2011 | 232,623 | 13,555 | 246,178 |
| 2012 | 60,853 | 731 | 61,584 |
| Total | \$ 710,841 | \$ 88,577 | \$ 799,418 |

Redevelopment Agency

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|-----------------------|-----------------------|-----------------------|
| 2009 | \$ 3,390,000 | \$ 8,172,339 | \$ 11,562,339 |
| 2010 | 3,455,000 | 8,048,791 | 11,503,791 |
| 2011 | 3,580,000 | 7,915,293 | 11,495,293 |
| 2012 | 3,725,000 | 7,769,778 | 11,494,778 |
| 2013 | 3,880,000 | 7,612,213 | 11,492,213 |
| 2014-2018 | 22,080,000 | 35,284,470 | 57,364,470 |
| 2019-2023 | 28,205,000 | 29,408,196 | 57,613,196 |
| 2024-2028 | 32,990,000 | 21,513,733 | 54,503,733 |
| 2029-2033 | 39,005,000 | 12,367,550 | 51,372,550 |
| 2034-2036 | 27,790,000 | 2,197,723 | 29,987,723 |
| Total | \$ 168,100,000 | \$ 140,290,085 | \$ 308,390,085 |

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.

Internal Service Fund

At June 30, 2008, annual debt service requirements of the internal service fund's loans payable to maturity are as follows:

| Year Ending June 30, | Loans Payable | | Total |
|----------------------|-------------------|-----------------|-------------------|
| | Principal | Interest | |
| 2009 | \$ 334,891 | \$ 5,609 | \$ 340,500 |
| Total | \$ 334,891 | \$ 5,609 | \$ 340,500 |

Defeasance of Bonds

On October 1, 2007, the Agency issued \$7,370,000 of 2007 Tax Allocation Refunding Bonds, Series A, to provide funds to refund the 1996 Subordinate Tax Allocation Bonds. The amount of the total outstanding principal refunded was \$7,855,000. The net present value of economic gain (difference between the present value of the new and old debt service payments) was \$441,226.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

9. LONG-TERM DEBT, Continued

B. Business-Type Activities

At June 30, 2008, annual debt service requirements for loans payable of business-type activities to maturity are as follows:

| Year Ending June 30, | Loans Payable | |
|----------------------|-------------------|------------------|
| | Principal | Interest |
| 2009 | \$ 43,933 | \$ 11,852 |
| 2010 | 25,591 | 10,616 |
| 2011 | 26,266 | 9,940 |
| 2012 | 26,964 | 9,247 |
| 2013 | 27,670 | 8,536 |
| 2014-2018 | 149,720 | 31,333 |
| 2019-2023 | 129,916 | 11,271 |
| 2024-2025 | 18,288 | 439 |
| Total | \$ 448,348 | \$ 93,234 |

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

C. Component Unit

At June 30, 2008, annual debt service requirements of the District to maturity are as follows:

| Year Ending June 30, | 2005 Wastewater Revenue Bonds | | 2005 Limited Obligation Refunding Improvement Bonds | | Loans Payable | |
|----------------------|-------------------------------|---------------------|---|-------------------|----------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2009 | \$ 515,000 | \$ 314,377 | \$ 60,000 | \$ 34,920 | 1,183,932 | \$ 420,240 |
| 2010 | 535,000 | 298,627 | 60,000 | 32,730 | 1,217,082 | 387,090 |
| 2011 | 705,000 | 280,732 | 60,000 | 30,390 | 1,251,160 | 353,012 |
| 2012 | 730,000 | 256,262 | 65,000 | 27,825 | 1,286,193 | 317,979 |
| 2013 | 765,000 | 229,231 | 65,000 | 25,030 | 1,322,206 | 281,966 |
| 2014-2018 | 4,005,000 | 613,526 | 385,000 | 73,605 | 7,187,528 | 833,332 |
| 2019-2022 | 705,000 | 22,526 | 90,000 | 2,363 | 1,560,478 | 43,693 |
| Total | \$ 7,960,000 | \$ 2,015,281 | \$ 785,000 | \$ 226,863 | \$ 15,008,579 | \$ 2,637,312 |

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

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

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

9. LONG-TERM DEBT, Continued

D. Legal Debt Limit

The County's legal annual debt service limit as of June 30, 2008, is \$419,833,438. The County's legal debt service limit is 1.25% of the total full cash valuation of all real and personal property within the County.

E. Arbitrage

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

10. PLEDGE OF FUTURE REVENUES

PFA 2002A Lease Revenue Refunding Bonds

The revenues of the Santa Cruz Consolidated Emergency Communications Center (SCCECC) have been pledged to repay \$5,760,000 in lease revenue refunding bonds issued in January 2003. The SCCECC was formed in a Joint Powers Authority Agreement with the cities of Santa Cruz, Watsonville, and Capitola and the County of Santa Cruz. Proceeds from the bonds provided funds to refinance an existing lease and to fund equipment purchases. The bonds are payable from use payments paid to the SCCECC by the different governmental agencies. Annual principal and interest payments on the bonds continue through 2024 and are expected to require less than 12 percent of revenues. The total principal and interest remaining to be paid on the bonds is \$2,526,938. Principal and interest paid for the current year and total customer revenues were \$434,588 and \$4,578,122, respectively.

PFA 1995 Series B Revenue Bond

The County has pledged future revenues of the Flood Control Zone No. 7 District to repay \$4.35 million in revenue bonds issued in August 1995. Proceeds from the bonds provided financing for improvements relating to flood control facilities and levees within Flood Control Zone No. 7. The bonds are payable solely from service charges to be levied against property in the Flood Control Zone No. 7 District and are payable through 2012. Annual principal and interest payments on the bonds are expected to require less than 35 percent of revenues. The total principal and interest remaining to be paid on the bonds is \$2,102,818. Principal and interest paid for the current year and total customer revenues were \$408,701 and \$1,492,211, respectively.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. PLEDGE OF FUTURE REVENUES, Continued

RDA Tax Increment Bond

The County has pledged to the repayment of the 2000 Refunding Bonds, the 2000 Series A Bonds, the 2003 Refunding Bonds, the 2005 Series A Bonds, the 2005 Series B Bonds, the 2007 Taxable Refunding Bonds, and the 2007 Series A Refunding Bonds (the "Bonds") Tax Revenues of the County's Live Oak/Soquel Community Improvement Project Area pursuant to the various applicable Indentures of Trust, through the final maturity of the Bonds on September 1, 2035, or early retirement of the Bonds, whichever occurs first. Tax Revenues consist of tax increment revenues allocated to the County with respect to the Live Oak/Soquel Community Improvement Project Area pursuant to Section 33670 of the Redevelopment Law excluding (i) that portion of such Tax Increment Revenues required to be paid under the Tax-Sharing Agreements, unless the payment of such amounts has been subordinated to the payment of Debt Service on the Bonds; (ii) the School District Election Amount; and (iii) amounts required to be paid as Statutory Tax Sharing. Annual principal and interest payments on the Bonds are expected to require less than 47 percent of Tax Revenues. The total principal and interest remaining to be paid on the Bonds is \$308,390,086.

At June 30, 2008, the total Tax Revenues for the current year were \$23,623,938, and total debt service payment was \$10,916,579. The ratio of Tax Revenues to the Bonds debt service payments due during Fiscal Year 2007-08 was 2.16 (216%)

11. LANDFILL CLOSURE AND POSTCLOSURE COSTS

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

As of June 30, 2008, a liability for closure and postclosure maintenance in the amount of \$5,001,190 is reflected in the County Disposal Sites Enterprise Fund based upon landfill capacity used to date. As of June 30, 2008, Ben Lomond Landfill was filled to 100% capacity, and the County estimates that the Buena Vista Landfill is filled to 57.2% of capacity with an estimated remaining useful life of 14 years. The Ben Lomond Landfill was closed during 1989 and the closure and postclosure care costs have been fully paid. The County will recognize the remaining estimated cost of closure and postclosure maintenance of \$3,695,612 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2008. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The estimates will also be adjusted annually for inflation or deflation, in accordance with State guidelines.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

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, 2008, cash of \$5,099,398 is held for this purpose, reported as restricted assets on the Statement of Net Assets. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example, these costs may need to be covered by charges to future landfill users.

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

12. DEFICIT NET ASSETS

Individual proprietary fund deficit net assets at June 30, 2008 are as follows:

| | |
|--|------------|
| Internal Service Funds | |
| Central Duplicating | \$ 436,366 |
| Self-Insurance - Worker's Compensation | 17,912,197 |

The Central Duplicating Fund had deficit net assets of \$436,366 that resulted from current year losses.

The Workers' Compensation Fund had deficit net assets of \$17,912,197, related to the losses payable for claims and the inclusion of estimates for incurred but not reported (IBNR) claims. Management anticipates that the County will have sufficient funds to pay annual requirements.

13. DEFINED BENEFIT PENSION PLAN

A. Plan Description

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

13. DEFINED BENEFIT PENSION PLAN, Continued

B. Funding Policy

Active plan members are required by State statute to contribute 7% and 9% of annual covered salary for miscellaneous and safety employees respectively. The County makes the contributions required of County employees on their behalf and for their account. The County is required to contribute for fiscal year 2007-2008 at an actuarially determined rate of 12.301% for miscellaneous employees, 14.239% for safety employees, and 25.424% for safety sheriff employees. Separately funded plans have been established for each employee group. Benefit provisions and all other requirements are established by State statute and County contracts with employee bargaining groups. The contribution requirements of plan members and the County are established by PERS.

C. Annual Pension Costs

The County's annual pension cost for the current year and two previous years was \$33,186,000, \$31,079,000, and \$31,465,000, respectively. These were equal to the County's required and actual contributions. The required contribution was determined as part of the June 30, 2005, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included; (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.25% to 14.45% for miscellaneous employees, 3.25% to 13.15% for safety employees and 3.25% to 13.15% for sheriff safety employees depending on age, service, and type of employment, and (c) 3.0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period. PERS unfunded actuarial accrued liabilities (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2005 was 27 years for miscellaneous employees and 32 years for safety employees for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------|---------------------------|-------------------------------|------------------------|
| 6/30/2006 | \$ 31,465,000 | 100% | \$ - |
| 6/30/2007 | 31,079,000 | 100% | - |
| 6/30/2008 | 33,186,000 | 100% | - |

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

| Actuarial Valuation Date | Actuarial Value of Assets | Entry Age Actuarial Accrued Liability | Unfunded (Overfunded) Actuarial Accrued Liability | Funded Ratio | Covered Payroll | Unfunded (Overfunded) Liability as a Percentage of Covered Payroll |
|--------------------------|---------------------------|---------------------------------------|---|--------------|-----------------|--|
| 2007 | \$ 717,379,652 | \$ 830,141,101 | \$ 112,761,449 | 86.4% | \$ 164,873,127 | 68.4% |

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

14. POST-RETIREMENT HEALTH CARE BENEFITS

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

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

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

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

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

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

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

The numbers of participants in the Plans are as follows:

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

* Most recent information available.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

14. POST-RETIREMENT HEALTH CARE BENEFITS, Continued

Funding Policy. The contribution requirements for the County are established by a Memorandum of Understanding as negotiated by each group or bargaining unit. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2008, the County contributed \$3,240,000 to the plan distributed as follows:

| | <u>Amount</u> |
|---------------|---------------------|
| Miscellaneous | \$ 2,756,000 |
| Safety | 484,000 |
| Total | <u>\$ 3,240,000</u> |

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

| | <u>Total</u> |
|--|----------------------|
| Annual required contribution | \$ 24,612,000 |
| Interest on net OPEB obligation | - |
| Adjustment to annual required contribution | - |
| Annual OPEB cost (expense) | <u>24,612,000</u> |
| Contributions made | <u>(3,240,000)</u> |
| Increase in net OPEB obligation | 21,372,000 |
| Net OPEB obligation - beginning of year | - |
| Net OPEB obligation - end of year | <u>\$ 21,372,000</u> |

The County's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 is as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Annual Contribution</u> | <u>% of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|----------------------------------|---------------------------------|--------------------------------|--|------------------------------------|
| 6/30/2008 | \$ 24,612,000 | \$ 3,240,000 | 13.2% | \$ 21,372,000 |

Funded Status and Funding Progress. As of January 1, 2007, the most recent actuarial valuation date, the plan was zero percent funded. The Actuarial Accrued Liability for benefits was \$216,766,000, and the actuarial value of assets was \$0, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$216,766,000. The covered payroll (annual payroll of active employees covered by the plan) was \$153,807,000 and the ratio of UAAL to the covered payroll was 140.90%.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

14. POST-RETIREMENT HEALTH CARE BENEFITS, Continued

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

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

In the January 1, 2007, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 7.75% investment rate of return which is based on the expected return on funds invested by CalPERS, and an annual healthcare cost trend rate ranging from 9.7% to 10.9% initially and reduced to an ultimate rate of 4.5% thereafter. The actuarial assumption for inflation was 3%, and the aggregate payroll increases were 3.25%. The Unfunded Actuarial Accrued Liability (UAAL) is being amortized as level percentage of projected payroll on a closed basis. The remaining amortization as of 6/30/2008, was 30 years.

OTHER POSTEMPLOYMENT OBLIGATIONS

SCHEDULE OF FUNDING PROGRESS

The table below shows a one-year analysis of the actuarial value of assets as a percentage of the actuarial accrual liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30, 2008. This is the first year of the post employment obligation information being presented and so prior year's information is not available.

| Actuarial Valuation Date | Actuarial Value of Assets | Entry Age Actuarial Accrued Liability | Unfunded (Overfunded) Actuarial Accrued Liability | Funded Ratio | Covered Payroll | Unfunded (Overfunded) Liability as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|--|---|-----------------|--------------------|---|
| 2007 | \$ - | \$ 216,766,000 | \$ 216,766,000 | 0.0% | \$ 153,807,000 | 140.9% |

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

15. DEFERRED COMPENSATION PLAN

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

As of June 30, 2008, the Plan's assets of \$83,084,830 are not recorded in the County's financial statements as they are deposited with a third party administrator independent of the County.

16. COMMITMENTS AND CONTINGENCIES

As of June 30, 2008, the County has construction contract commitments in the Department of Public Works and in Special Revenue and Capital Project Funds in the amount of \$1,239,076 and \$4,226,573, respectively.

A. *Litigation*

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

B. *Federal and State Grants*

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

C. *Medicare and Medi-Cal Reimbursements*

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

17. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, injuries to employees, natural disasters, medical malpractice, unemployment coverage, and dental benefits to employees. The County is self-insured for its general and auto liability, workers' compensation, property, and employees' dental coverage. The County has chosen to establish risk-financing internal service funds, where assets are set aside for claim settlements associated with the above risk of loss up to certain limits. Excess coverage is provided by the California State Association of Counties (CSAC) Excess Insurance Authority (Insurance Authority), a joint powers authority whose purpose is to develop and fund programs of excess insurance for its member counties. The Insurance Authority is governed by a Board of Directors consisting of representatives of the member counties. Self-insurance limits per occurrence and Insurance Authority limits per year are as presented in the Statistical Section of this report.

Amounts in excess of these limits are self-insured. None of the insurance settlements over the past three years has exceeded the amount of insurance coverage. As of June 30, 2008, the workers' compensation liability limit per occurrence was \$500,000.

The unpaid claims liability included in each of the Self-Insurance Internal Service Funds are based on the results of actuarial studies and include amounts for claims incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. It is the County's practice to obtain full actuarial studies bi-annually. Annual premiums are charged by each self-insurance fund using various allocation methods which include actual costs, claims experience, and number of participants.

The change in the balance of claims liabilities during the fiscal years ended June 30, 2008 and two prior years for all self-insurance Internal Service Funds combined is as follows:

| | 2008 | 2007 | 2006 |
|--|----------------------|----------------------|----------------------|
| Unpaid claims and claim adjustment expenses, beginning of the fiscal year | \$ 29,707,778 | \$ 26,699,093 | \$ 19,102,048 |
| Incurred claims and claim adjustment expenses | 8,478,164 | 12,439,326 | 16,966,846 |
| Claim payments | (8,478,164) | (9,430,641) | (9,369,801) |
| Unpaid claims and claim adjustment expenses, end of the fiscal year | <u>\$ 29,707,778</u> | <u>\$ 29,707,778</u> | <u>\$ 26,699,093</u> |

At June 30, 2008, the Self-Insurance Funds held a total of \$15,521,571 in cash for the payment of these claims.

A. Worker's Compensation

The Workers' Compensation self-insurance program is funded on a cash flow plus contingency reserve basis. The County is liable for the first \$500,000 and carries catastrophic insurance coverage. At June 30, 2008, 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.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

17. RISK MANAGEMENT, Continued

B. Dental and Medical

On September 30, 1994, the County discontinued its medical self-insurance program. On January 5, 1991, the County established a self-insurance program to provide dental benefits. At June 30, 2008, the County had an estimated future liability of \$84,778 for dental. The County is fully insured for its alternative capitation dental program and for medical coverage for employees represented by Operating Engineers Union Local 3.

C. Liability and Property

The County has a self-insured retention of \$1 million with excess insurance coverage for the general liability program. At June 30, 2008, the County had estimated future liabilities totaling \$4,494,000 which included estimates for known claims and losses incurred but not reported (IBNR).

D. Unemployment Insurance

The Unemployment Insurance self-insurance program is considered a "reimbursable" program by Employment Development Department (EDD), since EDD provides benefits and bills the County quarterly after the fact. As billings are always one quarter in arrears, the estimated future liabilities are based on 25% of the amount budgeted for the new fiscal year. At June 30, 2008, estimated future liabilities were \$75,000.

18. SUBSEQUENT EVENTS

On July 7, 2008, the County issued a Tax and Revenue Anticipation Note at 3.00% in the amount of \$50,000,000. Tax and Revenue Anticipation Notes are issued annually as part of a cash management policy to maintain the County's working capital until sufficient taxes or revenues are collected to fund the County's operations. The notes are due July 6, 2009 and are collateralized by fiscal year 2008-2009 unrestricted revenues.

On September 10, 2008, the County issued \$4,625,000 of 2008 certificates of participation maturing in 2023 with interest rates ranging from 3.00 to 4.30 percent. The proceeds of the certificates will be used to upgrade the County software systems.

On November 25, 2008, the Board of Supervisors approved a transfer agreement pursuant to the Trial Court Facilities Act of 2002, which transferred operational responsibility for the new Watsonville Courthouse to the Administrative Office of the Courts (AOC). Transfer of title will take place in the 2008-2009 fiscal year.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

19. PRIOR PERIOD ADJUSTMENTS

A. Government-Wide Financial Statements

The County recorded the following prior period adjustments in the Government-Wide Financial Statements. Adjustments to the Governmental activities include an increase of \$2,080,000 in Long-Term Debt and adjustments to the Public Financing Authority Fund Interfund Advances to County Disposal Site CSA 9 C Fund in the total amount of \$2,080,000. A portion of the \$9,000,000 PFA bond in the amount of \$2,080,000 was transferred to the County Disposal Site CSA 9 C and not recorded as Long-Term Debt in the Public Financing Authority Fund. In addition, Interfund Advances was not set up for the transfer of the funds. Accordingly, the net assets as of July 1, 2007, have been restated as follows:

| Government-Wide Financial Statements | Net Assets, as Previously Reported | Prior Period Adjustments | | Net Assets, As Restated |
|--------------------------------------|--|--------------------------|-------------------|----------------------------|
| | | Interfund Advances | Long-Term Debt | |
| Governmental Activities: | | | | |
| Net assets | \$ 378,081,697 | \$ 2,080,000 | \$ (2,080,000) | \$ 378,081,697 |
| Total governmental activities | \$ 378,081,697 | \$ 2,080,000 | \$ (2,080,000) | \$ 378,081,697 |

B. Fund Financial Statements

The County recorded the following prior period adjustments in the fund financial statements. Adjustments to the Public Financing Authority Fund are Interfund Advances to the County Disposal Site CSA 9 C Fund in the total amount of \$2,080,000. A portion of the \$9,000,000 PFA bond in the amount of \$2,080,000 was transferred to the County Disposal Site CSA 9 C and Interfund Advances was not set up for the transfer of the funds. Accordingly, the fund balance as of July 1, 2007, has been restated as follows:

| Non-major Special Revenue Fund | Fund Balance, as Previously Reported | Prior Period Adjustments | Fund Balance, As Restated |
|--------------------------------|--|-----------------------------|------------------------------|
| | | Interfund Advances | |
| Public Financing Authority | \$ 8,583,489 | \$ 2,080,000 | \$ 10,663,489 |
| Total business-type activities | \$ 8,583,489 | \$ 2,080,000 | \$ 10,663,489 |

20. NEW ACCOUNTING PRONOUNCEMENTS

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

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 GASB Statement No. 51 are effective for financial statements for periods beginning after June 15, 2009.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

21. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had expenditures that exceeded appropriations:

| <u>Account with excess expenditure</u> | <u>Excess amount</u> |
|--|----------------------|
| General Fund: | |
| <i>General Service</i> | |
| Capital assets | \$ <u>4,722,629</u> |
| Redevelopment Agency Fund: | |
| Services and supplies | \$ <u>266,597</u> |

Expenditures in excess of appropriations are explained as follows:

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

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

**REQUIRED SUPPLEMENTARY
INFORMATION (UNAUDITED)**



County of Santa Cruz
Required Supplementary Information (Unaudited)
For the year ended June 30, 2008

BUDGETARY PRINCIPLES

General Budget Policies

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

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

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

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2008

BUDGETARY PRINCIPLES, Continued

General Budget Policies, Continued

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

Encumbrances

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

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2008

Budgetary Comparison Schedule, General Fund

| | Budget | | Actual | Variance with |
|---|--------------------|--------------------|--------------------|------------------------|
| | Original | Final | | Final Budget |
| | | | | Positive (Negative) |
| FUND BALANCE, BEGINNING | \$ 41,008,468 | \$ 41,008,468 | \$ 41,008,468 | \$ - |
| RESOURCE / (INFLOWS) | | | | |
| Taxes | 86,085,453 | 86,085,453 | 89,724,832 | 3,639,379 |
| Licenses | 10,170,228 | 10,170,228 | 10,084,237 | (85,991) |
| Fines, forfeits and penalties | 5,795,386 | 5,829,987 | 4,873,062 | (956,925) |
| Use of money and property | 4,339,438 | 4,339,438 | 4,256,544 | (82,894) |
| Aid from other governmental agencies | 184,677,322 | 190,440,250 | 196,290,269 | 5,850,019 |
| Charges for services | 48,082,662 | 47,701,033 | 46,128,487 | (1,572,546) |
| Other | 6,760,689 | 6,794,093 | 6,252,147 | (541,946) |
| Transfers in | 29,114,300 | 29,170,865 | 1,474,039 | (27,696,826) |
| Proceeds from capital leases | - | 94,000 | 93,636 | (364) |
| Amount Available for Appropriation | 375,025,478 | 380,625,347 | 359,177,253 | (21,448,094) |
| CHARGES TO APPROPRIATIONS (OUTFLOWS) | | | | |
| General Government: | | | | |
| Board of Supervisors | | | | |
| Salaries and employee benefits | 2,085,513 | 2,085,513 | 2,040,440 | 45,073 |
| Services and supplies | 106,394 | 97,551 | 80,859 | 16,692 |
| Total | 2,191,907 | 2,183,064 | 2,121,299 | 61,765 |
| Administrative Office | | | | |
| Salaries and employee benefits | 2,526,932 | 2,526,932 | 2,268,048 | 258,884 |
| Services and supplies | 1,073,726 | 1,183,765 | 599,660 | 584,105 |
| Other charges | 267,551 | 267,551 | 267,551 | - |
| Intrafund transfers | (1,281,125) | (1,281,125) | (1,276,849) | (4,276) |
| Total | 2,587,084 | 2,697,123 | 1,858,410 | 838,713 |
| Auditor-Controller | | | | |
| Salaries and employee benefits | 2,892,877 | 2,828,559 | 2,817,283 | 11,276 |
| Services and supplies | 1,879,577 | 2,177,067 | 2,127,444 | 49,623 |
| Other charges | 125,033 | 125,033 | 125,033 | - |
| Intrafund transfers | (1,871,945) | (1,871,945) | (2,132,220) | 260,275 |
| Capital assets | - | 30,240 | 30,240 | - |
| Total | 3,025,542 | 3,288,954 | 2,967,780 | 321,174 |

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2008

Budgetary Comparison Schedule, General Fund, Continued

| | Budget | | Actual | Variance with |
|----------------------------------|------------------|------------------|------------------|----------------|
| | Original | Final | | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| CHARGES TO APPROPRIATIONS | | | | |
| (OUTFLOWS), Continued | | | | |
| General Government, Continued: | | | | |
| Treasurer - Tax Collector | | | | |
| Salaries and employee benefits | \$ 1,360,638 | \$ 1,360,638 | \$ 1,250,803 | \$ 109,835 |
| Services and supplies | 576,588 | 423,156 | 359,339 | 63,817 |
| Intrafund transfers | (198,927) | (198,927) | (198,927) | - |
| Capital assets | 1,500 | 1,500 | - | 1,500 |
| Total | 1,739,799 | 1,586,367 | 1,411,215 | 175,152 |
| Assessor | | | | |
| Salaries and employee benefits | 3,069,027 | 3,101,497 | 3,098,170 | 3,327 |
| Services and supplies | 665,678 | 511,997 | 409,542 | 102,455 |
| Intrafund transfers | (124,334) | (124,334) | (124,709) | 375 |
| Total | 3,610,371 | 3,489,160 | 3,383,003 | 106,157 |
| Purchasing | | | | |
| Salaries and employee benefits | 338,635 | 356,970 | 356,967 | 3 |
| Services and supplies | 287,598 | 280,995 | 276,620 | 4,375 |
| Intrafund transfers | (172,686) | (172,686) | (172,686) | - |
| Total | 453,547 | 465,279 | 460,901 | 4,378 |
| County Counsel | | | | |
| Salaries and employee benefits | 2,640,665 | 2,640,665 | 2,561,925 | 78,740 |
| Services and supplies | 333,742 | 308,151 | 263,689 | 44,462 |
| Intrafund transfers | (441,099) | (441,099) | (484,322) | 43,223 |
| Total | 2,533,308 | 2,507,717 | 2,341,292 | 166,425 |
| Personnel | | | | |
| Salaries and employee benefits | 2,613,685 | 2,613,685 | 2,368,875 | 244,810 |
| Services and supplies | 2,060,813 | 1,960,754 | 1,923,047 | 37,707 |
| Intrafund transfers | (685,738) | (685,738) | (685,738) | - |
| Total | 3,988,760 | 3,888,701 | 3,606,184 | 282,517 |
| County Clerk/Elections | | | | |
| Salaries and employee benefits | 1,591,803 | 1,986,827 | 1,986,819 | 8 |
| Services and supplies | 1,820,850 | 1,694,042 | 1,357,296 | 336,746 |
| Capital assets | 347,185 | 353,185 | 2,811 | 350,374 |
| Intrafund transfers | 48,770 | 48,770 | 44,987 | 3,783 |
| Total | 3,808,608 | 4,082,824 | 3,391,913 | 690,911 |

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2008

Budgetary Comparison Schedule, General Fund, Continued

| | Budget | | Actual | Variance with |
|----------------------------------|-------------------|-------------------|-------------------|--------------------|
| | Original | Final | | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| CHARGES TO APPROPRIATIONS | | | | |
| (OUTFLOWS), Continued | | | | |
| General Government, Continued: | | | | |
| Communications | | | | |
| Salaries and employee benefits | \$ 535,262 | \$ 535,262 | \$ 508,515 | \$ 26,747 |
| Services and supplies | 2,299,730 | 2,294,810 | 2,183,334 | 111,476 |
| Capital assets | - | 12,600 | 11,425 | 1,175 |
| Intrafund transfers | (450,769) | (450,769) | (513,408) | 62,639 |
| Total | 2,384,223 | 2,391,903 | 2,189,866 | 202,037 |
| General Services | | | | |
| Salaries and employee benefits | 4,722,019 | 4,953,946 | 4,941,219 | 12,727 |
| Services and supplies | 4,281,979 | 3,990,117 | 3,763,891 | 226,226 |
| Other charges | 242,847 | 242,847 | 242,277 | 570 |
| Capital assets | | | 4,722,629 | (4,722,629) |
| Interfund transfers | (4,694,551) | (4,694,551) | (4,590,558) | (103,993) |
| Total | 4,552,294 | 4,492,359 | 9,079,458 | (4,587,099) |
| Real Property Management | | | | |
| Services and supplies | 63,600 | 68,275 | 68,274 | 1 |
| Total | 63,600 | 68,275 | 68,274 | 1 |
| Plant Acquisition | | | | |
| Appropriations for contingencies | 1,174,950 | 1,018,450 | - | 1,018,450 |
| Total | 1,174,950 | 1,018,450 | - | 1,018,450 |
| Surveyor | | | | |
| Services and supplies | 572,219 | 567,544 | 398,624 | 168,920 |
| Intrafund transfers | - | - | (13,782) | 13,782 |
| Total | 572,219 | 567,544 | 384,842 | 182,702 |
| DPW Engineering | | | | |
| Services and supplies | 202,750 | 205,610 | 205,607 | 3 |
| Total | 202,750 | 205,610 | 205,607 | 3 |
| Central Stores | | | | |
| Salaries and employee benefits | 128,226 | 142,846 | 142,839 | 7 |
| Services and supplies | 35,202 | 35,204 | 33,855 | 1,349 |
| Intrafund transfers | (166,106) | (166,106) | (175,899) | 9,793 |
| Total | (2,678) | 11,944 | 795 | 11,149 |
| Total General Government | 32,886,284 | 32,945,274 | 33,470,839 | (525,565) |

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2008

Budgetary Comparison Schedule, General Fund, Continued

| | Budget | | Actual | Variance with |
|----------------------------------|-------------------|-------------------|-------------------|------------------|
| | Original | Final | | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| CHARGES TO APPROPRIATIONS | | | | |
| (OUTFLOWS), Continued | | | | |
| Public Protection: | | | | |
| Courts | | | | |
| Services and supplies | \$ 43,894 | \$ 43,894 | \$ 38,826 | \$ 5,068 |
| Other charges | 2,807,893 | 2,807,893 | 2,492,820 | 315,073 |
| Total | 2,851,787 | 2,851,787 | 2,531,646 | 320,141 |
| Grand Jury | | | | |
| Services and supplies | 55,827 | 55,124 | 52,282 | 2,842 |
| Total | 55,827 | 55,124 | 52,282 | 2,842 |
| Child Support | | | | |
| Salaries and employee benefits | 5,721,254 | 5,671,254 | 5,625,089 | 46,165 |
| Services and supplies | 1,091,219 | 1,125,219 | 1,041,332 | 83,887 |
| Other charges | | 16,000 | 15,292 | 708 |
| Total | 6,812,473 | 6,812,473 | 6,681,713 | 130,760 |
| District Attorney | | | | |
| Salaries and employee benefits | 9,878,845 | 10,025,042 | 10,025,038 | 4 |
| Services and supplies | 1,182,438 | 1,542,330 | 1,521,162 | 21,168 |
| Intrafund transfers | (86,037) | (86,037) | (70,166) | (15,871) |
| Capital assets | - | 6,169 | 6,169 | - |
| Total | 10,975,246 | 11,487,504 | 11,482,203 | 5,301 |
| Public Defender | | | | |
| Services and supplies | 8,045,058 | 8,045,058 | 7,686,880 | 358,178 |
| Total | 8,045,058 | 8,045,058 | 7,686,880 | 358,178 |
| Sheriff-Coroner | | | | |
| Salaries and employee benefits | 20,253,507 | 20,501,190 | 20,501,183 | 7 |
| Services and supplies | 5,048,032 | 4,762,003 | 4,252,939 | 509,064 |
| Intrafund transfers | (4,150) | (4,150) | (1,310) | (2,840) |
| Capital assets | 1,572,161 | 1,742,372 | 1,402,814 | 339,558 |
| Total | 26,869,550 | 27,001,415 | 26,155,626 | 845,789 |
| Jail and Rehabilitation Center | | | | |
| Salaries and employee benefits | 17,232,195 | 17,041,342 | 16,423,060 | 618,282 |
| Services and supplies | 7,265,025 | 7,423,758 | 6,816,321 | 607,437 |
| Intrafund transfers | (5,000) | (5,000) | (936) | (4,064) |
| Capital assets | 280,103 | 331,511 | 249,497 | 82,014 |
| Total | 24,772,323 | 24,791,611 | 23,487,942 | 1,303,669 |

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2008

Budgetary Comparison Schedule, General Fund, Continued

| | Budget | | Actual | Variance with |
|--|-------------------|-------------------|-------------------|----------------|
| | Original | Final | | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| CHARGES TO APPROPRIATIONS | | | | |
| (OUTFLOWS), Continued | | | | |
| Public Protection, Continued: | | | | |
| Probation Department | | | | |
| Salaries and employee benefits | 11,389,414 | 11,414,340 | 11,137,580 | 276,760 |
| Services and supplies | 5,483,807 | 5,629,892 | 4,960,896 | 668,996 |
| Other charges | - | 38,000 | 10,000 | 28,000 |
| Intrafund transfers | (272,532) | (272,532) | (238,904) | (33,628) |
| Capital assets | 22,101 | 32,101 | 17,845 | 14,256 |
| Total | 16,622,790 | 16,841,801 | 15,887,417 | 954,384 |
| State Correctional Schools | | | | |
| Services and supplies | 5,740 | 5,740 | - | 5,740 |
| Other charges | 84,250 | 84,250 | 34,288 | 49,962 |
| Total | 89,990 | 89,990 | 34,288 | 55,702 |
| Agricultural Commissioner/ Weights and Measures | | | | |
| Salaries and employee benefits | 1,715,041 | 1,784,161 | 1,774,970 | 9,191 |
| Services and supplies | 730,272 | 737,148 | 524,868 | 212,280 |
| Intrafund transfers | (124,843) | (124,843) | (131,377) | 6,534 |
| Capital assets | - | 10,716 | 5,102 | 5,614 |
| Total | 2,320,470 | 2,407,182 | 2,173,563 | 233,619 |
| Public Works - Other Construction Inspection | | | | |
| Services and supplies | 110,000 | 107,140 | 52,956 | 54,184 |
| Total | 110,000 | 107,140 | 52,956 | 54,184 |
| Recorder | | | | |
| Salaries and employee benefits | 726,279 | 693,809 | 693,798 | 11 |
| Services and supplies | 477,067 | 481,497 | 441,207 | 40,290 |
| Capital assets | - | - | (3,277) | 3,277 |
| Total | 1,203,346 | 1,175,306 | 1,131,728 | 43,578 |

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2008

Budgetary Comparison Schedule, General Fund, Continued

| | Budget | | Actual | Variance with |
|--|--------------------|--------------------|--------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued | | | | |
| Public Protection, Continued: | | | | |
| County Emergency Office | | | | |
| Salaries and employee benefits | \$ 304,975 | \$ 304,975 | \$ 292,585 | \$ 12,390 |
| Services and supplies | 338,930 | 319,521 | 296,589 | 22,932 |
| Total | <u>643,905</u> | <u>624,496</u> | <u>589,174</u> | <u>35,322</u> |
| Local Agency Formation Commission | | | | |
| Other charges | 80,000 | 80,000 | 78,200 | 1,800 |
| Total | <u>80,000</u> | <u>80,000</u> | <u>78,200</u> | <u>1,800</u> |
| Planning Department | | | | |
| Salaries and employee benefits | 9,572,084 | 9,572,084 | 9,163,920 | 408,164 |
| Services and supplies | 4,351,524 | 4,384,913 | 3,142,863 | 1,242,050 |
| Intrafund transfers | (394,609) | (394,609) | (308,047) | (86,562) |
| Capital assets | 22,000 | 22,000 | 12,144 | 9,856 |
| Total | <u>13,550,999</u> | <u>13,584,388</u> | <u>12,010,880</u> | <u>1,573,508</u> |
| Animal Pound | | | | |
| Services and supplies | | | | - |
| Other charges | 1,329,637 | 1,329,637 | 1,309,927 | 19,710 |
| Total | <u>1,329,637</u> | <u>1,329,637</u> | <u>1,309,927</u> | <u>19,710</u> |
| Association of Monterey Bay Area Govts. | | | | |
| Other charges | 31,340 | 31,340 | 31,340 | - |
| Total | <u>31,340</u> | <u>31,340</u> | <u>31,340</u> | <u>-</u> |
| Total Public Protection | <u>116,364,741</u> | <u>117,316,252</u> | <u>111,377,765</u> | <u>5,938,487</u> |

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2008

Budgetary Comparison Schedule, General Fund, Continued

| | Budget | | Actual | Variance with |
|--|--------------------|--------------------|--------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued | | | | |
| Health and Sanitation: | | | | |
| Health Services Agency | | | | |
| Salaries and employee benefits | \$ 57,028,113 | \$ 58,045,542 | \$ 57,952,270 | \$ 93,272 |
| Services and supplies | 43,750,764 | 46,685,218 | 43,227,094 | 3,458,124 |
| Other charges | 22,283,723 | 22,826,416 | 20,881,045 | 1,945,371 |
| Intrafund transfers | (16,955,751) | (17,307,751) | (13,958,337) | (3,349,414) |
| Capital assets | 78,723 | 175,323 | 131,130 | 44,193 |
| Total | 106,185,572 | 110,424,748 | 108,233,202 | 2,191,546 |
| Mosquito Abatement | | | | |
| Salaries and employee benefits | 635,606 | 646,931 | 646,925 | 6 |
| Services and supplies | 398,956 | 413,415 | 235,716 | 177,699 |
| Capital assets | 7,500 | 7,500 | 5,107 | 2,393 |
| Total | 1,042,062 | 1,067,846 | 887,748 | 180,098 |
| Air Pollution | | | | |
| Other charges | 30,743 | 30,743 | 30,743 | - |
| Total | 30,743 | 30,743 | 30,743 | - |
| Total Health and Sanitation | 107,258,377 | 111,523,337 | 109,151,693 | 2,371,644 |
| Public Assistance: | | | | |
| Department of Social Services | | | | |
| Salaries and employee benefits | 43,391,687 | 43,275,407 | 42,009,152 | 1,266,255 |
| Services and supplies | 14,799,907 | 14,800,590 | 13,403,738 | 1,396,852 |
| Other charges | 11,611,577 | 12,141,297 | 10,986,092 | 1,155,205 |
| Intrafund transfers | (344,644) | (344,644) | (308,662) | (35,982) |
| Capital assets | 50,000 | 50,000 | 47,420 | 2,580 |
| Total | 69,508,527 | 69,922,650 | 66,137,740 | 3,784,910 |
| Community Programs | | | | |
| Other charges | 4,323,005 | 4,323,006 | 4,323,001 | 5 |
| Total | 4,323,005 | 4,323,006 | 4,323,001 | 5 |

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2008

Budgetary Comparison Schedule, General Fund, Continued

| | Budget | | Actual | Variance with |
|--|--------------------|--------------------|--------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued | | | | |
| Public Assistance, Continued: | | | | |
| Categorical Aids | | | | |
| Other charges | \$ 30,047,728 | \$ 30,358,871 | \$ 28,830,672 | \$ 1,528,199 |
| Total | 30,047,728 | 30,358,871 | 28,830,672 | 1,528,199 |
| General Assistance | | | | |
| Services and supplies | 17,920 | 17,920 | 113 | 17,807 |
| Other charges | 411,168 | 411,168 | 308,810 | 102,358 |
| Total | 429,088 | 429,088 | 308,923 | 120,165 |
| Burial of Indegents | | | | |
| Services and supplies | 47,757 | 47,757 | 37,530 | 10,227 |
| Total | 47,757 | 47,757 | 37,530 | 10,227 |
| Family Relations | | | | |
| Services and supplies | 92,727 | 76,452 | 76,135 | 317 |
| Other charges | 994,837 | 1,028,612 | 949,758 | 78,854 |
| Total | 1,087,564 | 1,105,064 | 1,025,893 | 79,171 |
| Homeless | | | | |
| Other charges | 447,842 | 451,392 | 357,451 | 93,941 |
| Total | 447,842 | 451,392 | 357,451 | 93,941 |
| Wards of Court | | | | |
| Services and supplies | 10,000 | 14,500 | 12,620 | 1,880 |
| Other charges | 175,000 | 170,500 | 139,394 | 31,106 |
| Total | 185,000 | 185,000 | 152,014 | 32,986 |
| Veterans Service Officer | | | | |
| Salaries and employee benefits | 390,189 | 390,189 | 338,086 | 52,103 |
| Services and supplies | 30,180 | 39,402 | 30,207 | 9,195 |
| Total | 420,369 | 429,591 | 368,293 | 61,298 |
| Total Public Assistance | 106,496,880 | 107,252,419 | 101,541,517 | 5,710,902 |

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2008

Budgetary Comparison Schedule, General Fund, Continued

| | Budget | | Actual | Variance with |
|--|--------------------|--------------------|--------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued | | | | |
| Education: | | | | |
| Agricultural Extension Services | | | | |
| Salaries and employee benefits | \$ 129,722 | \$ 129,722 | \$ 129,457 | \$ 265 |
| Services and supplies | 31,921 | 31,890 | 29,887 | 2,003 |
| Total | <u>161,643</u> | <u>161,612</u> | <u>159,344</u> | <u>2,268</u> |
| Total Education | <u>161,643</u> | <u>161,612</u> | <u>159,344</u> | <u>2,268</u> |
| Recreation and Culture: | | | | |
| Recreation and Cultural Services | | | | |
| Salaries and employee benefits | 4,908,771 | 4,908,771 | 4,782,690 | 126,081 |
| Services and supplies | 1,981,194 | 1,974,929 | 1,905,295 | 69,634 |
| Other charges | 397,174 | 397,174 | 397,174 | - |
| Intrafund transfers | (211,817) | (211,817) | (202,227) | (9,590) |
| Capital assets | 104,000 | 104,000 | 32,843 | 71,157 |
| Total | <u>7,179,322</u> | <u>7,173,057</u> | <u>6,915,775</u> | <u>257,282</u> |
| Total Recreation and Culture | <u>7,179,322</u> | <u>7,173,057</u> | <u>6,915,775</u> | <u>257,282</u> |
| Public Ways and Facilities: | | | | |
| Public Ways - DPW | | | | |
| Services and supplies | 230,658 | 230,658 | 216,318 | 14,340 |
| Total | <u>230,658</u> | <u>230,658</u> | <u>216,318</u> | <u>14,340</u> |
| Total Public Ways and Facilities | <u>230,658</u> | <u>230,658</u> | <u>216,318</u> | <u>14,340</u> |
| Debt Service: | | | | |
| Debt Service | | | | |
| Services and supplies | 50,990 | 50,990 | 48,217 | 2,773 |
| Intrafund transfers | (25,100) | (25,100) | (25,839) | 739 |
| Interest | 1,492,109 | 1,517,999 | 1,500,265 | 17,734 |
| Total | <u>1,517,999</u> | <u>1,543,889</u> | <u>1,522,643</u> | <u>21,246</u> |
| Total Debt Service | <u>1,517,999</u> | <u>1,543,889</u> | <u>1,522,643</u> | <u>21,246</u> |
| Total Charges to Appropriations (Outflows) | <u>372,095,904</u> | <u>378,146,498</u> | <u>364,355,894</u> | <u>13,790,604</u> |

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2008

Budgetary Comparison Schedule, General Fund, Continued

| | Budget | | Actual | Variance with |
|--|----------------------|----------------------|----------------------|-----------------------|
| | Original | Final | | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| OTHER FINANCING SOURCES / (USES) | | | | |
| Transfers Out | | | | |
| Auditor-Controller | \$ 10,669 | \$ 10,669 | \$ 10,669 | \$ - |
| General Services | 18,000 | 18,000 | 18,000 | - |
| Agricultural Commissioner/Weights and Measures | 200,000 | 200,000 | - | 200,000 |
| Plant Acquisition | 1,980,000 | 1,980,000 | 1,980,000 | - |
| District Attorney | 56,000 | 48,060 | 48,056 | 4 |
| Probation Department | 66,200 | 66,200 | 45,656 | 20,544 |
| Health Services Agency | - | - | - | - |
| Department of Social Services | 33,500 | 33,500 | 27,538 | 5,962 |
| Public Financing Authority | 6,879,550 | 6,879,550 | 6,541,106 | 338,444 |
| Total transfers out | <u>9,243,919</u> | <u>9,235,979</u> | <u>8,671,025</u> | <u>564,954</u> |
| Total other financing sources / (uses) | <u>381,339,823</u> | <u>387,382,477</u> | <u>373,026,919</u> | <u>14,355,558</u> |
| | | | | |
| Net change in fund balances | <u>(6,314,345)</u> | <u>(6,757,130)</u> | <u>(13,849,666)</u> | <u>(7,092,536)</u> |
| | | | | |
| FUND BALANCE, ENDING | <u>\$ 34,694,123</u> | <u>\$ 34,251,338</u> | <u>\$ 27,158,802</u> | <u>\$ (7,092,536)</u> |

(Concluded)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2008

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 | \$ 359,177,253 |
| Differences - budget to GAAP: | |
| Inception of capital leases are not revenues for financial reporting purposes | (93,636) |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes | <u>(1,474,039)</u> |
| Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | <u><u>\$ 357,609,578</u></u> |

Uses/Outflows of Resources:

| | |
|---|------------------------------|
| Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule | \$ 373,026,919 |
| Differences - budget to GAAP: | |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | <u>(8,671,025)</u> |
| Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | <u><u>\$ 364,355,894</u></u> |

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2008

Budgetary Comparison Schedule, Redevelopment Agency Housing Special Revenue Fund

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|--|----------------------|----------------------|-----------------------|---|
| | Original | Final | | |
| FUND BALANCE, BEGINNING | \$ 126,394,428 | \$ 126,394,428 | \$ 126,394,428 | \$ - |
| RESOURCES / (INFLOWS): | | | | |
| Taxes | 21,430,677 | 21,430,677 | 23,623,938 | 2,193,261 |
| Fines, forfeits and penalties | - | - | 20,229 | 20,229 |
| Use of money and property | 4,328,605 | 4,328,605 | 5,149,875 | 821,270 |
| Other | 9,796 | 9,796 | 31,055 | 21,259 |
| Sale of capital assets | 1,000,000 | 1,000,000 | 301,603 | (698,397) |
| Proceeds of long term debt | - | 289,088 | - | (289,088) |
| Transfers in | 4,151,717 | 4,151,717 | 3,885,823 | (265,894) |
| Amounts available for appropriation | 30,920,795 | 31,209,883 | 33,012,523 | 1,802,640 |
| CHARGES TO APPROPRIATIONS (OUTFLOWS): | | | | |
| Salaries and employee benefits | 2,007,556 | 2,007,556 | 1,743,873 | 263,683 |
| Services and supplies | 2,195,796 | 3,695,453 | 3,850,281 | (154,828) |
| Capital assets | 13,645,734 | 18,013,310 | 1,342,897 | 16,670,413 |
| Other charges | 59,838,423 | 54,206,954 | 10,477,478 | 43,729,476 |
| Interest expense | 8,619,693 | 8,619,693 | - | 8,619,693 |
| Long term debt principal payments | 3,750,000 | 3,750,000 | - | 3,750,000 |
| Other financing uses | - | - | 33,969 | (33,969) |
| Transfers out | 4,151,717 | 4,151,717 | 15,094,613 | (10,942,896) |
| Total charges to appropriations | 94,208,919 | 94,444,683 | 32,543,111 | 61,901,572 |
| FUND BALANCE, ENDING | \$ 63,106,304 | \$ 63,159,628 | \$ 126,863,840 | \$ 63,704,212 |

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 | \$ 33,012,523 |
| Differences - budget to GAAP: | |
| Sale of fixed assets are inflows of budgetary resources but are not revenues for financial reporting purposes | (301,603) |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes | (3,885,823) |
| Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Fund - Redevelopment Agency | \$ 28,825,097 |

Uses/Outflows of Resources:

| | |
|--|---------------|
| Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule | \$ 32,543,111 |
| Differences - budget to GAAP: | |
| Other financing uses are outflows of budgetary resources but are not expenditures for financial reporting purposes | (33,969) |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | (15,094,613) |
| Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Fund - Redevelopment Agency | \$ 17,414,529 |

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2008

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

SCHEDULE OF FUNDING PROGRESS

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

| Actuarial Valuation Date* | Actuarial Value of Assets | Entry Age Actuarial Accrued Liability | Unfunded (Overfunded) Actuarial Accrued Liability | Funded Ratio | Covered Payroll | Unfunded (Overfunded) Liability as a Percentage of Covered Payroll |
|---------------------------------|---------------------------------|--|---|-----------------|--------------------|---|
| 2005 | \$ 593,842,088 | \$ 703,842,376 | \$ 110,000,288 | 84.4% | \$ 148,852,557 | 73.9% |
| 2006 | 651,395,532 | 761,510,789 | 110,115,257 | 85.5% | 154,484,172 | 71.3% |
| 2007 | 717,379,652 | 830,141,101 | 112,761,449 | 86.4% | 164,873,127 | 68.4% |

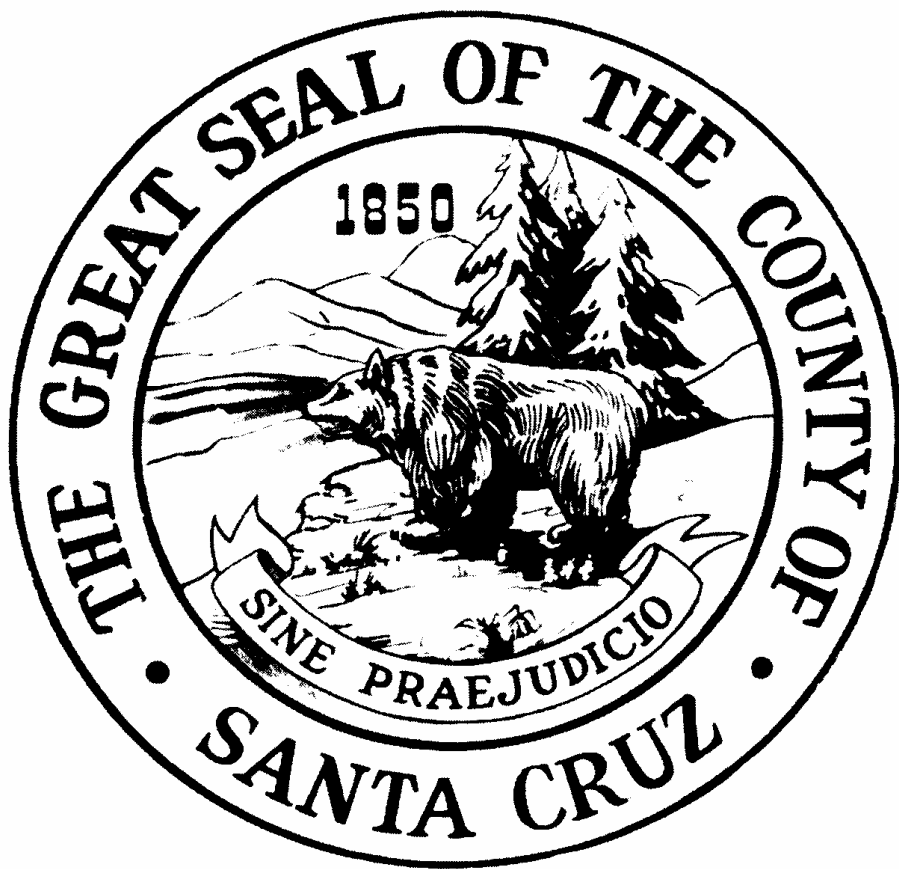
OTHER POSTEMPLOYMENT OBLIGATIONS

SCHEDULE OF FUNDING PROGRESS

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

| Actuarial Valuation Date* | Actuarial Value of Assets | Entry Age Actuarial Accrued Liability | Unfunded (Overfunded) Actuarial Accrued Liability | Funded Ratio | Covered Payroll | Unfunded (Overfunded) Liability as a Percentage of Covered Payroll |
|---------------------------------|---------------------------------|--|---|-----------------|--------------------|---|
| 2007 | \$ - | \$ 216,766,000 | \$ 216,766,000 | 0.0% | \$ 153,807,000 | 140.9% |

* Most recent information available.



SUPPLEMENTARY INFORMATION



COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES



SUMMARY OF NON-MAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

Debt Service Funds - Accounts for the accumulation of resources for, and the payment of interest and principal on, revenue bonds issued by the Santa Cruz County Redevelopment Agency. 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.

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



County of Santa Cruz
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2008

| | Special Revenue Funds | Debt Service Funds | Capital Project Funds | Total Non-Major Governmental Funds |
|--|-----------------------------|--------------------------|-----------------------------|---|
| ASSETS | | | | |
| Cash and investments | \$ 25,417,397 | \$ - | \$ 11,525,658 | \$ 36,943,055 |
| Restricted cash and investments | 4,027,228 | 4,103,223 | - | 8,130,451 |
| Receivables, net | 3,596,786 | 75,915 | 515,309 | 4,188,010 |
| Due from other funds | - | - | 653,566 | 653,566 |
| Advances to other funds | 1,910,000 | - | - | 1,910,000 |
| Other assets | 51,776 | - | - | 51,776 |
| Total assets | \$ 35,003,187 | \$ 4,179,138 | \$ 12,694,533 | \$ 51,876,858 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Payables | \$ 2,836,931 | \$ - | \$ 1,897,249 | \$ 4,734,180 |
| Due to other funds | 128,934 | - | 524,632 | 653,566 |
| Deferred revenue | 2,203,263 | - | - | 2,203,263 |
| Total liabilities | 5,169,128 | - | 2,421,881 | 7,591,009 |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Encumbrances and reappropriations | 9,135,069 | - | - | 9,135,069 |
| Debt service | 1,717,948 | 4,179,138 | - | 5,897,086 |
| Capital asset acquisition | 4,219,280 | - | - | 4,219,280 |
| Unreserved: | | | | |
| Undesignated, reported in: | | | | |
| Special revenue funds | 14,761,762 | - | - | 14,761,762 |
| Capital project funds | - | - | 10,272,652 | 10,272,652 |
| Total fund balances | 29,834,059 | 4,179,138 | 10,272,652 | 44,285,849 |
| Total liabilities and fund balances | \$ 35,003,187 | \$ 4,179,138 | \$ 12,694,533 | \$ 51,876,858 |

County of Santa Cruz
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2008

| | Special Revenue Funds | Debt Service Funds | Capital Project Funds | Total Non-Major Governmental Funds |
|---|-----------------------------|--------------------------|-----------------------------|---|
| REVENUES: | | | | |
| Taxes | \$ 14,017,995 | \$ - | \$ - | \$ 14,017,995 |
| Fines, forfeitures, and penalties | 17,811 | - | - | 17,811 |
| Use of money and property | 1,263,777 | 359,071 | 52,947 | 1,675,795 |
| Aid from other governments | 14,323,927 | - | 958,120 | 15,282,047 |
| Charges for services | 11,971,574 | - | - | 11,971,574 |
| Other | 945,367 | - | 7,388,474 | 8,333,841 |
| Total revenues | 42,540,451 | 359,071 | 8,399,541 | 51,299,063 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 19,131 | - | - | 19,131 |
| Public protection | 12,057,673 | - | - | 12,057,673 |
| Public ways and facilities | 20,105,305 | - | - | 20,105,305 |
| Health and sanitation | 352 | - | - | 352 |
| Public assistance | 1,434,031 | - | - | 1,434,031 |
| Education | 4,880,475 | - | - | 4,880,475 |
| Recreation and culture | 2,273,117 | - | - | 2,273,117 |
| Capital outlay | - | - | 10,671,475 | 10,671,475 |
| Debt service: | | | | |
| Principal | 4,028,825 | 3,315,000 | - | 7,343,825 |
| Bond issue costs | - | 262,702 | - | 262,702 |
| Interest and fiscal charges | 3,441,238 | 8,378,613 | - | 11,819,851 |
| Total expenditures | 48,240,147 | 11,956,315 | 10,671,475 | 70,867,937 |
| REVENUES OVER / (UNDER) EXPENDITURES | (5,699,696) | (11,597,244) | (2,271,934) | (19,568,874) |
| OTHER FINANCING SOURCES / (USES): | | | | |
| Refunding bonds issued | - | 7,370,000 | - | 7,370,000 |
| Premium on refunding bonds issued | - | 224,669 | - | 224,669 |
| Payment to refunded escrow agent | - | (8,011,905) | - | (8,011,905) |
| Sale of capital assets | 952,976 | - | - | 952,976 |
| Transfers in | 8,551,894 | 11,208,790 | 6,800,809 | 26,561,493 |
| Transfers out | (7,276,967) | - | (1,000,000) | (8,276,967) |
| Total other financing sources / (uses) | 2,227,903 | 10,791,554 | 5,800,809 | 18,820,266 |
| Net change in fund balances | (3,471,793) | (805,690) | 3,528,875 | (748,608) |
| FUND BALANCES: | | | | |
| Beginning of year | 33,305,852 | 4,984,828 | 6,743,777 | 45,034,457 |
| End of year | \$ 29,834,059 | \$ 4,179,138 | \$ 10,272,652 | \$ 44,285,849 |

NON-MAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds:

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

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

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

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

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

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

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

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

Santa Cruz County 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 Director and funding is provided by service charges.

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

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

County of Santa Cruz
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2008

| | Special Revenue | | | |
|--|-------------------|---------------------|---|----------------------------------|
| | Library | Fire | Off-Highway Road and Transportation | Public Financing Authority |
| ASSETS | | | | |
| Cash and investments | \$ 373,221 | \$ 3,767,539 | \$ 1,534,302 | \$ - |
| Restricted cash and investments | - | - | - | 4,027,228 |
| Receivables | - | - | 3,330,051 | - |
| Advances from other funds | - | - | - | 1,910,000 |
| Other Assets | - | - | - | - |
| Total assets | \$ 373,221 | \$ 3,767,539 | \$ 4,864,353 | \$ 5,937,228 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Payables | \$ - | \$ 1,948,318 | \$ 81,183 | \$ - |
| Due to other funds | - | - | - | - |
| Deferred revenue | - | - | 2,089,590 | - |
| Total liabilities | - | 1,948,318 | 2,170,773 | - |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Encumbrances and reappropriations | - | 72,518 | 8,182,238 | - |
| Debt service | - | - | - | 1,717,948 |
| Capital asset acquisition | - | - | - | 4,219,280 |
| Total reserved | - | 72,518 | 8,182,238 | 5,937,228 |
| Unreserved: | | | | |
| Undesignated | 373,221 | 1,746,703 | (5,488,658) | - |
| Total fund balances | 373,221 | 1,819,221 | 2,693,580 | 5,937,228 |
| Total liabilities and fund balances | \$ 373,221 | \$ 3,767,539 | \$ 4,864,353 | \$ 5,937,228 |

| Special Revenue | | | | | District Governed by the Board of Supervisors | |
|------------------|--|---|--------------------|--|--|--------------------------|
| Fish and Game | Private Revitalization of Downtown | Park Dedication and State Park Bonds | Health Services | Santa Cruz County Flood Control and Water Conservation Zone 7 | Public Protection | Health and Sanitation |
| \$ 59,642 | \$ 2,240,356 | \$ 1,929,205 | \$ 830,962 | \$ 1,482,495 | \$ 6,057,444 | \$ 62,580 |
| - | - | - | - | - | - | - |
| - | - | 128,934 | - | - | 56,599 | - |
| - | - | - | - | - | - | - |
| - | - | - | 22,000 | - | 29,776 | - |
| <u>\$ 59,642</u> | <u>\$ 2,240,356</u> | <u>\$ 2,058,139</u> | <u>\$ 852,962</u> | <u>\$ 1,482,495</u> | <u>\$ 6,143,819</u> | <u>\$ 62,580</u> |
| \$ - | \$ 8,400 | \$ - | \$ - | \$ 15,966 | \$ 727,193 | \$ - |
| - | - | 128,934 | - | - | - | - |
| - | (13,920) | - | - | - | 1,918 | - |
| - | (5,520) | 128,934 | - | 15,966 | 729,111 | - |
| - | - | 256,967 | - | 135,226 | 161,798 | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 256,967 | - | 135,226 | 161,798 | - |
| 59,642 | 2,245,876 | 1,672,238 | 852,962 | 1,331,303 | 5,252,910 | 62,580 |
| 59,642 | 2,245,876 | 1,929,205 | 852,962 | 1,466,529 | 5,414,708 | 62,580 |
| <u>\$ 59,642</u> | <u>\$ 2,240,356</u> | <u>\$ 2,058,139</u> | <u>\$ 852,962</u> | <u>\$ 1,482,495</u> | <u>\$ 6,143,819</u> | <u>\$ 62,580</u> |

(Continued)

County of Santa Cruz
Combining Balance Sheet
Non-Major Special Revenue Funds, Continued
June 30, 2008

| | District Governed by the Board of Supervisors | | | |
|--|--|----------------------------------|--|---|
| | Recreation and Culture | Public Ways and Facilities | Geologic Hazard Abatement District | Total Non-Major Governmental Funds |
| ASSETS | | | | |
| Cash and investments | \$ 1,512,500 | \$ 5,388,743 | \$ 178,408 | \$ 25,417,397 |
| Restricted cash and investments | - | - | - | 4,027,228 |
| Receivables | - | 81,202 | - | 3,596,786 |
| Advances from other funds | - | - | - | 1,910,000 |
| Other assets | - | - | - | 51,776 |
| Total assets | \$ 1,512,500 | \$ 5,469,945 | \$ 178,408 | \$ 35,003,187 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Payables | \$ 11,035 | \$ 44,836 | \$ - | \$ 2,836,931 |
| Due to other funds | - | - | - | 128,934 |
| Deferred revenue | - | 125,675 | - | 2,203,263 |
| Total liabilities | 11,035 | 170,511 | - | 5,169,128 |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Encumbrances and reappropriations | - | 326,322 | - | 9,135,069 |
| Debt service | - | - | - | 1,717,948 |
| Capital asset acquisition | - | - | - | 4,219,280 |
| Total reserved | - | 326,322 | - | 15,072,297 |
| Unreserved: | | | | |
| Undesignated | 1,501,465 | 4,973,112 | 178,408 | 14,761,762 |
| Total fund balances | 1,501,465 | 5,299,434 | 178,408 | 29,834,059 |
| Total liabilities and fund balances | \$ 1,512,500 | \$ 5,469,945 | \$ 178,408 | \$ 35,003,187 |

(Concluded)



County of Santa Cruz
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
For the year ended June 30, 2008

| | Special Revenue | | | |
|---|------------------|------------------|---|----------------------------------|
| | Library | Fire | Off-Highway Road and Transportation | Public Financing Authority |
| REVENUES: | | | | |
| Taxes | \$ 4,688,757 | \$ 1,778,986 | \$ - | \$ - |
| Fines, forfeitures, and penalties | - | - | - | - |
| Use of money and property | 31 | 107,434 | 16,411 | 300,656 |
| Aid from other governments | 149,666 | 350,163 | 12,300,164 | 258,444 |
| Charges for services | - | 1,179,571 | 1,501,280 | - |
| Other | - | 67,318 | 208,112 | 315,842 |
| Total revenues | 4,838,454 | 3,483,472 | 14,025,967 | 874,942 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | - | - | - | 19,131 |
| Public protection | - | 2,833,910 | - | - |
| Public ways and facilities | - | - | 14,373,390 | 66,783 |
| Health and sanitation | - | - | - | - |
| Public assistance | - | - | - | - |
| Education | 4,880,475 | - | - | - |
| Recreation and culture | - | - | - | - |
| Debt service: | | | | |
| Principal | - | - | - | 4,028,825 |
| Interest and fiscal charges | - | - | - | 3,441,238 |
| Total expenditures | 4,880,475 | 2,833,910 | 14,373,390 | 7,555,977 |
| REVENUES OVER / (UNDER) EXPENDITURES | (42,021) | 649,562 | (347,423) | (6,681,035) |
| OTHER FINANCING SOURCES / (USES): | | | | |
| Sale of capital asset | - | - | - | - |
| Transfers in | - | - | 1,000,000 | 6,942,303 |
| Transfers out | (5,570) | - | - | (4,987,529) |
| Total other financing sources / (uses) | (5,570) | - | 1,000,000 | 1,954,774 |
| Net change in fund balances | (47,591) | 649,562 | 652,577 | (4,726,261) |
| FUND BALANCES: | | | | |
| Beginning of year, restated | 420,812 | 1,169,659 | 2,041,003 | 10,663,489 |
| End of year | \$ 373,221 | \$ 1,819,221 | \$ 2,693,580 | \$ 5,937,228 |

| Special Revenue | | | | | District Governed by the Board of Supervisors | |
|------------------|--|---|--------------------|--|--|--------------------------|
| Fish and Game | Private Revitalization of Downtown | Park Dedication and State Park Bonds | Health Services | Santa Cruz County Flood Control and Water Conservation Zone 7 | Public Protection | Health and Sanitation |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,952,350 | \$ - |
| 9,819 | 7,992 | - | - | - | - | - |
| 3,162 | 94,079 | 88,785 | 33,832 | 54,947 | 256,674 | 2,561 |
| - | - | 600,793 | - | - | 405,392 | - |
| - | 466,875 | 373,174 | - | 1,492,211 | 1,265,469 | - |
| - | 2,886 | 344,137 | - | - | 93 | - |
| <u>12,981</u> | <u>571,832</u> | <u>1,406,889</u> | <u>33,832</u> | <u>1,547,158</u> | <u>7,879,978</u> | <u>2,561</u> |
| - | - | - | - | - | - | - |
| 26,689 | - | - | - | 1,125,678 | 8,071,396 | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | 352 |
| - | 1,434,031 | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 1,411,703 | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>26,689</u> | <u>1,434,031</u> | <u>1,411,703</u> | <u>-</u> | <u>1,125,678</u> | <u>8,071,396</u> | <u>352</u> |
| <u>(13,708)</u> | <u>(862,199)</u> | <u>(4,814)</u> | <u>33,832</u> | <u>421,480</u> | <u>(191,418)</u> | <u>2,209</u> |
| - | 952,976 | - | - | - | - | - |
| - | 26,986 | 371,936 | - | - | 200,000 | - |
| - | (26,986) | (602,429) | - | (631,156) | - | - |
| - | 952,976 | (230,493) | - | (631,156) | 200,000 | - |
| <u>(13,708)</u> | <u>90,777</u> | <u>(235,307)</u> | <u>33,832</u> | <u>(209,676)</u> | <u>8,582</u> | <u>2,209</u> |
| <u>73,350</u> | <u>2,155,099</u> | <u>2,164,512</u> | <u>819,130</u> | <u>1,676,205</u> | <u>5,406,126</u> | <u>60,371</u> |
| <u>\$ 59,642</u> | <u>\$ 2,245,876</u> | <u>\$ 1,929,205</u> | <u>\$ 852,962</u> | <u>\$ 1,466,529</u> | <u>\$ 5,414,708</u> | <u>\$ 62,580</u> |

(Continued)

County of Santa Cruz
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds, Continued
For the year ended June 30, 2008

| | District Governed by the Board of Supervisors | | | Total Non-Major Governmental Funds |
|---|--|----------------------------------|--|---|
| | Recreation and Culture | Public Ways and Facilities | Geologic Hazard Abatement District | |
| REVENUES: | | | | |
| Taxes | \$ 920,232 | \$ 677,670 | \$ - | \$ 14,017,995 |
| Fines, forfeits and penalties | - | - | - | 17,811 |
| Use of money and property | 53,243 | 244,698 | 7,264 | 1,263,777 |
| Aid from other governments | 7,341 | 251,964 | - | 14,323,927 |
| Charges for services | 336,305 | 5,356,689 | - | 11,971,574 |
| Other | 1,100 | 5,879 | - | 945,367 |
| Total revenues | 1,318,221 | 6,536,900 | 7,264 | 42,540,451 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | - | - | - | 19,131 |
| Public protection | - | - | - | 12,057,673 |
| Public ways and facilities | - | 5,665,132 | - | 20,105,305 |
| Health & Sanitation | - | - | - | 352 |
| Public assistance | - | - | - | 1,434,031 |
| Education | - | - | - | 4,880,475 |
| Recreation and culture | 861,414 | - | - | 2,273,117 |
| Debt service: | | | | |
| Principal | - | - | - | 4,028,825 |
| Interest and fiscal charges | - | - | - | 3,441,238 |
| Total expenditures | 861,414 | 5,665,132 | - | 48,240,147 |
| REVENUES OVER (UNDER) EXPENDITURES | 456,807 | 871,768 | 7,264 | (5,699,696) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of capital asset | - | - | - | 952,976 |
| Transfers in | 10,669 | - | - | 8,551,894 |
| Transfers out | (135,553) | (887,744) | - | (7,276,967) |
| Total other financing sources (uses) | (124,884) | (887,744) | - | 2,227,903 |
| Net change in fund balances | 331,923 | (15,976) | 7,264 | (3,471,793) |
| FUND BALANCES: | | | | |
| Beginning of year | 1,169,542 | 5,315,410 | 171,144 | 33,305,852 |
| End of year | \$ 1,501,465 | \$ 5,299,434 | \$ 178,408 | \$ 29,834,059 |

(Concluded)

County of Santa Cruz

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Library Special Revenue Fund

For the year ended June 30, 2008

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| FUND BALANCE, BEGINNING | \$ 420,812 | \$ 420,812 | \$ 420,812 | \$ - |
| RESOURCES / (INFLOWS) | | | | |
| Taxes | 4,666,428 | 4,694,909 | 4,688,757 | (6,152) |
| Use of money and property | - | - | 31 | 31 |
| Aid from other governments | 91,888 | 120,687 | 149,666 | 28,979 |
| Amounts available for appropriation | 4,758,316 | 4,815,596 | 4,838,454 | 22,858 |
| CHARGES TO APPROPRIATIONS / (OUTFLOWS) | | | | |
| Education: | | | | |
| Services and supplies | 4,828,767 | 4,880,477 | 4,880,475 | 2 |
| Transfers out | - | 5,570 | 5,570 | - |
| Total charges to appropriations | 4,828,767 | 4,886,047 | 4,886,045 | 2 |
| FUND BALANCE, ENDING | \$ 350,361 | \$ 350,361 | \$ 373,221 | \$ 22,860 |

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

Uses / Outflows of Resources:

| | |
|---|--------------|
| Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule | \$ 4,886,045 |
| Differences - budget to GAAP: | |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes | (5,570) |
| Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds | \$ 4,880,475 |

County of Santa Cruz

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fire Special Revenue Fund

For the year ended June 30, 2008

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|---------------------|---|
| | Original | Final | | |
| FUND BALANCE, BEGINNING | \$ 1,169,659 | \$ 1,169,659 | \$ 1,169,659 | \$ - |
| RESOURCES / (INFLOWS) | | | | |
| Taxes | 1,693,056 | 1,693,056 | 1,778,986 | 85,930 |
| Aid from other governments | 81,101 | 274,306 | 350,163 | 75,857 |
| Charges for services | 1,093,898 | 1,093,898 | 1,179,572 | 85,674 |
| Use of money and property | 42,540 | 42,540 | 107,434 | 64,894 |
| Other | 23,478 | 45,238 | 67,317 | 22,079 |
| Amounts available for appropriation | 2,934,073 | 3,149,038 | 3,483,472 | 334,434 |
| CHARGES TO APPROPRIATIONS / (OUTFLOWS) | | | | |
| Public protection: | | | | |
| Salaries and employee benefits | 250,735 | 250,735 | 171,276 | 79,459 |
| Services and supplies | 2,803,060 | 2,968,933 | 2,154,357 | 814,576 |
| Other charges | 222,689 | 216,454 | 143,542 | 72,912 |
| Capital assets | 348,015 | 377,250 | 364,735 | 12,515 |
| Total charges to appropriations | 3,624,499 | 3,813,372 | 2,833,910 | 979,462 |
| FUND BALANCE, ENDING | \$ 479,233 | \$ 505,325 | \$ 1,819,221 | \$ 1,313,896 |

County of Santa Cruz

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Off-Highway Road and Transportation Special Revenue Fund For the year ended June 30, 2008

| | Budget | | Actual | Variance with |
|---|-----------------------|-----------------------|---------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| FUND BALANCE, BEGINNING | \$ 2,041,003 | \$ 2,041,003 | \$ 2,041,003 | \$ - |
| RESOURCES / (INFLOWS) | | | | |
| Use of money and property | 16,725 | 16,725 | 16,411 | (314) |
| Aid from other governments | 13,701,492 | 17,062,319 | 12,300,164 | (4,762,155) |
| Charges for services | 4,448,100 | 4,448,100 | 1,501,280 | (2,946,820) |
| Other | 137,794 | 137,794 | 208,112 | 70,318 |
| Transfers in | 1,000,000 | 1,000,000 | 1,000,000 | - |
| Amounts available for appropriation | 19,304,111 | 22,664,938 | 15,025,967 | (7,638,971) |
| CHARGES TO APPROPRIATIONS / (OUTFLOWS) | | | | |
| Public ways & facilities: | | | | |
| Services and supplies | 24,094,431 | 27,455,258 | 14,373,390 | 13,081,868 |
| Total charges to appropriations | 24,094,431 | 27,455,258 | 14,373,390 | 13,081,868 |
| FUND BALANCE, ENDING | \$ (2,749,317) | \$ (2,749,317) | \$ 2,693,580 | \$ 5,442,897 |

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 | \$ 15,025,967 |
| Differences - budget to GAAP: | |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes | (1,000,000) |
| Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds | \$ 14,025,967 |

County of Santa Cruz

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fish and Game Special Revenue Fund

For the year ended June 30, 2008

| | Budget | | Actual | Variance with |
|---|------------------|------------------|------------------|------------------|
| | Original | Final | | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| FUND BALANCE, BEGINNING | \$ 73,350 | \$ 73,350 | \$ 73,350 | \$ - |
| RESOURCES / (INFLOWS) | | | | |
| Fines, forfeits and penalties | 12,000 | 12,000 | 9,819 | (2,181) |
| Use of money and property | 4,000 | 4,000 | 3,162 | (838) |
| Amounts available for appropriation | 16,000 | 16,000 | 12,981 | (3,019) |
| CHARGES TO APPROPRIATIONS / (OUTFLOWS) | | | | |
| Public protection: | | | | |
| Services and supplies | 636 | 636 | 36 | 600 |
| Other charges | 40,000 | 40,000 | 26,653 | 13,347 |
| Capital assets | 1,997 | 1,997 | - | 1,997 |
| Total charges to appropriations | 42,633 | 42,633 | 26,689 | 15,944 |
| FUND BALANCE, ENDING | \$ 46,717 | \$ 46,717 | \$ 59,642 | \$ 12,925 |

County of Santa Cruz

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Private Revitalization of Downtown Special Revenue Fund

For the year ended June 30, 2008

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|---------------------|---|
| | Original | Final | | |
| FUND BALANCE, BEGINNING | \$ 2,155,099 | \$ 2,155,099 | \$ 2,155,099 | \$ - |
| RESOURCES / (INFLOWS) | | | | |
| Fines, forfeits and penalties | - | - | 7,992 | 7,992 |
| Use of money and property | 58,917 | 58,917 | 94,079 | 35,162 |
| Charges for services | 400,000 | 400,000 | 466,875 | 66,875 |
| Other | 1,800 | 1,800 | 2,886 | 1,086 |
| Sale of capital assets | 688,000 | 688,000 | 952,976 | 264,976 |
| Transfers in | 26,986 | 26,986 | 26,986 | - |
| Amounts available for appropriation | 1,175,703 | 1,175,703 | 1,551,794 | 376,091 |
| CHARGES TO APPROPRIATIONS / (OUTFLOWS) | | | | |
| Public assistance: | | | | |
| Services and supplies | 2,374,237 | 2,374,237 | 1,354,881 | 1,019,356 |
| Other charges | 155,400 | 155,400 | 79,150 | 76,250 |
| Transfers out | 26,986 | 26,986 | 26,986 | - |
| Total charges to appropriations | 2,556,623 | 2,556,623 | 1,461,017 | 1,095,606 |
| FUND BALANCE, ENDING | \$ 774,179 | \$ 774,179 | \$ 2,245,876 | \$ 1,471,697 |

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

Sources / Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule \$ 1,551,794

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes (26,986)

Sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes (952,976)

Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds \$ 571,832

Uses / Outflows of Resources:

Actual amounts (budgetary basis) "charges of appropriations" from the budgetary comparison schedule \$ 1,461,017

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (26,986)

Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds \$ 1,434,031

County of Santa Cruz

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Park Dedication and State Park Bonds Special Revenue Fund

For the year ended June 30, 2008

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|---------------------|---|
| | Original | Final | | |
| FUND BALANCE, BEGINNING | \$ 2,164,512 | \$ 2,164,512 | \$ 2,164,512 | \$ - |
| RESOURCES / (INFLOWS) | | | | |
| Use of money and property | 113,030 | 113,030 | 88,785 | (24,245) |
| Aid from other governments | 1,597,970 | 1,597,970 | 600,793 | (997,177) |
| Charges for services | 445,522 | 445,522 | 373,174 | (72,348) |
| Other | 200,000 | 373,665 | 344,137 | (29,528) |
| Transfers In | 358,435 | 358,435 | 371,936 | 13,501 |
| Amounts available for appropriation | 2,714,957 | 2,888,622 | 1,778,825 | (1,109,797) |
| CHARGES TO APPROPRIATIONS / (OUTFLOWS) | | | | |
| Recreation and culture: | | | | |
| Services and supplies | 135,198 | 135,198 | 99,766 | 35,432 |
| Other charges | 129,659 | 129,659 | 2,592 | 127,067 |
| Capital assets | 3,826,457 | 4,000,122 | 1,309,345 | 2,690,777 |
| Transfers out | 788,155 | 788,155 | 602,429 | 185,726 |
| Total charges to appropriations | 4,879,469 | 5,053,134 | 2,014,132 | 3,039,002 |
| FUND BALANCE, ENDING | \$ - | \$ - | \$ 1,929,205 | \$ 1,929,205 |

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

Sources / Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule \$ 1,778,825

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes (371,936)

Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds \$ 1,406,889

Uses / Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule \$ 2,014,132

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (602,429)

Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds \$ 1,411,703

County of Santa Cruz

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Santa Cruz Flood Control and Water Conservation - Zone 7 Special Revenue Fund For the year ended June 30, 2008

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|---------------------|---|
| | Original | Final | | |
| FUND BALANCE, BEGINNING | \$ 1,676,205 | \$ 1,676,205 | \$ 1,676,205 | \$ - |
| RESOURCES / (INFLOWS) | | | | |
| Use of money and property | 50,000 | 50,000 | 54,947 | 4,947 |
| Charges for services | 1,476,000 | 1,476,000 | 1,492,211 | 16,211 |
| Amounts available for appropriation | <u>1,526,000</u> | <u>1,526,000</u> | <u>1,547,158</u> | <u>21,158</u> |
| CHARGES TO APPROPRIATIONS / (OUTFLOWS) | | | | |
| Public protection: | | | | |
| Services and supplies | 992,688 | 978,636 | 888,899 | 89,737 |
| Other charges | 429,251 | 429,251 | - | 429,251 |
| Capital assets | 1,342,073 | 1,086,941 | 236,779 | 850,162 |
| Transfers out | - | 229,960 | 631,156 | (401,196) |
| Total charges to appropriations | <u>2,764,012</u> | <u>2,724,788</u> | <u>1,756,834</u> | <u>967,954</u> |
| FUND BALANCE, ENDING | <u>\$ 438,193</u> | <u>\$ 477,417</u> | <u>\$ 1,466,529</u> | <u>\$ 989,112</u> |

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

Uses / Outflows of Resources:

| | |
|---|---------------------|
| Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule | \$ 1,756,834 |
| Differences - budget to GAAP: | |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | (631,156) |
| Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds | <u>\$ 1,125,678</u> |

County of Santa Cruz

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Districts Governed by the Board of Supervisors - Public Protection Special Revenue Fund For the year ended June 30, 2008

| | Budget | | Actual | Variance with |
|---|---------------------|---------------------|---------------------|---------------------|
| | Original | Final | | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| FUND BALANCE, BEGINNING | \$ 5,406,126 | \$ 5,406,126 | \$ 5,406,126 | \$ - |
| RESOURCES / (INFLOWS) | | | | |
| Taxes | 5,802,838 | 5,834,608 | 5,952,350 | 117,742 |
| Aid from other governments | 239,652 | 444,467 | 405,392 | (39,075) |
| Use of money and property | 222,193 | 222,193 | 256,674 | 34,481 |
| Charges for services | 983,986 | 983,986 | 1,265,469 | 281,483 |
| Other | - | - | 93 | 93 |
| Transfers in | - | 200,000 | 200,000 | - |
| Amounts available for appropriation | 7,248,669 | 7,685,254 | 8,079,978 | 394,724 |
| CHARGES TO APPROPRIATIONS / (OUTFLOWS) | | | | |
| Public protection: | | | | |
| Salaries and employee benefits | 29,996 | 29,996 | 29,437 | 559 |
| Services and supplies | 7,483,697 | 7,564,337 | 5,793,971 | 1,770,366 |
| Other charges | 1,664,500 | 1,664,500 | 1,584,486 | 80,014 |
| Capital assets | 2,187,278 | 2,531,290 | 663,502 | 1,867,788 |
| Total charges to appropriations | 11,365,471 | 11,790,123 | 8,071,396 | 3,718,727 |
| FUND BALANCE, ENDING | \$ 1,289,324 | \$ 1,301,257 | \$ 5,414,708 | \$ 4,113,451 |

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 \$ 8,079,978

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes (200,000)

Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds \$ 7,879,978

County of Santa Cruz

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Districts Governed by the Board of Supervisors - Health and Sanitation Special Revenue Fund For the year ended June 30, 2008

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|---|-----------|-----------|-----------|---|
| | Original | Final | | |
| FUND BALANCE, BEGINNING | \$ 60,371 | \$ 60,371 | \$ 60,371 | \$ - |
| RESOURCES / (INFLOWS) | | | | |
| Use of money and property | 2,800 | 2,800 | 2,561 | (239) |
| Amounts available for appropriation | 2,800 | 2,800 | 2,561 | (239) |
| CHARGES TO APPROPRIATIONS / (OUTFLOWS) | | | | |
| Health & sanitation: | | | | |
| Services and supplies | 62,270 | 62,270 | 352 | 61,918 |
| Total charges to appropriations | 62,270 | 62,270 | 352 | 61,918 |
| FUND BALANCE, ENDING | \$ 901 | \$ 901 | \$ 62,580 | \$ 61,679 |

County of Santa Cruz

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Districts Governed by the Board of Supervisors - Recreation and Culture Special Revenue Fund For the year ended June 30, 2008

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|---------------------|---|
| | Original | Final | | |
| FUND BALANCE, BEGINNING | \$ 1,169,542 | \$ 1,169,542 | \$ 1,169,542 | \$ - |
| RESOURCES / (INFLOWS) | | | | |
| Taxes | 878,786 | 878,786 | 920,232 | 41,446 |
| Aid from other governments | 7,354 | 7,354 | 7,341 | (13) |
| Use of money and property | 31,960 | 31,960 | 53,243 | 21,283 |
| Charges for services | 333,388 | 333,388 | 336,305 | 2,917 |
| Other | - | - | 1,100 | 1,100 |
| Transfers in | 10,668 | 10,668 | 10,669 | 1 |
| Amounts available for appropriation | <u>1,262,156</u> | <u>1,262,156</u> | <u>1,328,890</u> | <u>66,734</u> |
| CHARGES TO APPROPRIATIONS / (OUTFLOWS) | | | | |
| Recreation and culture: | | | | |
| Services and supplies | 1,399,139 | 1,399,139 | 861,414 | 537,725 |
| Other charges | 121,298 | 121,298 | - | 121,298 |
| Transfers out | 163,790 | 163,790 | 135,553 | 28,237 |
| Total charges to appropriations | <u>1,684,227</u> | <u>1,684,227</u> | <u>996,967</u> | <u>687,260</u> |
| FUND BALANCE, ENDING | <u>\$ 747,471</u> | <u>\$ 747,471</u> | <u>\$ 1,501,465</u> | <u>\$ 753,994</u> |

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

Sources / Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule \$ 1,328,890

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 \$ 1,318,221

Uses / Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule \$ 996,967

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (135,553)

Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds \$ 861,414

County of Santa Cruz

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Districts Governed by the Board of Supervisors-Public Ways and Facilities Special Revenue Fund For the year ended June 30, 2008

| | Budget | | Actual | Variance with |
|---|---------------------|---------------------|---------------------|---------------------|
| | Original | Final | | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| FUND BALANCE, BEGINNING | \$ 5,315,410 | \$ 5,315,410 | \$ 5,315,410 | \$ - |
| RESOURCES / (INFLOWS) | | | | |
| Taxes | 651,949 | 651,949 | 677,670 | 25,721 |
| Use of money and property | 150,027 | 162,730 | 244,698 | 81,968 |
| Aid from other governments | 724,357 | 724,357 | 251,964 | (472,393) |
| Charges for services | 5,330,970 | 5,335,973 | 5,356,689 | 20,716 |
| Other | 25,000 | 25,000 | 5,879 | (19,121) |
| Amounts available for appropriation | 6,882,303 | 6,900,009 | 6,536,900 | (363,109) |
| CHARGES TO APPROPRIATIONS / (OUTFLOWS) | | | | |
| Public ways & facilities: | | | | |
| Services and supplies | 7,720,344 | 7,737,034 | 5,201,636 | 2,535,398 |
| Other charges | 44,639 | 44,669 | 41,568 | 3,101 |
| Capital assets | 1,187,960 | 1,187,960 | 421,928 | 766,032 |
| Transfers out | 1,242,062 | 1,241,757 | 887,744 | 354,013 |
| Total charges to appropriations | 10,195,005 | 10,211,420 | 6,552,876 | 3,658,544 |
| FUND BALANCE, ENDING | \$ 2,002,708 | \$ 2,003,999 | \$ 5,299,434 | \$ 3,295,435 |

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

Uses / Outflows of Resources:

| | |
|---|--------------|
| Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule | \$ 6,552,876 |
| Differences - budget to GAAP: | |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | (887,744) |
| Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds | \$ 5,665,132 |

County of Santa Cruz

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Capital Project Funds

For the year ended June 30, 2008

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|---|----------------------|---------------------|----------------------|---|
| | Original | Final | | |
| FUND BALANCE, BEGINNING | <u>\$ 6,743,777</u> | <u>\$ 6,743,777</u> | <u>\$ 6,743,777</u> | <u>\$ -</u> |
| RESOURCES / (INFLOWS) | | | | |
| Fines, forfeits, and penalties | 230,000 | 230,000 | - | (230,000) |
| Use of money and property | - | - | 52,947 | 52,947 |
| Aid from other governments | 125,000 | 125,000 | 958,120 | 833,120 |
| Other | 6,607,184 | 6,607,184 | 7,388,474 | 781,290 |
| Transfers in | 1,998,000 | 1,998,000 | 6,800,809 | 4,802,809 |
| Amounts available for appropriation | <u>8,960,184</u> | <u>8,960,184</u> | <u>15,200,350</u> | <u>6,240,166</u> |
| CHARGES TO APPROPRIATIONS / (OUTFLOWS) | | | | |
| Capital outlay | - | 8,595,184 | 10,671,475 | (2,076,291) |
| Transfers out | - | - | 1,000,000 | (1,000,000) |
| Total charges to appropriations | <u>-</u> | <u>8,595,184</u> | <u>11,671,475</u> | <u>(3,076,291)</u> |
| FUND BALANCE, ENDING | <u>\$ 15,703,961</u> | <u>\$ 7,108,777</u> | <u>\$ 10,272,652</u> | <u>\$ 3,163,875</u> |

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

Sources / Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule \$ 15,200,350

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes (6,800,809)

Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds \$ 8,399,541

Uses / Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule \$ 11,671,475

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (1,000,000)

Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds \$ 10,671,475

NON-MAJOR ENTERPRISE FUNDS

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

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 districts' areas. 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 supply and treatment of water to Davenport, Newtown, and San Vicente. User fees and contributions from the principal commercial customers are the principal sources of revenue.

County of Santa Cruz
Combining Statement of Net Assets
Non-Major Enterprise Funds
June 30, 2008

| | Boulder Creek CSA 7 | Rolling Woods CSA 10 | Place de Mer CSA 2 | Sand Dollar Beach CSA 5 | Trestle Beach CSA 20 |
|---|---------------------------|----------------------------|--------------------------|----------------------------------|----------------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 135,131 | \$ 21,585 | \$ 106,074 | \$ 123,661 | \$ 24,949 |
| Restricted cash and investments | - | - | - | 7,226 | - |
| Receivables, net | - | - | - | - | - |
| Total current assets | 135,131 | 21,585 | 106,074 | 130,887 | 24,949 |
| Capital assets: | | | | | |
| Non-depreciable | | | | | |
| Construction-in-progress | - | - | - | - | - |
| Depreciable: | | | | | |
| Buildings and structures | 1,535,775 | 321,382 | 188,209 | 458,781 | - |
| Equipment | 58,746 | 694 | 41,178 | - | 13,569 |
| Accumulated depreciation | (1,047,965) | (177,570) | (111,128) | (137,655) | (4,749) |
| Total capital assets | 546,556 | 144,506 | 118,259 | 321,126 | 8,820 |
| Total assets | 681,687 | 166,091 | 224,333 | 452,013 | 33,769 |
| LIABILITIES AND NET ASSETS | | | | | |
| Liabilities: | | | | | |
| Current Liabilities: | | | | | |
| Payables | 1,164 | 670 | - | 11,018 | 8,490 |
| Current portion of long-term debt | - | - | - | 19,000 | - |
| Total current liabilities | 1,164 | 670 | - | 30,018 | 8,490 |
| Noncurrent Liabilities: | | | | | |
| Long-term debt | - | - | - | - | - |
| Total noncurrent liabilities | - | - | - | - | - |
| Total liabilities | 1,164 | 670 | - | 30,018 | 8,490 |
| Net Assets: | | | | | |
| Invested in capital assets, net of related debt | 546,556 | 144,506 | 118,259 | 302,126 | 8,820 |
| Restricted - other purposes | - | - | - | 7,226 | - |
| Unrestricted | 133,967 | 20,915 | 106,074 | 112,643 | 16,459 |
| Total net assets | 680,523 | 165,421 | 224,333 | 421,995 | 25,279 |
| Total liabilities and net assets | \$ 681,687 | \$ 166,091 | \$ 224,333 | \$ 452,013 | \$ 33,769 |

| Summit West CSA 54 | Graham Hill CSA 57 | Septic Tank Maintenance CSA 12 | Freedom County Sanitation District | Davenport Sanitation District | Total |
|--------------------------|--------------------------|--------------------------------------|---|-------------------------------------|---------------|
| \$ 3,295 | \$ 288,600 | \$ 1,661,807 | \$ 3,273,463 | \$ 81,174 | \$ 5,719,739 |
| - | - | - | - | 64,095 | 71,321 |
| - | - | - | 51,765 | 130,876 | 182,641 |
| 3,295 | 288,600 | 1,661,807 | 3,325,228 | 276,145 | 5,973,701 |
| - | - | - | 89,617 | - | 89,617 |
| 145,600 | - | - | 5,901,069 | 3,489,143 | 12,039,959 |
| - | - | - | 13,349 | 17,345 | 144,881 |
| (32,760) | - | - | (3,023,392) | (1,344,957) | (5,880,176) |
| 112,840 | - | - | 2,980,643 | 2,161,531 | 6,394,281 |
| 116,135 | 288,600 | 1,661,807 | 6,305,871 | 2,437,676 | 12,367,982 |
| - | - | 91,580 | 46 | 2,469 | 115,437 |
| - | - | - | - | 24,936 | 43,936 |
| - | - | 91,580 | 46 | 27,405 | 159,373 |
| - | - | - | - | 404,412 | 404,412 |
| - | - | - | - | 404,412 | 404,412 |
| - | - | 91,580 | 46 | 431,817 | 563,785 |
| 112,840 | - | - | 2,980,643 | 1,732,183 | 5,945,933 |
| - | - | - | - | - | 7,226 |
| 3,295 | 288,600 | 1,570,227 | 3,325,182 | 273,676 | 5,851,038 |
| 116,135 | 288,600 | 1,570,227 | 6,305,825 | 2,005,859 | 11,804,197 |
| \$ 116,135 | \$ 288,600 | \$ 1,661,807 | \$ 6,305,871 | \$ 2,437,676 | \$ 12,367,982 |

County of Santa Cruz
Combining Statement of Revenues, Expenses and Changes in Net Assets
Non-Major Enterprise Funds
For the year ended June 30, 2008

| | Boulder Creek CSA 7 | Rolling Woods CSA 10 | Place de Mer CSA 2 | Sand Dollar Beach CSA 5 | Trestle Beach CSA 20 |
|---|---------------------------|----------------------------|--------------------------|----------------------------------|----------------------------|
| OPERATING REVENUES: | | | | | |
| Charges for services | \$ 360,051 | \$ 75,673 | \$ 75,490 | \$ 234,712 | \$ 44,183 |
| Other | - | - | - | 392 | - |
| Total operating revenues | 360,051 | 75,673 | 75,490 | 235,104 | 44,183 |
| OPERATING EXPENSES: | | | | | |
| Services and supplies | 380,821 | 69,959 | 33,409 | 301,451 | 71,467 |
| Depreciation | 57,151 | 7,969 | 5,542 | 12,267 | 1,357 |
| Total operating expenses | 437,972 | 77,928 | 38,951 | 313,718 | 72,824 |
| OPERATING INCOME / (LOSS) | (77,921) | (2,255) | 36,539 | (78,614) | (28,641) |
| NONOPERATING REVENUES / (EXPENSES): | | | | | |
| Aid from other governments | (354) | - | - | - | - |
| Use of money and property | 6,564 | 538 | 3,203 | 6,478 | 1,631 |
| Interest expense | - | - | - | (429) | - |
| Property taxes | - | - | - | - | - |
| Special assessments | - | - | - | 19,762 | - |
| Other | - | - | - | - | - |
| Total nonoperating revenues / (expenses) | 6,210 | 538 | 3,203 | 25,811 | 1,631 |
| INCOME / (LOSS) BEFORE TRANSFERS | (71,711) | (1,717) | 39,742 | (52,803) | (27,010) |
| TRANSFERS: | | | | | |
| Capital contributions | - | - | - | - | - |
| Total transfers | - | - | - | - | - |
| NET INCOME / (LOSS) | (71,711) | (1,717) | 39,742 | (52,803) | (27,010) |
| NET ASSETS: | | | | | |
| Beginning of the year | 752,234 | 167,138 | 184,591 | 474,798 | 52,289 |
| End of the year | \$ 680,523 | \$ 165,421 | \$ 224,333 | \$ 421,995 | \$ 25,279 |

| Summit West CSA 54 | Graham Hill CSA 57 | Septic Tank Maintenance CSA 12 | Freedom County Sanitation District | Davenport Sanitation District | Total |
|--------------------------|--------------------------|--------------------------------------|---|-------------------------------------|---------------|
| \$ - | \$ 75,183 | \$ 850,958 | \$ 615,225 | \$ 444,752 | \$ 2,776,227 |
| - | - | - | - | - | 392 |
| - | 75,183 | 850,958 | 615,225 | 444,752 | 2,776,619 |
| 27,831 | 13,288 | 965,769 | 483,314 | 325,284 | 2,672,593 |
| 3,640 | - | - | 125,752 | 81,906 | 295,584 |
| 31,471 | 13,288 | 965,769 | 609,066 | 407,190 | 2,968,177 |
| (31,471) | 61,895 | (114,811) | 6,159 | 37,562 | (191,558) |
| - | - | - | - | 197 | (157) |
| 577 | 9,971 | 82,989 | 138,925 | 10,548 | 261,424 |
| - | - | - | - | (12,275) | (12,704) |
| - | - | - | - | 23,112 | 23,112 |
| - | - | - | - | - | 19,762 |
| - | - | - | - | 11,156 | 11,156 |
| 577 | 9,971 | 82,989 | 138,925 | 32,738 | 302,593 |
| (30,894) | 71,866 | (31,822) | 145,084 | 70,300 | 111,035 |
| - | - | - | - | 25,000 | 25,000 |
| - | - | - | - | 25,000 | 25,000 |
| (30,894) | 71,866 | (31,822) | 145,084 | 95,300 | 136,035 |
| 147,029 | 216,734 | 1,602,049 | 6,160,741 | 1,910,559 | 11,668,162 |
| \$ 116,135 | \$ 288,600 | \$ 1,570,227 | \$ 6,305,825 | \$ 2,005,859 | \$ 11,804,197 |

County of Santa Cruz
Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the year ended June 30, 2008

| | Boulder Creek CSA 7 | Rolling Woods CSA 10 | Place de Mer CSA 2 | Sand Dollar Beach CSA 5 | Trestle Beach CSA 20 |
|---|---------------------------|----------------------------|--------------------------|----------------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Receipts customers and users | \$ 360,051 | \$ 75,673 | \$ 75,490 | \$ 234,712 | \$ 44,183 |
| Payments to suppliers for goods and services | (240,868) | (54,570) | (11,026) | (110,519) | (31,078) |
| Payments for interfund services used | (144,501) | (14,771) | (22,383) | (192,079) | (32,110) |
| Net cash provided / (used) by operating activities | (25,318) | 6,332 | 42,081 | (67,886) | (19,005) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | |
| Property taxes | - | - | - | 19,762 | - |
| Subsidy from other governmental agencies | - | - | - | - | - |
| Net cash provided / (used) by noncapital financing activities | - | - | - | 19,762 | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Capital contributions | - | - | - | - | - |
| Purchase of capital assets | (46,577) | - | - | - | - |
| Principal paid on long-term debt | - | - | - | (20,000) | - |
| Interest paid on long-term debt | - | - | - | (1,114) | - |
| Loan repayments | - | - | - | - | - |
| Net cash provided / (used) by capital and related financing activities | (46,577) | - | - | (21,114) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Investment earnings received | 6,564 | 538 | 3,203 | 6,478 | 1,631 |
| Net cash provided / (used) by investing activities | 6,564 | 538 | 3,203 | 6,478 | 1,631 |
| Net increase / (decrease) in cash cash and cash equivalents | (65,331) | 6,870 | 45,284 | (62,760) | (17,374) |
| Cash and cash equivalents at beginning of year | 200,462 | 14,715 | 60,790 | 193,647 | 42,323 |
| Cash and cash equivalents at end of year | <u>\$ 135,131</u> | <u>\$ 21,585</u> | <u>\$ 106,074</u> | <u>\$ 130,887</u> | <u>\$ 24,949</u> |

| Summit West CSA 54 | Graham Hill CSA 57 | Septic Tank Maintenance CSA 12 | Freedom County Sanitation District | Davenport Sanitation District | Total |
|--------------------------|--------------------------|--------------------------------------|---|-------------------------------------|--------------|
| \$ - | \$ 75,183 | \$ 872,958 | \$ 615,225 | \$ 427,097 | \$ 2,780,572 |
| (25,304) | (6,894) | (1,074,689) | (484,162) | (100,407) | (2,139,517) |
| (2,527) | (7,376) | - | (191,685) | (226,099) | (833,531) |
| (27,831) | 60,913 | (201,731) | (60,622) | 100,591 | (192,476) |
| - | - | - | - | 23,111 | 42,873 |
| - | - | - | - | 196 | 196 |
| - | - | - | - | 23,307 | 43,069 |
| - | - | - | - | 25,000 | 25,000 |
| - | - | - | (122,751) | (246,722) | (416,050) |
| - | - | - | - | (24,299) | (44,299) |
| - | - | - | - | (12,260) | (13,374) |
| - | - | - | - | 11,246 | 11,246 |
| - | - | - | (122,751) | (247,035) | (437,477) |
| 577 | 9,971 | 82,989 | 138,925 | 10,548 | 261,424 |
| 577 | 9,971 | 82,989 | 138,925 | 10,548 | 261,424 |
| (27,254) | 70,884 | (118,742) | (44,448) | (112,589) | (325,460) |
| 30,549 | 217,716 | 1,780,549 | 3,317,911 | 257,858 | 6,116,520 |
| \$ 3,295 | \$ 288,600 | \$ 1,661,807 | \$ 3,273,463 | \$ 145,269 | \$ 5,791,060 |

(Continued)

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

| | Boulder Creek CSA 7 | Rolling Woods CSA 10 | Place de Mer CSA 2 | Sand Dollar Beach CSA 5 | Trestle Beach CSA 20 |
|---|---------------------------|----------------------------|--------------------------|----------------------------------|----------------------------|
| RECONCILIATION OF OPERATING | | | | | |
| INCOME / (LOSS) TO NET CASH PROVIDED / | | | | | |
| (USED) BY OPERATING ACTIVITIES: | | | | | |
| Operating income / (loss) | \$ (77,921) | \$ (2,255) | \$ 36,539 | \$ (78,614) | \$ (28,641) |
| Adjustments to reconcile operating income / (loss) to net cash provided / (used) by operating activities: | | | | | |
| Depreciation | 57,151 | 7,969 | 5,542 | 12,267 | 1,357 |
| Changes in assets and liabilities: | | | | | |
| (Increase) / decrease in: | | | | | |
| Receivables | - | - | - | - | - |
| (Increase) / decrease in: | | | | | |
| Payables | (4,548) | 618 | - | (1,539) | 8,279 |
| Net cash provided / (used) by operating activities | \$ (25,318) | \$ 6,332 | \$ 42,081 | \$ (67,886) | \$ (19,005) |



| Summit West CSA 54 | Graham Hill CSA 57 | Septic Tank Maintenance CSA 12 | Freedom County Sanitation District | Davenport Sanitation District | Total |
|--------------------------|--------------------------|--------------------------------------|---|-------------------------------------|---------------------|
| \$ (31,471) | \$ 61,895 | \$ (114,811) | \$ 6,159 | \$ 37,562 | \$ (191,558) |
| 3,640 | - | - | 125,752 | 81,906 | 295,584 |
| - | - | 22,000 | - | (17,655) | 4,345 |
| - | (982) | (108,920) | (192,533) | (1,222) | (300,847) |
| <u>\$ (27,831)</u> | <u>\$ 60,913</u> | <u>\$ (201,731)</u> | <u>\$ (60,622)</u> | <u>\$ 100,591</u> | <u>\$ (192,476)</u> |

(Concluded)



INTERNAL SERVICE FUNDS

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

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

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

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

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

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

County of Santa Cruz
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

| | Central Duplicating | Information Services | Public Works | Service Center |
|--|------------------------|-------------------------|---------------------|---------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ - | \$ 1,383,427 | \$ 3,758,526 | \$ - |
| Receivables, net | - | - | 95,521 | 2,008 |
| Due from other funds | - | - | - | - |
| Deposits with others | - | - | 380,559 | - |
| Inventory | - | - | 465,775 | 37,565 |
| Prepaid items | 52,189 | - | 12,170 | - |
| Total current assets | 52,189 | 1,383,427 | 4,712,551 | 39,573 |
| Capital assets: | | | | |
| Land | - | - | 62,914 | 34,173 |
| Buildings and structures | - | - | 2,391,242 | 473,442 |
| Equipment | 382,903 | 9,839,684 | 9,774,843 | 7,645,199 |
| Accumulated depreciation | (340,555) | (7,939,440) | (9,341,102) | (5,960,508) |
| Total capital assets | 42,348 | 1,900,244 | 2,887,897 | 2,192,306 |
| Total assets | \$ 94,537 | \$ 3,283,671 | \$ 7,600,448 | \$ 2,231,879 |
| LIABILITIES AND NET ASSETS | | | | |
| Liabilities: | | | | |
| Current Liabilities: | | | | |
| Payables | \$ 36,917 | \$ 640,182 | \$ 1,219,173 | \$ 66,697 |
| Due to other funds | 477,820 | - | - | 638,244 |
| Loan Payable | - | - | 328,860 | - |
| Claims liability | - | - | - | - |
| Compensated absences, due within one year | 16,166 | 446,709 | 2,298,591 | 32,018 |
| Total current liabilities | 530,903 | 1,086,891 | 3,846,624 | 736,959 |
| Noncurrent Liabilities: | | | | |
| Claims liability | - | - | - | - |
| Compensated absences payable, due in more than one year | - | 148,903 | 686,592 | - |
| Total noncurrent liabilities | - | 148,903 | 686,592 | - |
| Total liabilities | 530,903 | 1,235,794 | 4,533,216 | 736,959 |
| Net Assets: | | | | |
| Invested in capital assets, net of related debt | 42,348 | 1,900,244 | 2,559,037 | 2,192,306 |
| Unrestricted | (478,714) | 147,633 | 508,195 | (697,386) |
| Total net assets | (436,366) | 2,047,877 | 3,067,232 | 1,494,920 |
| Total liabilities and net assets | \$ 94,537 | \$ 3,283,671 | \$ 7,600,448 | \$ 2,231,879 |

| Self-Insurance | | | | | | | |
|------------------------------------|-----------------------------|----------------------------------|---------------------------------|---------------------------|------------------------------|--|---------------|
| Risk Management and Self-Insurance | Dental and Health Insurance | Liability and Property Insurance | Workers' Compensation Insurance | Employee Benefit Staffing | State Unemployment Insurance | | Total |
| \$ 720,279 | \$ 1,347,651 | \$ 5,691,110 | \$ 7,073,462 | \$ 325,829 | \$ 363,240 | | \$ 20,663,524 |
| - | 59,756 | - | - | - | - | | 157,285 |
| - | - | 1,116,064 | - | - | - | | 1,116,064 |
| - | - | - | 150,000 | - | - | | 530,559 |
| - | - | - | - | - | - | | 503,340 |
| - | - | 11,782 | - | - | - | | 76,141 |
| 720,279 | 1,407,407 | 6,818,956 | 7,223,462 | 325,829 | 363,240 | | 23,046,913 |
| - | - | - | - | - | - | | 97,087 |
| - | - | - | - | - | - | | 2,864,684 |
| 55,237 | - | - | - | - | - | | 27,697,866 |
| (55,237) | - | - | - | - | - | | (23,636,842) |
| - | - | - | - | - | - | | 7,022,795 |
| \$ 720,279 | \$ 1,407,407 | \$ 6,818,956 | \$ 7,223,462 | \$ 325,829 | \$ 363,240 | | \$ 30,069,708 |
| \$ 25,909 | \$ 42,070 | \$ 398,213 | \$ 81,659 | \$ 13,607 | \$ - | | \$ 2,524,427 |
| - | - | - | - | - | - | | 1,116,064 |
| - | - | - | - | - | - | | 328,860 |
| - | - | 4,494,000 | 8,019,333 | - | - | | 12,513,333 |
| 34,886 | - | - | - | 16,986 | - | | 2,845,356 |
| 60,795 | 42,070 | 4,892,213 | 8,100,992 | 30,593 | - | | 19,328,040 |
| - | 84,778 | - | 17,034,667 | - | 75,000 | | 17,194,445 |
| - | - | - | - | - | - | | 835,495 |
| - | 84,778 | - | 17,034,667 | - | 75,000 | | 18,029,940 |
| 60,795 | 126,848 | 4,892,213 | 25,135,659 | 30,593 | 75,000 | | 37,357,980 |
| - | - | - | - | - | - | | 6,693,935 |
| 659,484 | 1,280,559 | 1,926,743 | (17,912,197) | 295,236 | 288,240 | | (13,982,207) |
| 659,484 | 1,280,559 | 1,926,743 | (17,912,197) | 295,236 | 288,240 | | (7,288,272) |
| \$ 720,279 | \$ 1,407,407 | \$ 6,818,956 | \$ 7,223,462 | \$ 325,829 | \$ 363,240 | | \$ 30,069,708 |

County of Santa Cruz
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2008

| | Central Duplicating | Information Services | Public Works | Service Center |
|---|------------------------|-------------------------|-------------------|-------------------|
| OPERATING REVENUES: | | | | |
| Charges for services | \$ 988,905 | \$ 11,597,370 | \$ 34,512,952 | \$ 2,261,892 |
| Other | - | 39,238 | - | 49,477 |
| Total operating revenues | 988,905 | 11,636,608 | 34,512,952 | 2,311,369 |
| OPERATING EXPENSES: | | | | |
| Salaries and employee benefits | 256,229 | 6,836,682 | 26,198,797 | 485,906 |
| Services and supplies | 671,403 | 3,756,146 | 6,075,872 | 550,850 |
| Insurance and compensation claims | - | 145,420 | 2,030,128 | 26,648 |
| Depreciation and amortization | 42,460 | 586,179 | 687,731 | 1,460,002 |
| Total operating expenses | 970,092 | 11,324,427 | 34,992,528 | 2,523,406 |
| OPERATING INCOME / (LOSS) | 18,813 | 312,181 | (479,576) | (212,037) |
| NONOPERATING REVENUES / (EXPENSES): | | | | |
| Intergovernmental revenue | - | - | (217) | - |
| Gain / (loss) on disposal of capital assets | - | (2,987) | (46,062) | 4,442 |
| Amortization of bond issuance costs | - | - | (12,170) | - |
| Amortization of bond discount | - | - | (6,031) | - |
| Use of money and property | - | - | - | - |
| Interest expense | (237) | - | (8,905) | - |
| Total nonoperating revenues / (expenses) | (237) | (2,987) | (73,385) | 4,442 |
| INCOME / (LOSS) BEFORE TRANSFERS | 18,576 | 309,194 | (552,961) | (207,595) |
| TRANSFERS: | | | | |
| Transfers in | - | - | - | 121,250 |
| Total transfers | - | - | - | 121,250 |
| NET INCOME / (LOSS) | 18,576 | 309,194 | (552,961) | (86,345) |
| NET ASSETS: | | | | |
| Beginning of the year, | (454,942) | 1,738,683 | 3,620,193 | 1,581,265 |
| End of the year | \$ (436,366) | \$ 2,047,877 | \$ 3,067,232 | \$ 1,494,920 |

| Self-Insurance | | | | | | | |
|------------------------------------|-----------------------------|----------------------------------|---------------------------------|---------------------------|------------------------------|----------------|--|
| Risk Management and Self-Insurance | Dental and Health Insurance | Liability and Property Insurance | Workers' Compensation Insurance | Employee Benefit Staffing | State Unemployment Insurance | Total | |
| \$ 1,251,695 | \$ 1,392,562 | \$ 4,811,069 | \$ 7,076,979 | \$ 901,281 | \$ 250,359 | \$ 65,045,064 | |
| - | - | 210,073 | 17,849 | - | - | 316,637 | |
| 1,251,695 | 1,392,562 | 5,021,142 | 7,094,828 | 901,281 | 250,359 | 65,361,701 | |
| 467,105 | - | - | - | 400,885 | - | 34,645,604 | |
| 841,612 | 22,608 | 844,369 | 1,041,312 | 289,353 | 1,802 | 14,095,327 | |
| 17,079 | 1,980,000 | 1,695,908 | 4,421,203 | - | 363,974 | 10,680,360 | |
| - | - | - | - | - | - | 2,776,372 | |
| 1,325,796 | 2,002,608 | 2,540,277 | 5,462,515 | 690,238 | 365,776 | 62,197,663 | |
| (74,101) | (610,046) | 2,480,865 | 1,632,313 | 211,043 | (115,417) | 3,164,038 | |
| - | - | - | - | - | - | (217) | |
| - | - | - | - | - | - | (44,607) | |
| - | - | - | - | - | - | (12,170) | |
| - | - | - | - | - | - | (6,031) | |
| 28,036 | 70,896 | 281,084 | 350,035 | 23,234 | 22,213 | 775,498 | |
| - | - | - | - | - | - | (9,142) | |
| 28,036 | 70,896 | 281,084 | 350,035 | 23,234 | 22,213 | 703,331 | |
| (46,065) | (539,150) | 2,761,949 | 1,982,348 | 234,277 | (93,204) | 3,867,369 | |
| - | - | - | - | - | - | 121,250 | |
| - | - | - | - | - | - | 121,250 | |
| (46,065) | (539,150) | 2,761,949 | 1,982,348 | 234,277 | (93,204) | 3,988,619 | |
| 705,549 | 1,819,709 | (835,206) | (19,894,545) | 60,959 | 381,444 | (11,276,891) | |
| \$ 659,484 | \$ 1,280,559 | \$ 1,926,743 | \$ (17,912,197) | \$ 295,236 | \$ 288,240 | \$ (7,288,272) | |

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

| | Central Duplicating | Information Services | Public Works | Service Center |
|---|------------------------|-------------------------|------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Receipts from customers and users | \$ 988,905 | \$ 11,645,544 | \$ 1,008,550 | \$ 2,260,234 |
| Receipts from interfund services provided | - | - | 33,478,324 | (473,030) |
| Payments to suppliers for goods and services | (700,700) | (3,935,706) | (8,166,416) | - |
| Payments to employees for services | (246,911) | (6,830,188) | (26,161,894) | (475,944) |
| Other | - | - | - | 334 |
| Net cash provided / (used) by operating activities | 41,294 | 879,650 | 158,564 | 1,311,594 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Transfers from other funds | - | - | - | 121,250 |
| Transfers to other funds | - | - | - | - |
| Loan proceeds | - | - | - | 638,243 |
| Loan repayments | - | - | - | (614,237) |
| Net cash provided / (used) by noncapital financing activities | - | - | - | 145,256 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Capital contributions | - | - | - | - |
| Proceeds from sale of capital assets | - | 1,248 | - | 9,351 |
| Purchase of capital assets | (15,792) | (514,095) | (181,226) | (1,466,201) |
| Principal paid on long-term debt | (10,340) | - | (330,175) | - |
| Interest paid on long-term debt | (237) | - | (9,616) | - |
| Loan proceeds | 477,820 | - | - | - |
| Loan repayment | (492,745) | - | - | - |
| Net cash provided / (used) by capital and related financing activities | (41,294) | (512,847) | (521,017) | (1,456,850) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Investment earnings received | - | - | - | - |
| Net cash provided / (used) by investing activities | - | - | - | - |
| Net increase / (decrease) in cash cash and cash equivalents | - | 366,803 | (362,453) | - |
| Cash and cash equivalents at beginning of year | - | 1,016,624 | 4,120,979 | - |
| Cash and cash equivalents at end of year | \$ - | \$ 1,383,427 | \$ 3,758,526 | \$ - |

| Self-Insurance | | | | | | | |
|------------------------------------|-----------------------------|----------------------------------|---------------------------------|---------------------------|------------------------------|--|---------------|
| Risk Management and Self-Insurance | Dental and Health Insurance | Liability and Property Insurance | Workers' Compensation Insurance | Employee Benefit Staffing | State Unemployment Insurance | | Total |
| \$ 1,251,695 | \$ 1,382,208 | \$ 4,811,069 | \$ 7,076,979 | \$ 901,281 | \$ 250,359 | | \$ 31,576,824 |
| - | - | - | - | - | - | | 33,005,294 |
| (845,054) | (160,582) | (1,975,100) | (2,953,360) | (289,353) | (126,802) | | (19,153,073) |
| (448,681) | - | - | - | (413,203) | - | | (34,576,821) |
| (17,079) | (1,800,000) | (99,233) | (2,492,758) | - | (238,974) | | (4,647,710) |
| (59,119) | (578,374) | 2,736,736 | 1,630,861 | 198,725 | (115,417) | | 6,204,514 |
| - | - | 1,106,982 | - | - | - | | 1,228,232 |
| - | - | (1,116,063) | - | - | - | | (1,116,063) |
| - | - | - | - | - | - | | 638,243 |
| - | - | - | - | - | - | | (614,237) |
| - | - | (9,081) | - | - | - | | 136,175 |
| - | - | - | - | - | - | | - |
| - | - | - | - | - | - | | 10,599 |
| - | - | - | - | - | - | | (2,177,314) |
| - | - | - | - | - | - | | (340,515) |
| - | - | - | - | - | - | | (9,853) |
| - | - | - | - | - | - | | 477,820 |
| - | - | - | - | - | - | | (492,745) |
| - | - | - | - | - | - | | (2,532,008) |
| 28,036 | 70,896 | 281,084 | 350,035 | 23,234 | 22,213 | | 775,498 |
| 28,036 | 70,896 | 281,084 | 350,035 | 23,234 | 22,213 | | 775,498 |
| (31,083) | (507,478) | 3,008,739 | 1,980,896 | 221,959 | (93,204) | | 4,584,179 |
| 751,362 | 1,855,129 | 2,682,371 | 5,092,566 | 103,870 | 456,444 | | 16,079,345 |
| \$ 720,279 | \$ 1,347,651 | \$ 5,691,110 | \$ 7,073,462 | \$ 325,829 | \$ 363,240 | | \$ 20,663,524 |

(Continued)

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

| | Central Duplicating | Information Services | Public Works | Service Center |
|---|------------------------|-------------------------|-------------------|---------------------|
| RECONCILIATION OF OPERATING | | | | |
| INCOME / (LOSS) TO NET CASH PROVIDED / | | | | |
| (USED) BY OPERATING ACTIVITIES: | | | | |
| Operating income / (loss) | \$ 18,813 | \$ 312,181 | \$ (479,576) | \$ (212,037) |
| Adjustments to reconcile operating income / (loss) to net cash provided / (used) by operating activities: | | | | |
| Depreciation | 42,460 | 586,179 | 687,731 | 1,460,002 |
| Changes in assets and liabilities: | | | | |
| (Increase) / decrease in: | | | | |
| Receivables | - | 8,936 | (25,861) | (1,658) |
| Inventory | - | - | 45,723 | 13,294 |
| Prepaid items | (39,642) | - | - | - |
| (Increase) / decrease in: | | | | |
| Payables | 11,527 | (20,708) | 47,095 | 43,374 |
| Compensated absences | 8,136 | (6,938) | (116,548) | 8,619 |
| Net cash provided / (used) by operating activities | \$ 41,294 | \$ 879,650 | \$ 158,564 | \$ 1,311,594 |

| Self-Insurance | | | | | | | |
|------------------------------------|-----------------------------|----------------------------------|---------------------------------|---------------------------|------------------------------|-----------|------------------|
| Risk Management and Self-Insurance | Dental and Health Insurance | Liability and Property Insurance | Workers' Compensation Insurance | Employee Benefit Staffing | State Unemployment Insurance | | Total |
| \$ (74,101) | \$ (610,046) | \$ 2,480,865 | \$ 1,632,313 | \$ 211,043 | \$ (115,417) | \$ | 3,164,038 |
| - | - | - | - | - | - | | 2,776,372 |
| - | (10,354) | - | - | - | - | | (28,937) |
| - | - | - | - | - | - | | 59,017 |
| - | - | (11,783) | - | - | - | | (51,425) |
| 535 | 42,026 | 267,654 | (1,452) | (1,421) | - | | 388,630 |
| 14,447 | - | - | - | (10,897) | - | | (103,181) |
| <u>\$ (59,119)</u> | <u>\$ (578,374)</u> | <u>\$ 2,736,736</u> | <u>\$ 1,630,861</u> | <u>\$ 198,725</u> | <u>\$ (115,417)</u> | <u>\$</u> | <u>6,204,514</u> |

(Concluded)



FIDUCIARY FUNDS

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

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

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

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



County of Santa Cruz
Combining Balance Sheet
All Agency Funds
June 30, 2008

| | Inter- governmental Agency | Payroll | Property Tax Collection | Total |
|---------------------------------|----------------------------------|---------------------|-------------------------------|----------------------|
| ASSETS | | | | |
| Cash and investments | \$ 43,170,940 | \$ 3,273,510 | \$ 6,366,299 | \$ 52,810,749 |
| Receivables | 3,415,696 | - | 20,120,840 | 23,536,536 |
| Total assets | \$ 46,586,636 | \$ 3,273,510 | \$ 26,487,139 | \$ 76,347,285 |
| LIABILITIES | | | | |
| Payables | \$ 644,424 | \$ 3,273,510 | \$ - | \$ 3,917,934 |
| Due to other governmental units | - | - | 26,487,139 | 26,487,139 |
| Agency funds held for others | 45,942,212 | - | - | 45,942,212 |
| Total liabilities | \$ 46,586,636 | \$ 3,273,510 | \$ 26,487,139 | \$ 76,347,285 |

County of Santa Cruz
Combining Statement of Changes in Net Assets
Agency Funds
For the year ended June 30, 2008

| | Balance July 1, 2007 | Additions | Deletions | Balance June 30, 2008 |
|--|-------------------------|-------------------------|-------------------------|--------------------------|
| <u>Intergovernmental Agency</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 53,134,490 | \$ 274,307,733 | \$ 284,271,283 | \$ 43,170,940 |
| Receivables | 4,753,218 | 50,839,250 | 52,176,772 | 3,415,696 |
| Total assets | \$ 57,887,708 | \$ 325,146,983 | \$ 336,448,055 | \$ 46,586,636 |
| Liabilities: | | | | |
| Payables | \$ 330,796 | \$ 79,346,243 | \$ 79,032,615 | \$ 644,424 |
| Due to other funds | 4,811,183 | 2,491 | 4,813,674 | - |
| Agency funds held for others | 52,745,729 | 773,643,475 | 780,446,992 | 45,942,212 |
| Total liabilities | \$ 57,887,708 | \$ 852,992,209 | \$ 864,293,281 | \$ 46,586,636 |
| <u>Payroll</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 3,115,301 | \$ 281,438,545 | \$ 281,280,336 | \$ 3,273,510 |
| Total assets | \$ 3,115,301 | \$ 281,438,545 | \$ 281,280,336 | \$ 3,273,510 |
| Liabilities: | | | | |
| Payables | \$ 3,115,301 | \$ 583,715,978 | \$ 583,557,769 | \$ 3,273,510 |
| Total liabilities | \$ 3,115,301 | \$ 583,715,978 | \$ 583,557,769 | \$ 3,273,510 |
| <u>Property Tax Collection</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 7,133,501 | \$ 881,184,590 | \$ 881,951,792 | \$ 6,366,299 |
| Receivables | 14,208,925 | 416,538,656 | 410,626,741 | 20,120,840 |
| Total assets | \$ 21,342,426 | \$ 1,297,723,246 | \$ 1,292,578,533 | \$ 26,487,139 |
| Liabilities: | | | | |
| Payables | \$ 373 | \$ 16,211,913 | \$ 16,212,286 | \$ - |
| Due to other governmental units | 21,342,053 | 1,297,696,918 | 1,292,551,832 | 26,487,139 |
| Total liabilities | \$ 21,342,426 | \$ 1,313,908,831 | \$ 1,308,764,118 | \$ 26,487,139 |
| <u>Total Agency Funds</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 63,383,292 | \$ 1,436,930,868 | \$ 1,447,503,411 | \$ 52,810,749 |
| Receivables | 18,962,143 | 467,377,906 | 462,803,513 | 23,536,536 |
| Total assets | \$ 82,345,435 | \$ 1,904,308,774 | \$ 1,910,306,924 | \$ 76,347,285 |
| Liabilities: | | | | |
| Payables | \$ 3,446,470 | \$ 679,274,134 | \$ 678,802,670 | \$ 3,917,934 |
| Due to other funds | 4,811,183 | 2,491 | 4,813,674 | - |
| Due to other governmental units | 21,342,053 | 1,297,696,918 | 1,292,551,832 | 26,487,139 |
| Agency funds held for others | 52,745,729 | 773,643,475 | 780,446,992 | 45,942,212 |
| Total liabilities | \$ 82,345,435 | \$ 2,750,617,018 | \$ 2,756,615,168 | \$ 76,347,285 |

STATISTICAL SECTION

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

| Contents | Page |
|---|-------------|
| Financial Trends <i>These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.</i> | 164 - 166 |
| Revenue Capacity <i>These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.</i> | 167 - 172 |
| Debt Capacity <i>These schedules present information to help the reader assess the affordability of the County's current level of outstanding debt and the County's ability to issue additional debt in the future.</i> | 173 - 176 |
| Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.</i> | 177 - 181 |
| Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.</i> | 182 - 186 |

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 Seven Fiscal Years
(Reported in Thousands)

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

Note: Trend information is only available for the last seven fiscal years due to the implementation of GASB 34.

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

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

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

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

Note: Trend information is only available for the last seven fiscal years due to the implementation of GASB 34.

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

| Fiscal Year | Current Property Taxes | Prior Property Taxes ¹ | Delinquent Penalties and Costs | Sales and Use Tax | Occupancy Tax | Property Transfer Tax | Utility Tax | Other Taxes | Total Tax Revenues |
|-------------|------------------------|-----------------------------------|--------------------------------|-------------------|---------------|-----------------------|------------------|-------------|--------------------|
| 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 ² | 69 | 69,262 |
| 2006 | 61,118 | 49 | 2,904 | 7,865 | 3,732 | 2,243 | N/A ² | 72 | 77,983 |
| 2007 | 66,783 | 117 | 2,741 | 7,961 | 3,931 | 1,481 | N/A ² | 72 | 83,086 |
| 2008 | 70,879 | 187 | 3,595 | 8,904 | 4,622 | 1,464 | N/A ² | 74 | 89,725 |

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

² Utility tax was repealed in 2005

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

| | Fiscal Year | | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2008 | 2007 | 2006 | 2005 | 2004 |
| General Fund | | | | | |
| Reserved | \$ 2,151 | \$ 3,893 | \$ 5,433 | \$ 2,151 | \$ 3,266 |
| Unreserved | 25,008 | 37,115 | 30,688 | 26,807 | 19,137 |
| Total general fund | <u>\$ 27,159</u> | <u>\$ 41,008</u> | <u>\$ 36,121</u> | <u>\$ 28,958</u> | <u>\$ 22,403</u> |
| All other governmental funds | | | | | |
| Reserved | \$ 38,930 | \$ 44,736 | \$ 36,209 | \$ 40,215 | \$ 46,242 |
| Unreserved, reported in: | | | | | |
| Special revenue funds | 121,946 | 123,244 | 131,835 | 67,317 | 76,479 |
| Capital project funds | 10,273 | 1,369 | 5,277 | 6,226 | 8,123 |
| Total all other governmental funds | <u>\$ 171,149</u> | <u>\$ 169,349</u> | <u>\$ 173,321</u> | <u>\$ 113,758</u> | <u>\$ 130,844</u> |

| | Fiscal Year | | | | |
|------------------------------------|-------------------|-------------------|-------------------|------------------|------------------|
| | 2003 | 2002 | 2001 | 2000 | 1999 |
| General Fund | | | | | |
| Reserved | \$ 3,626 | \$ 3,491 | \$ 2,351 | \$ 2,559 | \$ 1,816 |
| Unreserved | 28,068 | 33,561 | 42,637 | 38,557 | 14,157 |
| Total general fund | <u>\$ 31,694</u> | <u>\$ 37,052</u> | <u>\$ 44,988</u> | <u>\$ 41,116</u> | <u>\$ 15,973</u> |
| All other governmental funds | | | | | |
| Reserved | \$ 40,039 | \$ 53,647 | \$ 43,532 | \$ 21,898 | \$ 21,108 |
| Unreserved, reported in: | | | | | |
| Special revenue funds | 82,853 | 77,422 | 72,651 | 45,899 | 47,871 |
| Capital project funds | 10,060 | 8,936 | 12,423 | 6,859 | 4,642 |
| Total all other governmental funds | <u>\$ 132,952</u> | <u>\$ 140,005</u> | <u>\$ 128,606</u> | <u>\$ 74,656</u> | <u>\$ 73,621</u> |

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

| | Fiscal Year | | | | | | | | | |
|--|--------------------|-----------------|------------------|-------------------|--------------------|--------------------|-----------------|------------------|------------------|----------------|
| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 127,367 | \$ 119,947 | \$ 110,189 | \$ 97,506 | \$ 79,092 | \$ 71,261 | \$ 75,425 | \$ 75,704 | \$ 67,846 | \$ 61,069 |
| Licenses and permits | 10,085 | 10,183 | 9,481 | 10,072 | 9,013 | 7,776 | 7,557 | 7,413 | 7,385 | 6,937 |
| Fines, forfeitures and penalties | 4,911 | 5,673 | 6,440 | 12,784 | 5,199 | 4,312 | 4,693 | 4,474 | 4,584 | 4,636 |
| Use of money and property | 11,082 | 13,929 | 11,109 | 5,802 | 3,673 | 5,424 | 7,682 | 12,547 | 10,689 | 9,536 |
| Aid from other governmental agencies | 211,572 | 204,203 | 198,214 | 182,007 | 184,745 | 187,135 | 188,342 | 175,169 | 160,382 | 141,931 |
| Charges for services | 58,100 | 58,091 | 54,653 | 47,738 | 49,786 | 45,194 | 42,544 | 40,788 | 44,965 | 38,385 |
| Other revenues | 14,617 | 3,150 | 9,417 | 8,347 | 11,308 | 10,203 | 11,262 | 9,193 | 6,797 | 6,960 |
| Total revenues | 437,734 | 415,177 | 399,503 | 364,256 | 342,816 | 331,305 | 337,505 | 325,288 | 302,648 | 269,454 |
| Expenditures | | | | | | | | | | |
| Current | | | | | | | | | | |
| General government | 33,490 | 28,024 | 24,086 | 25,718 | 23,639 | 20,886 | 22,228 | 18,256 | 17,065 | 18,585 |
| Public protection | 123,435 | 112,395 | 111,868 | 104,108 | 105,350 | 101,845 | 96,865 | 89,968 | 85,271 | 81,961 |
| Public ways and facilities | 37,736 | 41,335 | 39,119 | 7,440 | 26,519 | 28,944 | 31,090 | 22,846 | 27,575 | 21,524 |
| Health and sanitation | 109,152 | 104,326 | 95,717 | 42,176 | 83,238 | 73,562 | 74,752 | 68,310 | 61,522 | 57,404 |
| Public assistance | 102,976 | 97,981 | 95,987 | 83,982 | 85,585 | 85,112 | 85,076 | 77,551 | 69,508 | 64,586 |
| Education | 5,040 | 4,711 | 4,502 | 84,639 | 4,017 | 3,421 | 3,067 | 3,102 | 2,530 | 2,335 |
| Recreation and culture | 9,189 | 7,789 | 7,377 | 3,971 | 7,918 | 7,917 | 7,300 | 7,210 | 6,547 | 6,077 |
| Capital outlay | 10,671 | 10,299 | 3,451 | 3,825 | 5,417 | 10,681 | 11,861 | 6,309 | 3,768 | 3,627 |
| Debt service | | | | | | | | | | |
| Principal | 7,344 | 7,126 | 6,339 | 7,136 | 4,512 | - | - | - | - | - |
| Bond redemption | - | - | - | 335 | - | 5,330 | 4,353 | 7,556 | 9,148 | 9,086 |
| Bond issue costs | 263 | 738 | 1,998 | - | 2,117 | - | - | 1,728 | - | - |
| Interest and fiscal charges | 13,343 | 14,652 | 10,842 | 9,292 | 8,697 | 9,254 | 9,205 | 4,733 | 4,343 | 4,426 |
| Total expenditures | 452,639 | 429,376 | 401,286 | 372,622 | 357,009 | 346,952 | 345,797 | 307,569 | 287,277 | 269,611 |
| Excess of Revenues Over (Under) Expenditures | (14,905) | (14,199) | (1,783) | (8,366) | (14,193) | (15,647) | (8,292) | 17,719 | 15,371 | (157) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Sale of capital assets | 1,255 | - | - | - | 5 | 3 | 6 | 5 | 47 | 15 |
| Gain/(Loss) on land held for resale | (34) | - | - | - | - | - | - | - | - | - |
| Debt issue cost | - | - | - | - | - | (267) | - | - | - | - |
| Proceeds from long-term debt | - | - | 68,860 | - | 23,000 | - | - | 38,751 | 364 | - |
| Proceeds from COP | - | 9,000 | - | - | - | - | 11,748 | - | 597 | - |
| Premium on long-term debt | 225 | - | 468 | - | 27 | 192 | - | - | - | - |
| Discount on long-term debt | - | (63) | (45) | (67) | (194) | - | - | - | - | - |
| Proceeds from refunding bonds | 7,370 | 10,755 | - | 10,580 | 48,435 | 8,378 | - | 15,872 | - | - |
| Payment to bond refunding escrow agent | (8,012) | (10,366) | - | (11,590) | (46,392) | (5,726) | - | (15,385) | (364) | - |
| Transfers in | 31,921 | 27,593 | 88,914 | 20,241 | 37,819 | 42,697 | 52,856 | 67,980 | 56,711 | 58,203 |
| Transfers out | (32,043) | (27,795) | (89,008) | (20,241) | (60,019) | (42,697) | (52,856) | (67,980) | (56,711) | (58,203) |
| Inception of lease purchase agreement | 94 | 5,990 | - | - | 109 | - | - | 800 | 547 | 163 |
| Total other financing sources (uses) | 776 | 15,114 | 69,189 | (1,077) | 2,790 | 2,580 | 11,754 | 40,043 | 1,191 | 178 |
| Net change in Fund Balance | \$ (14,129) | \$ 915 | \$ 67,406 | \$ (9,443) | \$ (11,403) | \$ (13,067) | \$ 3,462 | \$ 57,762 | \$ 16,562 | \$ 21 |
| Debt service as a percentage of noncapital expenditures | 4.91% | 5.84% | 5.00% | 4.86% | 4.46% | 4.36% | 4.06% | 4.65% | 4.76% | 5.08% |

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 |
|-------------|----------------|-------------------------|-------------------------------|----------------------------|-----------------------|
| 1999 | \$ 23,351 | \$ 23,603 | 101.2% | \$ 17 | \$ 23,620 |
| 2000 | 25,059 | 26,031 | 103.8% | (13) | 26,018 |
| 2001 | 27,199 | 27,965 | 102.8% | (6) | 27,959 |
| 2002 | 30,125 | 30,115 | 100.0% | 5 | 30,120 |
| 2003 | 31,496 | 31,496 | 100.0% | 3 | 31,499 |
| 2004 | 34,479 | 34,412 | 100.0% | 52 | 34,464 |
| 2005 | 52,095 | 51,892 | 99.7% | 28 | 51,920 |
| 2006 | 57,243 | 61,118 | 106.9% | 48 | 61,166 |
| 2007 | 65,331 | 66,783 | 102.4% | 117 | 66,900 |
| 2008 | 70,680 | 70,879 | 100.5% | 187 | 71,066 |

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

| Fiscal Year | Secured | Unsecured | Total | Total Direct Tax Rate |
|----------------|-------------------------|------------|-------------------------|--------------------------|
| 1999 | \$ 17,366,712 | \$ 663,510 | \$ 18,030,222 | 1.00% |
| 2000 | 18,750,835 | 714,516 | 19,465,351 | 1.00% |
| 2001 | 20,541,442 | 800,498 | 21,341,940 | 1.00% |
| 2002 | 21,849,406 | 801,139 | 22,650,545 | 1.00% |
| 2003 | 23,387,410 | 785,326 | 24,172,736 | 1.00% |
| 2004 | 25,106,093 | 748,200 | 25,854,293 | 1.00% |
| 2005 | 27,584,028 | 792,922 | 28,376,950 | 1.00% |
| 2006 | 30,238,488 | 811,727 | 31,050,215 | 1.00% |
| 2007 | 32,504,394 ² | 843,037 | 33,347,431 ² | 1.00% |
| 2008 | 33,586,675 | 861,576 | 34,448,251 | 1.00% |

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

² Amounts were misreported in prior year and have been restated here.

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 | | | | | |
| | 1999 | 1.008 | | | | | |
| 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 |
| 2008 | 1.056 | 1.147 | 26.5 | 5.0 | 56.0 | 12.5 | 100.0 |

County of Santa Cruz
Ratios of Outstanding Debt by Type
Last Seven Fiscal Years

(Reported in Thousands, Except Per Capita Information)

| | Fiscal Year | | | | | | |
|--|-------------------|-----------------------|-----------------------|---------------------|---------------------|-------------------|---------------------|
| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| Governmental activities | | | | | | | |
| Capital leases | \$ 6,051 | \$ 6,000 | \$ 53 | \$ 337 | \$ 671 | \$ 928 | \$ 1,217 |
| Refunding Certificates of Participation | 31,086 | 32,921 | 34,686 | 36,541 | 27,177 | 28,286 | 22,985 |
| Acquisition and Refunding | | | | | | | |
| Certificates of Participation | - | - | - | - | - | - | 3,565 |
| Lease Revenue Bonds | 7,840 | 8,375 | 9,135 | 9,875 | 10,595 | 11,300 | 14,336 |
| Lease Revenue Refunding Bonds | 1,797 | 1,918 | 2,037 | 2,153 | 15,064 | 16,459 | 15,100 |
| Revenue Bonds | 1,800 | 2,100 | 2,385 | 2,655 | 2,910 | 3,150 | 3,375 |
| Local Agency Revenue Bonds | 360 | 445 | 520 | 585 | 655 | 720 | 785 |
| Certificates of Participation | 28,822 | 27,916 | 21,915 | 22,441 | 23,027 | - | - |
| CA Health Facilities Financing | | | | | | | |
| Authority (CHFFA) | 711 | 898 | 1,072 | 1,233 | 1,382 | 1,522 | 1,652 |
| CA Transportation Finance Bank | 600 | - | - | - | - | - | - |
| Local Assessment Bonds | - | - | - | - | 40 | 75 | 110 |
| Redevelopment Agency Tax Allocation Bonds | 168,549 | 172,144 | 174,677 | 108,147 | 110,816 | 109,050 | 111,070 |
| Redevelopment Agency CERTS Loans Payable | - | - | - | 352 | 679 | 986 | 1,272 |
| Internal Service Funds | 329 | 653 | 1,171 | 1,699 | 2,208 | 1,042 | - |
| Business-type activities | | | | | | | |
| Loans Payable | 448 | 2,860 | 1,188 | 1,817 | 2,374 | 2,041 | 2,612 |
| Capital leases | 605 | - | - | - | - | - | 85 |
| Component Unit | 23,788 | 25,487 | 27,140 | 28,697 | 30,393 | 31,867 | 32,267 |
| Total Primary government | <u>\$ 272,786</u> | <u>\$ 281,718</u> | <u>\$ 275,976</u> | <u>\$ 216,531</u> | <u>\$ 227,991</u> | <u>\$ 207,426</u> | <u>\$ 210,431</u> |
| Percentage of personal income ¹ | 2.41% | 2.68% ³ | 2.71% ³ | 2.28% ³ | 2.40% ³ | 2.14% | 2.10% ³ |
| Per capita ² | \$ 1,088 | \$ 1,125 ³ | \$ 1,097 ³ | \$ 858 ³ | \$ 897 ³ | \$ 811 | \$ 822 ³ |

Note:

Trend information is only available for the last seven fiscal years due to the implementation of GASB 34.

¹ Percentage of personal income is calculated from personal income data for the preceding calendar year (e.g. percentage of personal income for Fiscal Year 2008 is based on 2007 calendar year personal income data, etc.). Personal income data is provided by the Bureau of Economic Analysis.

² Per capita data is calculated from per capita income data for the preceding calendar year (e.g. per capita for Fiscal Year 2008 is based on 2007 calendar year per capita income data, etc.). Per capita income data is provided by the Bureau of Economic Analysis.

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

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

| Fiscal year | Assessed Value ¹ | Legal Debt Limit ² | Total Net Applicable Debt | Legal Det Margin | Legal Debt Margin/Debt Limit |
|-------------|-----------------------------|-------------------------------|------------------------------|--------------------------|---------------------------------|
| 1998-1999 | \$ 17,366,712,013 | \$ 217,083,900 | \$ - | \$ 217,083,900 | 100% |
| 1999-2000 | 18,750,834,650 | 234,385,433 | - | 234,385,433 | 100% |
| 2000-2001 | 20,541,442,386 | 256,768,030 | - | 256,768,030 | 100% |
| 2001-2002 | 21,849,406,351 | 273,117,579 | - | 273,117,579 | 100% |
| 2002-2003 | 23,387,410,251 | 292,342,628 | - | 292,342,628 | 100% |
| 2003-2004 | 25,106,093,420 | 313,826,168 | - | 313,826,168 | 100% |
| 2004-2005 | 27,584,028,124 | 344,800,352 | - | 344,800,352 | 100% |
| 2005-2006 | 30,238,488,053 | 377,981,101 | - | 377,981,101 | 100% |
| 2006-2007 | 32,504,394,093 ³ | 406,304,926 ³ | - | 406,304,926 ³ | 100% |
| 2007-2008 | 33,586,675,030 | 419,833,438 | - | 419,833,438 | 100% |

¹Total Assessed Value includes exempt property.

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

³ Amounts were misreported in prior year and have been restated here.

County of Santa Cruz
Statement of Direct and Overlapping Debt
June 30, 2008

| | <u>Net Debt Outstanding</u> | <u>Percentage Applicable to County</u> | <u>County's Share of Debt</u> |
|-----------------------------------|---------------------------------|--|-----------------------------------|
| SCHOOL DISTRICTS | | | |
| Elementary | \$ 58,444,728 | 100% | \$ 58,444,728 |
| High School | 49,833,463 | 100% | 49,833,463 |
| Unified | 107,571,433 | 100% | 107,571,433 |
| Community College | 177,544,693 | 100% | 177,544,693 |
| SPECIAL DISTRICTS | | | |
| Fire | 295,000 | 100% | 295,000 |
| Water | 1,860,500 | 100% | 1,860,500 |
| Total Direct and Overlapping Debt | | | <u>\$ 395,549,817</u> |

County of Santa Cruz
Outstanding Debt of the Public Financing Authority
June 30, 2008
(Reported in Thousands)

| <u>YEAR OF ISSUANCE</u> | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL</u> |
|--|------------------|------------------|-------------------|
| Debt ¹ | | | |
| 1995B | \$ 1,800 | \$ 303 | \$ 2,103 |
| 1996 | 19,825 | 12,227 | 32,052 |
| 1999 | 360 | 123 | 483 |
| 2001B | 7,840 | 4,814 | 12,654 |
| 2002 | 2,295 | 1,771 | 4,066 |
| 2002A | 1,742 | 785 | 2,527 |
| 2004 | 20,140 | 8,766 | 28,906 |
| 2005 | 8,915 | 2,506 | 11,421 |
| 2006 | 8,715 | 5,613 | 14,328 |
| Total Debt | <u>71,632</u> | <u>36,908</u> | <u>108,540</u> |
| Total debt outstanding for the Public Financing Authority | <u>\$ 71,632</u> | <u>\$ 36,908</u> | <u>\$ 108,540</u> |

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

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

County of Santa Cruz

General Information

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 |
|-------------|----------------------------------|--|----------------------|---|---------------------|
| 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 |
| 2007-08 | 267 | 441,194 | 1,652 | 70,879 | 265 |

| Fiscal Year | Assessed Valuation (In thousands) | Per Capita Income (3) | Personal Income (3) (In thousands) | School Enrollment (4) | Unemployment Rate (5) |
|-------------|---|--------------------------|--|--------------------------|--------------------------|
| 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 | 39,138 | 10,014,548 | 66,952 | 6.1 |
| 2002-03 | 23,387,410 | 37,960 | 9,714,123 | 67,896 | 8.0 |
| 2003-04 | 25,106,093 | 37,347 | 9,495,857 | 67,596 | 8.1 |
| 2004-05 | 27,584,028 | 37,635 | 9,498,586 | 67,224 | 7.0 |
| 2005-06 | 30,238,488 | 40,528 | 10,194,797 | 67,387 | 6.3 |
| 2006-07 | 32,507,394 | 42,017 | 10,519,410 | 66,501 | 5.6 |
| 2007-08 | 33,586,675 | 45,194 | 11,322,039 | 68,647 | 5.9 |

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 2007-08 is 2006 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
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) |
| 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 | 432 | 28 | 460 | 139,416 | 51,658 | 191,074 | 4,165,185 |
| 2007 | 236 | 342 | 578 | 165,997 | 62,612 | 228,609 | 4,238,971 |

2008 calendar year new construction and property value data and fiscal year deposit data is not available.

2006 single and multiple family units, residential valuation and nonresidential valuation 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 |
| 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 |
| 2008 | 132,072 | 132,072 | 114,938 | 114,938 |

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

County of Santa Cruz
Principal Taxpayers
Current and Nine Years Ago

| Taxpayer | Type of Business | Assessed Value 2007-2008 | Percentage of Total Assessed Valuation 2007-08 ¹ |
|--------------------------------|-------------------------|-----------------------------|--|
| Pacific Gas & Electric Company | Gas & Electric Utility | \$171,612,496 | 0.51 % |
| Cemex Inc | Cement Producer | 69,932,500 | 0.21 |
| NNN Enterprise Way LLC et al | Software Producer | 65,034,853 | 0.20 |
| Macerich Partnership L P | Commercial Real Estate | 64,349,755 | 0.19 |
| Santa Cruz Seaside Company | Amusement Park | 61,826,674 | 0.19 |
| AT&T California | Telephone Utility | 59,641,642 | 0.18 |
| Watsonville Hospital Corp | Hospital | 58,026,797 | 0.17 |
| George Ow, Jr. et al | Real Estate | 44,605,580 | 0.13 |
| Cypress Point RE Investors LLC | Apartment Complex | 40,598,860 | 0.12 |
| Seagate Technology | Electronic Manufacturer | 40,316,103 | 0.12 |
| Totals | | \$675,945,260 | 2.02 % |

| Taxpayer | Type of Business | Assessed Value 1998-99 | Percentage of Total Assessed Valuation 1998-99 ² |
|----------------------------------|-------------------------|---------------------------|--|
| Pacific Gas & Electric Company | Gas & Electric Utility | \$144,605,442 | 0.87 % |
| Silicon Systems Inc. | Electron Systems | 133,167,473 | 0.80 |
| Pacific Bell | Telephone Utility | 129,929,162 | 0.78 |
| Borland International | Software Producer | 100,995,982 | 0.60 |
| Lone Star | Cement Manufacturer | 70,095,273 | 0.42 |
| Seagate Technology | Electronic Manufacturer | 55,611,835 | 0.33 |
| Macerich Partnership L P | Commercial Real Estate | 54,527,197 | 0.33 |
| Watsonville Hospital Corporation | Hospital | 50,903,200 | 0.30 |
| Santa Cruz Seaside Company | Amusement Park | 45,631,330 ³ | 0.27 |
| Selco Service Corporation | Semiconductors | 38,236,225 | 0.23 |
| Totals | | \$823,703,119 | 4.93 % |

Note: Principal taxpayer data is derived from the fiscal year 2007 tax roll, which is billed and collected in fiscal year 2008.

¹Percentage of total assessed valuation for 2007-08 is calculated from the total net assessed valuation of \$33,586,675,032

²Percentage of total assessed valuation for 1998-99 is calculated from the total net assessed valuation of \$17,366,712,013

³Amounts were misreported in prior year and have been restated here.

County of Santa Cruz

Principal Employers

Current and Three Years Ago

| Employer | Product/Service | Number of Employees 2007-08 ⁰ | Percentage of Total Employment 2007-08 ¹ |
|--|----------------------|--|---|
| University of California at Santa Cruz | Education | 5,000-9,999 | 5.11 % |
| Pajaro Valley Unified School District | Education | 1,000-4,999 | 2.04 |
| County of Santa Cruz | County Services | 1,000-4,999 | 2.04 |
| Dominican Hospital | Hospital | 1,000-4,999 | 2.04 |
| Santa Cruz Beach Boardwalk | Amusement/Recreation | 1,000-4,999 | 2.04 |
| Cabrillo College | Education | 500-999 | 0.51 |
| Santa Cruz City School District | Education | 500-999 | 0.51 |
| City of Santa Cruz | City Services | 500-999 | 0.51 |
| Seagate Technology | Disc Drives | 500-999 | 0.51 |
| Watsonville Hospital | Hospital | 500-999 | 0.51 |
| West Marine | Retail | 500-999 | 0.51 |
| City of Watsonville | City Services | 500-999 | 0.51 |
| Total | | | 16.84 % |

| Employer | Product/Service | Number of Employees 2004-05 ² | Percentage of Total Employment 2004-05 ³ |
|--|----------------------|--|---|
| University of California at Santa Cruz | Education | 5,100 | 3.59 % |
| Pajaro Valley Unified School District | Education | 2,700 | 1.90 |
| County of Santa Cruz | County Services | 2,600 | 1.83 |
| Dominican Hospital | Hospital | 1,500 | 1.06 |
| City of Santa Cruz | City Services | 1,000 | 0.70 |
| Seagate Technology | Disc Drives | 900 | 0.63 |
| Cabrillo College | Education | 900 | 0.63 |
| Santa Cruz City School District | Education | 900 | 0.63 |
| Santa Cruz Beach Boardwalk | Amusement/Recreation | 750 | 0.53 |
| Watsonville Hospital | Hospital | 700 | 0.49 |
| West Marine | Retail | 600 | 0.42 |
| City of Watsonville | City Services | 500 | 0.35 |
| Total | | 18,150 | 12.76 % |

Note: Prior year information is presented in accordance with the County's implementation of GASB #44. This information was not reported prior to 2004-05.

⁰ 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. During 2004-05, EDD provided the County with actual numbers whereas during 2007-08 EDD, provided the County with ranges.

¹ Based on total civilian employment of 146,700 as reported by the California Employment Development Department for June 2008.

² Number of employees provided by California Employment Development Department

³ Based on total civilian employment of 141,900 as reported by the California Employment Development Department for June 2005.

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

| Function | Fiscal Year | | | | | | |
|---|---------------------|---------------------|------------------|-------------|-------------|-------------|-------------|
| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| Public Assistance | | | | | | | |
| Human Resources Agency | | | | | | | |
| Adult Protective Services | | | | | | | |
| Referrals received | 620 ² | 585 ¹ | 664 ⁰ | 618 | 574 | 548 | 561 |
| Investigations completed | 517 ² | 432 ¹ | 370 ⁰ | 390 | 361 | 369 | 376 |
| Family and Children's Services | | | | | | | |
| Annual referrals (families) | 3,117 ² | 2,979 ¹ | 3,100 | 3,348 | 3,062 | 2,956 | 3,052 |
| Finalized adoptions | 45 ² | 43 ¹ | 41 | 41 | 31 | 35 | 61 |
| foster homes | 123 ² | 123 ¹ | 113 | 109 | 108 | 107 | 129 |
| Benefit Services | | | | | | | |
| Average number of Medi-Cal recipients | 27,033 ² | 25,427 ¹ | 24,135 | 21,723 | 20,990 | 18,940 | n/a |
| Public Ways and Facilities | | | | | | | |
| Public Works | | | | | | | |
| Roads | | | | | | | |
| Miles of road maintained | 600 | 600 | 600 | 600 | 600 | 600 | 599 |
| Potholes repaired | 3,000-4,000 | 5,000-6,000 | 5,000-6,000 | 5,000-6,000 | 5,000-6,000 | 5,000-6,000 | 5,000-6,000 |
| Minor culverts maintained | 2,000 | 2,200 | 2,262 | 2,261 | 2,260 | 2,258 | 2,255 |
| Bridges and major culverts maintained | 160 | 159 | 159 | 159 | 159 | 159 | 159 |
| Traffic signs replaced/repared | 1,475 | 2,200 | 2,425 | 2,400 | 2,350 | 2,300 | 2,250 |
| Miles of street sweeping | 5,000 | 5,000 | 4,550 | 5,000 | 4,900 | 4,800 | 4,700 |
| Sanitation | | | | | | | |
| Miles of pipe maintained | 222 | 222 | 222 | 222 | 222 | 220 | 220 |
| Maintenance call responses | 272 | 501 | 381 | 127 | 122 | 120 | 120 |
| Landfill | | | | | | | |
| Waste generated (tons) | 183,993 | 229,877 | 230,000 | 201,000 | 205,971 | 211,693 | 218,578 |
| Waste disposed (tons) | 77,745 | 99,423 | 87,400 | 86,430 | 94,745 | 103,730 | 98,360 |
| Recreation and Cultural Services | | | | | | | |
| Parks, Open Space and Cultural Services | | | | | | | |
| Facility bookings | 7,389 | 7,389 | 7,238 | 7,096 | 6,677 | 6,414 | n/a |
| Recreation registrations | 4,982 | 4,898 | 4,777 | 4,343 | 7,228 | 7,353 | 7,744 |
| Swim admissions | 82,800 | 78,126 | 76,746 | 77,522 | 74,676 | 68,086 | n/a |

Sources: Various County Departments

seven fiscal years due to the implementation of GASB 34.

⁰ Fiscal year 2006 numbers have been restated here to reflect actual data.

¹ Fiscal year 2007 numbers have been restated here to reflect actual data.

² Data is estimated as presented in the proposed 2008-09 Proposed Budget.

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

| Function | Fiscal Year | | | | | | |
|---|---------------------|---------------------|------------------|--------|--------------------|--------|---------------------|
| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| Public Protection | | | | | | | |
| Agricultural Commissioner | | | | | | | |
| High risk quarantine inspections | 2,800 ² | 2,894 ¹ | 2,686 | 2,600 | 2,300 | 2,700 | 2,900 |
| District Attorney | | | | | | | |
| Criminal Prosecution | | | | | | | |
| Felony filings | 1,879 ² | 2,210 ¹ | 2,251 | 2,551 | 2,314 | 2,040 | 2,213 |
| Juvenile filings | 726 ² | 813 ¹ | 714 | 1,046 | 1,262 | 681 | 661 |
| Consumer Affairs | | | | | | | |
| Number of calls received | 3,024 ² | 3,008 ¹ | 3,165 | 3,046 | 3,012 ³ | 7,767 | 11,729 ⁴ |
| Number of written complaints received | 392 ² | 375 ¹ | 228 | 206 | 195 | 244 | 265 |
| Planning | | | | | | | |
| Building permits issued | 3,528 ² | 3,817 | 3,894 | 3,616 | 3,588 | 3,549 | 3,406 |
| Building permit inspection sites visited | 9,075 ² | 10,785 ¹ | 12,157 | 12,247 | 11,420 | 11,101 | 10,953 |
| Resolved code compliance cases | 875 ² | 871 ¹ | 907 | 1,025 | 1,064 | 1,196 | 1,003 |
| Probation ⁵ | | | | | | | |
| Juvenile division referrals | n/a ⁶ | 2,411 ¹ | 2,222 | 2,671 | 2,353 | 2,694 | 2,843 |
| Juvenile division petitions filed | n/a ⁶ | 1,260 ¹ | 1,216 | 1,236 | 1,293 | 1,472 | 1,476 |
| Juvenile court investigations | n/a ⁶ | 218 ¹ | 249 ⁰ | 284 | 232 | 226 | 171 |
| Public Defender | | | | | | | |
| Total cases | 12,249 ² | 12,642 ¹ | 12,604 | 12,290 | 13,864 | 14,496 | 12,960 |
| Sheriff/Coroner (Investigation Division) ⁵ | | | | | | | |
| Felony cases cleared | n/a | n/a | n/a | 675 | 741 | 719 | 1,361 |
| Misdemeanor cases cleared | n/a | n/a | n/a | 336 | 365 | 395 | 1,000 |
| Detention | | | | | | | |
| Main jail bookings | 12,941 | 13,479 | 13,109 | 12,721 | 12,834 | 13,200 | 12,545 |
| Weights and Measures | | | | | | | |
| Establishments visited | 2,200 ² | 2,093 ¹ | 2,175 | 2,051 | 1,951 | 1,660 | 2,012 |
| Special District | | | | | | | |
| Mosquito Abatement/Vector Control CSA #53 | | | | | | | |
| Mosquito inspections | 4,164 ² | 4,462 ¹ | 4,547 | 3,052 | 3,112 | 1,950 | 1,487 |

Sources: Various County Departments

Note: Indicators are not available for the General Government, Health & Sanitation and Education Functions. Trend information is only available for the last seven fiscal years due to the implementation of GASB 34.

⁰ Fiscal year 2006 numbers have been restated here to reflect actual data.

¹ Fiscal year 2007 numbers have been restated here to reflect actual data.

² Data is estimated as presented in the proposed 2008-09 Proposed Budget.

³ Consumer Affairs Coordinator reduced to half time.

⁴ Data reflects duplicated contracts from the same clients.

⁵ Data is presented on a calendar year basis.

⁶ Calendar year data is not yet available.

County of Santa Cruz
Budgeted Positions
Last Ten Years

| DEPARTMENT/FUNCTION | 98/99 | 99/00 | 00/01 | 01/02 | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| ADMINISTRATIVE OFFICE | 15.30 | 15.30 | 15.30 | 15.30 | 14.30 | 13.30 | 18.00 | 18.00 | 18.00 | 18.00 |
| CLERK OF THE BOARD | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | - | - | - | - |
| AG COMMISSIONER ¹ | 14.00 | 15.58 | 15.58 | 17.81 | 17.26 | 17.00 | 18.00 | 20.00 | 21.00 | 22.00 |
| MOSQUITO ABATEMENT | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.71 | 4.00 | 4.00 | 8.00 | 8.00 |
| WEIGHTS & MEASURES ¹ | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 2.00 | 2.00 | - | - | - |
| PEST DETECTION | 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 | 40.00 | 40.00 | 38.00 | 38.00 | 38.00 | 38.00 | 38.00 | 38.00 |
| AUDITOR-CONTROLLER | 29.55 | 29.50 | 29.50 | 30.50 | 30.00 | 29.00 | 29.00 | 29.00 | 29.50 | 29.50 |
| BOARD OF SUPERVISORS | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 |
| COMMISSIONS | 1.50 | 1.50 | 1.50 | 1.50 | - | - | - | - | - | - |
| RECORDER | 12.00 | 14.00 | 14.00 | 14.00 | 15.00 | 16.00 | 12.00 | 13.00 | 13.00 | 13.00 |
| ELECTIONS | 7.00 | 7.00 | 8.50 | 8.50 | 7.00 | 7.50 | 11.00 | 10.00 | 12.00 | 14.00 |
| COUNTY COUNSEL | 21.00 | 21.00 | 21.20 | 23.20 | 21.50 | 20.00 | 19.00 | 19.50 | 19.50 | 19.50 |
| COURTS | - | - | - | - | - | - | - | - | - | - |
| DISTRICT ATTORNEY | 170.25 | 172.75 | 182.75 | 102.50 | 94.00 | 87.50 | 84.50 | 81.50 | 85.50 | 91.50 |
| CHILD SUPPORT SERVICES | - | - | - | 86.75 | 92.75 | 85.75 | 70.50 | 68.50 | 68.50 | 69.50 |
| EMERGENCY SERVICES | 1.00 | 3.00 | 2.00 | 4.00 | 4.00 | 3.25 | 3.00 | 1.75 | 1.75 | 2.00 |
| COMMUNICATIONS | 6.00 | 6.00 | 7.00 | 7.00 | 7.00 | 7.00 | 6.00 | 6.00 | - | - |
| FIRE MARSHALL | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.55 | 2.30 |
| GENERAL SERVICES | 10.00 | 10.00 | 10.00 | 12.00 | 10.00 | 9.00 | 9.00 | 11.00 | 11.00 | 11.00 |
| FACILITIES MAINTENANCE | 33.00 | 34.00 | 35.00 | 37.00 | 40.00 | 39.00 | 36.00 | 37.00 | 38.00 | 47.75 |
| PURCHASING | 3.00 | 3.00 | 3.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| CENTRAL STORES/DUP | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| SERVICE CENTER | 6.00 | 6.00 | 7.00 | 7.00 | 7.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 |
| HEALTH SERVICES | 487.75 | 530.25 | 562.85 | 607.41 | 579.25 | 571.70 | 546.60 | 577.60 | 647.75 | 661.05 |
| SOCIAL SERVICES | 446.10 | 481.50 | 552.10 | 563.60 | 521.10 | 440.10 | 432.60 | 481.10 | 511.10 | 527.60 |
| SOCIAL SVCS MSSP | 7.75 | 7.75 | - | - | - | - | - | - | - | - |
| PUBLIC GUARDIAN ² | 14.00 | 15.00 | 16.00 | 16.00 | 17.00 | 14.00 | 9.00 | - | - | - |
| CETA/JTPA | 52.00 | 60.00 | - | - | - | - | - | - | - | - |
| WORKFORCE INVESTMENT ADMIN | - | - | 5.00 | 6.00 | 7.00 | 5.00 | - | - | - | - |
| VETERANS SERVICES | 4.00 | 4.00 | 5.00 | 5.00 | 5.00 | 3.00 | 3.00 | 5.00 | 5.00 | 5.00 |
| IHSS PUBLIC AUTHORITY | - | - | - | - | 5.00 | 4.00 | - | - | - | - |
| INFORMATION SVCS/TELEPHONE | 71.00 | 76.00 | 81.50 | 81.50 | 81.50 | 78.50 | 73.25 | 71.25 | 78.25 | 78.25 |
| INFORMATION SVCS/COMM. TECH. | - | - | - | - | - | - | - | - | 6.00 | 6.00 |
| PARKS & REC | 45.50 | 51.00 | 66.00 | 70.50 | 67.75 | 63.50 | 53.55 | 53.05 | 53.75 | 57.00 |
| PERSONNEL | 23.10 | 25.85 | 23.00 | 26.00 | 24.50 | 23.50 | 22.50 | 22.50 | 23.50 | 27.50 |
| AFFIRMATIVE ACTION | - | - | - | - | - | - | - | - | - | - |
| RISK MANAGEMENT | 4.50 | 5.50 | 10.55 | 10.75 | 10.75 | 10.75 | 10.75 | 9.75 | 10.75 | 10.75 |
| PLANNING | 87.75 | 95.25 | 98.50 | 110.75 | 93.75 | 90.50 | 98.50 | 99.25 | 99.25 | 100.00 |
| PROBATION | 74.00 | 96.00 | 101.00 | 110.50 | 108.00 | 86.50 | 86.00 | 88.00 | 90.00 | 101.00 |
| JUVENILE HALL | 36.00 | 36.00 | 31.00 | 31.00 | 31.00 | 29.00 | 33.00 | 32.00 | 31.00 | 31.00 |
| PUBLIC WORKS | 263.50 | 268.00 | 281.00 | 289.00 | 308.00 | 303.00 | 298.00 | 296.00 | 303.50 | 300.50 |
| RDA | 13.00 | 13.00 | 15.00 | 15.00 | 15.00 | 16.00 | 11.00 | 13.00 | 13.00 | 14.00 |
| SHERIFF-CORONER | 164.50 | 172.50 | 179.50 | 180.50 | 177.50 | 175.50 | 169.00 | 170.50 | 172.75 | 177.25 |
| DETENTION | 133.00 | 157.00 | 144.00 | 146.00 | 137.00 | 137.00 | 136.00 | 138.00 | 144.00 | 148.00 |
| COURT SECURITY | - | - | 22.00 | 21.00 | 22.00 | 22.00 | 22.00 | 23.00 | 24.00 | 26.00 |
| TREASURER | <u>17.50</u> | <u>20.50</u> | <u>20.50</u> | <u>20.50</u> | <u>19.50</u> | <u>14.50</u> | <u>15.50</u> | <u>15.75</u> | <u>16.25</u> | <u>16.25</u> |
| TOTAL | 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 | 2,705.20 |

¹ Weights and Measures was incorporated-into the Ag Commissioner

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

County of Santa Cruz
Schedule of Insurance in Effect
June 30, 2008

| <u>COVERAGE</u> | <u>DETAILS OF COVERAGE</u> | <u>LIMITS</u> |
|---|---|--|
| Property | CSAC-EIA Blanket buildings and equipment including EDP, Vehicles, Contractors Equipment. All Risk, Flood, replacement cost-agreed amount including earthquake at scheduled locations. Deductible All Risk Limits (portion of limits are shared) Earthquake Limits (portion of limits are shared) | \$ 5,000 600,000,000 365,000,000 |
| Crime Bond Blanket Program | CSAC-EIA Faithful Performance Bond (covers failure to faithfully perform duties and employee dishonestly.) Employees and Treasurer deductible. | 10,000,000 2,500 |
| Non-owned aircraft | National Union Fire Insurance Company Includes passengers bodily injury, terrorism and property damage combined each occurrence Medical Expense Passenger Deductible | 5,000,000 5,000 |
| Excess Workers' Compensation Employer's Liability | CSAC-EIA \$500,000 SIR deductible per occurrence Workers' Compensation and Employer's Liability | 300,000,000 |
| HSA Malpractice and General Liability | CSAC-EIA Comprehensive hospital professional and general liability for HSA staff and operations and Jail Deductible | 11,500,000 10,000 |
| Fine Arts | Travelers Deductible | 125,000 500 |
| Excess Liability (GLII) | CSAC-Excess Insurance Authority Excess Liability Insurance \$1,000,000 Self-Insured Retention to \$15,000,000 | 15,000,000 |
| Optional Excess | CSAC - Excess Insurance Authority \$20 Million excess of \$15 Million | 20,000,000 |
| Catastrophic Liability | CSAC - Excess Insurance Authority Underlying coverage in Ooptional Excess and GLII | 15,000,000 |
| County Fire Auto & Liability Insurance | ABD Services, American Alternative Insurance Corp. Includes property insurance for County owned fire stations including contents, business interruption, money & securities, boiler & machinery deductible Equipment deductible Host Liquor Liability (included in GL) Auto Liability Sublimits: Uninsured/Underinsured | 3,000,000 1,000 100 1,000,000 60,000 |
| Pollution Program | CSAC-EIA Pollution Program Self-Insured Retention Deductible | 10,000,000 500,000 |

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

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

Note: Trend information is only available for the last seven fiscal years due to the implementation of GASB 34.

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

GLOSSARY

(UNAUDITED)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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