

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

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## AUDITOR-CONTROLLER'S OFFICE

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

December 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.

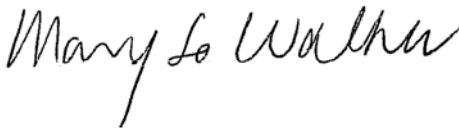
To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

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.

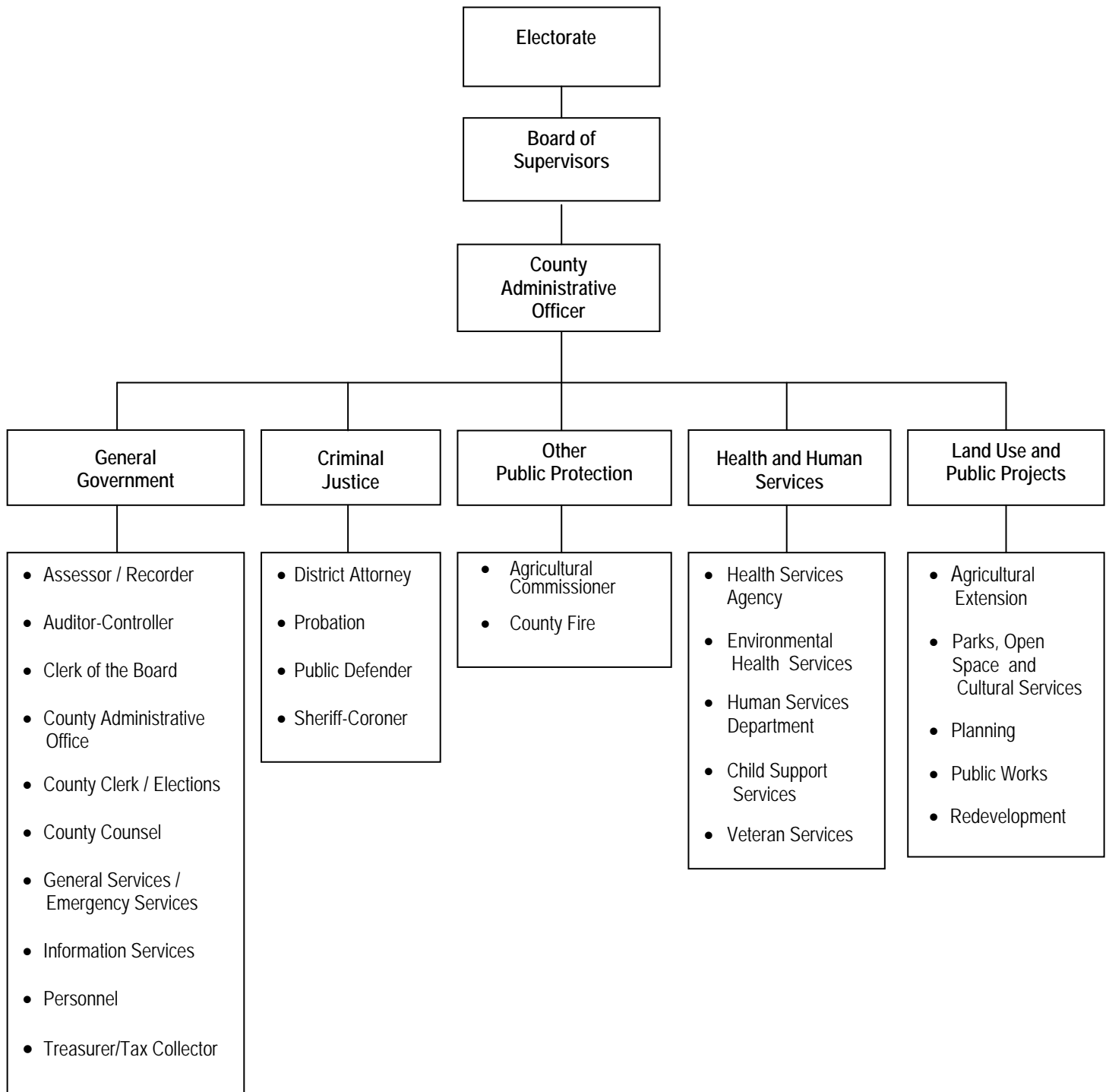
Respectfully submitted,



Mary Jo Walker  
Auditor-Controller

# COUNTY OF SANTA CRUZ

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# 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  
Page 2

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

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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This section of the County of Santa Cruz (the "County") comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 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**

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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**

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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
<b>Assets:</b>						
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>
<b>Liabilities:</b>						
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>
<b>Net Assets:</b>						
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.

	<b>Change in Net Assets</b>					
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
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>
<b>Expenses:</b>						
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**

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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:

<b>Revenues Classified by Source</b>					
<b>Governmental Funds</b>					
	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:

<b>Expenditures Classified by Function</b>					
<b>Governmental Funds</b>					
	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:

<b>Other Financing Sources/(Uses)</b>					
<b>Governmental Funds</b>					
	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**

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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.

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# **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
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
<b>Total assets</b>	<b>798,767,415</b>	<b>40,909,465</b>	<b>839,676,880</b>	<b>129,054,193</b>
<b>LIABILITIES</b>				
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	-
<b>Total liabilities</b>	<b>437,421,193</b>	<b>6,645,876</b>	<b>444,067,069</b>	<b>25,655,771</b>
<b>NET ASSETS</b>				
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
<b>Total net assets</b>	<b>\$ 361,346,222</b>	<b>\$ 34,263,589</b>	<b>\$ 395,609,811</b>	<b>\$ 103,398,422</b>

See accompanying Notes to Basic Financial Statements.

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

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
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	-	-	-	-
<b>Total governmental activities</b>	<b>453,967,382</b>	<b>73,095,400</b>	<b>208,046,645</b>	<b>3,542,077</b>	<b>284,684,122</b>
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
<b>Total business-type activities</b>	<b>19,069,078</b>	<b>13,236,482</b>	<b>123,262</b>	<b>25,000</b>	<b>13,384,744</b>
<b>Total primary government</b>	<b>\$ 473,036,460</b>	<b>\$ 86,331,882</b>	<b>\$ 208,169,907</b>	<b>\$ 3,567,077</b>	<b>\$ 298,068,866</b>
<b>Component unit:</b>					
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
<b>Total taxes</b>
Use of money and property
Miscellaneous
Gain (Loss) on sale of assets
<b>Total general revenues</b>
<b>Change in net assets</b>
<b>Net assets - beginning of year, as restated</b>
<b>Net assets - end of year</b>

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>



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# FUND FINANCIAL STATEMENTS

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# GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

*Redevelopment Agency Fund* - The Redevelopment Agency fund is used to account for all the activities of the 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		
<b>ASSETS</b>				
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
<b>Total assets</b>	<b>\$ 128,992,754</b>	<b>\$ 127,683,733</b>	<b>\$ 51,876,858</b>	<b>\$ 308,553,345</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
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
<b>Total liabilities</b>	<b>101,833,952</b>	<b>819,893</b>	<b>7,591,009</b>	<b>110,244,854</b>
<b>Fund Balances:</b>				
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
<b>Total fund balances</b>	<b>27,158,802</b>	<b>126,863,840</b>	<b>44,285,849</b>	<b>198,308,491</b>
<b>Total liabilities and fund balances</b>	<b>\$ 128,992,754</b>	<b>\$ 127,683,733</b>	<b>\$ 51,876,858</b>	<b>\$ 308,553,345</b>

See accompanying Notes to Basic Financial Statements.

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

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**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		
<b>REVENUES:</b>				
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
<b>Total revenues</b>	<b>357,609,578</b>	<b>28,825,097</b>	<b>51,299,063</b>	<b>437,733,738</b>
<b>EXPENDITURES:</b>				
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
<b>Total expenditures</b>	<b>364,355,894</b>	<b>17,414,529</b>	<b>70,867,937</b>	<b>452,638,360</b>
<b>REVENUES OVER / (UNDER) EXPENDITURES</b>	<b>(6,746,316)</b>	<b>11,410,568</b>	<b>(19,568,874)</b>	<b>(14,904,622)</b>
<b>OTHER FINANCING SOURCES / (USES):</b>				
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)
<b>Total other financing sources / (uses)</b>	<b>(7,103,350)</b>	<b>(10,941,156)</b>	<b>18,820,266</b>	<b>775,760</b>
<b>Net change in fund balances</b>	<b>(13,849,666)</b>	<b>469,412</b>	<b>(748,608)</b>	<b>(14,128,862)</b>
<b>FUND BALANCES:</b>				
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)

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# PROPRIETARY FUNDS

## FINANCIAL STATEMENTS

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*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	
<b>ASSETS</b>				
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	<u>(15,617,057)</u>	<u>(5,880,176)</u>	<u>(21,497,233)</u>	<u>(23,636,842)</u>
Total capital assets	<u>21,939,054</u>	<u>6,394,281</u>	<u>28,333,335</u>	<u>7,022,795</u>
<b>Total assets</b>	<u>31,034,545</u>	<u>12,367,982</u>	<u>43,402,527</u>	<u>30,069,708</u>
<b>LIABILITIES</b>				
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>
<b>Total liabilities</b>	<u>7,992,091</u>	<u>563,785</u>	<u>8,555,876</u>	<u>37,357,980</u>
<b>NET ASSETS</b>				
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)
<b>Total net assets</b>	<u>23,042,454</u>	<u>11,804,197</u>	<u>34,846,651</u>	<u>(7,288,272)</u>
<b>Total liabilities and net assets</b>	<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			<u>(583,062)</u>	
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
<b>OPERATING REVENUES:</b>				
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
<b>Total operating revenues</b>	<b>11,889,622</b>	<b>2,776,619</b>	<b>14,666,241</b>	<b>65,361,701</b>
<b>OPERATING EXPENSES:</b>				
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
<b>Total operating expenses</b>	<b>15,959,306</b>	<b>2,968,177</b>	<b>18,927,483</b>	<b>62,197,663</b>
<b>OPERATING INCOME / (LOSS)</b>	<b>(4,069,684)</b>	<b>(191,558)</b>	<b>(4,261,242)</b>	<b>3,164,038</b>
<b>NONOPERATING REVENUES / (EXPENSES):</b>				
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	-
<b>Total nonoperating revenues</b>	<b>489,021</b>	<b>302,593</b>	<b>791,614</b>	<b>703,331</b>
<b>INCOME / (LOSS) BEFORE OPERATING TRANSFERS</b>	<b>(3,580,663)</b>	<b>111,035</b>	<b>(3,469,628)</b>	<b>3,867,369</b>
<b>OPERATING TRANSFERS:</b>				
Capital contributions	-	25,000	25,000	-
Transfers in	-	-	-	121,250
<b>Total operating transfers</b>	<b>-</b>	<b>25,000</b>	<b>25,000</b>	<b>121,250</b>
<b>Net income / (loss)</b>	<b>(3,580,663)</b>	<b>136,035</b>	<b>(3,444,628)</b>	<b>3,988,619</b>
<b>NET ASSETS:</b>				
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
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
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)
<b>Net cash provided / (used) by operating activities</b>	<b>(2,379,150)</b>	<b>(192,476)</b>	<b>(2,571,626)</b>	<b>6,204,514</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
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	-
<b>Net cash provided / (used) by noncapital financing activities</b>	<b>123,419</b>	<b>43,069</b>	<b>166,488</b>	<b>136,175</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
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)
<b>Net cash provided / (used) by capital and related financing activities</b>	<b>(3,276,417)</b>	<b>(437,477)</b>	<b>(3,713,894)</b>	<b>(2,532,008)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment earnings received	494,492	261,424	755,916	775,498
<b>Net cash provided / (used) by investing activities</b>	<b>494,492</b>	<b>261,424</b>	<b>755,916</b>	<b>775,498</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(5,037,656)</b>	<b>(325,460)</b>	<b>(5,363,116)</b>	<b>4,584,179</b>
<b>CASH AND CASH EQUIVALENTS:</b>				
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>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>				
Borrowing under capital lease	\$ 519,173	\$ -	\$ 519,173	\$ -

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
<b>RECONCILIATION OF OPERATING INCOME / (LOSS)</b>				
<b>TO NET CASH PROVIDED/ (USED) BY OPERATING ACTIVITIES:</b>				
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)
<b>Net cash provided / (used) by operating activities</b>	<b>\$ (2,379,150)</b>	<b>\$ (192,476)</b>	<b>\$ (2,571,626)</b>	<b>\$ 6,204,514</b>

(Concluded)

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# FIDUCIARY FUND FINANCIAL STATEMENTS

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



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

	Investment Trust Fund
<b>ADDITIONS:</b>	
Contribution from investment pool	\$ 1,440,620,180
Use of money and property	11,215,453
<b>Total additions</b>	<u>1,451,835,633</u>
<b>DEDUCTIONS:</b>	
Distributions from investment pool	1,462,663,390
<b>Total deductions</b>	<u>1,462,663,390</u>
<b>Change in net assets</b>	(10,827,757)
<b>NET ASSETS:</b>	
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.

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# NOTES TO BASIC FINANCIAL STATEMENTS

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

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

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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**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**

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**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**

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

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**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**

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

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

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

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**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**

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**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**

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**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**

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**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**

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**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**

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**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**

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**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
<b>Total Cash and Investments</b>	<b>\$ 279,920,411</b>	<b>\$ 14,315,378</b>	<b>\$ 294,235,789</b>	<b>\$ 31,692,276</b>	<b>\$ 52,810,749</b>	<b>\$ 321,631,768</b>	<b>\$ 700,370,582</b>

	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	-
<b>Total</b>	<b>610,126,467</b>	<b>58,551,839</b>	<b>668,678,306</b>
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
<b>Total</b>	<b>30,225,481</b>	<b>1,466,795</b>	<b>31,692,276</b>
<b>Total cash and investments</b>	<b>\$ 640,351,948</b>	<b>\$ 60,018,634</b>	<b>\$ 700,370,582</b>

**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
<b>Total Primary Government</b>	<b>615,268,081</b>	<b>53,410,225</b>	<b>668,678,306</b>
Component Unit:			
Investments	30,722,279	969,997	31,692,276
<b>Total Component Unit</b>	<b>30,722,279</b>	<b>969,997</b>	<b>31,692,276</b>
<b>Total reporting entity</b>	<b>\$ 645,990,360</b>	<b>\$ 54,380,222</b>	<b>\$ 700,370,582</b>

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
<b>Total investments in investment pool</b>			<b>\$ 645,381,012</b>	<b>\$ 645,990,360</b>	<b>\$ 645,930,527</b>
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
<b>Total</b>			<b>49,588,744</b>	<b>49,588,744</b>	<b>49,588,744</b>
<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
<b>Total</b>			<b>4,027,228</b>	<b>4,027,228</b>	<b>4,027,228</b>
U.S. Treasury money market mutual funds	1.45%	On demand	764,250	764,250	764,250
<b>Total investments outside investment pool</b>			<b>\$ 54,380,222</b>	<b>\$ 54,380,222</b>	<b>\$ 54,380,222</b>

**B. Interest Rate Risk**

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

**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	-	-	-
<b>Total</b>	<b>\$ 700,370,582</b>	<b>\$ 331,909,493</b>	<b>\$ 182,261,103</b>	<b>\$ 166,058,558</b>	<b>\$ 20,141,429</b>

**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%
<b>Total investments in investment pool</b>			<b>100.00%</b>
Investments outside investment pool:			
Money market mutual funds	Unrated	Unrated	7.00%
Investment agreements	AA	Aa1	88.00%
Repurchase agreements	AA	Aa1	5.00%
<b>Total investments outside investment pool</b>			<b>100.00%</b>



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

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**2. CASH AND INVESTMENTS, Continued**

**D. Custodial Credit Risk**

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

**E. Local Agency Investment Fund**

The County is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The County's investments with LAIF at June 30, 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
<b>Total net assets</b>	<b>\$ 645,990,360</b>
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
<b>Subtotal</b>		<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
<b>Subtotal</b>		<u>5,170,719</u>
<u>Component Unit</u>		
Santa Cruz County Sanitation District:		
Used for debt service		1,466,795
<b>Total restricted cash and investments</b>		<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)
<b>Total receivables</b>	<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	
<b>Total</b>	<b>\$ 373,231</b>	<b>\$ 64,658</b>	<b>\$ 653,566</b>	<b>\$ 1,116,064</b>	<b>\$ 2,207,519</b>	

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:

<b>Advances from Other Funds</b>		<b>Advances to Other Funds</b>
		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:

<b>Transfers Out</b>	<b>Transfers In</b>				
	General Fund	Redevelopment Fund	Non-Major		<b>Total</b>
			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
<b>Total</b>	<b>\$ 1,474,039</b>	<b>\$ 3,885,823</b>	<b>\$ 26,561,493</b>	<b>\$ 121,250</b>	<b>\$ 32,042,605</b>

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

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 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
<b>Governmental activities:</b>					
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
<b>Governmental activities capital assets, net</b>	<b>\$ 455,570,998</b>	<b>\$ 14,859,977</b>	<b>\$ (2,234,302)</b>	<b>\$ (3,591,832)</b>	<b>\$ 464,604,841</b>

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
<b>Total</b>	<b>\$ 19,179,779</b>

**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
<b>Business-Type activities:</b>					
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>
<b>Business-Type activities capital assets, net</b>	<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
<b>Total</b>	<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
<b>Total capital assets, net</b>	<b>\$ 91,589,666</b>	<b>\$ 5,526,637</b>	<b>\$ (1,796)</b>	<b>\$ -</b>	<b>\$ 97,114,506</b>

**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
<b>Total capital lease obligations</b>		<b>\$ 6,050,926</b>
<u>Business-Type Activities:</u>		
D9T Bulldozer	4.32%	\$ 256,432
Landfill Compactor	4.50%	348,090
<b>Total capital lease obligations</b>		<b>\$ 604,522</b>

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	-
<b>Total assets under capital lease</b>	<b>5,475,131</b>	<b>1,547,501</b>
Less: accumulated depreciation	184,065	345,582
<b>Net value</b>	<b>\$ 5,291,066</b>	<b>\$ 1,201,919</b>

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	-
<b>Total Requirements</b>	<b>9,027,957</b>	<b>639,268</b>
Less: Interest	2,977,031	34,746
Present Value of Remaining Payments	<b>\$ 6,050,926</b>	<b>\$ 604,522</b>



**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
<b>Governmental Activity Debt:</b>						
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
<b>Subtotal</b>	<b>3,134,398</b>	<b>-</b>	<b>(734,208)</b>	<b>2,400,190</b>	<b>54,208</b>	<b>2,345,982</b>
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)
<b>Subtotal</b>	<b>9,371,717</b>	<b>-</b>	<b>(510,517)</b>	<b>8,861,200</b>	<b>520,517</b>	<b>8,340,683</b>
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
<b>Subtotal</b>	<b>1,917,969</b>	<b>-</b>	<b>(121,023)</b>	<b>1,796,946</b>	<b>123,401</b>	<b>1,673,545</b>
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
<b>Subtotal</b>	<b>21,053,271</b>	<b>-</b>	<b>(891,369)</b>	<b>20,161,902</b>	<b>921,369</b>	<b>19,240,533</b>
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)
<b>Subtotal</b>	<b>8,943,174</b>	<b>-</b>	<b>(283,106)</b>	<b>8,660,068</b>	<b>308,106</b>	<b>8,351,962</b>
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
<b>Subtotal</b>	<b>172,143,880</b>	<b>7,594,669</b>	<b>(11,189,366)</b>	<b>168,549,183</b>	<b>3,409,366</b>	<b>165,139,817</b>
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
<b>Total Governmental Activity</b>	<b>\$ 273,057,006</b>	<b>\$ 26,228,005</b>	<b>\$ (32,351,526)</b>	<b>\$ 266,933,485</b>	<b>\$ 25,045,851</b>	<b>\$ 241,887,634</b>

**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
<b>Governmental Activity Debt, Continued:</b>						
<b>Internal Service Funds:</b>						
Loans payable	\$ 665,066	\$ -	\$ (330,175)	\$ 334,891	\$ 334,891	\$ -
Unamortized bond discount	(12,062)	-	6,031	(6,031)	(6,031)	-
<b>Subtotal</b>	<b>653,004</b>	<b>-</b>	<b>(324,144)</b>	<b>328,860</b>	<b>328,860</b>	<b>-</b>
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)	-	-	-
<b>Total Internal Service Funds</b>	<b>\$ 34,155,154</b>	<b>\$ 3,393,071</b>	<b>\$ (3,830,733)</b>	<b>\$ 33,717,492</b>	<b>\$ 15,687,549</b>	<b>\$ 18,029,943</b>
<b>Total Government-Wide Activities</b>						
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
<b>Total Government-Wide Activities</b>	<b>\$ 307,212,160</b>	<b>\$ 29,621,076</b>	<b>\$ (36,182,259)</b>	<b>\$ 300,650,977</b>	<b>\$ 40,733,400</b>	<b>\$ 259,917,577</b>
<b>Business-Type Activities</b>						
<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	-	-	-
<b>Subtotal</b>	<b>334,728</b>	<b>-</b>	<b>(334,728)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Davenport Sanitation	453,628	-	(24,280)	429,348	24,936	404,412
<b>Total Loans Payable</b>	<b>827,356</b>	<b>-</b>	<b>(379,008)</b>	<b>448,348</b>	<b>43,936</b>	<b>404,412</b>
<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
<b>Total Business-Type Activities</b>	<b>\$ 5,962,529</b>	<b>\$ 887,435</b>	<b>\$ (795,904)</b>	<b>\$ 6,054,060</b>	<b>\$ 470,583</b>	<b>\$ 5,583,477</b>
<b>Component Unit - Santa Cruz County</b>						
<b>Sanitation District</b>						
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
<b>Total Component Unit</b>	<b>\$ 25,487,045</b>	<b>\$ -</b>	<b>\$ (1,698,919)</b>	<b>\$ 23,788,126</b>	<b>\$ 1,761,167</b>	<b>\$ 22,026,959</b>

**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
<b>Governmental Activities:</b>					
<b>Public Financing Authority</b>					
<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
<b>Governmental Activities, Continued:</b>					
<b>Public Financing Authority, Continued</b>					
<i>Revenue Bonds</i>					
1995 Series B Issue (financed improvements to existing drainage facilities of the Santa Cruz County Flood Control Zone No. 7)					
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
<b>Redevelopment Agency</b>					
<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
<b>Governmental Activities, Continued:</b>					
<b>Redevelopment Agency, Continued</b>					
<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)
<b>Total Internal Service Funds</b>					<b>328,860</b>
<b>Total Governmental Activities</b>					<b>\$ 247,945,116</b>

**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
<b>Business-Type Activities:</b>					
<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
<b>Total Business-Type Activities</b>					<b>\$ 6,054,060</b>
<b>Component Unit - Santa Cruz County Sanitation District (SCCSD)</b>					
2005 Wastewater Revenue Refunding Bonds (financed the SCCSD's share of the improvements to the City of Santa Cruz sewer treatment facility)					
Serial bonds	9/1/05-9/1/19	2.80-5.0%	\$140,000-\$940,000	9,335,000	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)	2000-2019	2.80%	\$928,354-\$1,564,248	24,374,832	15,008,579
Unamortized bond premium				41,252	34,547
<b>Total Component Unit</b>					<b>\$ 23,788,126</b>

**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
<b>Total</b>	<b>\$ 31,035,000</b>	<b>\$ 16,504,073</b>	<b>\$ 1,741,975</b>	<b>\$ 784,963</b>	<b>\$ 28,855,000</b>	<b>\$ 14,378,869</b>

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	-	-	-	-
<b>Total</b>	<b>\$ 7,840,000</b>	<b>\$ 4,814,360</b>	<b>\$ 1,800,000</b>	<b>\$ 302,818</b>	<b>\$ 360,000</b>	<b>\$ 122,765</b>

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

**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
<b>Total</b>	<b>\$ 710,841</b>	<b>\$ 88,577</b>	<b>\$ 799,418</b>

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
<b>Total</b>	<b>\$ 168,100,000</b>	<b>\$ 140,290,085</b>	<b>\$ 308,390,085</b>

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
<b>Total</b>	<b>\$ 334,891</b>	<b>\$ 5,609</b>	<b>\$ 340,500</b>

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
<b>Total</b>	<b>\$ 448,348</b>	<b>\$ 93,234</b>

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
<b>Total</b>	<b>\$ 7,960,000</b>	<b>\$ 2,015,281</b>	<b>\$ 785,000</b>	<b>\$ 226,863</b>	<b>\$ 15,008,579</b>	<b>\$ 2,637,312</b>

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

During 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**

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**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**

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**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**

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

\* Most recent information available.

**County of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 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</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Annual</u> <u>Contribution</u>	<u>% of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>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**

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**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**

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**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**

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**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.

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**REQUIRED SUPPLEMENTARY  
INFORMATION (UNAUDITED)**

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

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**BUDGETARY PRINCIPLES**

*General Budget Policies*

In accordance with Chapter 1, Division 3, Title 3, of the Government Code of the State of California, known as the "Budget Act", the County prepares and adopts a budget for each fiscal year. The budget is a compilation of operating budgets from: individual functional units within the General Fund, Special Revenue Funds, Capital Project 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**

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**BUDGETARY PRINCIPLES, Continued**

*General Budget Policies, Continued*

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

*Encumbrances*

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

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

**Budgetary Comparison Schedule, General Fund**

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>FUND BALANCE, BEGINNING</b>	\$ 41,008,468	\$ 41,008,468	\$ 41,008,468	\$ -
<b>RESOURCE / (INFLOWS)</b>				
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)
<b>Amount Available for Appropriation</b>	<b>375,025,478</b>	<b>380,625,347</b>	<b>359,177,253</b>	<b>(21,448,094)</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>				
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
<b>Total</b>	<b>2,191,907</b>	<b>2,183,064</b>	<b>2,121,299</b>	<b>61,765</b>
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)
<b>Total</b>	<b>2,587,084</b>	<b>2,697,123</b>	<b>1,858,410</b>	<b>838,713</b>
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	-
<b>Total</b>	<b>3,025,542</b>	<b>3,288,954</b>	<b>2,967,780</b>	<b>321,174</b>

(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)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued</b>				
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
<b>Total</b>	<b>1,739,799</b>	<b>1,586,367</b>	<b>1,411,215</b>	<b>175,152</b>
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
<b>Total</b>	<b>3,610,371</b>	<b>3,489,160</b>	<b>3,383,003</b>	<b>106,157</b>
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)	-
<b>Total</b>	<b>453,547</b>	<b>465,279</b>	<b>460,901</b>	<b>4,378</b>
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
<b>Total</b>	<b>2,533,308</b>	<b>2,507,717</b>	<b>2,341,292</b>	<b>166,425</b>
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)	-
<b>Total</b>	<b>3,988,760</b>	<b>3,888,701</b>	<b>3,606,184</b>	<b>282,517</b>
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
<b>Total</b>	<b>3,808,608</b>	<b>4,082,824</b>	<b>3,391,913</b>	<b>690,911</b>

(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)
<b>CHARGES TO APPROPRIATIONS</b>				
<b>(OUTFLOWS), Continued</b>				
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
<b>Total</b>	<b>2,384,223</b>	<b>2,391,903</b>	<b>2,189,866</b>	<b>202,037</b>
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)
<b>Total</b>	<b>4,552,294</b>	<b>4,492,359</b>	<b>9,079,458</b>	<b>(4,587,099)</b>
Real Property Management				
Services and supplies	63,600	68,275	68,274	1
<b>Total</b>	<b>63,600</b>	<b>68,275</b>	<b>68,274</b>	<b>1</b>
Plant Acquisition				
Appropriations for contingencies	1,174,950	1,018,450	-	1,018,450
<b>Total</b>	<b>1,174,950</b>	<b>1,018,450</b>	<b>-</b>	<b>1,018,450</b>
Surveyor				
Services and supplies	572,219	567,544	398,624	168,920
Intrafund transfers	-	-	(13,782)	13,782
<b>Total</b>	<b>572,219</b>	<b>567,544</b>	<b>384,842</b>	<b>182,702</b>
DPW Engineering				
Services and supplies	202,750	205,610	205,607	3
<b>Total</b>	<b>202,750</b>	<b>205,610</b>	<b>205,607</b>	<b>3</b>
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
<b>Total</b>	<b>(2,678)</b>	<b>11,944</b>	<b>795</b>	<b>11,149</b>
<b>Total General Government</b>	<b>32,886,284</b>	<b>32,945,274</b>	<b>33,470,839</b>	<b>(525,565)</b>

(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)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued</b>				
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
<b>Total</b>	<b>2,851,787</b>	<b>2,851,787</b>	<b>2,531,646</b>	<b>320,141</b>
Grand Jury				
Services and supplies	55,827	55,124	52,282	2,842
<b>Total</b>	<b>55,827</b>	<b>55,124</b>	<b>52,282</b>	<b>2,842</b>
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
<b>Total</b>	<b>6,812,473</b>	<b>6,812,473</b>	<b>6,681,713</b>	<b>130,760</b>
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	-
<b>Total</b>	<b>10,975,246</b>	<b>11,487,504</b>	<b>11,482,203</b>	<b>5,301</b>
Public Defender				
Services and supplies	8,045,058	8,045,058	7,686,880	358,178
<b>Total</b>	<b>8,045,058</b>	<b>8,045,058</b>	<b>7,686,880</b>	<b>358,178</b>
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
<b>Total</b>	<b>26,869,550</b>	<b>27,001,415</b>	<b>26,155,626</b>	<b>845,789</b>
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
<b>Total</b>	<b>24,772,323</b>	<b>24,791,611</b>	<b>23,487,942</b>	<b>1,303,669</b>

(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)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued</b>				
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
<b>Total</b>	<b>16,622,790</b>	<b>16,841,801</b>	<b>15,887,417</b>	<b>954,384</b>
State Correctional Schools				
Services and supplies	5,740	5,740	-	5,740
Other charges	84,250	84,250	34,288	49,962
<b>Total</b>	<b>89,990</b>	<b>89,990</b>	<b>34,288</b>	<b>55,702</b>
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
<b>Total</b>	<b>2,320,470</b>	<b>2,407,182</b>	<b>2,173,563</b>	<b>233,619</b>
Public Works - Other Construction Inspection				
Services and supplies	110,000	107,140	52,956	54,184
<b>Total</b>	<b>110,000</b>	<b>107,140</b>	<b>52,956</b>	<b>54,184</b>
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
<b>Total</b>	<b>1,203,346</b>	<b>1,175,306</b>	<b>1,131,728</b>	<b>43,578</b>

(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)
<b>CHARGES TO APPROPRIATIONS</b>				
<b>(OUTFLOWS), Continued</b>				
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
<b>Total</b>	<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
<b>Total</b>	<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
<b>Total</b>	<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
<b>Total</b>	<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	-
<b>Total</b>	<u>31,340</u>	<u>31,340</u>	<u>31,340</u>	<u>-</u>
<b>Total Public Protection</b>	<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)
<b>CHARGES TO APPROPRIATIONS</b>				
<b>(OUTFLOWS), Continued</b>				
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
<b>Total</b>	<b>106,185,572</b>	<b>110,424,748</b>	<b>108,233,202</b>	<b>2,191,546</b>
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
<b>Total</b>	<b>1,042,062</b>	<b>1,067,846</b>	<b>887,748</b>	<b>180,098</b>
Air Pollution				
Other charges	30,743	30,743	30,743	-
<b>Total</b>	<b>30,743</b>	<b>30,743</b>	<b>30,743</b>	<b>-</b>
<b>Total Health and Sanitation</b>	<b>107,258,377</b>	<b>111,523,337</b>	<b>109,151,693</b>	<b>2,371,644</b>
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
<b>Total</b>	<b>69,508,527</b>	<b>69,922,650</b>	<b>66,137,740</b>	<b>3,784,910</b>
Community Programs				
Other charges	4,323,005	4,323,006	4,323,001	5
<b>Total</b>	<b>4,323,005</b>	<b>4,323,006</b>	<b>4,323,001</b>	<b>5</b>

(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)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued</b>				
Public Assistance, Continued:				
Categorical Aids				
Other charges	\$ 30,047,728	\$ 30,358,871	\$ 28,830,672	\$ 1,528,199
<b>Total</b>	<b>30,047,728</b>	<b>30,358,871</b>	<b>28,830,672</b>	<b>1,528,199</b>
General Assistance				
Services and supplies	17,920	17,920	113	17,807
Other charges	411,168	411,168	308,810	102,358
<b>Total</b>	<b>429,088</b>	<b>429,088</b>	<b>308,923</b>	<b>120,165</b>
Burial of Indegents				
Services and supplies	47,757	47,757	37,530	10,227
<b>Total</b>	<b>47,757</b>	<b>47,757</b>	<b>37,530</b>	<b>10,227</b>
Family Relations				
Services and supplies	92,727	76,452	76,135	317
Other charges	994,837	1,028,612	949,758	78,854
<b>Total</b>	<b>1,087,564</b>	<b>1,105,064</b>	<b>1,025,893</b>	<b>79,171</b>
Homeless				
Other charges	447,842	451,392	357,451	93,941
<b>Total</b>	<b>447,842</b>	<b>451,392</b>	<b>357,451</b>	<b>93,941</b>
Wards of Court				
Services and supplies	10,000	14,500	12,620	1,880
Other charges	175,000	170,500	139,394	31,106
<b>Total</b>	<b>185,000</b>	<b>185,000</b>	<b>152,014</b>	<b>32,986</b>
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
<b>Total</b>	<b>420,369</b>	<b>429,591</b>	<b>368,293</b>	<b>61,298</b>
<b>Total Public Assistance</b>	<b>106,496,880</b>	<b>107,252,419</b>	<b>101,541,517</b>	<b>5,710,902</b>

(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)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued</b>				
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
<b>Total</b>	<u>161,643</u>	<u>161,612</u>	<u>159,344</u>	<u>2,268</u>
<b>Total Education</b>	<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
<b>Total</b>	<u>7,179,322</u>	<u>7,173,057</u>	<u>6,915,775</u>	<u>257,282</u>
<b>Total Recreation and Culture</b>	<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
<b>Total</b>	<u>230,658</u>	<u>230,658</u>	<u>216,318</u>	<u>14,340</u>
<b>Total Public Ways and Facilities</b>	<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
<b>Total</b>	<u>1,517,999</u>	<u>1,543,889</u>	<u>1,522,643</u>	<u>21,246</u>
<b>Total Debt Service</b>	<u>1,517,999</u>	<u>1,543,889</u>	<u>1,522,643</u>	<u>21,246</u>
<b>Total Charges to Appropriations (Outflows)</b>	<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)
<b>OTHER FINANCING SOURCES / (USES)</b>				
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
<b>Total transfers out</b>	<u>9,243,919</u>	<u>9,235,979</u>	<u>8,671,025</u>	<u>564,954</u>
<b>Total other financing sources / (uses)</b>	<u>381,339,823</u>	<u>387,382,477</u>	<u>373,026,919</u>	<u>14,355,558</u>
<b>Net change in fund balances</b>	<u>(6,314,345)</u>	<u>(6,757,130)</u>	<u>(13,849,666)</u>	<u>(7,092,536)</u>
<b>FUND BALANCE, ENDING</b>	<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		
<b>FUND BALANCE, BEGINNING</b>	\$ 126,394,428	\$ 126,394,428	\$ 126,394,428	\$ -
<b>RESOURCES / (INFLOWS):</b>				
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)
<b>Amounts available for appropriation</b>	<b>30,920,795</b>	<b>31,209,883</b>	<b>33,012,523</b>	<b>1,802,640</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
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)
<b>Total charges to appropriations</b>	<b>94,208,919</b>	<b>94,444,683</b>	<b>32,543,111</b>	<b>61,901,572</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 63,106,304</b>	<b>\$ 63,159,628</b>	<b>\$ 126,863,840</b>	<b>\$ 63,704,212</b>

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

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule \$ 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.



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# SUPPLEMENTARY INFORMATION

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# COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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# SUMMARY OF NON-MAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

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*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
<b>ASSETS</b>				
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
<b>Total assets</b>	<b>\$ 35,003,187</b>	<b>\$ 4,179,138</b>	<b>\$ 12,694,533</b>	<b>\$ 51,876,858</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
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
<b>Total liabilities</b>	<b>5,169,128</b>	<b>-</b>	<b>2,421,881</b>	<b>7,591,009</b>
<b>Fund Balances:</b>				
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
<b>Total fund balances</b>	<b>29,834,059</b>	<b>4,179,138</b>	<b>10,272,652</b>	<b>44,285,849</b>
<b>Total liabilities and fund balances</b>	<b>\$ 35,003,187</b>	<b>\$ 4,179,138</b>	<b>\$ 12,694,533</b>	<b>\$ 51,876,858</b>

**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
<b>REVENUES:</b>				
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
<b>Total revenues</b>	<b>42,540,451</b>	<b>359,071</b>	<b>8,399,541</b>	<b>51,299,063</b>
<b>EXPENDITURES:</b>				
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
<b>Total expenditures</b>	<b>48,240,147</b>	<b>11,956,315</b>	<b>10,671,475</b>	<b>70,867,937</b>
<b>REVENUES OVER / (UNDER) EXPENDITURES</b>	<b>(5,699,696)</b>	<b>(11,597,244)</b>	<b>(2,271,934)</b>	<b>(19,568,874)</b>
<b>OTHER FINANCING SOURCES / (USES):</b>				
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)
<b>Total other financing sources / (uses)</b>	<b>2,227,903</b>	<b>10,791,554</b>	<b>5,800,809</b>	<b>18,820,266</b>
<b>Net change in fund balances</b>	<b>(3,471,793)</b>	<b>(805,690)</b>	<b>3,528,875</b>	<b>(748,608)</b>
<b>FUND BALANCES:</b>				
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

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# NON-MAJOR SPECIAL REVENUE FUNDS

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## 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
<b>ASSETS</b>				
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	-	-	-	-
<b>Total assets</b>	<b>\$ 373,221</b>	<b>\$ 3,767,539</b>	<b>\$ 4,864,353</b>	<b>\$ 5,937,228</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Payables	\$ -	\$ 1,948,318	\$ 81,183	\$ -
Due to other funds	-	-	-	-
Deferred revenue	-	-	2,089,590	-
<b>Total liabilities</b>	<b>-</b>	<b>1,948,318</b>	<b>2,170,773</b>	<b>-</b>
<b>Fund Balances:</b>				
Reserved:				
Encumbrances and reappropriations	-	72,518	8,182,238	-
Debt service	-	-	-	1,717,948
Capital asset acquisition	-	-	-	4,219,280
<b>Total reserved</b>	<b>-</b>	<b>72,518</b>	<b>8,182,238</b>	<b>5,937,228</b>
Unreserved:				
Undesignated	373,221	1,746,703	(5,488,658)	-
<b>Total fund balances</b>	<b>373,221</b>	<b>1,819,221</b>	<b>2,693,580</b>	<b>5,937,228</b>
<b>Total liabilities and fund balances</b>	<b>\$ 373,221</b>	<b>\$ 3,767,539</b>	<b>\$ 4,864,353</b>	<b>\$ 5,937,228</b>

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
<b>ASSETS</b>				
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
<b>Total assets</b>	<b>\$ 1,512,500</b>	<b>\$ 5,469,945</b>	<b>\$ 178,408</b>	<b>\$ 35,003,187</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Payables	\$ 11,035	\$ 44,836	\$ -	\$ 2,836,931
Due to other funds	-	-	-	128,934
Deferred revenue	-	125,675	-	2,203,263
<b>Total liabilities</b>	<b>11,035</b>	<b>170,511</b>	<b>-</b>	<b>5,169,128</b>
<b>Fund Balances:</b>				
Reserved:				
Encumbrances and reappropriations	-	326,322	-	9,135,069
Debt service	-	-	-	1,717,948
Capital asset acquisition	-	-	-	4,219,280
<b>Total reserved</b>	<b>-</b>	<b>326,322</b>	<b>-</b>	<b>15,072,297</b>
Unreserved:				
Undesignated	1,501,465	4,973,112	178,408	14,761,762
<b>Total fund balances</b>	<b>1,501,465</b>	<b>5,299,434</b>	<b>178,408</b>	<b>29,834,059</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,512,500</b>	<b>\$ 5,469,945</b>	<b>\$ 178,408</b>	<b>\$ 35,003,187</b>

(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
<b>REVENUES:</b>				
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
<b>Total revenues</b>	<b>4,838,454</b>	<b>3,483,472</b>	<b>14,025,967</b>	<b>874,942</b>
<b>EXPENDITURES:</b>				
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
<b>Total expenditures</b>	<b>4,880,475</b>	<b>2,833,910</b>	<b>14,373,390</b>	<b>7,555,977</b>
<b>REVENUES OVER / (UNDER) EXPENDITURES</b>	<b>(42,021)</b>	<b>649,562</b>	<b>(347,423)</b>	<b>(6,681,035)</b>
<b>OTHER FINANCING SOURCES / (USES):</b>				
Sale of capital asset	-	-	-	-
Transfers in	-	-	1,000,000	6,942,303
Transfers out	(5,570)	-	-	(4,987,529)
<b>Total other financing sources / (uses)</b>	<b>(5,570)</b>	<b>-</b>	<b>1,000,000</b>	<b>1,954,774</b>
<b>Net change in fund balances</b>	<b>(47,591)</b>	<b>649,562</b>	<b>652,577</b>	<b>(4,726,261)</b>
<b>FUND BALANCES:</b>				
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	
<b>REVENUES:</b>				
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
<b>Total revenues</b>	<b>1,318,221</b>	<b>6,536,900</b>	<b>7,264</b>	<b>42,540,451</b>
<b>EXPENDITURES:</b>				
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
<b>Total expenditures</b>	<b>861,414</b>	<b>5,665,132</b>	<b>-</b>	<b>48,240,147</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>456,807</b>	<b>871,768</b>	<b>7,264</b>	<b>(5,699,696)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of capital asset	-	-	-	952,976
Transfers in	10,669	-	-	8,551,894
Transfers out	(135,553)	(887,744)	-	(7,276,967)
<b>Total other financing sources (uses)</b>	<b>(124,884)</b>	<b>(887,744)</b>	<b>-</b>	<b>2,227,903</b>
<b>Net change in fund balances</b>	<b>331,923</b>	<b>(15,976)</b>	<b>7,264</b>	<b>(3,471,793)</b>
<b>FUND BALANCES:</b>				
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		
<b>FUND BALANCE, BEGINNING</b>	\$ 420,812	\$ 420,812	\$ 420,812	\$ -
<b>RESOURCES / (INFLOWS)</b>				
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
<b>Amounts available for appropriation</b>	<b>4,758,316</b>	<b>4,815,596</b>	<b>4,838,454</b>	<b>22,858</b>
<b>CHARGES TO APPROPRIATIONS / (OUTFLOWS)</b>				
Education:				
Services and supplies	4,828,767	4,880,477	4,880,475	2
Transfers out	-	5,570	5,570	-
<b>Total charges to appropriations</b>	<b>4,828,767</b>	<b>4,886,047</b>	<b>4,886,045</b>	<b>2</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 350,361</b>	<b>\$ 350,361</b>	<b>\$ 373,221</b>	<b>\$ 22,860</b>

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

##### Uses / Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	\$ 4,886,045
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		
<b>FUND BALANCE, BEGINNING</b>	\$ 1,169,659	\$ 1,169,659	\$ 1,169,659	\$ -
<b>RESOURCES / (INFLOWS)</b>				
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
<b>Amounts available for appropriation</b>	<b>2,934,073</b>	<b>3,149,038</b>	<b>3,483,472</b>	<b>334,434</b>
<b>CHARGES TO APPROPRIATIONS / (OUTFLOWS)</b>				
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
<b>Total charges to appropriations</b>	<b>3,624,499</b>	<b>3,813,372</b>	<b>2,833,910</b>	<b>979,462</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 479,233</b>	<b>\$ 505,325</b>	<b>\$ 1,819,221</b>	<b>\$ 1,313,896</b>

# 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)
<b>FUND BALANCE, BEGINNING</b>	\$ 2,041,003	\$ 2,041,003	\$ 2,041,003	\$ -
<b>RESOURCES / (INFLOWS)</b>				
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	-
<b>Amounts available for appropriation</b>	<b>19,304,111</b>	<b>22,664,938</b>	<b>15,025,967</b>	<b>(7,638,971)</b>
<b>CHARGES TO APPROPRIATIONS / (OUTFLOWS)</b>				
Public ways & facilities:				
Services and supplies	24,094,431	27,455,258	14,373,390	13,081,868
<b>Total charges to appropriations</b>	<b>24,094,431</b>	<b>27,455,258</b>	<b>14,373,390</b>	<b>13,081,868</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ (2,749,317)</b>	<b>\$ (2,749,317)</b>	<b>\$ 2,693,580</b>	<b>\$ 5,442,897</b>

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

#### Sources / Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 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)
<b>FUND BALANCE, BEGINNING</b>	\$ 73,350	\$ 73,350	\$ 73,350	\$ -
<b>RESOURCES / (INFLOWS)</b>				
Fines, forfeits and penalties	12,000	12,000	9,819	(2,181)
Use of money and property	4,000	4,000	3,162	(838)
<b>Amounts available for appropriation</b>	<b>16,000</b>	<b>16,000</b>	<b>12,981</b>	<b>(3,019)</b>
<b>CHARGES TO APPROPRIATIONS / (OUTFLOWS)</b>				
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
<b>Total charges to appropriations</b>	<b>42,633</b>	<b>42,633</b>	<b>26,689</b>	<b>15,944</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 46,717</b>	<b>\$ 46,717</b>	<b>\$ 59,642</b>	<b>\$ 12,925</b>

# 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		
<b>FUND BALANCE, BEGINNING</b>	\$ 2,155,099	\$ 2,155,099	\$ 2,155,099	\$ -
<b>RESOURCES / (INFLOWS)</b>				
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	-
<b>Amounts available for appropriation</b>	<b>1,175,703</b>	<b>1,175,703</b>	<b>1,551,794</b>	<b>376,091</b>
<b>CHARGES TO APPROPRIATIONS / (OUTFLOWS)</b>				
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	-
<b>Total charges to appropriations</b>	<b>2,556,623</b>	<b>2,556,623</b>	<b>1,461,017</b>	<b>1,095,606</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 774,179</b>	<b>\$ 774,179</b>	<b>\$ 2,245,876</b>	<b>\$ 1,471,697</b>

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

##### Sources / Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule \$ 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		
<b>FUND BALANCE, BEGINNING</b>	\$ 2,164,512	\$ 2,164,512	\$ 2,164,512	\$ -
<b>RESOURCES / (INFLOWS)</b>				
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
<b>Amounts available for appropriation</b>	<u>2,714,957</u>	<u>2,888,622</u>	<u>1,778,825</u>	<u>(1,109,797)</u>
<b>CHARGES TO APPROPRIATIONS / (OUTFLOWS)</b>				
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
<b>Total charges to appropriations</b>	<u>4,879,469</u>	<u>5,053,134</u>	<u>2,014,132</u>	<u>3,039,002</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,929,205</u>	<u>\$ 1,929,205</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 \$ 1,778,825

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		
<b>FUND BALANCE, BEGINNING</b>	\$ 1,676,205	\$ 1,676,205	\$ 1,676,205	\$ -
<b>RESOURCES / (INFLOWS)</b>				
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
<b>Amounts available for appropriation</b>	<u>1,526,000</u>	<u>1,526,000</u>	<u>1,547,158</u>	<u>21,158</u>
<b>CHARGES TO APPROPRIATIONS / (OUTFLOWS)</b>				
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)
<b>Total charges to appropriations</b>	<u>2,764,012</u>	<u>2,724,788</u>	<u>1,756,834</u>	<u>967,954</u>
<b>FUND BALANCE, ENDING</b>	<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)
<b>FUND BALANCE, BEGINNING</b>	\$ 5,406,126	\$ 5,406,126	\$ 5,406,126	\$ -
<b>RESOURCES / (INFLOWS)</b>				
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	-
<b>Amounts available for appropriation</b>	<b>7,248,669</b>	<b>7,685,254</b>	<b>8,079,978</b>	<b>394,724</b>
<b>CHARGES TO APPROPRIATIONS / (OUTFLOWS)</b>				
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
<b>Total charges to appropriations</b>	<b>11,365,471</b>	<b>11,790,123</b>	<b>8,071,396</b>	<b>3,718,727</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 1,289,324</b>	<b>\$ 1,301,257</b>	<b>\$ 5,414,708</b>	<b>\$ 4,113,451</b>

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

#### Sources / Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule \$ 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		
<b>FUND BALANCE, BEGINNING</b>	\$ 60,371	\$ 60,371	\$ 60,371	\$ -
<b>RESOURCES / (INFLOWS)</b>				
Use of money and property	2,800	2,800	2,561	(239)
<b>Amounts available for appropriation</b>	2,800	2,800	2,561	(239)
<b>CHARGES TO APPROPRIATIONS / (OUTFLOWS)</b>				
Health & sanitation:				
Services and supplies	62,270	62,270	352	61,918
<b>Total charges to appropriations</b>	62,270	62,270	352	61,918
<b>FUND BALANCE, ENDING</b>	\$ 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		
<b>FUND BALANCE, BEGINNING</b>	\$ 1,169,542	\$ 1,169,542	\$ 1,169,542	\$ -
<b>RESOURCES / (INFLOWS)</b>				
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
<b>Amounts available for appropriation</b>	<u>1,262,156</u>	<u>1,262,156</u>	<u>1,328,890</u>	<u>66,734</u>
<b>CHARGES TO APPROPRIATIONS / (OUTFLOWS)</b>				
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
<b>Total charges to appropriations</b>	<u>1,684,227</u>	<u>1,684,227</u>	<u>996,967</u>	<u>687,260</u>
<b>FUND BALANCE, ENDING</b>	<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)
<b>FUND BALANCE, BEGINNING</b>	\$ 5,315,410	\$ 5,315,410	\$ 5,315,410	\$ -
<b>RESOURCES / (INFLOWS)</b>				
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)
<b>Amounts available for appropriation</b>	<b>6,882,303</b>	<b>6,900,009</b>	<b>6,536,900</b>	<b>(363,109)</b>
<b>CHARGES TO APPROPRIATIONS / (OUTFLOWS)</b>				
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
<b>Total charges to appropriations</b>	<b>10,195,005</b>	<b>10,211,420</b>	<b>6,552,876</b>	<b>3,658,544</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 2,002,708</b>	<b>\$ 2,003,999</b>	<b>\$ 5,299,434</b>	<b>\$ 3,295,435</b>

### 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		
<b>FUND BALANCE, BEGINNING</b>	<u>\$ 6,743,777</u>	<u>\$ 6,743,777</u>	<u>\$ 6,743,777</u>	<u>\$ -</u>
<b>RESOURCES / (INFLOWS)</b>				
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
<b>Amounts available for appropriation</b>	<u>8,960,184</u>	<u>8,960,184</u>	<u>15,200,350</u>	<u>6,240,166</u>
<b>CHARGES TO APPROPRIATIONS / (OUTFLOWS)</b>				
Capital outlay	-	8,595,184	10,671,475	(2,076,291)
Transfers out	-	-	1,000,000	(1,000,000)
<b>Total charges to appropriations</b>	<u>-</u>	<u>8,595,184</u>	<u>11,671,475</u>	<u>(3,076,291)</u>
<b>FUND BALANCE, ENDING</b>	<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	<u>\$ 8,399,541</u>

#### 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	<u>\$ 10,671,475</u>

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# NON-MAJOR ENTERPRISE FUNDS

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*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
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 135,131	\$ 21,585	\$ 106,074	\$ 123,661	\$ 24,949
Restricted cash and investments	-	-	-	7,226	-
Receivables, net	-	-	-	-	-
<b>Total current assets</b>	<b>135,131</b>	<b>21,585</b>	<b>106,074</b>	<b>130,887</b>	<b>24,949</b>
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)
<b>Total capital assets</b>	<b>546,556</b>	<b>144,506</b>	<b>118,259</b>	<b>321,126</b>	<b>8,820</b>
<b>Total assets</b>	<b>681,687</b>	<b>166,091</b>	<b>224,333</b>	<b>452,013</b>	<b>33,769</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities:</b>					
Current Liabilities:					
Payables	1,164	670	-	11,018	8,490
Current portion of long-term debt	-	-	-	19,000	-
<b>Total current liabilities</b>	<b>1,164</b>	<b>670</b>	<b>-</b>	<b>30,018</b>	<b>8,490</b>
Noncurrent Liabilities:					
Long-term debt	-	-	-	-	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>1,164</b>	<b>670</b>	<b>-</b>	<b>30,018</b>	<b>8,490</b>
<b>Net Assets:</b>					
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
<b>Total net assets</b>	<b>680,523</b>	<b>165,421</b>	<b>224,333</b>	<b>421,995</b>	<b>25,279</b>
<b>Total liabilities and net assets</b>	<b>\$ 681,687</b>	<b>\$ 166,091</b>	<b>\$ 224,333</b>	<b>\$ 452,013</b>	<b>\$ 33,769</b>

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
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 360,051	\$ 75,673	\$ 75,490	\$ 234,712	\$ 44,183
Other	-	-	-	392	-
<b>Total operating revenues</b>	<b>360,051</b>	<b>75,673</b>	<b>75,490</b>	<b>235,104</b>	<b>44,183</b>
<b>OPERATING EXPENSES:</b>					
Services and supplies	380,821	69,959	33,409	301,451	71,467
Depreciation	57,151	7,969	5,542	12,267	1,357
<b>Total operating expenses</b>	<b>437,972</b>	<b>77,928</b>	<b>38,951</b>	<b>313,718</b>	<b>72,824</b>
<b>OPERATING INCOME / (LOSS)</b>	<b>(77,921)</b>	<b>(2,255)</b>	<b>36,539</b>	<b>(78,614)</b>	<b>(28,641)</b>
<b>NONOPERATING REVENUES / (EXPENSES):</b>					
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	-	-	-	-	-
<b>Total nonoperating revenues / (expenses)</b>	<b>6,210</b>	<b>538</b>	<b>3,203</b>	<b>25,811</b>	<b>1,631</b>
<b>INCOME / (LOSS) BEFORE TRANSFERS</b>	<b>(71,711)</b>	<b>(1,717)</b>	<b>39,742</b>	<b>(52,803)</b>	<b>(27,010)</b>
<b>TRANSFERS:</b>					
Capital contributions	-	-	-	-	-
<b>Total transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCOME / (LOSS)</b>	<b>(71,711)</b>	<b>(1,717)</b>	<b>39,742</b>	<b>(52,803)</b>	<b>(27,010)</b>
<b>NET ASSETS:</b>					
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
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
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)
<b>Net cash provided / (used) by operating activities</b>	<b>(25,318)</b>	<b>6,332</b>	<b>42,081</b>	<b>(67,886)</b>	<b>(19,005)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Property taxes	-	-	-	19,762	-
Subsidy from other governmental agencies	-	-	-	-	-
<b>Net cash provided / (used) by noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,762</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
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	-	-	-	-	-
<b>Net cash provided / (used) by capital and related financing activities</b>	<b>(46,577)</b>	<b>-</b>	<b>-</b>	<b>(21,114)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment earnings received	6,564	538	3,203	6,478	1,631
<b>Net cash provided / (used) by investing activities</b>	<b>6,564</b>	<b>538</b>	<b>3,203</b>	<b>6,478</b>	<b>1,631</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(65,331)</b>	<b>6,870</b>	<b>45,284</b>	<b>(62,760)</b>	<b>(17,374)</b>
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	\$ 135,131	\$ 21,585	\$ 106,074	\$ 130,887	\$ 24,949

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
<b>RECONCILIATION OF OPERATING</b>					
<b>INCOME / (LOSS) TO NET CASH PROVIDED /</b>					
<b>(USED) BY OPERATING ACTIVITIES:</b>					
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
<b>Net cash provided / (used) by operating activities</b>	<b>\$ (25,318)</b>	<b>\$ 6,332</b>	<b>\$ 42,081</b>	<b>\$ (67,886)</b>	<b>\$ (19,005)</b>

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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)



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# INTERNAL SERVICE FUNDS

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

*Central Duplicating Fund* - 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
<b>ASSETS</b>				
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	-
<b>Total current assets</b>	<b>52,189</b>	<b>1,383,427</b>	<b>4,712,551</b>	<b>39,573</b>
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)
<b>Total capital assets</b>	<b>42,348</b>	<b>1,900,244</b>	<b>2,887,897</b>	<b>2,192,306</b>
<b>Total assets</b>	<b>\$ 94,537</b>	<b>\$ 3,283,671</b>	<b>\$ 7,600,448</b>	<b>\$ 2,231,879</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities:</b>				
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
<b>Total current liabilities</b>	<b>530,903</b>	<b>1,086,891</b>	<b>3,846,624</b>	<b>736,959</b>
Noncurrent Liabilities:				
Claims liability	-	-	-	-
Compensated absences payable, due in more than one year	-	148,903	686,592	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>148,903</b>	<b>686,592</b>	<b>-</b>
<b>Total liabilities</b>	<b>530,903</b>	<b>1,235,794</b>	<b>4,533,216</b>	<b>736,959</b>
<b>Net Assets:</b>				
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)
<b>Total net assets</b>	<b>(436,366)</b>	<b>2,047,877</b>	<b>3,067,232</b>	<b>1,494,920</b>
<b>Total liabilities and net assets</b>	<b>\$ 94,537</b>	<b>\$ 3,283,671</b>	<b>\$ 7,600,448</b>	<b>\$ 2,231,879</b>

Self-Insurance							
Risk Management and Self-Insurance	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance	Employee Benefit Staffing	State Unemployment Insurance		Total
\$ 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
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 988,905	\$ 11,597,370	\$ 34,512,952	\$ 2,261,892
Other	-	39,238	-	49,477
<b>Total operating revenues</b>	<b>988,905</b>	<b>11,636,608</b>	<b>34,512,952</b>	<b>2,311,369</b>
<b>OPERATING EXPENSES:</b>				
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
<b>Total operating expenses</b>	<b>970,092</b>	<b>11,324,427</b>	<b>34,992,528</b>	<b>2,523,406</b>
<b>OPERATING INCOME / (LOSS)</b>	<b>18,813</b>	<b>312,181</b>	<b>(479,576)</b>	<b>(212,037)</b>
<b>NONOPERATING REVENUES / (EXPENSES):</b>				
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)	-
<b>Total nonoperating revenues / (expenses)</b>	<b>(237)</b>	<b>(2,987)</b>	<b>(73,385)</b>	<b>4,442</b>
<b>INCOME / (LOSS) BEFORE TRANSFERS</b>	<b>18,576</b>	<b>309,194</b>	<b>(552,961)</b>	<b>(207,595)</b>
<b>TRANSFERS:</b>				
Transfers in	-	-	-	121,250
<b>Total transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>121,250</b>
<b>NET INCOME / (LOSS)</b>	<b>18,576</b>	<b>309,194</b>	<b>(552,961)</b>	<b>(86,345)</b>
<b>NET ASSETS:</b>				
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
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
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
<b>Net cash provided / (used) by operating activities</b>	<b>41,294</b>	<b>879,650</b>	<b>158,564</b>	<b>1,311,594</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers from other funds	-	-	-	121,250
Transfers to other funds	-	-	-	-
Loan proceeds	-	-	-	638,243
Loan repayments	-	-	-	(614,237)
<b>Net cash provided / (used) by noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145,256</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
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)	-	-	-
<b>Net cash provided / (used) by capital and related financing activities</b>	<b>(41,294)</b>	<b>(512,847)</b>	<b>(521,017)</b>	<b>(1,456,850)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment earnings received	-	-	-	-
<b>Net cash provided / (used) by investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>-</b>	<b>366,803</b>	<b>(362,453)</b>	<b>-</b>
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
<b>RECONCILIATION OF OPERATING</b>				
<b>INCOME / (LOSS) TO NET CASH PROVIDED /</b>				
<b>(USED) BY OPERATING ACTIVITIES:</b>				
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
<b>Net cash provided / (used) by operating activities</b>	<b>\$ 41,294</b>	<b>\$ 879,650</b>	<b>\$ 158,564</b>	<b>\$ 1,311,594</b>

Self-Insurance							
Risk Management and Self-Insurance	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance	Employee Benefit Staffing	State Unemployment Insurance		Total
\$ (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)



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# FIDUCIARY FUNDS

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*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
<b>ASSETS</b>				
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
<b>Total assets</b>	<b>\$ 46,586,636</b>	<b>\$ 3,273,510</b>	<b>\$ 26,487,139</b>	<b>\$ 76,347,285</b>
<b>LIABILITIES</b>				
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
<b>Total liabilities</b>	<b>\$ 46,586,636</b>	<b>\$ 3,273,510</b>	<b>\$ 26,487,139</b>	<b>\$ 76,347,285</b>

**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
<b><u>Intergovernmental Agency</u></b>				
<b>Assets:</b>				
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
<b>Total assets</b>	<b>\$ 57,887,708</b>	<b>\$ 325,146,983</b>	<b>\$ 336,448,055</b>	<b>\$ 46,586,636</b>
<b>Liabilities:</b>				
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
<b>Total liabilities</b>	<b>\$ 57,887,708</b>	<b>\$ 852,992,209</b>	<b>\$ 864,293,281</b>	<b>\$ 46,586,636</b>
<b><u>Payroll</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 3,115,301	\$ 281,438,545	\$ 281,280,336	\$ 3,273,510
<b>Total assets</b>	<b>\$ 3,115,301</b>	<b>\$ 281,438,545</b>	<b>\$ 281,280,336</b>	<b>\$ 3,273,510</b>
<b>Liabilities:</b>				
Payables	\$ 3,115,301	\$ 583,715,978	\$ 583,557,769	\$ 3,273,510
<b>Total liabilities</b>	<b>\$ 3,115,301</b>	<b>\$ 583,715,978</b>	<b>\$ 583,557,769</b>	<b>\$ 3,273,510</b>
<b><u>Property Tax Collection</u></b>				
<b>Assets:</b>				
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
<b>Total assets</b>	<b>\$ 21,342,426</b>	<b>\$ 1,297,723,246</b>	<b>\$ 1,292,578,533</b>	<b>\$ 26,487,139</b>
<b>Liabilities:</b>				
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
<b>Total liabilities</b>	<b>\$ 21,342,426</b>	<b>\$ 1,313,908,831</b>	<b>\$ 1,308,764,118</b>	<b>\$ 26,487,139</b>
<b><u>Total Agency Funds</u></b>				
<b>Assets:</b>				
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
<b>Total assets</b>	<b>\$ 82,345,435</b>	<b>\$ 1,904,308,774</b>	<b>\$ 1,910,306,924</b>	<b>\$ 76,347,285</b>
<b>Liabilities:</b>				
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
<b>Total liabilities</b>	<b>\$ 82,345,435</b>	<b>\$ 2,750,617,018</b>	<b>\$ 2,756,615,168</b>	<b>\$ 76,347,285</b>

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# STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> <i>These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.</i>	164 - 166
<b>Revenue Capacity</b> <i>These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.</i>	167 - 172
<b>Debt Capacity</b> <i>These schedules present information to help the reader assess the affordability of the County's current level of outstanding debt and the County's ability to issue additional debt in the future.</i>	173 - 176
<b>Demographic and Economic Information</b> <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.</i>	177 - 181
<b>Operating Information</b> <i>These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.</i>	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
<b>Governmental activities</b>							
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
<b>Total governmental activities net assets</b>	<b>\$ 361,346</b>	<b>\$ 378,082</b>	<b>\$ 364,053</b>	<b>\$ 360,845</b>	<b>\$ 65,679</b>	<b>\$ 63,694</b>	<b>\$ 73,605</b>
<b>Business-type activities</b>							
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
<b>Total business-type activities net assets</b>	<b>\$ 34,264</b>	<b>\$ 36,144</b>	<b>\$ 36,265</b>	<b>\$ 36,165</b>	<b>\$ 35,746</b>	<b>\$ 39,610</b>	<b>\$ 41,925</b>
<b>Total primary government</b>							
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
<b>Total primary government net assets</b>	<b>\$ 395,610</b>	<b>\$ 414,226</b>	<b>\$ 400,318</b>	<b>\$ 397,010</b>	<b>\$ 101,425</b>	<b>\$ 103,304</b>	<b>\$ 115,530</b>

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
<b>Expenses</b>							
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	453,967	401,421	395,823	355,041	368,433	342,573	345,388
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	19,069	16,131	15,457	14,272	14,720	14,667	11,778
Total primary government expenses	\$ 473,036	\$ 417,552	\$ 411,280	\$ 369,313	\$ 383,153	\$ 357,240	\$ 357,166
<b>Program Revenues</b>							
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	284,684	277,719	266,290	253,003	248,461	245,522	242,604
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	13,385	13,434	13,328	13,001	12,507	11,321	11,488
Total primary government program revenues	\$ 298,069	\$ 291,153	\$ 279,618	\$ 266,004	\$ 260,968	\$ 256,843	\$ 254,092
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	\$ (174,968)	\$ (126,399)	\$ (131,662)	\$ (103,309)	\$ (122,185)	\$ (100,397)	\$ (103,074)

**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
<b>General Revenue and Other Changes in Net Assets</b>							
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
<b>Change in Net Assets</b>							
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 <sup>1</sup>	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 <sup>2</sup>	69	69,262
2006	61,118	49	2,904	7,865	3,732	2,243	N/A <sup>2</sup>	72	77,983
2007	66,783	117	2,741	7,961	3,931	1,481	N/A <sup>2</sup>	72	83,086
2008	70,879	187	3,595	8,904	4,622	1,464	N/A <sup>2</sup>	74	89,725

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

<sup>2</sup> Utility tax was repealed in 2005



**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
<b>Revenues</b>										
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
<b>Total revenues</b>	<b>437,734</b>	<b>415,177</b>	<b>399,503</b>	<b>364,256</b>	<b>342,816</b>	<b>331,305</b>	<b>337,505</b>	<b>325,288</b>	<b>302,648</b>	<b>269,454</b>
<b>Expenditures</b>										
<b>Current</b>										
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
<b>Debt service</b>										
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
<b>Total expenditures</b>	<b>452,639</b>	<b>429,376</b>	<b>401,286</b>	<b>372,622</b>	<b>357,009</b>	<b>346,952</b>	<b>345,797</b>	<b>307,569</b>	<b>287,277</b>	<b>269,611</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(14,905)</b>	<b>(14,199)</b>	<b>(1,783)</b>	<b>(8,366)</b>	<b>(14,193)</b>	<b>(15,647)</b>	<b>(8,292)</b>	<b>17,719</b>	<b>15,371</b>	<b>(157)</b>
<b>Other Financing Sources (Uses)</b>										
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
<b>Total other financing sources (uses)</b>	<b>776</b>	<b>15,114</b>	<b>69,189</b>	<b>(1,077)</b>	<b>2,790</b>	<b>2,580</b>	<b>11,754</b>	<b>40,043</b>	<b>1,191</b>	<b>178</b>
<b>Net change in Fund Balance</b>	<b>\$ (14,129)</b>	<b>\$ 915</b>	<b>\$ 67,406</b>	<b>\$ (9,443)</b>	<b>\$ (11,403)</b>	<b>\$ (13,067)</b>	<b>\$ 3,462</b>	<b>\$ 57,762</b>	<b>\$ 16,562</b>	<b>\$ 21</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>4.91%</b>	<b>5.84%</b>	<b>5.00%</b>	<b>4.86%</b>	<b>4.46%</b>	<b>4.36%</b>	<b>4.06%</b>	<b>4.65%</b>	<b>4.76%</b>	<b>5.08%</b>

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

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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 <sup>(1)</sup>**  
**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 <sup>2</sup>	843,037	33,347,431 <sup>2</sup>	1.00%
2008	33,586,675	861,576	34,448,251	1.00%

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

<sup>2</sup> 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 <sup>1</sup>	2.41%	2.68% <sup>3</sup>	2.71% <sup>3</sup>	2.28% <sup>3</sup>	2.40% <sup>3</sup>	2.14%	2.10% <sup>3</sup>
Per capita <sup>2</sup>	\$ 1,088	\$ 1,125 <sup>3</sup>	\$ 1,097 <sup>3</sup>	\$ 858 <sup>3</sup>	\$ 897 <sup>3</sup>	\$ 811	\$ 822 <sup>3</sup>

Note:

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

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

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

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

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

Fiscal year	Assessed Value <sup>1</sup>	Legal Debt Limit <sup>2</sup>	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 <sup>3</sup>	406,304,926 <sup>3</sup>	-	406,304,926 <sup>3</sup>	100%
2007-2008	33,586,675,030	419,833,438	-	419,833,438	100%

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

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

<sup>3</sup> 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 <sup>1</sup>			
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.

<sup>1</sup> Certificates of Participation, Refunding Certificates of Participation, Lease Revenue Bonds, Lease Revenue Refunding Bonds, Revenue Bonds, and Local Agency Revenue Bonds

# County of Santa Cruz

## General Information

### 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 <sup>1</sup>
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 <sup>2</sup>
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 <sup>3</sup>	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.

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

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

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

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

<b>Employer</b>	<b>Product/Service</b>	<b>Number of Employees 2007-08<sup>0</sup></b>	<b>Percentage of Total Employment 2007-08<sup>1</sup></b>
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
<b>Total</b>			<b>16.84 %</b>

<b>Employer</b>	<b>Product/Service</b>	<b>Number of Employees 2004-05<sup>2</sup></b>	<b>Percentage of Total Employment 2004-05<sup>3</sup></b>
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
<b>Total</b>		<b>18,150</b>	<b>12.76 %</b>

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.

<sup>0</sup> Number of employees reflect an average range based on California Employment Development Department data. Some data was obtained from individual employers and then categorized according to EDD ranges. During 2004-05, EDD provided the County with actual numbers whereas during 2007-08 EDD, provided the County with ranges.

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

<sup>2</sup> Number of employees provided by California Employment Development Department

<sup>3</sup> 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
<b>Public Assistance</b>							
Human Resources Agency							
Adult Protective Services							
Referrals received	620 <sup>2</sup>	585 <sup>1</sup>	664 <sup>0</sup>	618	574	548	561
Investigations completed	517 <sup>2</sup>	432 <sup>1</sup>	370 <sup>0</sup>	390	361	369	376
Family and Children's Services							
Annual referrals (families)	3,117 <sup>2</sup>	2,979 <sup>1</sup>	3,100	3,348	3,062	2,956	3,052
Finalized adoptions	45 <sup>2</sup>	43 <sup>1</sup>	41	41	31	35	61
foster homes	123 <sup>2</sup>	123 <sup>1</sup>	113	109	108	107	129
Benefit Services							
Average number of Medi-Cal recipients	27,033 <sup>2</sup>	25,427 <sup>1</sup>	24,135	21,723	20,990	18,940	n/a
<b>Public Ways and Facilities</b>							
Public Works							
Roads							
Miles of road maintained	600	600	600	600	600	600	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
<b>Recreation and Cultural Services</b>							
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.

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

<sup>1</sup> Fiscal year 2007 numbers have been restated here to reflect actual data.

<sup>2</sup> 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
<b>Public Protection</b>							
Agricultural Commissioner							
High risk quarantine inspections	2,800 <sup>2</sup>	2,894 <sup>1</sup>	2,686	2,600	2,300	2,700	2,900
District Attorney							
Criminal Prosecution							
Felony filings	1,879 <sup>2</sup>	2,210 <sup>1</sup>	2,251	2,551	2,314	2,040	2,213
Juvenile filings	726 <sup>2</sup>	813 <sup>1</sup>	714	1,046	1,262	681	661
Consumer Affairs							
Number of calls received	3,024 <sup>2</sup>	3,008 <sup>1</sup>	3,165	3,046	3,012 <sup>3</sup>	7,767	11,729 <sup>4</sup>
Number of written complaints received	392 <sup>2</sup>	375 <sup>1</sup>	228	206	195	244	265
Planning							
Building permits issued	3,528 <sup>2</sup>	3,817	3,894	3,616	3,588	3,549	3,406
Building permit inspection sites visited	9,075 <sup>2</sup>	10,785 <sup>1</sup>	12,157	12,247	11,420	11,101	10,953
Resolved code compliance cases	875 <sup>2</sup>	871 <sup>1</sup>	907	1,025	1,064	1,196	1,003
Probation <sup>5</sup>							
Juvenile division referrals	n/a <sup>6</sup>	2,411 <sup>1</sup>	2,222	2,671	2,353	2,694	2,843
Juvenile division petitions filed	n/a <sup>6</sup>	1,260 <sup>1</sup>	1,216	1,236	1,293	1,472	1,476
Juvenile court investigations	n/a <sup>6</sup>	218 <sup>1</sup>	249 <sup>0</sup>	284	232	226	171
Public Defender							
Total cases	12,249 <sup>2</sup>	12,642 <sup>1</sup>	12,604	12,290	13,864	14,496	12,960
Sheriff/Coroner (Investigation Division) <sup>5</sup>							
Felony cases cleared	n/a	n/a	n/a	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 <sup>2</sup>	2,093 <sup>1</sup>	2,175	2,051	1,951	1,660	2,012
<b>Special District</b>							
Mosquito Abatement/Vector Control CSA #53							
Mosquito inspections	4,164 <sup>2</sup>	4,462 <sup>1</sup>	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.

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

<sup>1</sup> Fiscal year 2007 numbers have been restated here to reflect actual data.

<sup>2</sup> Data is estimated as presented in the proposed 2008-09 Proposed Budget.

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

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

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

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



**County of Santa Cruz**  
**Budgeted Positions**  
**Last Ten 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 <sup>1</sup>	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 <sup>1</sup>	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 <sup>2</sup>	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

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

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

**County of Santa Cruz**  
**Schedule of Insurance in Effect**  
**June 30, 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
<b>Public protection - Sheriff</b>							
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
<b>Public assistance</b>							
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
<b>Recreation and culture</b>							
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
<b>Public ways and facilities</b>							
<b>Roads</b>							
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
<b>Sanitation</b>							
Pipe (miles)	222	222	222	222	222	220	220
Pump stations/treatment plants	62	62	62	62	62	59	59
<b>General government and support services</b>							
Administrative and other facilities <sup>1</sup>	10	10	10	10	10	10	8

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

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

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# **GLOSSARY**

## **(UNAUDITED)**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING PROGRAM.** A voluntary program administered by the GFOA to encourage governments to publish efficiently organized and easily readable CAFRs 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).