

**SANTA CRUZ COUNTY
BOARD OF SUPERVISORS INDEX SHEET**

Creation Date: 2/8/11

Source Code: AUDCO

Agenda Date: 2/15/11

INVENUM: 64815

Resolution(s):

Ordinance(s):

Contract(s):

Continue Date(s):

Index: --Letter of the Auditor-Controller dated February 8, 2011

Item: 12. ACCEPTED AND FILED the Comprehensive Annual Financial Report of the County of Santa Cruz, as recommended by the Auditor-Controller



COUNTY OF SANTA CRUZ

MARY JO WALKER, AUDITOR-CONTROLLER
 701 OCEAN STREET, SUITE 100, SANTA CRUZ, CA 95060-4073
 (831) 454-2500 FAX (831) 454-2660

Edith Driscoll, Chief Deputy Auditor-Controller
 Pam Silbaugh, General Accounting Manager
 Mark Huett, Audit and Systems Manager
 Marianne Ellis, Property Tax Accounting Manager

APPROVED AND FILED
BOARD OF SUPERVISORS

DATE: 2/15/11
 COUNTY OF SANTA CRUZ
 SUSANA MAURIELLO
 EX-OFFICIO CLERK OF THE BOARD
 BY: *[Signature]* DEPUTY

AGENDA DATE: FEBRUARY 15, 2011

February 8, 2011

BOARD OF SUPERVISORS
 County of Santa Cruz
 701 Ocean Street
 Santa Cruz, CA 95060

SUBJECT: COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY OF SANTA CRUZ

Dear Members of the Board:

In accordance with State law, we have completed the Comprehensive Annual Financial Report of the County of Santa Cruz for the fiscal year ended June 30, 2010. This report was audited by the County's independent auditor, the firm of Caporicci & Larson, Inc., A Subsidiary of Marcum LLP Certified Public Accountants. The auditors have issued an unqualified, or "clean" opinion on the financial statements. This report is on file with the Clerk of the Board and will be available on the Auditor-Controller's web page in the next few weeks.

IT IS THEREFORE RECOMMENDED that your Board accept and file this report.

Sincerely,

Mary Jo Walker

MARY JO WALKER
 Auditor-Controller

RECOMMENDED:

Susan A. Mauriello

SUSAN A. MAURIELLO
 County Administrative Officer

CC: CAO
 Auditor-Controller

COUNTY OF SANTA CRUZ
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2010



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

Roaring Camp Railroads

In the 1880s, narrow-gauge steam locomotives were used to haul giant redwood logs out of the mountains. Located in Felton, California, Roaring Camp's steam engines date from 1890 and are among the oldest and most authentically preserved narrow-gauge steam engines providing regularly scheduled passenger service in America. Trains travel over trestles, through towering redwood groves and up a winding narrow-gauge grade to the summit of Bear Mountain as conductors narrate the history of Roaring Camp, the railroad and the forest!

Sonora Shay

The Sonora Engine #7 is a three-truck, 60-ton Shay engine built in 1911 by Lima Locomotive Works, factory number 2465. The West Side Lumber Company purchased the engine from the Butte & Plumas Railroad, where it was engine #4, and renumbered it #7. After long years of service, it was retired and stood in a county park in Sonora. It was refurbished to operate in 1977 as engine #7 for the West Side & Cherry Valley Railway, part of Quality Resorts of America Inc. Purchased by Roaring Camp in 1985, the engine was retained as #7 and nicknamed "Sonora," in honor of its gloried past. The "Sonora" is one of only 83 Shays left in North America, and one of the few fully operational Shay engines in existence today.

Photo by Janet Orsi

County of Santa Cruz, California

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2010

Prepared Under the Direction of
Mary Jo Walker
Auditor-Controller

County of Santa Cruz
For the year ended June 30, 2010

Table of Contents

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

County of Santa Cruz
For the year ended June 30, 2010

Table of Contents, Continued

	<u>Page</u>
<u>FINANCIAL SECTION, Continued</u>	
Required Supplementary Information (Unaudited):	
Budgetary Principles	99
Budgetary Comparison Schedule:	
General Fund	101
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures	111
Redevelopment Agency Housing Special Revenue Fund	112
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures	112
Public Employees Retirement System (PERS) and Other Post Employment Obligations Schedule	113
Supplementary Information:	
<i>Non-Major Governmental Funds:</i>	
Combined Fund Statements and Schedules:	
Combined Balance Sheet	121
Combined Statement of Revenues, Expenditures and Changes in Fund Balances	122
Combined Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual: Capital Project Funds	123
<i>Non-Major Special Revenue Funds:</i>	
Combining Balance Sheet	126
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	130
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Library Special Revenue Fund	134
Fire Special Revenue Fund	135
Off-Highway Road and Transportation Special Revenue Fund	136
Fish and Game Special Revenue Fund	137
Private Revitalization of Downtown Special Revenue Fund	138
Park Dedication and State Park Bonds Special Revenue Fund	139
Santa Cruz Flood Control & Water Conservation – Zone 7 Special Revenue Fund	140

County of Santa Cruz
For the year ended June 30, 2010

Table of Contents, Continued

	<u>Page</u>
<u>FINANCIAL SECTION, Continued</u>	
Supplementary Information, Continued:	
<i>Non-Major Special Revenue Fund, Continued:</i>	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, Continued:	
Districts Governed by the Board of Supervisors:	
Public Protection	141
Health and Sanitation	142
Recreation and Culture	143
Public Ways and Facilities	144
<i>Nonmajor Enterprise Funds:</i>	
Combining Schedule of Net Assets	146
Combining Schedule of Revenues, Expenses and Changes in Net Assets	148
Combining Schedule of Cash Flows	150
<i>Internal Service Funds:</i>	
Combining Statement of Net Assets	156
Combining Statement of Revenues, Expenses and Changes in Net Assets	158
Combining Statement of Cash Flows	160
<i>Agency Funds:</i>	
Combining Balance Sheet	167
Combining Statement of Changes in Net Assets	168
Report on Internal Control over Financial Reporting and on Compliance and Other Matters	169
<u>STATISTICAL SECTION (UNAUDITED)</u>	
Net Assets by Component	174
Government Wide Changes in Net Assets	175
General Fund Tax Revenues by Source	177
Fund Balances of Governmental Funds	178
Changes in Fund Balances of Governmental Funds	179
Property Tax Levies and Collections	180
Assessed Value of Taxable Property	181
Property Tax Rates - Direct and Overlapping Governments	182
Ratios of Outstanding Debt by Type	183
Computation of Legal Debt Margin	184

County of Santa Cruz
For the year ended June 30, 2010

Table of Contents, Continued

	<u>Page</u>
 <u>STATISTICAL SECTION (UNAUDITED), Continued</u>	
Statement of Direct and Overlapping Debt	185
Outstanding Debt of the Public Financing Authority	186
General Information	187
Property Value, Construction and Bank Deposits	188
Special Assessment Billings and Collections	189
Principal Taxpayers.....	190
Principal Employers	191
Operating Indicators by Function	192
Budgeted Positions.....	194
Schedule of Insurance in Effect	195
Capital Assets Statistics by Function	196
 Glossary (Unaudited).....	 197



COUNTY OF SANTA CRUZ

AUDITOR-CONTROLLER'S OFFICE

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

January 27, 2011

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, 2010 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 & Larson, Inc., 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 appoints a County Administrative Officer (Chief Executive) to carry out its policies as set forth by County Ordinance. The Assessor-Recorder, Auditor-Controller, County Clerk, Treasurer-Tax-Collector, District Attorney and Sheriff-Coroner are elected officials and all other departments' heads are appointed officials.

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

Santa Cruz is located on the Central Coast of California, and is bordered by San Mateo County to the North, Santa Clara County to the East, San Benito and Monterey Counties to the South and the Monterey Bay National Marine Sanctuary to the West. The County of Santa Cruz is the second smallest county in California in terms of land mass and the 23rd of 58 counties in terms of population. The County's population is 272,201. Approximately half live in one of the County's four cities; Capitola, Santa Cruz, Scotts Valley, or Watsonville, with the other half living in the unincorporated County area.

ECONOMIC CONDITIONS AND OUTLOOK

The Santa Cruz area is similar to many parts of the country in that the local economy has started showing signs of recovery after the global recession in the real estate and construction industry and the financial market meltdown. The Santa Cruz area had enjoyed a fairly healthy economy in the first half of the decade after recovering from the economic downturn in 2001. The subprime mortgage lending crisis significantly reduced home sales across the nation beginning in 2006, including those in Santa Cruz County, but real estate sales and prices began rebounding in the middle of 2009. From fiscal year 2001-02 through 2007-08, strong real estate sales resulted in the assessed value of real property in the County increasing by an average of about 8% per year. Assessed values slowed the following year to 3.3% growth, and then actually declined by 3.0% for fiscal year 2009-10, which was the first decline since the County began tracking property tax growth in 1968. Assessed values declined again by 0.6% for fiscal year 2010-11, but every indication is that they will remain flat or increase for fiscal year 2011-12. Assessed value for property tax purposes tends to trail the sales market for real estate prices and volume. This decline affects every local agency and special district, and very significantly, the State, since over 50% of local property tax revenues are earmarked for K-12 education.

Another indicator of the local economy is retail sales. Sales tax receipts in the unincorporated County comprise about 8% of the County's total tax revenues. Sales tax receipts declined during the past two fiscal years by 10% each year, but are still more than double what they were a decade ago. During recent months, sales tax receipts have increased, which is another signal the local economy is beginning to recover. Tourism is important to the local economy, and the Santa Cruz area experienced lower occupancy and weaker tourist spending during the past two years. Transient Occupancy Tax collections, which comprise about 4% of the County's total tax revenues, ebb and flow with the economy, but has remained fairly flat over the past decade. Unemployment in the County historically averages about 6.5%, but reached a record high this past year, and closed the year at 11.2% which is nearly double the historic average.

The County's General Fund revenues increased by \$10.9 million from \$345.3 million in fiscal year 2008-09 to \$356.2 million in fiscal year 2009-10, an increase of about 3.2%. This increase includes a one-time change in accounting estimates made during the year whereby \$14.2 million, recorded as deferred revenue in prior years, was now recorded as General Fund revenues in the "Aid from Other Government" category. Without this change in accounting estimates, General Fund revenues would have declined by \$3.3 million to \$342 million, or about 1%.

The County was able to reduce its expenditures by \$14.5 million from \$355.9 million in fiscal year 2008-09 to \$341.4 million in fiscal year 2009-10, or about 4.1%. To accomplish this, employees agreed to furloughs of up to 7.5% and various other concessions. A number of programs and services were eliminated or reduced, and 386 positions were eliminated over the past three years, representing nearly 15% of the workforce.

To balance the fiscal year 2009-10 budget, the County drew upon its General Fund reserves. Total General Fund balance was \$17.6 million at June 30, 2009, and increased by \$11.1 million to \$28.7 million at June 30, 2010. The increase was due primarily to a change in accounting estimates of \$14.2 million. Without this change, total General Fund balance would have declined by \$3.1 million to \$14.5 million at June 30, 2010. General Fund reserves and designations were \$9.4 million at June 30, 2009, and increased by \$15.1 million to \$24.5 million at June 30, 2010, not including \$4.2 million in encumbrance reserves for future purchase orders or contracts.

The County's fiscal year 2010-11 budget adopted by the County Board of Supervisors continues to reflect the impact of the recession and economic contractions experienced by all private and public sectors. For Santa Cruz County government, the result has been reductions in property related revenues, interest earnings, sales taxes, charges for services in the land use area, and program revenues

from federal and state agencies. While the County receives only 13% of the property tax dollar, approximately 78% of the County's general purpose revenues are related to real estate, either through property tax revenues or vehicle license fee revenues which change in lock-step with property tax revenues. The recession officially ended in the United States in June 2009, and although we are beginning to see signs of recovery in our local economy, the County continues to employ strict cost control measures to balance its budget, including employee furloughs and concessions, service and program reductions and staffing cuts.

At the State level, the California Department of Finance is projecting an \$8.2 billion deficit for 2010-11 and another \$17.2 billion budget gap for fiscal year 2011-12. The downturn in construction and other real estate activities since 2006 is primarily responsible for the State's severely weakened economy. The State is slowly recovering from the recession, but unemployment is still high and projected to remain so for a number of years. Closing the projected \$25.4 billion budget shortfall over the next 18 months will be a monumental task, and addressing this large shortfall will require painful choices, on top of the difficult decisions the Legislature made in the past few years. The State's long term outlook will continue to mean uncertainty for local agencies.

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

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

The California Public Employees Retirement System (CALPERS) pension fund, which County employees participate in, realized a gain of 13.3% on its investments for the year ended June 30, 2010, following a loss of 23.4% in the previous year. The rebound in the PERS investment portfolio was the result of many factors including the stabilization of the financial industry and the increase in market liquidity. CALPERS believes that its long-term 20-year investment return remains positive at 7.75%.

In 2005, CALPERS approved a rate smoothing policy to reduce rate volatility by at least 50%, which in prior years was caused mostly by poor actuarial projections of the cost of plan amendments and the CALPERS investment losses. In June 2010, CALPERS adopted an additional rate smoothing methodology designed to ease the impact of expected investment losses from earlier fiscal year by amortizing them over a fixed and declining 30-year period as opposed to the current rolling 30-year amortization period. County employees also participate in the CALPERS health insurance program, whose average premiums increased by 2.9% in 2010, and will increase by 9.1% for 2011.

The upcoming fiscal year will be challenging for the County, but in my opinion, the County's management has done an excellent job under difficult fiscal conditions in the past, and will no doubt continue to do so. 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 continues to enforce the laws that promote and protect the production and distribution of food and crops, although this has become more narrowly focused in recent years due to staffing cutbacks. The Department is coordinating closely with the State to ensure that its work plan coincides with State priorities.
- The Assessor's Office has seen a dramatic increase in assessment appeals over the past two years with the downturn in the real estate market, and many properties throughout the County received value reductions. A new Assessor-Recorder interface was implemented using automated work flow technology to route directly into the Assessor's database for processing. The Assessor's Office is also a key member of the team which is designing and implementing the County's new property tax system.
- The County Recorder's Office installed a new electronic recording system and completed the redaction of social security numbers from almost a million images from documents recorded from 1998 to 2009 to comply with a state mandate, and continued its goal of restoring historical official records by restoring 35 deed books.
- The Auditor-Controller's Office is a key member of the team which is undertaking the large-scale project to modernize the County's property tax system. The Office implemented a new payroll system in the past year, and continues other technology projects in the current year to improve financial reporting and processing efficiencies.
- Child Support Services had to close a full-service facility due to funding cuts, and relocated those staff members to a facility used by the County's Human Services Department. Four counties (Santa Cruz, San Benito, Marin and San Mateo) formed a regional call center to answer all customer calls in San Mateo County.
- The County Administrative Office focused its resources this past year on the serious financial issues facing the County during this economic recession. The major challenge which the County Administrative Office faced was developing a balanced budget for fiscal year 2010-11 with declining revenues and increasing costs, and the Office expects to face similar challenges in developing the fiscal year 2011-12 budget.
- The County Clerk's Office supported the June 2010 gubernatorial primary election which included federal, state and local contests using new voting equipment approved by the State of California. Staff continues to implement the requirements of the federal Help America Vote Act (HAVA), which establishes voting system standards and guidelines for accommodating persons with disabilities.
- County Counsel continues to focus on tort claim defense, land use activity defense, and child protective services, along with the mobile home rent adjustment ordinance, civil litigations and administrative hearings.

- The District Attorney's Office faced an unprecedented number of homicides which occurred and went to trial. The investigation and prosecution of many of these cases will continue through the current year, limiting resources available for other types of cases. The Office was an integral part of reorganizing the Narcotics Enforcement Team into the Anti-Crime Team to encompass not only narcotics but also violent gang activities. The Office also handled over 40 graffiti cases that were part of a joint graffiti task force, including juvenile gang violence from assaults to weapons possession.
- The General Services Department is collaborating with local non-profit organizations to develop a Carshare program whereby a member of the program could pay for the use of community vehicles only when needed, in lieu of owning a car. The Purchasing Division is focusing on procurement of environmental and energy friendly products and services, as well as other purchasing efficiencies. County Fire, which is a division of the General Services Department, added a fire station last year and moved its seasonal Cal Fire station to that new station.
- The Health Services Agency is grappling with a third year of major reductions to revenues and the resulting decreases in services. It is focusing its efforts on meeting legal mandates, complying with grant requirements, and maintaining patient and community safety. The Agency is facing significant reductions in State funding which is amplified through further reductions in leveraged federal revenues. The most significant impacts have been in the Mental Health, Substance Abuse, Public Health and MediCruz programs.
- The Human Services Department is heavily leveraged by federal and state funding, and with reductions from those funding sources, all programs are reducing services. Adult and Long-Term Care, CareerWorks, Benefits Services (Medi-Cal, Food Stamps, General Assistance, and Foster Care) and Family and Children's Services are negatively impacted. At the same time, the number of clients and service requests has increased. The Department places its first priority this year on maintaining the mandated and entitlement-based programs. The Department received \$1.5 million of Economic Stimulus funds, which reduced staffing cuts.
- The Information Services Department continues to consolidate infrastructure and technical services in County departments to provide maximum system integration. This includes migrating key applications off the mainframe computer such as the Probation Case Management System and the Sheriff's Record Management and Jail Management Systems. Other major projects include continuing the development of the County's new Property Tax System and refining the County's new Payroll System.
- The Parks, Open Space and Cultural Services Department will focus their design and development efforts on designing, constructing, and improving the following parks: Felt Street Park, McGregor Park, Moran Lake Park, Anna Jean Cummings Park, Ben Lomond Park, Pinto Lake Park, Mesa Village Park, Brommer Park, and Scott 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 217 positions in the fiscal year 2010-11 budget. This is in addition to 126 positions eliminated in the previous year, and 208 positions the year before. Fortunately, almost all of the position reductions were met through attrition and employee redeployment. The Department also continued to manage the County's furlough plan for a second year, wherein employees agreed to reduce their hours by as much as 7.5% during the fiscal year.

- The Planning Department continued its initiative to simplify the County's land use regulations and associated processes through enhancements to customer service, implementation of management and business initiatives, and development of new planning and policy directions. In the current year, the Department will continue its simplification efforts, implement the final phase of the Hansen land use tracking system, and continue a variety of affordable housing assistance efforts.
- The Probation Department had to discontinue a number of programs due to budget cuts, which had been initiated in recent years such as the Juvenile Mentally Ill Offender Crime Reduction program and the Warrant Reduction Advocacy Program. Nevertheless, the Department continues with development of a new electronic case management system, remodeled Juvenile Hall, and introduced an integrated wellness program at Juvenile Hall including healthier and organic foods and increased physical exercise.
- The Public Works Department continues to repair 70 damaged sites from the heavy rain storms in 2006. The Department has been working with the Federal Emergency Management Agency and the California Office of Emergency Services to repair these sites at a cost expected to exceed \$15 million. The Pavement Management Program and the backlog of deferred road resurfacing work will also continue using Redevelopment Agency funds and State Proposition 42 and 1B. The Department continues its efforts to secure State funding to reinforce the levies along the Pajaro River to prevent future flooding in that area, and is aggressively pursuing Economic Stimulus funding for various projects.
- The Sheriff-Coroner's Office's continues to reduce jail overcrowding. The Main Jail's population was below the prior year, reflecting the Department's efforts to develop a multi-faceted approach to address the issue. However, new sentencing guidelines regarding specific parole violators will negatively affect the jail population. Another 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. 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 designing and implementing the County's new property tax system.

OTHER INFORMATION

State statutes require an annual audit by independent Certified Public Accountants. The firm of Caporicci & Larson, Inc. 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, 2009. 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

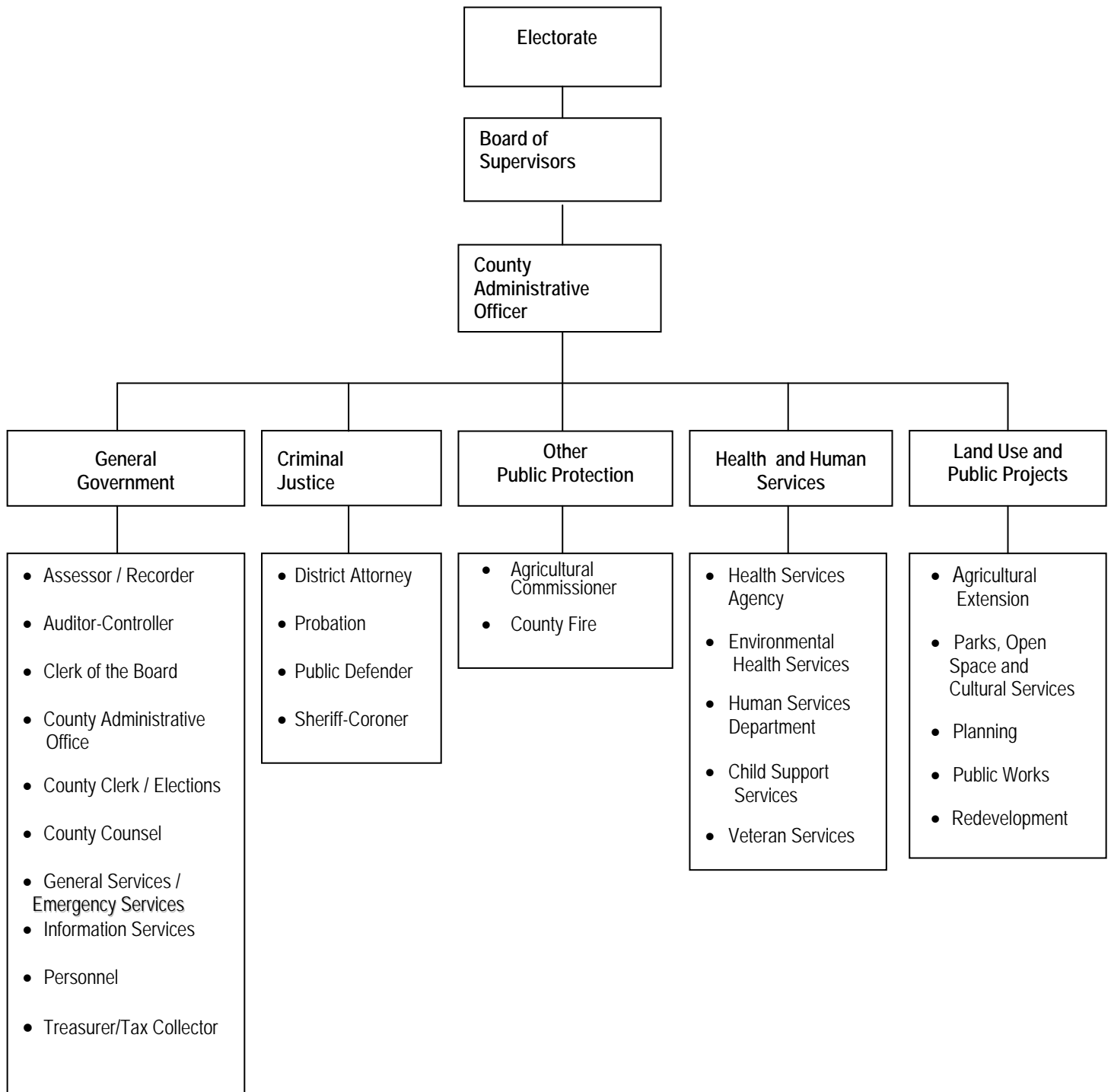
I wish to express my appreciation to my Accounting Division and Audit Division, the County departments that participated, and Caporicci & Larson, Inc. for their contributions, assistance, and guidance in the preparation of this report.

Respectfully submitted,

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

Mary Jo Walker
Auditor-Controller

COUNTY OF SANTA CRUZ



Directory of Public Officials

Elective Officers

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

Appointed Officers

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Santa Cruz County
California

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

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.



A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink that reads "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, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 22 to the financial statements, the net assets as of June 30, 2009 of the governmental activities, business-type activities, General Fund and the aggregate remaining fund information have been restated.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2011 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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.

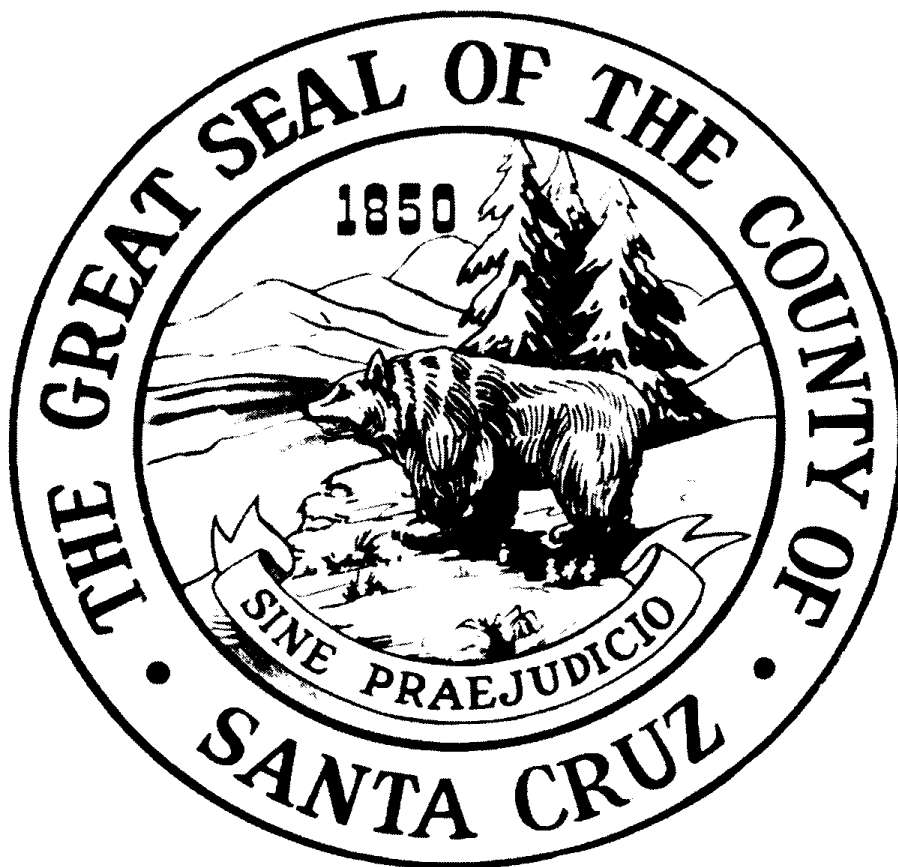
The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary comparison information and other information as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental 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 the Required Supplementary Information.

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.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
January 27, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS



County of Santa Cruz

Management's Discussion and Analysis

For the year ended June 30, 2010

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, 2010. 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 2009-2010 fiscal year by \$323,908,912 (*net assets*). Of this amount, \$43,507,582 is unrestricted, \$41,182,166 is restricted for specific purpose (*restricted net assets*), and \$239,219,164 is invested in capital assets, net of related debt.
- The government's total net assets decreased by \$17,902,006. This decrease is attributable partially to an increase in expenditures related to the inclusion of Other Post Employment Benefits (OPEB) per the Governmental Accounting Standards Board (GASB) Statement No. 45 and partially to the \$10 million Supplemental Education Revenue Augmentation Fund (SERAF) payment made per State Assembly Bill 26 to help resolve the State budget crisis.
- As of June 30, 2010, the County's governmental funds reported combined ending fund balances of \$211,747,048, a decrease of \$14,923,622 in comparison with the prior year. Approximately 69% of the combined fund balances, \$145,704,782, 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 \$28,702,789, of which \$5,727,957 was reserved and \$22,974,832 was designated for various purposes as shown on page 27.
- The County's total long-term liabilities are \$379,002,144, an increase of \$12,140,538 in comparison with the prior year. The increase resulted primarily from the recognition of Other Post Employment Benefits Liability.

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, 2010

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

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

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

The government-wide financial statements can be found on pages 17-21 of this report.

Fund Financial Statements

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

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

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

County of Santa Cruz

Management's Discussion and Analysis, Continued

For the year ended June 30, 2010

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 25-30 of this report.

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

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The County enterprise funds used to account for the operations of the County include the County Disposal Sites CSA 9C, and the following Board of Supervisor Governed Districts: Boulder Creek CSA 7, Rolling Woods CSA 10, Septic Tank Maintenance CSA 12, Freedom County Sanitation District, Davenport Sanitation District, Place de Mer CSA 2, Sand Dollar Beach CSA 5, Trestle Beach CSA 20, Summit West CSA 54, and Graham Hill CSA 57 operations.
- **Internal Service funds** are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its central duplicating, information services, public works, service center, and insurance (risk management, dental and health, liability and property, workers' compensation, employee benefit staffing, and state unemployment insurance) functions. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary funds financial statements can be found on pages 31-36 of this report.

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

The fiduciary funds financial statements can be found on pages 37-40 of this report

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 41-95 of this report.

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2010

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 97-112 of this report.

Combining Statements and Schedules

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and other assets	\$ 341,947,760	\$ 357,460,689	\$ 13,112,302	\$ 13,657,163	\$ 355,060,062	\$ 371,117,852
Capital assets	470,560,718	463,537,627	27,041,072	26,740,934	497,601,790	490,278,561
Total assets	<u>812,508,478</u>	<u>820,998,316</u>	<u>40,153,374</u>	<u>40,398,097</u>	<u>852,661,852</u>	<u>861,396,413</u>
Liabilities:						
Current and other liabilities	148,897,978	152,898,321	852,818	1,130,835	\$ 149,750,796	\$ 154,029,156
Long-term liabilities	373,234,148	361,437,809	5,767,996	5,423,797	379,002,144	366,861,606
Total liabilities	<u>522,132,126</u>	<u>514,336,130</u>	<u>6,620,814</u>	<u>6,554,632</u>	<u>528,752,940</u>	<u>520,890,762</u>
Net Assets:						
Invested in capital assets, net of related debt	212,556,905	242,857,627	26,662,259	26,327,597	239,219,164	269,185,224
Restricted	40,864,698	31,660,088	317,468	83,148	41,182,166	31,743,236
Unrestricted	36,954,749	32,144,471	6,552,833	7,432,720	43,507,582	39,577,191
Total net assets	<u>\$ 290,376,352</u>	<u>\$ 306,662,186</u>	<u>\$ 33,532,560</u>	<u>\$ 33,843,465</u>	<u>\$ 323,908,912</u>	<u>\$ 340,505,651</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 \$323,908,912 at the close of the 2009-2010 fiscal year.

The portion of the County's net assets invested in capital assets, net of related debt, \$239,219,164 (74%), reflects its investment in capital assets (e.g., land, building and structures, and equipment), less any debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2010

An additional portion of the County's net assets, \$41,182,166 (13%), represents resources that are subject to external restrictions on how they may be used.

The remaining \$43,507,582 (13%) represents the unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues:						
Charges for services	\$ 71,352,428	\$ 76,628,480	\$ 13,166,323	\$ 13,350,377	\$ 84,518,751	\$ 89,978,857
Operating grants and contributions	209,932,026	187,858,985	963,944	338,022	210,895,970	188,197,007
Capital grants and contributions	8,673,308	7,884,403	14,948	50,000	8,688,256	7,934,403
General Revenues:						
Property taxes	111,224,327	115,179,168	24,089	24,742	111,248,416	115,203,910
Other taxes	12,978,240	13,951,233	-	-	12,978,240	13,951,233
Investment earnings	3,373,162	5,804,364	12,742	174,417	3,385,904	5,978,781
Miscellaneous	4,605,732	2,546,346	759,711	1,068,184	5,365,443	3,614,530
Gain (Loss) on sale of assets	100,522	36,927	3,082	-	103,604	36,927
Total revenues	<u>422,239,745</u>	<u>409,889,906</u>	<u>14,944,839</u>	<u>15,005,742</u>	<u>437,184,584</u>	<u>424,895,648</u>
Expenses:						
General government	30,407,004	37,098,256	-	-	\$ 30,407,004	\$ 37,098,256
Public protection	122,742,517	146,283,328	-	-	122,742,517	146,283,328
Public ways and facilities	45,825,856	32,858,521	-	-	45,825,856	32,858,521
Health and sanitation	105,239,269	111,309,769	-	-	105,239,269	111,309,769
Public assistance	108,121,458	110,208,027	-	-	108,121,458	110,208,027
Education	5,140,260	5,153,520	-	-	5,140,260	5,153,520
Recreation and cultural services	6,617,178	8,499,047	-	-	6,617,178	8,499,047
Interest on long-term debt	15,782,062	13,097,778	-	-	15,782,062	13,097,778
County Disposal Sites CSA	-	-	12,282,900	14,317,040	12,282,900	14,317,040
Boulder Creek CSA	-	-	298,548	417,283	298,548	417,283
Rolling Woods CSA	-	-	44,015	93,013	44,015	93,013
Septic Tank Maintenance CSA	-	-	950,979	1,148,004	950,979	1,148,004
Freedom County Sanitation District	-	-	550,869	891,160	550,869	891,160
Davenport Sanitation District	-	-	701,041	549,906	701,041	549,906
Place Del Mer CSA	-	-	32,133	52,658	32,133	52,658
Sand Dollar Beach CSA	-	-	252,215	253,954	252,215	253,954
Trestle Beach CSA	-	-	71,165	60,875	71,165	60,875
Summit West CSA	-	-	136	136	136	136
Graham Hill CSA	-	-	26,985	27,264	26,985	27,264
Total expenses	<u>439,875,604</u>	<u>464,508,246</u>	<u>15,210,986</u>	<u>17,811,293</u>	<u>455,086,590</u>	<u>482,319,539</u>
Change in net assets	(17,635,859)	(54,618,340)	(266,147)	(2,805,551)	(17,902,006)	(57,423,891)
Net assets, beginning of year, as restated	308,012,211	361,280,526	33,798,707	36,649,016	341,810,918	397,929,542
Net assets, end of year	<u>\$ 290,376,352</u>	<u>\$ 306,662,186</u>	<u>\$ 33,532,560</u>	<u>\$ 33,843,465</u>	<u>\$ 323,908,912</u>	<u>\$ 340,505,651</u>

*2009, as restated

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2010

Analysis of Change in Net Assets

The County's net assets decreased by \$17,902,006 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 \$17,635,859, accounting for 99% of the total decrease in net assets of the County. This decrease resulted from increased Redevelopment Agency expenditures including the \$10 million SERAF expense referred to above, and recognition of Other Post-Employment Benefits (OPEB) liabilities. There was also a decrease in investment earnings due to the poor economy.
- **Business-type activities** decreased by \$266,147, only 1% of the total decrease in net assets of the County. Although expenditures decreased by \$2.7 million from the prior year, charges for services and miscellaneous revenue were not sufficient to make up the variance.

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, 2010, the County's governmental funds reported combined ending fund balances of \$211,747,048, a decrease of \$14,905,196 in comparison with the prior year. Approximately 69% of the combined fund balances, \$145,704,782, is available to meet the County's current and future needs (*unreserved fund balance*). The remaining \$66,042,266 is reserved and not available for new spending because it has been committed: (1) \$15,105,812 to pay debt, (2) \$1,489,809 for asset acquisitions, (3) \$18,251,680 to liquidate contractual commitments of the period, and (4) \$31,194,965 for a variety of other purposes.

Revenues for governmental functions totaled \$421,944,865 in fiscal year 2009–2010, which represents an increase of \$10,161,380, or 2.5% from fiscal year 2008–2009. Expenditures for governmental functions totaling \$436,217,938 decreased by \$7,119,099, or 1.6%, from fiscal year 2008–2009. In the fiscal year 2009–2010, expenditures for governmental functions exceeded revenues by \$14,273,073. Other financing uses including interfund transfers exceeded other financing sources by \$650,549.

The general fund is the primary operating fund of the County. At June 30, 2010, the general fund's total fund balance was \$28,702,789 of which \$5,727,957 was reserved and \$22,974,832 was unreserved and designated for various purposes. 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 6.73% of the total general fund expenditures of \$341,357,434, while its total fund balance represents 8.41% of that same amount. The unreserved portion of the general fund balance reflects budget savings, without which would necessitate further budgetary reductions.

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2010

The Redevelopment Agency is a major special revenue fund of the County. At June 30, 2010, the unreserved but designated fund balance was \$106,735,199, while its total fund balance was \$142,179,561, a decrease of \$26,558,283 from the prior year. Designations include \$73,489,774 for Redevelopment Agency projects and \$33,245,425 for Redevelopment Agency debt service.

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

Revenues Classified by Source					
Governmental Funds					
	2010	% of Total	2009	% of Total	Change
Taxes and assessments	\$ 123,718,331	29.32	\$ 129,130,401	31.36	\$ (5,412,070)
Licenses and permits	9,246,818	2.19	9,176,400	2.23	70,418
Fines and forfeitures	5,231,046	1.24	5,088,385	1.24	142,661
Use of money and property	3,197,048	0.76	5,451,135	1.32	(2,254,087)
Intergovernmental	219,089,569	51.92	195,758,199	47.54	23,331,370
Charge for services	56,844,565	13.47	62,363,695	15.14	(5,519,130)
Other revenues	4,617,488	1.10	4,815,270	1.17	(197,782)
Total	<u>\$ 421,944,865</u>	<u>100%</u>	<u>\$ 411,783,485</u>	<u>100%</u>	<u>\$ 10,161,380</u>

The changes are primarily due to an increase in intergovernmental revenues and grants. This was offset by a decrease in property tax revenues, and investment income, primarily due to the economic downturn. Charges for services also declined due to the poor economy and decrease in customer business.

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

	2010	% of Total	2009	% of Total	Change
General government	\$ 26,198,056	6.01	\$ 29,994,268	6.77	\$ (3,796,212)
Public protection	118,848,085	27.24	126,014,323	28.42	(7,166,238)
Public ways and facilities	53,094,696	12.17	45,023,363	10.16	8,071,333
Health and sanitation	102,047,693	23.39	103,920,299	23.44	(1,872,606)
Public assistance	100,293,920	22.99	101,562,373	22.91	(1,268,453)
Education	4,920,751	1.13	5,419,406	1.22	(498,655)
Recreation and culture	7,345,032	1.68	7,875,925	1.78	(530,893)
Capital outlay	769,152	0.18	3,379,747	0.76	(2,610,595)
Debt service - bond redemption	6,958,331	1.60	7,016,959	1.58	(58,628)
Debt service - issue cost	-	0.00	770,405	0.17	(770,405)
Debt service - interest and fiscal charges	15,742,222	3.61	12,359,969	2.79	3,382,253
Total	<u>\$ 436,217,938</u>	<u>100%</u>	<u>\$ 443,337,037</u>	<u>100%</u>	<u>\$ (7,119,099)</u>

Overall expenditures decreased by \$7 million, primarily due to a reduction in salary expenses from hiring freezes, furloughs, and layoffs. The largest decrease came from Public Protection, which included a \$3.5 million decrease in Sheriff-Coroner and Detention expenses, a \$1 million decrease in Probation expenses, and a decrease of \$1 million in the Planning department. There were also significant decreases in General Government, Health and Sanitation, Public Assistance, and Capital Outlay.

Expenditures in Public Ways and Facilities increased by \$8 million due to an increase in interest and fiscal charges on long term debt and the required SERAF payment made to help fund the State budget crisis.

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2010

Other financing sources and uses are presented below, including changes from the prior year. There were no issues of long-term debt for the fiscal year 2009-2010.

Other Financing Sources/(Uses)					
Governmental Funds					
	2010	% of Total	2009	% of Total	Change
Proceeds from long-term debt	\$ -	0.00	\$ 60,491,655	100.88	\$ (60,491,655)
Transfer in from escrow account	-	0.00	49,410,629	82.40	(49,410,629)
Transfers in	29,843,260	(4587.40)	29,759,820	49.63	83,440
Transfers out	(30,550,442)	4696.10	(79,777,043)	(133.04)	49,226,601
Sale of Capital Assets	56,633	(8.70)	(32,623)	(0.05)	89,256
Inception of lease purchase agreements	-	0.00	110,563	0.18	(110,563)
Total	\$ (650,549)	100%	\$ 59,963,001	100%	\$ (60,613,550)

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

	Major Funds		Nonmajor Funds			Total
	General Fund	Redevelopment Agency	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	
Revenues	\$ 356,189,719	\$ 24,078,474	\$ 41,485,091	\$ 1,418	\$ 190,163	\$ 421,944,865
Expenditures	(341,357,434)	(35,238,489)	(42,534,438)	(15,466,823)	(1,620,754)	(436,217,938)
Net other financing sources/(uses)	(3,591,228)	(15,398,268)	2,832,936	15,454,901	51,110	(650,549)
Net change in fund balances	11,241,057	(26,558,283)	1,783,589	(10,504)	(1,379,481)	(14,923,622)
Fund balances, beginning (restated)	17,461,732	168,737,844	27,491,227	9,475,122	3,504,745	226,670,670
Fund balances, ending	\$ 28,702,789	\$ 142,179,561	\$ 29,274,816	\$ 9,464,618	\$ 2,125,264	\$ 211,747,048

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 \$19,787,460 at June 30, 2010, of which \$611,346 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 9C		
Operating revenues	\$ 11,003,121	\$ 2,920,966	\$ 13,924,087
Operating expenses	(12,267,108)	(2,925,634)	(15,192,742)
Operating loss	(1,263,987)	(4,668)	(1,268,655)
Net non-operating revenues/(expenses)	376,429	642,838	1,019,267
Net income/(loss) before contributions	(887,558)	638,170	(249,388)
Capital contributions	-	1,485	1,485
Change in net assets	\$ (887,558)	\$ 639,655	\$ (247,903)

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2010

GENERAL FUND BUDGETARY HIGHLIGHTS

After the adoption of the 2009-2010 fiscal year budget, the original General Fund budget was increased by \$10,950,638 during the year, primarily due to additional financial resources made available from the State and Federal Agencies for Public Protection, Public Assistance and Health and Sanitation. Actual expenditures in the General Fund were \$8,712,957 less than the original budget. The 2009-2010 total expenditures were \$14,592,624, or 4.1%, less than the prior fiscal year, largely due to salary reductions in all categories, especially in the Public Protection division. General Fund actual revenues were \$2,564,795 lower than the original budget.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2010 totaled \$497,601,790 (net of accumulated depreciation of \$319,126,288). These capital assets include land, construction in progress, infrastructure, buildings and structures, and equipment. The increase in the County's capital assets for the 2009-2010 fiscal year was \$7,323,229, or 1.5%.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the 2009-2010 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	
	2010	2009	2010	2009	2010	2009
Land	\$ 58,211,633	\$ 57,536,632	\$ 1,858,849	\$ 1,858,849	\$ 60,070,482	\$ 59,395,481
Construction in progress	5,857,825	2,541,601	2,205,274	2,165,274	8,063,099	4,706,875
Infrastructure	537,487,491	518,289,828	-	-	537,487,491	518,289,828
Buildings and structures	119,493,151	117,784,452	37,881,771	35,561,275	157,374,922	153,345,727
Equipment	43,082,038	43,969,980	10,650,046	10,650,046	53,732,084	54,620,026
Accumulated depreciation	(293,571,420)	(276,584,866)	(25,554,868)	(23,494,510)	(319,126,288)	(300,079,376)
Total	<u>\$ 470,560,718</u>	<u>\$ 463,537,627</u>	<u>\$ 27,041,072</u>	<u>\$ 26,740,934</u>	<u>\$ 497,601,790</u>	<u>\$ 490,278,561</u>

Additional information on the County's capital assets can be found in Note No. 7 on pages 67-69 of this report.

County of Santa Cruz
Management's Discussion and Analysis, Continued
For the year ended June 30, 2010

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	
	2010	2009	2010	2009	2010	2009
Tax allocation bonds	\$ 217,472,399	\$ 220,940,068	\$ -	\$ -	\$ 217,472,399	\$ 220,940,068
Refunding certificates of participation	28,634,116	29,888,985	-	-	28,634,116	29,888,985
Lease revenue bonds	7,090,000	7,290,000	-	-	7,090,000	7,290,000
Lease revenue refunding bonds	1,535,401	1,666,800	-	-	1,535,401	1,666,800
Certificates of participation	30,745,801	32,311,896	-	-	30,745,801	32,311,896
Revenue bonds	1,440,000	1,800,000	-	-	1,440,000	1,800,000
CA Health Facility	-	509,756	-	-	-	509,756
Loans payable	91,370	600,000	645,527	404,411	736,897	1,004,411
Capital leases	5,672,890	5,942,180	-	177,875	5,672,890	6,120,055
Total	<u>\$ 292,681,977</u>	<u>\$ 300,949,685</u>	<u>\$ 645,527</u>	<u>\$ 582,286</u>	<u>\$ 293,327,504</u>	<u>\$ 301,531,971</u>

For the governmental activities, the County had total long-term debt outstanding of \$292,681,977 as compared to \$300,949,685 the prior year (excluding compensated absences and estimated claims), a decrease of \$8,267,708, which represented the amount of retirement of debt for the year.

For the business-type activities, the County had total long-term debt outstanding of \$645,527 as compared to \$582,286 in the prior year (excluding post-closure liability), an increase of \$63,241. During the year, there was new debt issued in the amount of \$277,467, and debt retired in the amount of \$214,226.

The County's total debt for all primary government activities decreased by \$8,204,467, or 2.7%, during the current fiscal year (excluding compensated absences, estimated claims, and post-closure liability).

The component unit, Santa Cruz Sanitation District, had total long-term debt outstanding of \$20,212,641 as compared to \$22,026,958 in the prior year. This amount was comprised of \$6,910,000 of Waste Water Revenue Refunding Bonds, \$665,000 of Limited Obligation Refunding Improvement Bonds, \$12,607,565 of Loans Payable, and \$30,076 of unamortized bond premium. During the year, retirement of debt amounted to \$1,814,317, and there were no additions to long-term debt for the component unit.

Additional information on the County's long-term debt can be found in Note No. 10 on pages 71-80 of this report.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS



County of Santa Cruz
Statement of Net Assets
June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Santa Cruz County Sanitation District
ASSETS				
Cash and investments	\$ 266,921,480	\$ 6,998,020	\$ 273,919,500	\$ 27,955,346
Restricted cash and investments	15,105,812	5,477,236	20,583,048	1,524,139
Loans receivable	27,258,677	215,178	27,473,855	-
Receivables, net	21,786,616	1,216,179	23,002,795	18,654
Deposits with others	242,000	-	242,000	-
Inventory	586,962	51,900	638,862	15,503
Prepaid items	1,840,883	-	1,840,883	-
Land held for resale	2,032,672	-	2,032,672	-
Notes receivable	-	-	-	55,077
Deferred charges	5,326,447	-	5,326,447	105,104
Internal balances	846,211	(846,211)	-	-
Capital assets:				
Nondepreciable assets	64,069,458	4,064,123	68,133,581	12,905,339
Depreciable assets, net	406,491,260	22,976,949	429,468,209	91,459,007
Total assets	812,508,478	40,153,374	852,661,852	134,038,169
LIABILITIES				
Payables	22,788,172	815,519	23,603,691	2,790,559
Tax and revenue anticipation notes payable	50,997,222	-	50,997,222	-
Accrued interest payable	4,881,322	-	4,881,322	429,752
Unearned revenue	28,476,374	-	28,476,374	-
Compensated absences:				
Due within one year	20,475,819	-	20,475,819	-
Due in more than one year	5,490,557	-	5,490,557	-
Estimated claims:				
Due within one year	13,377,472	-	13,377,472	-
Due in more than one year	21,918,677	-	21,918,677	-
Other long-term liabilities:				
Due within one year	7,901,597	37,299	7,938,896	2,018,395
Due in more than one year	284,780,380	5,767,996	290,548,376	18,194,246
Pollution remediation obligation	-	-	-	661,966
OPEB Liability	61,044,534	-	61,044,534	-
Total liabilities	522,132,126	6,620,814	528,752,940	24,094,918
NET ASSETS				
Invested in capital assets, net of related debt	212,556,905	26,662,259	239,219,164	84,151,705
Restricted for:				
Debt service	15,105,812	317,468	15,423,280	1,524,139
Capital asset acquisition	3,615,073	-	3,615,073	-
Public safety	7,885,148	-	7,885,148	-
Health and public assistance	860,126	-	860,126	-
Public ways and public facilities	13,398,539	-	13,398,539	-
Other	-	-	-	-
Unrestricted	36,954,749	6,552,833	43,507,582	24,267,407
Total net assets	\$ 290,376,352	\$ 33,532,560	\$ 323,908,912	\$ 109,943,251

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, 2010

Functions/Programs	Expenses	Program Revenues			Total
		Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 30,407,004	\$ 16,707,061	\$ 29,276,399	168,521	\$ 46,151,981
Public protection	122,742,517	20,960,731	32,745,062	157,006	53,862,799
Public ways and facilities	45,825,856	5,928,671	7,057,222	8,321,027	21,306,920
Health and sanitation	105,239,269	24,310,016	58,688,600	26,754	83,025,370
Public assistance	108,121,458	443,828	81,853,899	-	82,297,727
Education	5,140,260	-	72,322	-	72,322
Recreation and cultural services	6,617,178	2,626,065	2,019	-	2,628,084
Debt service	15,782,062	376,056	236,503	-	612,559
Total governmental activities	439,875,604	71,352,428	209,932,026	8,673,308	289,957,762
Business-type activities:					
County Disposal Sites CSA 9C	12,282,900	10,245,357	385,681	-	10,631,038
Boulder Creek CSA 7	298,548	418,363	-	-	418,363
Rolling Woods CSA 10	44,015	56,190	-	-	56,190
Septic Tank Maintenance CSA 12	950,979	846,438	-	-	846,438
Freedom County Sanitation District	550,869	607,475	-	-	607,475
Davenport Sanitation District	701,041	452,669	578,263	14,948	1,045,880
Place de Mer CSA 2	32,133	80,319	-	-	80,319
Sand Dollar Beach CSA 5	252,215	303,824	-	-	303,824
Trestle Beach CSA 20	71,165	69,612	-	-	69,612
Summit West CSA 54	136	-	-	-	-
Graham Hill CSA 57	26,985	86,076	-	-	86,076
Total business-type activities	15,210,986	13,166,323	963,944	14,948	14,145,215
Total primary government	\$ 455,086,590	\$ 84,518,751	\$ 210,895,970	\$ 8,688,256	\$ 304,102,977
Component unit:					
Santa Cruz County Sanitation District	\$ 17,338,542	\$ 19,298,779	\$ 8,145	\$ 2,253,030	\$ 21,559,954

General Revenues:

Taxes:

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

Total taxes

Interest and investment earnings

Miscellaneous

Gain (Loss) on sale of assets

Total general revenues

Change in net assets

Net assets - beginning of year, as restated

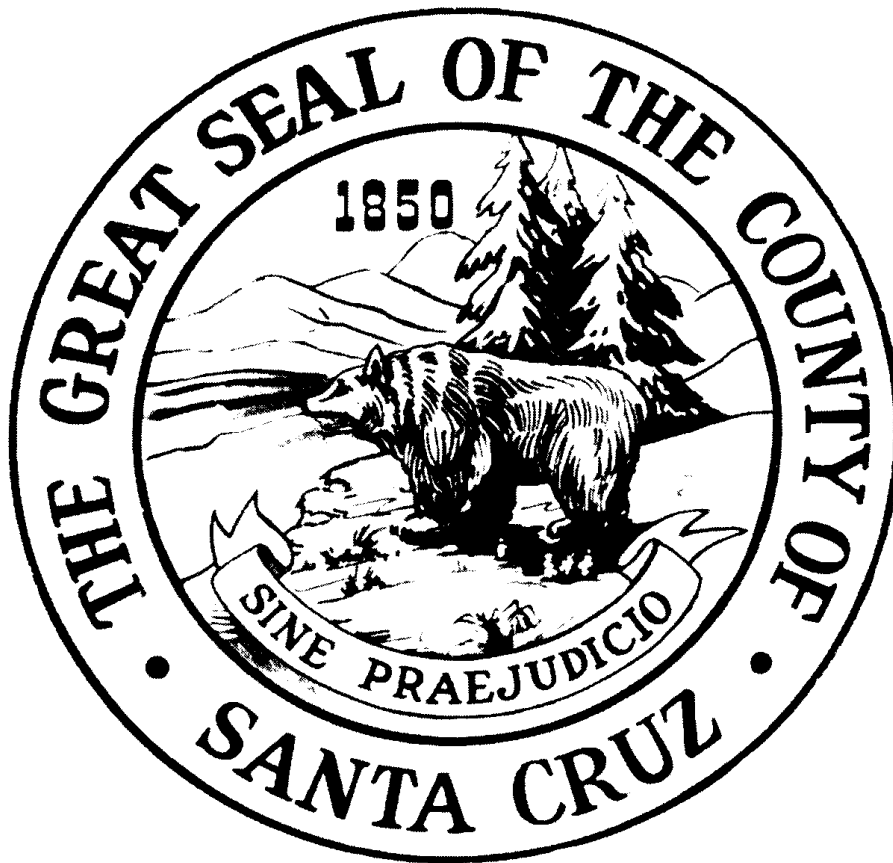
Net assets - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets			Component Unit
Governmental Activities	Business-Type Activities	Total	Santa Cruz County Sanitation District
\$ 15,744,977	\$ -	\$ 15,744,977	
(68,879,718)	-	(68,879,718)	
(24,518,936)	-	(24,518,936)	
(22,213,899)	-	(22,213,899)	
(25,823,731)	-	(25,823,731)	
(5,067,938)	-	(5,067,938)	
(3,989,094)	-	(3,989,094)	
(15,169,503)	-	(15,169,503)	
(149,917,842)	-	(149,917,842)	
-	(1,651,862)	(1,651,862)	
-	119,815	119,815	
-	12,175	12,175	
-	(104,541)	(104,541)	
-	56,606	56,606	
-	344,839	344,839	
-	48,186	48,186	
-	51,609	51,609	
-	(1,553)	(1,553)	
-	(136)	(136)	
-	59,091	59,091	
-	(1,065,771)	(1,065,771)	
(149,917,842)	(1,065,771)	(150,983,613)	
			\$ 4,221,412
111,224,327	24,089	111,248,416	90,139
1,629,813	-	1,629,813	-
7,212,291	-	7,212,291	-
3,511,320	-	3,511,320	-
624,816	-	624,816	-
124,202,567	24,089	124,226,656	90,139
3,373,162	12,742	3,385,904	268,414
4,605,732	759,711	5,365,443	-
100,522	3,082	103,604	-
132,281,983	799,624	133,081,607	358,553
(17,635,859)	(266,147)	(17,902,006)	4,579,965
308,012,211	33,798,707	341,810,918	105,363,286
\$ 290,376,352	\$ 33,532,560	\$ 323,908,912	\$ 109,943,251



FUND FINANCIAL STATEMENTS



GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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



County of Santa Cruz
Balance Sheet
Governmental Funds
June 30, 2010

	Major Funds		Nonmajor	Total
	General	Redevelopment	Governmental	Governmental
	Fund	Agency	Funds	Funds
ASSETS				
Cash and investments	\$ 102,541,391	\$ 114,457,886	\$ 24,948,114	\$ 241,947,391
Restricted cash and investments	-	-	15,105,812	15,105,812
Receivables, net	20,098,514	124,000	1,391,527	21,614,041
Due from other funds	409,524	19,651	3,968,034	4,397,209
Loans receivable	-	27,108,587	150,090	27,258,677
Deposits with others	92,000	-	-	92,000
Inventory	28,144	-	-	28,144
Prepays	1,448,057	-	378,671	1,826,728
Land held for resale	-	2,032,672	-	2,032,672
Advances to other funds	-	-	1,535,000	1,535,000
Total assets	\$ 124,617,630	\$ 143,742,796	\$ 47,477,248	\$ 315,837,674
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 17,248,827	\$ 1,543,584	\$ 1,247,186	\$ 20,039,597
Tax and revenue anticipation notes payable	50,997,222	-	-	50,997,222
Due to other funds	544,557	19,651	4,013,225	4,577,433
Deferred revenue	27,124,235	-	1,352,139	28,476,374
Total liabilities	95,914,841	1,563,235	6,612,550	104,090,626
Fund Balances:				
Reserved for:				
Encumbrances	\$ 4,203,012	\$ 6,303,103	\$ 7,745,565	\$ 18,251,680
Inventory, prepaids and imprest cash	1,524,945	-	378,671	1,903,616
Advances and loans	-	27,108,587	150,090	27,258,677
Debt service	-	-	15,105,812	15,105,812
Capital asset acquisition	-	-	1,489,809	1,489,809
Land held for resale	-	2,032,672	-	2,032,672
Unreserved:				
Designated, reported in:				
General fund				
Health Services Facility	499,600	-	-	499,600
Emergency reserve	1,251,089	-	-	1,251,089
Mental Health and MediCruz	14,229,750	-	-	14,229,750
Working Capital	5,400,000	-	-	5,400,000
Liabilities reserve	1,200,000	-	-	1,200,000
Economic uncertainty	394,393	-	-	394,393
Special revenue funds				
RDA projects	-	73,489,774	-	73,489,774
RDA debt service	-	33,245,425	-	33,245,425
Undesignated, reported in:				
Special revenue funds	-	-	13,949,979	13,949,979
Capital project funds	-	-	2,044,772	2,044,772
Total fund balances	28,702,789	142,179,561	40,864,698	211,747,048
Total liabilities and fund balances	\$ 124,617,630	\$ 143,742,796	\$ 47,477,248	\$ 315,837,674

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, 2010

Total Fund Balances - Total Governmental Funds	\$ 211,747,048
---	-----------------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. (Net of \$6,336,539 of internal service fund capital assets)	464,224,179
---	-------------

Bond issuance costs from issuing debt are reported in the governmental funds when the debt is first issued. However, these amounts are deferred and subject to capitalization and amortization in the Government-Wide Financial Statements (Statement of Activities).	5,326,447
---	-----------

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	(8,724,734)
Transfer of internal service funds to business-type activities	(1,699,895)

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	\$ (217,472,399)	
Refunding certificates of participation, including premium	(28,634,116)	
Lease revenue bonds	(7,090,000)	
Lease revenue refunding bonds, including premium	(1,535,401)	
Certificates of participation, including premium	(30,745,801)	
Revenue bonds	(1,440,000)	
McGaffigan Mill Road Association	(91,370)	
OPEB Liability	(61,044,534)	
Compensated absences	(21,888,860)	
Capital leases	(5,672,890)	(375,615,371)

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.	(4,881,322)
--	-------------

Net Assets of Governmental Activities	\$ 290,376,352
--	-----------------------

County of Santa Cruz
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010

	Major Funds		Nonmajor	Total
	General	Redevelopment	Governmental	Governmental
	Fund	Agency	Funds	Funds
REVENUES:				
Taxes	\$ 87,156,987	\$ 22,781,099	\$ 13,780,245	\$ 123,718,331
Licenses and permits	9,246,818	-	-	9,246,818
Fines, forfeits and penalties	5,180,367	27,957	22,722	5,231,046
Revenue from use of money and property	1,778,940	1,238,969	179,139	3,197,048
Aid from other governments	201,982,839	28,863	17,077,867	219,089,569
Charges for services	47,438,213	-	9,406,352	56,844,565
Other	3,405,555	1,586	1,210,347	4,617,488
Total revenues	356,189,719	24,078,474	41,676,672	421,944,865
EXPENDITURES:				
Current:				
General government	25,114,281	-	1,083,775	26,198,056
Public protection	107,399,908	-	11,448,177	118,848,085
Public ways and facilities	197,129	35,238,489	17,659,078	53,094,696
Health and sanitation	102,047,638	-	55	102,047,693
Public assistance	99,775,414	-	518,506	100,293,920
Education	157,187	-	4,763,564	4,920,751
Recreation and culture	6,276,595	-	1,068,437	7,345,032
Capital outlay	-	-	769,152	769,152
Debt service:				
Principal	-	-	8,363,377	8,363,377
Interest and fiscal charges	389,282	-	13,947,894	14,337,176
Total expenditures	341,357,434	35,238,489	59,622,015	436,217,938
REVENUES OVER (UNDER) EXPENDITURES	14,832,285	(11,160,015)	(17,945,343)	(14,273,073)
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	-	56,633	-	56,633
Transfers in	2,734,556	4,856,505	22,252,199	29,843,260
Transfers out	(6,325,784)	(20,311,406)	(3,913,252)	(30,550,442)
Total other financing sources (uses)	(3,591,228)	(15,398,268)	18,338,947	(650,549)
Net change in fund balances	11,241,057	(26,558,283)	393,604	(14,923,622)
FUND BALANCES:				
Beginning of year, as restated	17,461,732	168,737,844	40,471,094	226,670,670
End of year	\$ 28,702,789	\$ 142,179,561	\$ 40,864,698	\$ 211,747,048

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, 2010

Net Change in Fund Balances - Total Governmental Funds	\$	(14,923,622)
--	----	--------------

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. This amount does not include internal service fund activity of \$(615,700):

Expenditures for general capital assets, infrastructure, and other related capital assets	\$	28,422,452	
Retirement of capital assets		(2,887,522)	
Less current year depreciation		(17,896,139)	7,638,791

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	3,455,000	
Refunding certificates of participation	1,255,000	
Certificates of participation	1,560,000	
Lease revenue bonds	200,000	
Lease revenue refunding bonds	128,331	
Revenue bonds	360,000	
California Health Facilities Financing Authority	509,756	
California Transportation Finance Bank	600,000	
McGaffigan Mill Road HOA	26,000	
Capital leases	269,290	8,363,377

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

Amortization of bond premium/discount	21,701	
Amortization of bond issuance costs	(296,696)	
Change in accrued interest payable	(1,169,891)	
Change in compensated absences	(1,790,905)	(3,235,791)

OPEB obligation costs do not require current resources, so it is not reported in the governmental funds

	(16,174,557)
--	--------------

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.

	677,699
--	---------

Reverse of prior year transfer of internal service funds to business-type activities	1,718,139
Transfer of internal service funds to business-type activities	(1,699,895)

Change in Net Assets of Governmental Activities	\$	(17,635,859)
---	----	--------------

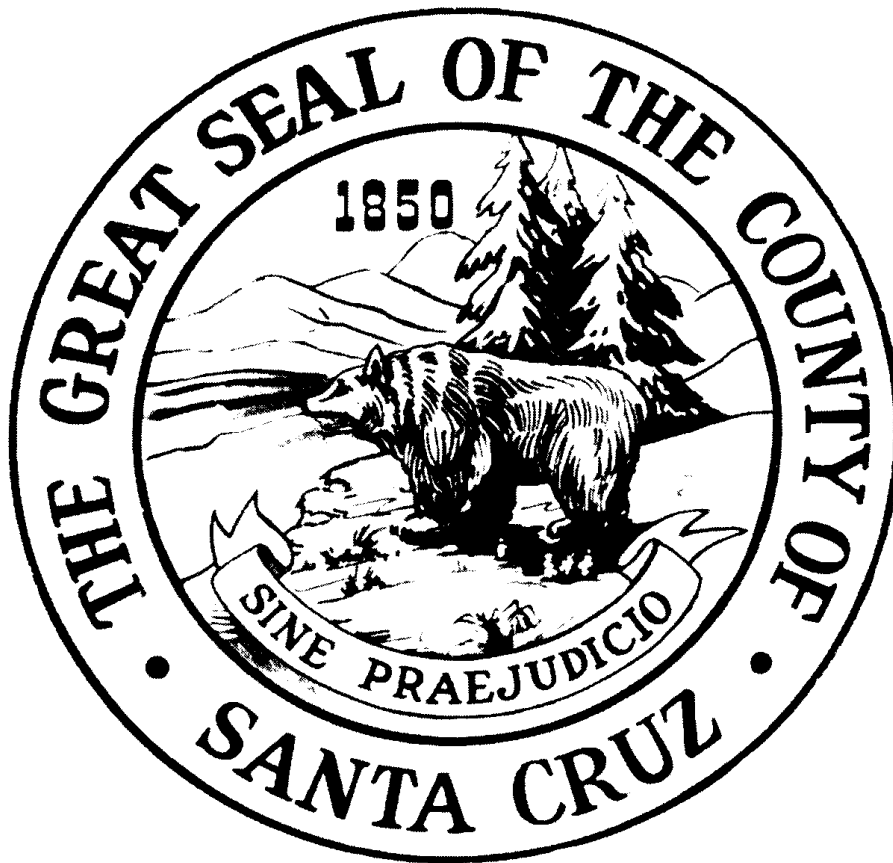
PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

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

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



County of Santa Cruz
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-Type Activities - Enterprise Funds			Governmental
	County	Nonmajor		Activities
	Disposal	Enterprise		Internal
	Sites CSA 9C	Funds	Total	Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 1,695,672	\$ 5,302,348	\$ 6,998,020	\$ 24,974,089
Restricted cash	5,434,124	43,112	5,477,236	-
Loans receivable	-	9,363	9,363	-
Receivables	581,866	634,313	1,216,179	172,575
Due from other funds	-	5,194	5,194	2,353,298
Deposits with others	-	-	-	150,000
Inventory	51,900	-	51,900	558,818
Prepaid items	-	-	-	14,155
Total current assets	7,763,562	5,994,330	13,757,892	28,222,935
Noncurrent assets:				
Loans receivable	-	205,815	205,815	-
Capital assets:				
Non-depreciable:				
Land	1,858,849	-	1,858,849	97,087
Construction in progress	-	2,205,274	2,205,274	1,214,644
Depreciable:				
Buildings and structures	25,626,974	12,254,797	37,881,771	2,942,053
Equipment	10,459,647	190,399	10,650,046	25,372,837
Accumulated depreciation	(19,043,712)	(6,511,156)	(25,554,868)	(23,290,082)
Capital assets, net	18,901,758	8,139,314	27,041,072	6,336,539
Total noncurrent assets	18,901,758	8,345,129	27,246,887	6,336,539
Total assets	26,665,320	14,339,459	41,004,779	34,559,474
LIABILITIES				
Current liabilities:				
Payables	183,092	632,427	815,519	2,748,575
Due to other funds	-	1,016,300	1,016,300	1,161,968
Advances from other funds	1,535,000	-	1,535,000	-
Current portion of long-term liabilities	-	37,299	37,299	-
Claims liability	-	-	-	13,377,472
Compensated absences, due within one year	-	-	-	3,243,095
Total current liabilities	1,718,092	1,686,026	3,404,118	20,531,110
Noncurrent liabilities:				
Long-term liabilities	-	608,228	608,228	-
Claims liability	-	-	-	21,918,677
Closure and postclosure care costs liability	5,159,768	-	5,159,768	-
Compensated absences, due in more than one year	-	-	-	834,421
Total noncurrent liabilities	5,159,768	608,228	5,767,996	22,753,098
Total liabilities	6,877,860	2,294,254	9,172,114	43,284,208
NET ASSETS				
Invested in capital assets, net of related debt	18,901,758	7,760,501	26,662,259	6,336,539
Restricted for:				
Debt Service	274,356	43,112	317,468	-
Unrestricted	611,346	4,241,592	4,852,938	(15,061,273)
Total net assets, deficit	19,787,460	12,045,205	31,832,665	(8,724,734)
Total liabilities and Net Assets	\$ 26,665,320	\$ 14,339,459	\$ 41,004,779	\$ 34,559,474
Net Assets of Business-type Activities			\$ 31,832,665	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			1,699,895	
Net Assets of Business-type Activities per Government-Wide Financial Statements			\$ 33,532,560	

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, 2010

	Business-Type Activities - Enterprise Funds			Governmental
	County	Nonmajor		Activities
	Disposal	Enterprise		Internal
	Sites CSA 9C	Funds	Total	Service Funds
OPERATING REVENUES:				
Charges for services	\$ 10,245,357	\$ 2,920,966	\$ 13,166,323	\$ 60,705,305
Other revenues	757,764	-	757,764	1,033,244
Total operating revenues	11,003,121	2,920,966	13,924,087	61,738,549
OPERATING EXPENSES:				
Salaries and employee benefits	-	-	-	33,504,576
Services and supplies	10,532,622	2,516,708	13,049,330	13,119,158
Insurance and compensation claims	-	-	-	13,224,377
Depreciation and amortization	1,734,486	325,872	2,060,358	1,746,070
Other	-	83,054	83,054	393,854
Total operating expenses	12,267,108	2,925,634	15,192,742	61,988,035
OPERATING INCOME (LOSS)	(1,263,987)	(4,668)	(1,268,655)	(249,486)
NONOPERATING REVENUES (EXPENSES):				
Aid from other governments	385,681	591,726	977,407	-
Gain on disposal of capital assets	3,082	-	3,082	43,889
Interest and investment income	57,819	43,259	101,078	176,114
Interest expense	(70,153)	(18,183)	(88,336)	-
Property taxes	-	24,089	24,089	-
Other	-	1,947	1,947	-
Total nonoperating revenues	376,429	642,838	1,019,267	220,003
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(887,558)	638,170	(249,388)	(29,483)
OPERATING TRANSFERS:				
Capital contributions	-	1,485	1,485	-
Transfers in	-	-	-	707,182
Total operating transfers	-	1,485	1,485	707,182
Net income (loss)	(887,558)	639,655	(247,903)	677,699
NET ASSETS (DEFICIT):				
Beginning balance, as restated	20,675,018	11,405,550	32,080,568	(9,402,433)
End of year	\$ 19,787,460	\$ 12,045,205	\$ 31,832,665	\$ (8,724,734)
Net Income of Business-type Activities			\$ (247,903)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(18,244)	
Net Income of Business-type Activities per Government-Wide Financial Statements			<u>\$ (266,147)</u>	

See accompanying Notes to Basic Financial Statements.

County of Santa Cruz
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2010

	Business-Type Activities - Enterprise Funds			Governmental
	County	Nonmajor		Activities
	Disposal	Enterprise		Internal
	Sites CSA 9C	Funds	Total	Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 10,273,911	\$ 3,220,509	\$ 13,494,420	\$ 28,392,326
Receipts from interfund services provided	-	-	-	32,137,292
Payments to suppliers for goods and services	(10,746,820)	(2,382,623)	(13,129,443)	(25,970,960)
Payments to employees for services	-	-	-	(33,219,531)
Other receipts	742,999	-	742,999	903,648
Net cash provided by operating activities	270,090	837,886	1,107,976	2,478,426
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund activities	(190,000)	1,011,106	821,106	1,596,766
Principal paid on debt	-	(10,753)	(10,753)	-
Other income	-	19,478	19,478	-
Property taxes	-	24,089	24,089	-
Subsidies from other governmental agencies	385,681	13,669	399,350	-
Net cash provided by noncapital financing activities	195,681	1,057,589	1,253,270	1,596,766
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital contributions	-	1,485	1,485	-
Proceeds from sale of capital assets	3,082	-	3,082	146,004
Purchase of capital assets	(35,645)	(2,324,851)	(2,360,496)	(1,236,552)
Principal paid on long-term debt	(177,875)	(25,598)	(203,473)	-
Interest paid on long-term debt	(70,153)	(18,183)	(88,336)	-
Net cash (used) in capital and related financing activities	(280,591)	(2,367,147)	(2,647,738)	(1,090,548)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends received	57,819	43,259	101,078	176,114
Net cash provided by investing activities	57,819	43,259	101,078	176,114
Net increase (decrease) in cash and cash equivalents	242,999	(428,413)	(185,414)	3,160,758
CASH AND CASH EQUIVALENTS:				
Beginning of year	6,886,797	5,773,873	12,660,670	21,813,331
End of year	<u>\$ 7,129,796</u>	<u>\$ 5,345,460</u>	<u>\$ 12,475,256</u>	<u>\$ 24,974,089</u>

County of Santa Cruz
Statement of Cash Flows, Continued
Proprietary Funds
For the year ended June 30, 2010

	Business-Type Activities - Enterprise Funds			Governmental
	County	Nonmajor		Activities
	Disposal	Enterprise		Internal
	Sites CSA 9C	Funds	Total	Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED (USED) BY:				
Operating activities:				
Operating income (loss)	\$ (1,263,987)	\$ (4,668)	\$ (1,268,655)	\$ (249,486)
Adjustments to reconcile operating income (loss) to				
net cash (used) by operating activities:				
Depreciation	1,734,486	325,872	2,060,358	1,746,070
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	28,554	299,543	328,097	40,615
Inventory	(14,765)	-	(14,765)	14,422
Prepaid items	-	-	-	48,607
Increase (decrease) in:				
Payables	(328,977)	217,139	(111,838)	660,712
Closure and postclosure care costs liability	114,779	-	114,779	-
Compensated absences	-	-	-	217,486
Net cash provided by operating activities	\$ 270,090	\$ 837,886	\$ 1,107,976	\$ 2,478,426
				(Concluded)

FIDUCIARY FUND FINANCIAL STATEMENTS

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

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

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



County of Santa Cruz
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Agency Funds	Investment Trust Fund
ASSETS		
Cash and investments	\$ 43,626,391	\$ 266,725,929
Receivables	22,270,628	-
Total assets	<u>\$ 65,897,019</u>	<u>266,725,929</u>
LIABILITIES		
Payables	\$ 446,642	-
Due to other governmental units	28,217,629	-
Agency funds held for others	37,232,748	-
Total liabilities	<u>\$ 65,897,019</u>	<u>-</u>
NET ASSETS		
Net assets held in trust for investment pool participants		<u>\$ 266,725,929</u>

See accompanying Notes to Basic Financial Statements.

County of Santa Cruz
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Investment Trust Fund
ADDITIONS:	
Contribution from investment pool	\$ 1,279,863,959
Use of money and property	4,675,732
Total additions	<u>1,284,539,691</u>
DEDUCTIONS:	
Distributions from investment pool	<u>1,304,517,087</u>
Total deductions	<u>1,304,517,087</u>
Change in net assets	(19,977,396)
NET ASSETS:	
Beginning of year	<u>286,703,325</u>
End of year	<u><u>\$ 266,725,929</u></u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS



County of Santa Cruz
Index to the Notes to Basic Financial Statements
For the year ended June 30, 2010

	<u>Page</u>
1. Summary of Significant Accounting Policies	45
2. Cash and Investments	58
3. Restricted Cash and Investments.....	63
4. Receivables.....	63
5. Interfund Transactions	64
6. Loans Receivable.....	66
7. Capital Assets	67
8 Short-Term Debt – Tax and Revenue Anticipation Notes	69
9. Capital Leases	70
10. Long-Term Debt	71
11. Pledge of Future Revenues	81
12. Landfill Closure and Postclosure Costs	82
13. Deficit Net Assets and Fund Balances	83
14. Defined Benefit Pension Plan	83
15. Post-Retirement Health Care Benefits.....	85
16. Deferred Compensation Plan	88
17. Commitments and Contingencies	88
18. Risk Management	89
19. Pollution Remediation Obligations	91
20. Mental Health Funding	92
21. Subsequent Events.....	92
22. Prior Period Adjustments	93
23. Excess of Expenditures over Appropriations	95



County of Santa Cruz
Notes to Basic Financial Statements
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

Blended Component Units

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

Santa Cruz Flood Control and Water Conservation District – Zone 7

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

Blended Component Units, Continued

Santa Cruz County Redevelopment Agency

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

Santa Cruz County Public Financing Authority

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

Discretely Presented Component Unit

Santa Cruz County Sanitation District

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

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

- Library
- Fire
- Off Highway, Road and Transportation
- Public Financing Authority
- 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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

Districts Governed by the Board of Supervisors

Public Protection

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

Health and Sanitation

- Pasatiempo Rolling Woods Sewer District

Recreation and Culture

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

Public Ways and Facilities

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

Geologic Hazard Abatement Districts (GHAD)

- Corralitos GHAD
- Mid-County GHAD
- Heartwood GHAD

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

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

B. Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements

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

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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

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

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

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

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

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

Governmental Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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

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

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

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

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

Proprietary Fund Financial Statements

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

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

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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

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

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

Fiduciary Fund Financial Statements

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

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

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

C. Cash, Cash Equivalents and Investments

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

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash, Cash Equivalents and Investments, Continued

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

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

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

D. Interfund Transactions

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

E. Inventories and Prepaid Items

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

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

F. Capital Assets

Government-Wide Financial Statements

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets, Continued

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

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

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

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

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

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

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

Fund Financial Statements

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

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

G. Land Held for Resale

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Long-Term Debt

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

I. Compensated Absences

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Claims Payable

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Unearned and Deferred Revenue

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

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

L. Net Assets and Fund Balances

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

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

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

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

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

As of June 30, 2010, the reservations of fund balance are described below:

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L Net Assets and Fund Balances, Continued

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

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

M. Use of Restricted and Unrestricted Net Assets

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

N. Property Tax Levy, Collection and Maximum Rates

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

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

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

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

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

O. Use of Estimates

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. Cash and investments for most County activities are included in the investment pool. Interest earned on the investment pool is distributed to the participating funds monthly using a formula based on the average daily cash balance of each fund. Interest earned through June 30, 2010, was distributed on the second business day during July 2010, and is shown as part of receivables on the financial statements.

The following is a summary of cash and investments at June 30, 2010:

	Government-Wide Statement of Net Assets						
	Primary Governments			Component Unit	Fiduciary Funds		
	Governmental Activities	Business-Type Activities	Total	Santa Cruz County Sanitation District	Agency Funds	Investment Trust Fund	County Total
Cash and Investments	\$ 266,921,480	\$ 6,998,020	\$ 273,919,500	\$ 27,955,346	\$ 43,626,391	\$ 266,725,929	\$ 612,227,166
Restricted Cash and Investments	15,105,812	5,477,236	20,583,048	1,524,139	-	-	22,107,187
Total Cash and Investments	<u>\$ 282,027,292</u>	<u>\$ 12,475,256</u>	<u>\$ 294,502,548</u>	<u>\$ 29,479,485</u>	<u>\$ 43,626,391</u>	<u>\$ 266,725,929</u>	<u>\$ 634,334,353</u>

	Cash and Investments	Restricted Cash and Investments	Total
Primary Government and Fiduciary Funds:			
Cash on hand or imprest cash	\$ 48,744	\$ -	\$ 48,744
Cash deposits in treasury pool	14,658,388	-	14,658,388
Investments in treasury pool	569,564,688	-	569,564,688
Restricted investments in other pools	-	15,105,812	15,105,812
Restricted cash deposits in treasury pool:			
Davenport County Sanitation District	-	43,112	43,112
County Disposal Sites CSA 9C	-	5,434,124	5,434,124
Total	<u>584,271,820</u>	<u>20,583,048</u>	<u>604,854,868</u>
Component Unit:			
Investments in treasury pool	27,955,346	554,202	28,509,548
Restricted investments in other banks	-	969,937	969,937
Total	<u>27,955,346</u>	<u>1,524,139</u>	<u>29,479,485</u>
Total cash and investments	<u>\$ 612,227,166</u>	<u>\$ 22,107,187</u>	<u>\$ 634,334,353</u>

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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 \$20,417,018 at June 30, 2010.

At June 30, 2010, the County's cash on hand, deposits, and investments consisted of:

	Treasury Pool	Other Banks/ Investment Pools	Total
Primary Government and Fiduciary Funds:			
Cash on hand or imprest cash	\$ 48,744	\$ -	\$ 48,744
Deposits	14,658,388	-	14,658,388
Investments	575,041,924	15,105,812	590,147,736
Total Primary Government	589,749,056	15,105,812	604,854,868
Component Unit:			
Investments	27,955,346	1,524,139	29,479,485
Total Component Unit	27,955,346	1,524,139	29,479,485
Total reporting entity	\$ 617,704,402	\$ 16,629,951	\$ 634,334,353

The carrying amounts of the County's cash deposits were \$14,658,388 at June 30, 2010. Bank balances at June 30, 2010 were \$9,598,057 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, 2010

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	100%	None
U.S. Treasury obligations	5 years	100%	None
U.S. Government Agency obligations	None	100%	None
State of California obligations	5 years	100%	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	40%	10%
Negotiable certificates of deposit	5 years	30%	None
Non-negotiable certificates of deposit	180 days	10%	10%
Repurchase agreements	1 year	100%	None
Medium-term notes	5 years	30%	None
Mutual funds/money market mutual funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	\$50 million	None
Joint Powers Authority investment funds	None	25%	None

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

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

B. Interest Rate Risk

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

At June 30, 2010, the County had the following investment maturities:

Investment Type	Cost	Investment Maturities (In Years)				
		Less than 1	1 to 2	2 to 3	3 to 4	4 or more
U.S. Treasury Securities	\$ 230,187,677	\$ 155,474,267	\$ 74,713,410	\$ -	\$ -	\$ -
Federal Agency Securities	238,298,322	155,363,472	82,934,850	-	-	-
Corporate Bonds and Notes	82,370,310	70,079,910	12,290,400	-	-	-
Medium-term Notes - Teeter note	21,500,000	21,500,000	-	-	-	-
Money Market Mutual Funds	16,205,971	16,205,971	-	-	-	-
Local Agency Investment Fund (LAIF)	30,051,892	30,051,892	-	-	-	-
Investment Agreements	969,937	-	-	-	-	969,937
Certificates of Deposit	43,112	43,112	-	-	-	-
Total investments	\$ 619,627,221	\$ 448,718,624	\$ 169,938,660	\$ -	\$ -	\$ 969,937

C. Concentration of Credit Risk

At June 30, 2010, 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, 2010.

Investments Type	S & P	Moody's	% of Portfolio
U.S. Treasury Securities	AAA	Aaa	37.15%
Federal Agency Securities	AAA	Aaa	38.46%
Corporate Bonds and Notes	AAA/AA-	Aaa/Aa1/A1	13.29%
Medium-term notes - Teeter note	Unrated	Unrated	3.47%
Money market mutual funds	AAA/m	Aaa	2.62%
Local Agency Investment Fund (LAIF)	Unrated	Unrated	4.85%
Investment agreements	AAA	Aa3	0.16%
Certificates of deposit	AA-	Aa1	0.01%
Total			100.00%

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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, 2010, 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, 2010, the County had \$30,051,892 invested in LAIF, which had invested 5.42% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 14.71% in the previous year. LAIF provided a fair value factor of 1.001643776 to calculate the fair value of the investments in LAIF. However, an adjustment was not made to reflect the fair market value of LAIF, as the fair market value adjustment was considered immaterial.

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. RESTRICTED CASH AND INVESTMENTS

Cash and investments at June 30, 2010 that are restricted by legal or contractual requirements are comprised of the following:

<u>Governmental Activities</u>	
Non-major Governmental Funds:	
Used for debt service	\$ 15,105,812
Subtotal	15,105,812
<u>Business-Type Activities</u>	
County Disposal Site CSA 9C:	
Used for landfill deposits	5,434,124
Davenport County Sanitation District:	
Used for debt service and bond reserves	43,112
Subtotal	5,477,236
<u>Component Unit</u>	
Santa Cruz County Sanitation District:	
Used for debt service	1,524,139
Total restricted cash and investments	\$ 22,107,187

4. RECEIVABLES

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

	General Fund	Redevelopment Agency Funds	Non-major Funds	Internal Service Funds	Total Governmental Activities
Governmental Activities:					
Accounts	\$ 23,423,330	\$ 124,000	\$ 1,391,527	\$ 172,575	\$ 25,111,432
Taxes	1,115,252	-	-	-	1,115,252
Gross receivables	24,538,582	124,000	1,391,527	172,575	26,226,684
Less: allowance for uncollectibles	(4,440,068)	-	-	-	(4,440,068)
Net receivables	\$ 20,098,514	\$ 124,000	\$ 1,391,527	\$ 172,575	\$ 21,786,616
		County Disposal Sites CSA	Non-major Funds	Total Business-Type Activities	
Business-Type Activities:					
Accounts receivable		\$ 581,866	\$ 634,313	\$ 1,216,179	

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. INTERFUND TRANSACTIONS

A. Government-Wide Financial Statements

Long-Term Internal Balances

At June 30, 2010, the County had the following long-term internal balances:

	Internal Balances Receivables
	Governmental Activities
Internal Balances Payable	
Business-Type Activities	\$ 846,211

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

B. Fund Financial Statements

Due to/from

The County had the following due to/from other funds as of June 30, 2010:

	Due from Other Funds					Total
	General	Redevelopment	Non major	Non major	Internal	
	Fund	Agency	Governmental	Enterprise	Service	
Due to Other Funds	Fund	Fund	Funds	Funds	Funds	
General Fund	\$ 409,524	\$ -	\$ 135,033	\$ -	\$ -	\$ 544,557
Redevelopment Agency Fund	-	19,651	-	-	-	19,651
Non major Governmental Funds	-	-	2,821,895	-	1,191,330	4,013,225
Non major Enterprise Funds	-	-	1,011,106	5,194	-	1,016,300
Internal Service Funds	-	-	-	-	1,161,968	1,161,968
Total	\$ 409,524	\$ 19,651	\$ 3,968,034	\$ 5,194	\$ 2,353,298	\$ 6,755,701

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, 2010

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Long-Term Advances

The County had the following long-term advances as of June 30, 2010:

Advances from Other Funds	Advances to Other Funds
	Public Financing Authority Fund
County Disposal Site CSA 9C Fund	\$ 1,535,000

This balance consists of a long-term advance between the Public Financing Authority Fund and the County Disposal Site CSA 9C Fund of \$1,535,000.

Transfers In/Out

The County had the following transfers for the year ending June 30, 2010:

Transfers Out	Transfers In				
	Non-Major				Total
	General Fund	Redevelopment Fund	Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ -	\$ 6,315,784	\$ 10,000	\$ 6,325,784
Redevelopment Fund	-	4,856,505	15,454,901	-	20,311,406
Non-Major Governmental Funds	2,734,556	-	481,514	697,182	3,913,252
Total	\$ 2,734,556	\$ 4,856,505	\$ 22,252,199	\$ 707,182	\$ 30,550,442

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, 2010

6. LOANS RECEIVABLE

A. Governmental Wide Financial Statements

The County had the following loans receivable as of June 30, 2010:

<u>Redevelopment Agency fund:</u>	
Felton Housing Site	\$ 1,667,863
First Time Homebuyers	5,337,641
Golden Torch (Parkhurst Terrace)	1,296,239
Housing for Independent People	40,940
Marmo's	1,500,000
McGregor	891,748
McGregor II	2,886,518
McIntosh Coach Replacement Program	112,792
Mercy - McIntosh (Coach Loan)	351,463
Mercy - McIntosh Rehab	93,126
Mobile Home Change Out Program	5,337,980
Mobile Home Rehab	373,841
Pacific Family - SCH	1,236,951
Pacific Family Coach Acquisitions	309,591
Pleasant Acres Permanent Financing	3,672,019
Pleasant Acres Coach Acquisitions	124,875
San Andreas	700,000
Sorrento Oaks	10,000
Vista Verde Family Housing	1,165,000
Total redevelopment agency	27,108,587
<u>Nonmajor governmental fund:</u>	
Private revitalization of downtown	150,090
Total government wide loans receivable	\$ 27,258,677

B. Business-Type Financial Statements

The County had the following loans receivable as of June 30, 2010:

<u>Nonmajor business-type fund:</u>	
Septic tank maintenance CSA 12	\$ 215,178
Total business-type loans receivable	\$ 215,178

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

7. CAPITAL ASSETS

A. Government-Wide Financial Statements

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

	Balance July 1, 2009	Additions	Retirements	Reclassifications	Balance June 30, 2010
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 57,536,632	\$ 775,001	\$ (100,000)	\$ -	\$ 58,211,633
Construction-in-progress	2,541,601	3,393,592	-	(77,368)	5,857,825
Total capital assets, not being depreciated	60,078,233	4,168,593	(100,000)	(77,368)	64,069,458
Capital assets, being depreciated:					
Infrastructure	518,289,828	19,197,663	-	-	537,487,491
Buildings	117,784,452	4,239,541	(2,608,210)	77,368	119,493,151
Machinery and equipment	43,969,980	2,049,144	(2,937,086)	-	43,082,038
Total capital assets, being depreciated	680,044,260	25,486,348	(5,545,296)	77,368	700,062,680
Less accumulated depreciation for:					
Infrastructure	(183,159,922)	(12,762,944)	-	-	(195,922,866)
Buildings	(56,180,846)	(3,896,528)	-	-	(60,077,374)
Machinery and equipment	(37,244,098)	(2,982,737)	2,655,655	-	(37,571,180)
Total accumulated depreciation	(276,584,866)	(19,642,209)	2,655,655	-	(293,571,420)
Total capital assets, being depreciated, net	403,459,394	5,844,139	(2,889,641)	77,368	406,491,260
Governmental activities capital assets, net	\$ 463,537,627	\$ 10,012,732	\$ (2,989,641)	\$ -	\$ 470,560,718

Depreciation expense was charged to governmental functions as follows:

	Total
<u>Governmental Activities:</u>	
General government	\$ 1,570,785
Public protection	2,015,934
Public ways and facilities	12,480,641
Health and sanitation	724,976
Public assistance	341,730
Education	218,098
Recreation and culture	543,975
Subtotal	17,896,139
Capital assets held by the County's internal services funds are charged to the various functions based on their usage of the assets	1,746,070
Total	\$ 19,642,209

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

7. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

	Balance July 1, 2009	Additions	Retirements	Reclassifications	Balance June 30, 2010
Business-Type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,858,849	\$ -	\$ -	\$ -	\$ 1,858,849
Construction-in-progress	2,165,274	2,197,173	-	(2,157,173)	2,205,274
Total capital assets, not being depreciated	4,024,123	2,197,173	-	(2,157,173)	4,064,123
Capital assets, being depreciated:					
Buildings	35,561,275	163,323	-	2,157,173	37,881,771
Machinery and equipment	10,650,046	-	-	-	10,650,046
Total capital assets, being depreciated	46,211,321	163,323	-	2,157,173	48,531,817
Less accumulated depreciation for:					
Buildings	(15,298,097)	(1,374,830)	-	-	(16,672,927)
Machinery and equipment	(8,196,413)	(685,528)	-	-	(8,881,941)
Total accumulated depreciation	(23,494,510)	(2,060,358)	-	-	(25,554,868)
Total capital assets, being depreciated, net	22,716,811	(1,897,035)	-	2,157,173	22,976,949
Business-Type activities capital assets, net	\$ 26,740,934	\$ 300,138	\$ -	\$ -	\$ 27,041,072

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

	Total
<u>Business-Type Activities:</u>	
County Disposal Sites CSA 9C	\$ 1,734,486
Boulder Creek CSA 7	53,492
Rolling Woods CSA 10	7,969
Freedom County Sanitation District	150,555
Davenport Sanitation District	83,522
Place de Mer CSA 2	5,541
Sand Dollar Beach CSA 5	23,436
Trestle Beach CSA 20	1,357
Total	\$ 2,060,358

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

7. CAPITAL ASSETS, Continued

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

	Balance July 1, 2009	Additions	Retirements	Reclassifications	Balance June 30, 2010
Capital assets, not being depreciated:					
Construction-in-progress	\$ 9,556,320	\$ 5,823,273	\$ -	\$ (2,474,254)	\$ 12,905,339
Total capital assets, not being depreciated	9,556,320	5,823,273	-	(2,474,254)	12,905,339
Capital assets, being depreciated:					
Pumping stations	38,062,424	838,162	-	158,251	39,058,837
Transmission systems	65,667,020	3,077,161	-	2,316,003	71,060,184
Sewage treatment plants	34,865,583	89,437	-	-	34,955,020
Mobile equipment	3,056,415	189,086	(171,290)	-	3,074,211
Other equipment	2,664,019	329,149	-	-	2,993,168
Total capital assets, being depreciated	144,315,461	4,522,995	(171,290)	2,474,254	151,141,420
Less accumulated depreciation for:					
Pumping stations	(16,694,770)	(837,434)	-	-	(17,532,204)
Transmission systems	(26,898,832)	(1,536,278)	-	-	(28,435,110)
Sewage treatment plants	(8,538,672)	(950,071)	-	-	(9,488,743)
Mobile equipment	(2,038,631)	(238,537)	171,290	-	(2,105,878)
Other equipment	(1,919,329)	(201,149)	-	-	(2,120,478)
Total accumulated depreciation	(56,090,234)	(3,763,469)	171,290	-	(59,682,413)
Total capital assets, being depreciated, net	88,225,227	759,526	-	2,474,254	91,459,007
Total capital assets, net	\$ 97,781,547	\$ 6,582,799	\$ -	\$ -	\$ 104,364,346

Depreciation expense for the District at June 30, 2010 is \$3,763,469.

8. SHORT-TERM DEBT – TAX AND REVENUE ANTICIPATION NOTES

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

Tax and revenue anticipation notes payable debt activity for the year ended June 30, 2010 was as follows:

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

9. CAPITAL LEASES

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

	Stated Interest Rate	Present Value of Remaining Payments as of June 30, 2010
<u>Governmental Activities:</u>		
Energy efficient infrastructure	4.42%	\$ 5,596,489
Human Services Department-Server	4.45%	76,401
Total capital lease obligations		\$ 5,672,890

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

	Governmental Activities	Business-Type Activities
Equipment, computers, furniture, and vehicles	\$ 204,199	\$ 1,547,501
Structures and improvements	6,041,400	-
Total assets under capital lease	6,245,599	1,547,501
Less: accumulated depreciation	(627,973)	(905,249)
Net	\$ 5,617,626	\$ 642,252

As of June 30, 2010, capital lease annual amortization is as follows:

Year Ending June 30,	Governmental Activities
2011	\$ 496,398
2012	496,398
2013	496,398
2014	479,928
2015	471,693
2016-2020	2,358,467
2021-2025	2,358,467
2026-2030	943,387
Total Requirements	8,101,136
Less: Interest	2,428,246
Present Value of Remaining Payments	\$ 5,672,890

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. LONG-TERM DEBT

The following is a summary of long-term liabilities transactions for the year ended June 30, 2010:

	Balance July 1, 2009	Prior Period Adjustment	Debt Issued	Debt Retired	Balance June 30, 2010	Due in One Year	Due in More Than One Year
Governmental Activity Debt:							
PFA-1996 Refunding Certificates of Participation	\$ 19,205,000	\$ -	\$ -	\$ (655,000)	\$ 18,550,000	\$ 685,000	\$ 17,865,000
PFA-2002 Refunding Certificates of Participation	2,245,000	-	-	(55,000)	2,190,000	55,000	2,135,000
2002 Unamortized bond premium	98,879	-	-	(4,208)	94,671	4,208	90,463
Subtotal	2,343,879	-	-	(59,208)	2,284,671	59,208	2,225,463
PFA-2005 Refunding Certificates of Participation	8,390,000	-	-	(545,000)	7,845,000	560,000	7,285,000
2005 Unamortized bond discount	(49,894)	-	-	4,339	(45,555)	(4,339)	(41,216)
Subtotal	8,340,106	-	-	(540,661)	7,799,445	555,661	7,243,784
PFA-2001B Lease Revenue Bonds	7,290,000	-	-	(200,000)	7,090,000	205,000	6,885,000
PFA-2002A Lease Revenue Refunding Bonds	1,620,774	-	-	(128,331)	1,492,443	128,331	1,364,112
2002A Unamortized bond premium	46,026	-	-	(3,068)	42,958	3,068	39,890
Subtotal	1,666,800	-	-	(131,399)	1,535,401	131,399	1,404,002
PFA-1995B Revenue Bonds	1,480,000	-	-	(335,000)	1,145,000	360,000	785,000
PFA-1999 Local Agency Revenue Bonds	320,000	-	-	(25,000)	295,000	20,000	275,000
PFA-2004 Certificates of Participation	19,220,000	-	-	(945,000)	18,275,000	985,000	17,290,000
2004 Unamortized bond premium	20,533	-	-	(1,369)	19,164	1,369	17,795
Subtotal	19,240,533	-	-	(946,369)	18,294,164	986,369	17,307,795
2006 Certificates of Participation	8,405,000	-	-	(320,000)	8,085,000	335,000	7,750,000
2006 Unamortized bond discount	(57,473)	-	-	2,090	(55,383)	(2,090)	(53,293)
Subtotal	8,347,527	-	-	(317,910)	8,029,617	332,910	7,696,707
PFA-2008 Certificates of Participation	4,625,000	-	-	(295,000)	4,330,000	310,000	4,020,000
2008 Unamortized bond premium	98,836	-	-	(6,816)	92,020	6,816	85,204
Subtotal	4,723,836	-	-	(301,816)	4,422,020	316,816	4,105,204
CA Health Facility	509,756	-	-	(509,756)	-	-	-
CA Transportation Finance Bank	600,000	-	-	(600,000)	-	-	-
McGaffigan Mill Road HOA	-	117,370	-	(26,000)	91,370	28,013	63,357
Redevelopment Agency Bonds	220,680,000	-	-	(3,455,000)	217,225,000	3,960,000	213,265,000
Unamortized bond discount	(361,474)	-	-	17,921	(343,553)	(17,921)	(325,632)
Unamortized bond premium	621,542	-	-	(30,590)	590,952	30,590	560,362
Subtotal	220,940,068	-	-	(3,467,669)	217,472,399	3,972,669	213,499,730
Compensated absences	20,097,955	-	17,613,680	(15,822,775)	21,888,860	17,232,724	4,656,136
Capital leases	5,942,180	-	-	(269,290)	5,672,890	248,552	5,424,338
Total governmental activity	\$ 321,047,640	\$ 117,370	\$ 17,613,680	\$ (24,207,853)	\$ 314,570,837	\$ 25,134,321	\$ 289,436,516

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. LONG-TERM DEBT, Continued

	Balance July 1, 2009	Prior Period Adjustment	Debt Issued	Debt Retired	Balance June 30, 2010	Due in One Year	Due in More Than One Year
Governmental Activity Debt, Continued:							
Internal Service Funds							
Compensated absences	\$ 3,860,030	\$ -	\$ 3,563,247	\$ (3,345,761)	\$ 4,077,516	\$ 3,243,095	\$ 834,421
Estimated claims	35,296,149	-	-	-	35,296,149	13,377,472	21,918,677
Total Internal Service Funds	\$ 39,156,179	\$ -	\$ 3,563,247	\$ (3,345,761)	\$ 39,373,665	\$ 16,620,567	\$ 22,753,098
Total Government-Wide Activities							
Compensated absences	\$ 23,957,985	\$ -	\$ 21,176,927	\$ (19,168,536)	\$ 25,966,376	\$ 20,475,819	\$ 5,490,557
Estimated claims	35,296,149	-	11,735,027	(11,735,027)	35,296,149	13,377,472	21,918,677
Other long-term liabilities	300,949,685	117,370	-	(8,385,078)	292,681,977	7,901,597	284,780,380
Total Government-Wide Activities	\$ 360,203,819	\$ 117,370	\$ 32,911,954	\$ (39,288,641)	\$ 353,944,502	\$ 41,754,888	\$ 312,189,614
Business-Type Activities							
<i>Enterprise Funds</i>							
<i>Loans payable</i>							
Septic Tank Maintenance CSA 12	\$ -	\$ 277,467	\$ -	\$ (10,753)	\$ 266,714	\$ 11,033	\$ 255,681
Davenport Sanitation	404,411	-	-	(25,598)	378,813	26,266	352,547
Total Loans Payable	404,411	277,467	-	(36,351)	645,527	37,299	608,228
<i>Capital Leases</i>							
Enterprise Fund - County Disposal Sites CSA 9	177,875	-	-	(177,875)	-	-	-
<i>Postclosure Liability</i>							
Enterprise Fund - County Disposal Sites CSA 9	5,044,989	-	114,779	-	5,159,768	-	5,159,768
Total Business-Type Activities	\$ 5,627,275	\$ 277,467	\$ 114,779	\$ (24,226)	\$ 5,805,295	\$ 37,299	\$ 5,767,996
Component Unit - Santa Cruz County							
Sanitation District							
2005 Wastewater Revenue Refunding Bonds	\$ 7,445,000	\$ -	\$ -	\$ (535,000)	\$ 6,910,000	\$ 705,000	\$ 6,205,000
2005 Unamortized bond premium	32,311	-	-	(2,235)	30,076	2,235	27,841
2004 Limited Obligation STET							
Improvement Bonds	725,000	-	-	(60,000)	665,000	60,000	605,000
Loans payable	13,824,647	-	-	(12,17,082)	12,607,565	1,251,160	11,356,405
Total Component Unit	\$ 22,026,958	\$ -	\$ -	\$ (1814,317)	\$ 20,212,641	\$ 2,018,395	\$ 18,194,246

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. LONG-TERM DEBT, Continued

Descriptions of the long-term liabilities at June 30, 2010 are as follows:

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2010
Governmental Activities:					
Public Financing Authority					
<i>Refunding Certificates of Participation</i>					
1996 Issue (financed construction of the County Emeline Avenue Health Services building and an infirmary in the County Medium Security Detention Facility)					
Serial certificates	9/1/97-9/1/26	4.00-5.65%	\$190,000-\$1,065,000	\$ 20,955,000	\$ 14,650,000
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	18,550,000
2002 Issue (refinanced road improvements, a detention facility, a library, equipment, purchase of parkland and construction of a transfer station and financed an animal services authority facility)					
Serial certificates	8/1/03-8/1/22	4.00-5.15%	\$50,000-\$730,000	\$ 4,380,000	930,000
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	94,671
				Total 2002 Issue	2,284,671
2005 Issue (defeased 1995A Lease Revenue Refunding Bonds and financed construction of and improvements to the Santa Cruz County Water Street and Roundtree Lane detention facility)					
Serial certificates	8/1/05-8/1/20	2.75-4.25%	\$500,000-\$910,000	\$ 10,580,000	7,845,000
Unamortized bond discount				(67,249)	(45,555)
				Total 2005 Issue	7,799,445
			Total Refunding Certificates of Participation		28,634,116
			Net Premiums/(Discounts)		49,116
			Outstanding Balance		\$ 28,585,000
<i>Lease Revenue Bonds</i>					
2001 Series B Lease Revenue Bonds (financed equipment for the Santa Cruz County Department of Public Works, County Counsel, Agricultural Commissioner, and improvements to the Health Services building)					
Serial bonds	8/1/02-8/1/26	2.10-4.625%	\$200,000-\$760,000	\$ 9,675,000	\$ 4,865,000
Term bonds	2/1/27-8/1/31	4.75%	\$405,000-\$485,000	2,225,000	2,225,000
				Total 2001 Issue	\$ 7,090,000
<i>Lease Revenue Refunding Bonds</i>					
2002 Series A (financed construction and equipment costs for the Santa Cruz County Consolidated Emergency Communication Center)					
Serial bonds	6/15/04-6/15/12	2.00-3.50%	\$76,000-\$295,000	\$ 1,449,665	\$ 204,379
Term bonds	6/15/13-6/15/24	5.25%	\$81,000-\$140,214	1,288,063	1,288,064
Unamortized bond premium				65,966	42,958
				Total 2002 Issue	1,535,401
			Total Lease Revenue Refunding Bonds		1,535,401
			Net Premiums/(Discounts)		42,958
			Outstanding Balance		\$ 1,492,443

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. LONG-TERM DEBT, Continued

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2010
Governmental Activities, Continued:					
Public Financing Authority, Continued					
<i>Revenue Bonds</i>					
1995 Series B Issue (financed improvements to existing drainage facilities of the Santa Cruz County Flood Control Zone No. 7)					
Serial bonds	8/1/97-8/1/10	4.20-6.35%	\$175,000-\$360,000	\$ 3,565,000	\$ 360,000
Term bonds	2/1/11-8/1/12	6.50%	\$380,000-\$405,000	785,000	785,000
				Total 1995 Issue	<u>\$ 1,145,000</u>
<i>Local Agency Revenue Bonds</i>					
1999 Issue (defeased 1992 Place de Mer and 1993 Sand Dollar Beach Districts and financed construction of the Sunset Beach Water Main Extension Project)					
Local obligation bonds	9/2/00-9/2/19	4.00-5.50%	\$20,000-\$85,000	\$ 895,000	<u>\$ 295,000</u>
<i>Certificates of Participation</i>					
2004 Series Issue (financed payments due for settlement of lawsuits arising from damage to property caused by flooding of the Pajaro River)					
Serial certificates	6/1/05-6/1/24	2.25-5.00%	\$525,000-\$1,720,000	\$ 23,000,000	\$ 18,275,000
Unamortized bond premium				27,378	19,164
				Total 2004 Issue	<u>18,294,164</u>
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	5,310,000
Term certificates	8/1/29-8/1/32	4.50%		1,265,000	1,265,000
Term certificates	8/1/33-8/1/36	4.625%		1,510,000	1,510,000
Unamortized bond discount				(62,698)	(55,383)
				Total 2006 Issue	<u>8,029,617</u>
2008 Series Issue (finance purchase of computer software systems for various County departments)					
Serial certificates	8/1/09-8/1/23	3.00-4.30%	\$215,000-\$405,000	\$ 4,625,000	4,330,000
Unamortized bond premium				102,244	92,020
				Total 2008 Issue	<u>4,422,020</u>
				Total Certificates of Participation	<u>30,745,801</u>
				Net Premiums/(Discounts)	<u>55,801</u>
				Outstanding Balance	<u>\$ 30,690,000</u>
<i>McGaffigan Mill Road Association</i>					
2004 (financed road storm damage repair)					
Loan	2004-2013	7.48%	\$2,825-\$5,800	\$ 340,000	<u>\$ 91,370</u>

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. LONG-TERM DEBT, Continued

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2010
Governmental Activities, Continued:					
Redevelopment Agency					
<i>Redevelopment Agency Tax Allocation Bonds</i>					
2000 Issue Subordinate Tax Allocation Refunding Bonds					
Serial bonds	9/1/01-9/1/22	4.25-5.25%	\$490,000-\$1,280,000	\$ 17,855,000	\$ 12,595,000
2000 Issue Series A Subordinate Tax Allocation Bonds					
Serial bonds	9/1/02-9/1/22	5-5.25%	\$140,000-\$2,035,000	6,525,000	5,205,000
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	37,755,000
Unamortized bond discount				(194,382)	(132,828)
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	405,923
2005 Taxable Series B Subordinate Tax Allocation Bonds					
Term bonds	9/1/06-9/1/15	5.00%	\$205,000-\$430,000	2,695,000	1,620,000
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)	(39,139)
2007 Taxable Housing Tax Allocation Refunding Bonds					
Term bonds	9/1/07-9/1/17	5.208%	\$70,000-\$165,000	1,080,000	770,000
Term bonds	9/1/18-9/1/30	5.495%	\$120,000-\$1,250,000	9,675,000	9,675,000
2007 Series A Tax Allocation Refunding Bonds					
Serial bonds	09/1/08-09/1/22	4-5.25%	\$375,000-\$640,000	7,370,000	6,580,000
Unamortized bond premium				224,669	185,029
2009 Issue Series A Tax Allocation Bonds					
Serial bonds	09/1/10-09/1/20	3.25-6.125%	\$380,000-\$605,000	5,205,000	5,205,000
Term bonds	09/1/21-09/1/29	6.625%	\$635,000-\$3,640,000	13,030,000	13,030,000
Term bonds	09/1/30-09/1/36	7.00%	\$3,875,000-\$10,000,000	37,735,000	37,735,000
Unamortized bond discount				(180,815)	(171,586)
Total Redevelopment Agency Bonds					217,472,399
					Net Premiums/(Discounts) 247,399
					Outstanding Balance
					<u>\$ 217,225,000</u>

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. LONG-TERM DEBT, Continued

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2010
Governmental Activities, Continued:					
<i>Capital leases</i>					
Energy efficient infrastructure	2008-2027	4.42%	\$176,000-\$456,505	\$ 5,989,594	\$ 5,596,489
Human Services Department - Server	2008-2013	4.45%	\$8,159-\$23,765	110,563	76,401
				Total leases	5,672,890
			Total Governmental Activities		\$ 292,681,977
Business-Type Activities:					
Enterprise Fund - Davenport Sanitation District					
California State Department of Water Resources (upgrade existing water facilities)	1/1/88-1/1/22	2.5%	\$4,550-\$10,575	\$ 250,000	\$ 110,825
California Technology, Trade & Commerce Agency (fund sanitation system improvements)	2/28/95-7/1/25	2.50%	\$3,550-\$4,817	310,691	183,753
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	84,235
Enterprise Fund - Septic Tank Maintenance CSA 12					
California State Water Resources Control Board	4/23/2010-4/23/2029	2.60%	\$10,753-\$17,512	277,467	266,714
				Total Loans	645,527
Landfill post closure					5,159,768
			Total Business-Type Activities		\$ 5,805,295

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. LONG-TERM DEBT, Continued

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Installments	Amount	June 30, 2010
Component Unit - Santa Cruz County Sanitation District (SCCSD)					
2005 Wastewater Revenue Refunding Bonds (financed the SCCSD's share of the improvements to the City of Santa Cruz sewer treatment facility)					
Serial bonds	9/1/05-9/1/19	2.80-5.0%	\$140,000-\$940,000	\$ 9,335,000	\$ 6,910,000
Unamortized bond premium				41,252	30,076
					<u>6,940,076</u>
2004 Issue Limited Obligation Refunding Improvement Bonds - Freedom Boulevard Sewer Assessment District (financed construction of sewer facility)					
Serial bonds	9/2/05-9/2/18	1.85-5.25%	\$55,000-\$90,000	\$ 950,000	665,000
Loans payable - City of Santa Cruz (construct treatment plant expansion)	2000-2019	2.80%	\$928,354-\$1,564,248	24,374,832	<u>12,607,565</u>
Total Component Unit					<u><u>\$ 20,212,641</u></u>

A. Governmental Activities

At June 30, 2010, 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
2011	\$ 1,300,000	\$ 1,408,814	\$ 128,331	\$ 74,616	\$ 1,630,000	\$ 1,321,221
2012	1,375,000	1,350,928	76,048	70,285	1,680,000	1,261,528
2013	1,425,000	1,288,740	80,801	67,623	1,740,000	1,197,428
2014	1,510,000	1,222,225	83,178	63,381	1,820,000	1,129,885
2015	1,585,000	1,150,665	90,307	59,014	1,885,000	1,056,383
2016-2020	9,300,000	4,495,014	518,077	219,339	9,640,000	4,063,751
2021-2025	7,910,000	2,197,803	515,701	69,495	8,460,000	1,877,697
2026-2030	3,735,000	379,251	-	-	1,355,000	724,988
2031-2035	445,000	35,831	-	-	1,690,000	382,944
2036-2040	-	-	-	-	790,000	37,000
Total	<u><u>\$ 28,585,000</u></u>	<u><u>\$ 13,529,271</u></u>	<u><u>\$ 1,492,443</u></u>	<u><u>\$ 623,753</u></u>	<u><u>\$ 30,690,000</u></u>	<u><u>\$ 13,052,825</u></u>

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. LONG-TERM DEBT, Continued

A. Governmental Activities, Continued

Public Financing Authority, Continued

Year Ending June 30,	Lease Revenue Bonds		Revenue Bonds		Local Agency Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 205,000	\$ 316,334	\$ 360,000	\$ 62,455	\$ 20,000	\$ 15,513
2012	215,000	308,456	380,000	38,675	25,000	14,330
2013	220,000	300,026	405,000	13,163	25,000	12,999
2014	230,000	290,966	-	-	30,000	11,520
2015	240,000	281,331	-	-	30,000	9,893
2016-2020	1,360,000	1,239,954	-	-	165,000	23,513
2021-2025	1,640,000	896,819	-	-	-	-
2026-2030	2,030,000	474,759	-	-	-	-
2031-2035	950,000	45,600	-	-	-	-
Total	\$ 7,090,000	\$ 4,154,245	\$ 1,145,000	\$ 114,293	\$ 295,000	\$ 87,768

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

McGaffigan Mill Road Association

Year Ending June 30,	Lease Revenue Bonds	
	Principal	Interest
2011	\$ 28,013	\$ 5,887
2012	30,181	3,719
2013	32,519	1,381
2014	657	4
Total	\$ 91,370	\$ 10,991

In September 2005, the County entered into a loan agreement with McGaffigan Mill Road Association in the amount of \$232,101. The loan bears an annual interest rate of 7.48% due in monthly installments and maturing in July 1, 2014. For the current year, principal and interest paid on the loan was \$33,898. The outstanding balance of the loan is \$91,370.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. LONG-TERM DEBT, Continued

A. Governmental Activities, Continued

Redevelopment Agency

Year Ending June 30,	Principal	Interest	Total
2011	\$ 3,960,000	\$ 11,673,475	\$ 15,633,475
2012	4,115,000	11,513,986	15,628,986
2013	4,290,000	11,340,010	15,630,010
2014	4,465,000	11,153,097	15,618,097
2015	4,650,000	10,954,062	15,604,062
2016-2020	26,725,000	51,227,794	77,952,794
2021-2025	33,945,000	43,732,907	77,677,907
2026-2030	45,270,000	33,555,625	78,825,625
2031-2035	64,635,000	17,667,493	82,302,493
2036-2037	25,170,000	1,491,238	26,661,238
Total	217,225,000	\$ 204,309,687	\$ 421,534,687
Unamortized Premiums	590,952		
Unamortized Discounts	(343,553)		
Total	\$ 217,472,399		

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

B. Business-Type Activities

At June 30, 2010, annual debt service requirements for loans payable of business-type activities to maturity are as follows:

Year Ending June 30,	Loans Payable	
	Principal	Interest
2011	\$ 37,298	\$ 16,875
2012	38,278	15,895
2013	39,284	14,890
2014	40,316	13,857
2015	41,375	12,798
2016-2020	223,769	47,100
2021-2025	157,777	19,579
2026-2029	67,430	4,439
Total	\$ 645,527	\$ 145,433

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. LONG-TERM DEBT, Continued

C. Component Unit

At June 30, 2010, annual debt service requirements of the District to maturity are as follows:

Year Ending June 30,	2005 Wastewater Revenue Bonds		2004 Limited Obligation STET Improvement Bonds		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 705,000	\$ 280,733	\$ 60,000	\$ 30,390	\$ 1,251,160	\$ 353,012
2012	730,000	256,263	65,000	27,825	1,286,193	317,979
2013	765,000	229,231	65,000	25,030	1,322,206	281,966
2014	800,000	196,800	70,000	21,990	1,359,228	244,944
2015	840,000	160,000	75,000	18,599	1,397,286	206,886
2016-2020	3,070,000	279,250	330,000	35,379	5,991,492	425,194
Total	\$ 6,910,000	\$ 1,402,277	\$ 665,000	\$ 159,213	\$ 12,607,565	\$ 1,829,981

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

During 2004, the District issued Limited Obligation Refunding Improvement Bonds to refinance the 1994 Freedom Boulevard Sewer Special Assessment bonds, pay costs related to the issuance of the bonds and to make a deposit to a Reserve Fund.

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

D. Legal Debt Limit

The County’s legal annual debt service limit as of June 30, 2010, is \$404,884,560. 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, and it is anticipated that the County will be determined to be in compliance with arbitrage regulations.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

11. PLEDGE OF FUTURE REVENUES

PFA 2002A Lease Revenue Refunding Bonds

The revenues of the Santa Cruz Regional 911 (Regional 911) have been pledged to repay \$5,760,000 in lease revenue refunding bonds issued in January 2003. The Regional 911 was formed in a Joint Powers Authority Agreement with the cities of Santa Cruz, Watsonville, and Capitola and the County of Santa Cruz. Proceeds from the bonds provided funds to refinance an existing lease and to fund equipment purchases. The bonds are payable from use payments paid to the Regional 911 by the different governmental agencies. Annual principal and interest payments on the bonds continue through 2024 and are expected to require less than 12 percent of revenues. The total principal and interest remaining to be paid on the bonds is \$4,452,339. Principal and interest paid for the current year and total customer revenues were \$429,985 and \$6,250,188, respectively.

PFA 1995 Series B Revenue Bond

The County has pledged future revenues of the Flood Control Zone No. 7 District to repay \$4.35 million in revenue bonds issued in August 1995. Proceeds from the bonds provided financing for improvements relating to flood control facilities and levees within Flood Control Zone No. 7. The bonds are payable solely from service charges to be levied against property in the Flood Control Zone No. 7 District and are payable through 2012. Annual principal and interest payments on the bonds are expected to require less than 35 percent of revenues. The total principal and interest remaining to be paid on the bonds is \$1,259,293. Principal and interest paid for the current year and total customer revenues were \$419,217 and \$1,595,197, respectively.

RDA Tax Increment Bond

The County has pledged to the repayment of the 2000 Refunding Bonds, the 2000 Series A Bonds, the 2003 Refunding Bonds, the 2005 Series A Bonds, the 2005 Series B Bonds, the 2007 Taxable Refunding Bonds, and the 2007 Series A Refunding Bonds (the "Bonds") Tax Revenues of the County's Live Oak/Soquel Community Improvement Project Area pursuant to the various applicable Indentures of Trust, through the final maturity of the Bonds on September 1, 2035, or early retirement of the Bonds, whichever occurs first. Tax Revenues consist of tax increment revenues allocated to the County with respect to the Live Oak/Soquel Community Improvement Project Area pursuant to Section 33670 of the Redevelopment Law excluding (i) that portion of such Tax Increment Revenues required to be paid under the Tax-Sharing Agreements, unless the payment of such amounts has been subordinated to the payment of Debt Service on the Bonds; (ii) the School District Election Amount; and (iii) amounts required to be paid as Statutory Tax Sharing. Annual principal and interest payments on the Bonds are expected to require less than 48 percent of Tax Revenues. The total principal and interest remaining to be paid on the Bonds is \$421,534,687.

At June 30, 2010, the total Tax Revenues for the current year were \$22,781,099, and total debt service payment was \$15,466,824. The ratio of Tax Revenues to the Bonds debt service payments required 48% of the total tax increment revenues.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

12. LANDFILL CLOSURE AND POSTCLOSURE COSTS

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

As of June 30, 2010, a liability for closure and postclosure maintenance in the amount of \$5,159,768 is reflected in the County Disposal Sites Enterprise Fund based upon landfill capacity used to date. As of June 30, 2010, Ben Lomond Landfill was filled to 100% capacity, and the County estimates that the Buena Vista Landfill is filled to 58.6% of capacity with an estimated remaining useful life of 12 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 \$3,645,422 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2010. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The estimates will also be adjusted annually for inflation or deflation, in accordance with State guidelines.

The County is required by State and Federal laws and regulations to make annual contributions to a fund to finance closure and postclosure maintenance. The County is in compliance with these requirements, and at June 30, 2010, cash of \$5,434,124 is held for this purpose, reported as restricted assets on the Statement of Net Assets. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users.

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

13. DEFICIT NET ASSETS AND FUND BALANCES

Individual proprietary fund deficit net assets at June 30, 2010 are as follows:

Internal Service Funds:	
Central Duplicating	\$ 489,710
Self-Insurance – Worker’s Compensation	\$ 20,548,481

The Central Duplicating Fund had deficit net assets of \$489,710 that resulted from current year losses. Each fiscal year, rates are calculated and any deficit balance from the prior year is reflected in the subsequent years’ calculation.

The Workers’ Compensation Fund had deficit net assets of \$20,548,481, related to the losses payable for claims and the inclusion of estimates for incurred but not reported (IBNR) claims. Management anticipates that the County will have sufficient funds to pay annual requirements. This fund will normally show up as a deficit since the County is set up on a pay-as-you go program.

14. DEFINED BENEFIT PENSION PLAN

A. Plan Description

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

B. Funding Policy

Active plan members are required by State statute to contribute 7% and 9% of annual covered salary for miscellaneous and safety employees respectively. The County makes the contributions required of County employees on their behalf and for their account for Service Employees International Union employees only, other employees pay their own contributions. The County is required to contribute for fiscal year 2009-2010 at an actuarially determined rate of 12.051% for miscellaneous employees, 13.784 % for safety employees, and 25.823% for safety sheriff employees. Separately funded plans have been established for each employee group. Benefit provisions and all other requirements are established by State statute and County contracts with employee bargaining groups. The contribution requirements of plan members and the County are established by PERS.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

14. DEFINED BENEFIT PENSION PLAN, Continued

C. Annual Pension Costs

The County's annual pension cost for the current year and two previous years was \$32,048,000, \$33,906,000, and \$33,186,000, respectively. These were equal to the County's required and actual contributions. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included; (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.25% to 14.45% for miscellaneous employees, 3.25% to 13.15% for safety employees and 3.25% to 13.15% for sheriff safety employees depending on age, service, and type of employment, and (c) 3.0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period. PERS unfunded actuarial accrued liabilities (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2007 was 25 years for miscellaneous employees and 32 years for safety employees for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	\$ 33,186,000	100%	\$ -
6/30/2009	33,906,000	100%	-
6/30/2010	32,048,000	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
2009	\$ 822,938,140	\$ 984,786,909	\$ 161,848,769	83.6%	\$ 171,978,231	94.1%

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

15. 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, 2009*		Total
Active employees		2,337
Retirees		997
Total		<u>3,334</u>

* Most recent information available.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

15. 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 2010, the County contributed \$3,998,945 to the plan distributed as follows:

	<u>Amount</u>
Miscellaneous	\$ 3,767,626
Safety	231,319
Total	<u>\$ 3,998,945</u>

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

	<u>Total</u>
Annual required contribution	\$ 20,912,000
Interest on net OPEB obligation	2,019,149
Adjustment to annual required contribution	<u>(2,757,647)</u>
Annual OPEB cost (expense)	20,173,502
Contributions made	<u>(3,998,945)</u>
Increase in net OPEB obligation	16,174,557
Net OPEB obligation - beginning of year	44,869,977
Net OPEB obligation - end of year	<u>\$ 61,044,534</u>

The County's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Contribution</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2008	\$ 24,612,000	\$ 3,240,000	13.2%	\$ 21,372,000
6/30/2009	27,317,900	3,819,923	14.0%	44,869,977
6/30/2010	20,173,502	3,998,945	19.8%	61,044,534

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

15. 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 rate. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial Accrued Liabilities for 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, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return which is based on the expected return on funds invested by CalPERS, and an annual healthcare cost trend of actual premiums initially and reduced to an ultimate rate of 4.5% thereafter. The actuarial assumption for inflation was 3%, and the aggregate payroll increases were 3.25%. The Unfunded Actuarial Accrued Liability (UAAL) is being amortized as level percentage of projected payroll on a closed basis. The remaining amortization as of June 30, 2010 was 28 years.

OTHER POSTEMPLOYMENT OBLIGATIONS

SCHEDULE OF FUNDING PROGRESS

The table below shows the analysis of the actuarial value of assets as a percentage of the actuarial accrual liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30, 2010.

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

16. DEFERRED COMPENSATION PLAN

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

As of June 30, 2010, the Plan's assets of \$87,726,623 are not recorded in the County's financial statements as they are deposited with a third party administrator independent of the County.

17. COMMITMENTS AND CONTINGENCIES

As of June 30, 2010, the County has construction contract commitments in the Department of Public Works (all funds types) and in Special Revenue and Capital Project Funds in the amount of \$15,274,969 and \$2,746,804, respectively.

The Department of Public Works contract commitments consisted of the following:

Aptos Main Replacement	\$	12,205,494
DPW overhead encumbrance		1,533,055
Davenport water rehabilitation		923,746
Transmission line inspection		176,766
Various DPW projects		435,908
		<hr/>
	\$	15,274,969
		<hr/>

Special Revenue and Capital Project contract commitments consisted of the following:

Live Oak Resource Center	\$	2,309,647
Parks improvements		291,589
Jail improvements		65,779
Soquel Village improvements		36,505
Various other		43,284
		<hr/>
	\$	2,746,804
		<hr/>

A. *Litigation*

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

17. COMMITMENTS AND CONTINGENCIES, Continued

B. Federal and State Grants

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

C. Medicare and Medi-Cal Reimbursements

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

18. RISK MANAGEMENT

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

Amounts in excess of these limits are self-insured. None of the insurance settlements over the past three years has exceeded the amount of insurance coverage. As of June 30, 2010, the workers' compensation liability limit per occurrence was \$500,000.

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

18. RISK MANAGEMENT, Continued

The change in the balance of claims liabilities during the fiscal years ended June 30, 2010 and two prior years for all self-insurance Internal Service Funds combined is as follows:

	2010	2009	2008
Unpaid claims and claim adjustment expenses, beginning of the fiscal year	\$ 35,296,149	\$ 29,707,778	\$ 29,707,778
Incurred claims and claim adjustment expenses	11,735,027	15,084,586	8,478,164
Claim payments	(11,735,027)	(9,496,215)	(8,478,164)
Unpaid claims and claim adjustment expenses, end of the fiscal year	\$ 35,296,149	\$ 35,296,149	\$ 29,707,778

At June 30, 2010, the Self-Insurance Funds held a total of \$18,530,944 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, 2010, the estimated future liabilities were \$30,294,000. As permitted by State and Federal guidelines, the Workers' Compensation program is funded on a pay-as-you-go basis. The funding is closely monitored to ensure that claims are paid when due or required by law.

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, 2010, the County had an estimated future liability of \$39,649 for dental. The County is fully insured for its alternative capitation dental program and for medical coverage for employees represented by Operating Engineers Union Local 3.

C. Liability and Property

The County has a self-insured retention of \$1 million with excess insurance coverage for the general liability program. At June 30, 2010, the County had estimated future liabilities totaling \$4,775,000 which included estimates for known claims and losses incurred but not reported (IBNR).

D. Unemployment Insurance

The Unemployment Insurance self-insurance program is considered a "reimbursable" program by Employment Development Department (EDD), since EDD provides benefits and bills the County quarterly after the fact. As billings are always one quarter in arrears, the estimated future liabilities are based on 25% of the amount budgeted for the new fiscal year. At June 30, 2010, estimated future liabilities were \$187,500.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

19. POLLUTION REMEDIATION OBLIGATIONS

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

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

At June 30, 2010, the County identified the following sites, within the District, which met one of the above obligating events:

Lode Street Underground Storage Tank Site

The site was the former location of the District's East Cliff Pump Station underground storage tank (UST). The UST was removed in April 1997. However, levels of hydrocarbons have been detected at the site above acceptable levels. The District has contracted with a consultant for a corrective action plan, which has been approved. The estimated clean-up cost for the underground contamination and monitoring is approximately \$292,146.

Rio Del Mar Pump Station

The site was the former location of the District's Rio Del Mar Pump Station underground storage tank (UST). The UST was removed in 1996. However, levels of hydrocarbons have been detected at the site above acceptable levels. The District has contracted with a consultant for a corrective action plan, which has been approved. The estimated clean-up cost for the underground contamination and monitoring is approximately \$369,820.

At June 30, 2010, the District has recorded pollution remediation obligations in the amount of \$661,966 on the Government-Wide Statement of Net Assets and allocated the total amount to General Government on the Government-Wide Statement of Activities and Changes in Net Assets.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

20. MENTAL HEALTH FUNDING

During the current fiscal year, the County adjusted its estimate of the amount of deferred revenue for mental health funding from State and Federal agencies. The previous estimates over a ten year period resulted in a buildup of deferred revenues of approximately \$22 million as part of the County's health care managed risk philosophy. Of this amount, the County currently estimates the amount of deferred revenues to be \$8,250,000.

This results in a one time adjustment of approximately \$14 million. The County has concluded that this amount is in excess of reasonable expectations and has recognized the \$14 million as revenue in the current fiscal year.

21. SUBSEQUENT EVENTS

On July 1, 2010, the County issued a Tax and Revenue Anticipation Note at 2.00% in the amount of \$50,000,000. Tax and Revenue Anticipation Notes are issued annually as part of a cash management policy to maintain the County's working capital until sufficient taxes or revenues are collected to fund the County's operations. The note is due June 30, 2011 and is collateralized by fiscal year 2010-2011 unrestricted revenues.

On July 8, 2010, the County paid the full amount of the 2009-2010 Tax and Revenue Anticipation Note with accrued interest. The amount of the note was \$50,000,000 and accrued interest was \$997,222.

On July 22, 2010, the Agency issued 2010 Taxable Housing Tax Allocation Bonds in the original amount of \$18,500,000 to fund activity within the Live Oak/Soquel Community Improvement Project Area. The interest rate on the bonds ranges from 2.95% to 7.40% and the final maturity date is September 1, 2036.

State Budget Crisis

On July 28, 2009, the State adopted ABX 4-26, which includes provisions that require the Redevelopment Agency to pay from Tax Increment Revenue Funds to a Supplemental Educational Revenue Augmentation Fund of \$2,245,594 in fiscal year 2010/2011. This action was litigated by the California Redevelopment Association and other parties. This lawsuit challenges the constitutionality of ABX 4-26 and seeks to prevent the State from taking redevelopment funds for non-development purposes. As of the date of this report, the court's decision is currently being appealed and the results have not yet been determined.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

22. PRIOR PERIOD ADJUSTMENTS

A. Government-Wide Financial Statements

The County recorded the following prior period adjustments in the Government-Wide Financial Statements. Adjustments were made to the Governmental activities increasing deferred charges for unrecorded debt issuance costs, decreasing deposits with others, increasing long term debt and loans receivables previously unreported and correcting miscellaneous accounts' prior year balances. Business type activities were adjusted for long term debt and loans receivables. Accordingly, the net assets as of July 1, 2009, have been restated as follows:

Government-Wide Financial Statements	Net Assets, as Previously Reported	Prior Period Adjustments					Net Assets, As Restated
		Deferred Charges	Deposits with Others	Long Term Debt	Loans Receivable	Miscellaneous Balances	
Governmental Activities:							
Net assets	\$ 306,662,186	\$ 1,658,202	\$ (209,233)	\$ (117,370)	\$ 150,090	\$ (131,664)	\$ 308,012,211
Total governmental activities	<u>\$ 306,662,186</u>	<u>\$ 1,658,202</u>	<u>\$ (209,233)</u>	<u>\$ (117,370)</u>	<u>\$ 150,090</u>	<u>\$ (131,664)</u>	<u>\$ 308,012,211</u>
Business-type Activities:							
Net assets	\$ 33,843,465	\$ -	\$ -	\$ (277,467)	\$ 232,709	\$ -	\$ 33,798,707
Total business-type activities	<u>\$ 33,843,465</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (277,467)</u>	<u>\$ 232,709</u>	<u>\$ -</u>	<u>\$ 33,798,707</u>

B. Fund Financial Statements

The County recorded the following prior period adjustments in the appropriate governmental funds and net assets in the appropriate proprietary funds in the fund financial statements for corrections to loans receivable and miscellaneous balances. Accordingly, the fund balance as of July 1, 2009 has been restated as follows:

Governmental funds

Governmental Funds	Fund Balance, as Previously Reported	Prior Period Adjustments		Fund Balance, As Restated
		Miscellaneous Balances	Loans Receivable	
General Fund	\$ 17,593,396	\$ (131,664)	\$ -	\$ 17,461,732
Private Revitalization of Downtown Special Revenue Fund	1,998,271	-	150,090	2,148,361
Total governmental funds	<u>\$ 19,591,667</u>	<u>\$ (131,664)</u>	<u>\$ 150,090</u>	<u>\$ 19,610,093</u>

General Fund:

The prior period adjustment in the General Fund is to correct prior year balances after performing reconciliations of certain accounts.

Private Revitalization of Downtown:

The prior period adjustment in the Private Revitalization of Downtown fund was the result of recording previously unreported loans receivable.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

22. PRIOR PERIOD ADJUSTMENTS, Continued

B. Fund Financial Statements, Continued

Proprietary funds

Proprietary Funds	Net Assets, as Previously Reported	Prior Period Adjustments			Net Assets, As Restated
		Long Term Debt	Loans Receivable	Deposits with Others	
Enterprise					
Septic Tank Maintenance CSA 12	\$ 1,373,766	\$ (277,467)	\$ 232,707	\$ -	\$ 1,329,006
Internal Service					
Public Works	3,774,139	-	-	(209,233)	3,564,906
Total proprietary funds	<u>\$ 5,147,905</u>	<u>\$ (277,467)</u>	<u>\$ 232,707</u>	<u>\$ (209,233)</u>	<u>\$ 4,893,912</u>

Septic Tank Maintenance CSA 12

The prior period adjustment in the Septic Tank Maintenance fund represents an increase in the long term debt recognizing a loan from the state and an increase to loans receivable for loans given to property owners. These are the “mini-loans” loaned out to property owners to improve their septic systems.

Public Works

The prior period adjustment in the Public Works internal service fund is the result of eliminating the double counting of certain deposits with others since Public Works’ portion of the related debt had previously been paid off and these deposits had already been reported in the PFA’s financial statements in prior years.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

23. 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	\$ 90,194
<i>General Service</i>	
Services and supplies	\$ 60,038
Redevelopment Agency Fund:	
Services and supplies	\$ 3,237,579
Capital Project Funds:	
Capital assets	\$ 660,415

Expenditures in excess of appropriations are explained as follows:

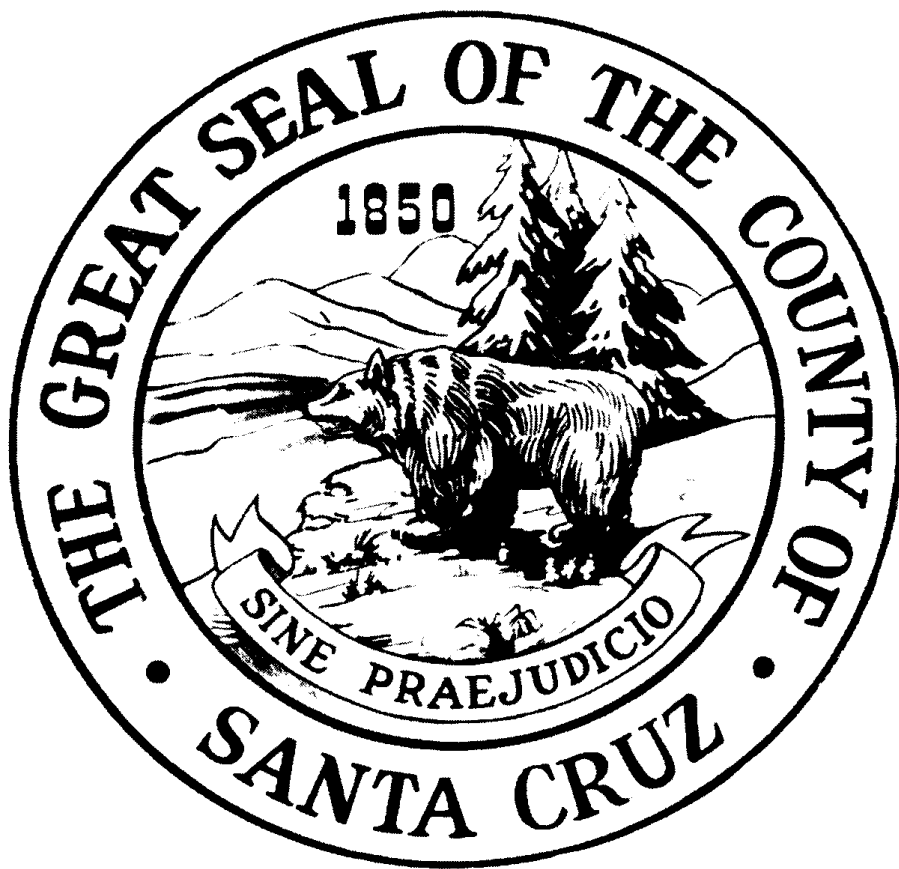
General Fund - General Service - Capital lease expenditures offset by prior year unbudgeted revenue of "Inception of lease purchase agreement" in the amount of \$5,989,594. Payments are made out of an escrow account. The original lease purchase was approved for the capital expense.

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.

Capital Project Funds - The Capital Projects funds employs the "all years" budget approach. Projects are budgeted when approved and projects not completed are rebudgeted annually through the Budget process approved by the Board of Supervisors. Budgets for projects may appear in prior years and are rebudgeted until completed.



REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)



County of Santa Cruz
Required Supplementary Information (Unaudited)
For the year ended June 30, 2010

BUDGETARY PRINCIPLES

General Budget Policies

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

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

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

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2010

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, 2010

Budgetary Comparison Schedule, General Fund

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
FUND BALANCE, BEGINNING, AS RESTATED	\$ 17,461,732	\$ 17,461,732	\$ 17,461,732	\$ -
RESOURCES (INFLOWS)				
Taxes	88,329,470	88,329,470	87,156,987	(1,172,483)
Licenses	9,504,864	9,558,764	9,246,818	(311,946)
Fines, forfeitures and penalties	5,300,372	5,358,544	5,180,367	(178,177)
Revenue from use of money and property	1,666,747	1,666,747	1,778,940	112,193
Aid from other governmental agencies	175,467,557	185,168,128	201,982,839	16,814,711
Charges for current services	51,073,250	51,668,901	47,438,213	(4,230,688)
Other revenues	2,654,241	3,532,483	3,405,555	(126,928)
Transfers in	27,492,569	27,492,569	2,734,556	(24,758,013)
Amount Available for Appropriation	361,489,070	372,775,606	358,924,275	(13,851,331)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General Government:				
Board of Supervisors				
Salaries and employee benefits	2,138,601	2,138,601	2,062,265	76,336
Services and supplies	94,455	97,011	85,802	11,209
Total	2,233,056	2,235,612	2,148,067	87,545
Administrative Office				
Salaries and employee benefits	2,458,179	2,458,179	2,294,077	164,102
Services and supplies	1,229,574	1,209,452	613,585	595,867
Other charges	267,552	267,552	267,551	1
Intrafund transfers	(900,726)	(900,726)	(897,653)	(3,073)
Appropriations for contingencies	-	9,000	-	9,000
Total	3,054,579	3,043,457	2,277,560	765,897
Auditor-Controller				
Salaries and employee benefits	2,599,089	2,599,089	2,581,142	17,947
Services and supplies	1,942,143	1,582,034	1,514,446	67,588
Other charges	124,476	124,476	124,476	-
Intrafund transfers	(2,251,678)	(2,251,678)	(2,369,591)	117,913
Total	2,414,030	2,053,921	1,850,473	203,448

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2010

Budgetary Comparison Schedule, General Fund, Continued

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
General Government, Continued:				
Treasurer - Tax Collector				
Salaries and employee benefits	\$ 1,387,808	\$ 1,387,808	\$ 1,241,240	\$ 146,568
Services and supplies	564,370	462,002	418,475	43,527
Intrafund transfers	(79,356)	(79,356)	(79,356)	-
Total	1,872,822	1,770,454	1,580,359	190,095
Assessor				
Salaries and employee benefits	2,905,540	2,928,102	2,913,118	14,984
Services and supplies	520,860	448,578	361,769	86,809
Other charges	251,970	252,120	252,119	1
Intrafund transfers	(174,978)	(174,978)	(177,430)	2,452
Total	3,503,392	3,453,822	3,349,576	104,246
Purchasing				
Salaries and employee benefits	354,791	367,461	367,458	3
Services and supplies	214,428	212,003	111,219	100,784
Intrafund transfers	(167,046)	(167,046)	(167,046)	-
Total	402,173	412,418	311,631	100,787
County Counsel				
Salaries and employee benefits	2,539,757	2,604,807	2,604,803	4
Services and supplies	264,529	210,511	200,202	10,309
Intrafund transfers	(1,384,346)	(1,384,346)	(1,378,978)	(5,368)
Total	1,419,940	1,430,972	1,426,027	4,945
Personnel				
Salaries and employee benefits	2,452,907	2,452,907	2,433,710	19,197
Services and supplies	1,690,283	1,509,924	1,357,444	152,480
Intrafund transfers	(981,162)	(981,162)	(956,397)	(24,765)
Total	3,162,028	2,981,669	2,834,757	146,912
County Clerk/Elections				
Salaries and employee benefits	1,641,292	1,736,852	1,736,850	2
Services and supplies	2,033,898	2,021,251	976,903	1,044,348
Capital assets	-	89,521	89,521	-
Appropriations for contingencies	-	400	-	400
Total	3,675,190	3,848,024	2,803,274	1,044,750

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2010

Budgetary Comparison Schedule, General Fund, Continued

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
General Government, Continued:				
Communications				
Salaries and employee benefits	\$ 604,799	\$ 604,799	\$ 494,536	\$ 110,263
Services and supplies	2,277,884	2,265,223	2,174,439	90,784
Capital Assets	-	186,425	7,609	178,816
Intrafund transfers	(508,415)	(508,415)	(442,366)	(66,049)
Appropriations for contingencies	-	3,500	-	3,500
Total	2,374,268	2,551,532	2,234,218	317,314
General Services				
Salaries and employee benefits	4,391,107	4,378,607	4,368,416	10,191
Services and supplies	3,286,113	3,257,911	3,138,803	119,108
Other charges	481,093	481,093	383,303	97,790
Capital assets	-	-	90,194	(90,194)
Interfund transfers	(4,574,324)	(4,574,324)	(4,086,817)	(487,507)
Appropriations for contingencies	-	24,364	-	24,364
Total	3,583,989	3,567,651	3,893,899	(326,248)
Real Property Management				
Services and supplies	61,811	73,652	73,652	-
Other charges	12	12	-	12
Total	61,823	73,664	73,652	12
Plant Acquisition				
Appropriations for contingencies	210,076	210,076	-	210,076
Total	210,076	210,076	-	210,076
Surveyor				
Services and supplies	703,500	691,659	269,475	422,184
Interfund transfers	-	-	(6,749)	6,749
Total	703,500	691,659	262,726	428,933
DPW Engineering				
Services and supplies	156,100	156,100	83,995	72,105
Total	156,100	156,100	83,995	72,105
Central Stores				
Salaries and employee benefits	156,605	156,605	153,861	2,744
Services and supplies	52,030	52,024	44,969	7,055
Intrafund transfers	(227,368)	(227,368)	(214,763)	(12,605)
Total	(18,733)	(18,739)	(15,933)	(2,806)
Total General Government	28,808,233	28,462,292	25,114,281	3,348,011

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2010

Budgetary Comparison Schedule, General Fund, Continued

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Protection:				
Courts				
Services and supplies	\$ 45,404	\$ 45,404	\$ 20,470	\$ 24,934
Other charges	2,323,058	2,323,058	2,189,906	133,152
Total	2,368,462	2,368,462	2,210,376	158,086
Grand Jury				
Services and supplies	55,666	53,941	50,191	3,750
Total	55,666	53,941	50,191	3,750
Child Support				
Salaries and employee benefits	5,839,071	5,881,071	5,867,543	13,528
Services and supplies	783,354	741,354	801,392	(60,038)
Other charges	207,481	207,481	207,481	-
Total	6,829,906	6,829,906	6,876,416	(46,510)
District Attorney				
Salaries and employee benefits	10,378,808	10,410,198	10,327,437	82,761
Services and supplies	1,091,061	1,091,119	1,075,431	15,688
Other charges	137,270	467,190	452,894	14,296
Intrafund transfers	(83,539)	(83,539)	(106,510)	22,971
Total	11,523,600	11,884,968	11,749,252	135,716
Public Defender				
Services and supplies	8,416,825	8,416,825	8,213,401	203,424
Total	8,416,825	8,416,825	8,213,401	203,424
Sheriff-Coroner				
Salaries and employee benefits	19,653,869	20,163,272	19,927,738	235,534
Services and supplies	5,300,435	5,204,730	4,406,369	798,361
Other charges	44,048	44,048	39,712	4,336
Capital assets	633,562	690,629	486,509	204,120
Intrafund transfers	(2,150)	(2,150)	-	(2,150)
Appropriations for contingencies	-	23,500	-	23,500
Total	25,629,764	26,124,029	24,860,328	1,263,701
Jail and Rehabilitation Center				
Salaries and employee benefits	19,764,986	19,312,583	19,245,633	66,950
Services and supplies	4,362,905	4,453,314	3,344,808	1,108,506
Other charges	30,000	30,000	-	30,000
Capital assets	35,000	-	-	-
Total	24,192,891	23,795,897	22,590,441	1,205,456

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2010

Budgetary Comparison Schedule, General Fund, Continued

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Protection, Continued:				
Probation Department				
Salaries and employee benefits	10,655,370	11,274,696	11,150,084	124,612
Services and supplies	3,557,791	4,085,502	3,250,422	835,080
Other charges	81,150	136,535	18,370	118,165
Capital assets	252,875	307,875	150,136	157,739
Intrafund transfers	(72,727)	(208,400)	(193,651)	(14,749)
Appropriations for contingencies	-	9,608	-	9,608
Total	14,474,459	15,605,816	14,375,361	1,230,455
State Correctional Schools				
Services and supplies	5,740	5,740	-	5,740
Other charges	57,856	7,856	7,206	650
Total	63,596	13,596	7,206	6,390
Agricultural Commissioner/ Weights and Measures				
Salaries and employee benefits	1,849,263	1,847,263	1,740,233	107,030
Services and supplies	395,152	377,187	340,664	36,523
Intrafund transfers	(141,364)	(141,364)	(126,469)	(14,895)
Total	2,103,051	2,083,086	1,954,428	128,658
Public Works - Other Construction Inspection				
Services and supplies	70,000	70,000	18,875	51,125
Total	70,000	70,000	18,875	51,125
Recorder				
Salaries and employee benefits	634,292	646,742	646,741	1
Services and supplies	475,387	490,807	455,796	35,011
Capital assets	95,471	95,471	82,678	12,793
Intrafund transfers	-	-	(25,316)	25,316
Appropriations for contingencies	-	1,638	-	1,638
Total	1,205,150	1,234,658	1,159,899	74,759

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2010

Budgetary Comparison Schedule, General Fund, Continued

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Protection, Continued:				
County Emergency Office				
Salaries and employee benefits	\$ 153,473	\$ 153,473	\$ 150,746	\$ 2,727
Services and supplies	377,823	367,732	345,674	22,058
Total	531,296	521,205	496,420	24,785
Local Agency Formation Commission				
Other charges	95,221	95,221	95,221	-
Total	95,221	95,221	95,221	-
Planning Department				
Salaries and employee benefits	8,849,295	8,849,295	8,701,943	147,352
Services and supplies	3,126,262	3,081,575	2,211,722	869,853
Other charges	1,041,397	1,790,115	1,024,255	765,860
Intrafund transfers	(465,443)	(465,443)	(413,573)	(51,870)
Appropriations for contingencies	-	96,922	-	96,922
Total	12,551,511	13,352,464	11,524,347	1,828,117
Animal Services				
Other charges	1,214,412	1,214,412	1,184,894	29,518
Total	1,214,412	1,214,412	1,184,894	29,518
Association of Monterey Bay Area Govts.				
Other charges	33,000	33,000	32,852	148
Total	33,000	33,000	32,852	148
Total Public Protection	111,358,810	113,697,486	107,399,908	6,297,578

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2010

Budgetary Comparison Schedule, General Fund, Continued

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Health and Sanitation:				
Health Services Agency				
Salaries and employee benefits	\$ 53,473,963	\$ 55,251,525	\$ 53,715,431	\$ 1,536,094
Services and supplies	37,450,165	38,657,512	35,560,468	3,097,044
Other charges	23,638,132	24,927,285	24,316,422	610,863
Capital assets	12,712	68,742	26,753	41,989
Intrafund transfers	(13,244,471)	(13,386,271)	(12,492,667)	(893,604)
Appropriations for contingencies	-	49,517	-	49,517
Total	101,330,501	105,568,310	101,126,407	4,441,903
Mosquito Abatement				
Salaries and employee benefits	788,849	788,849	688,498	100,351
Services and supplies	407,344	405,769	201,451	204,318
Total	1,196,193	1,194,618	889,949	304,669
Air Pollution				
Other charges	31,373	31,373	31,282	91
Total	31,373	31,373	31,282	91
Total Health and Sanitation	102,558,067	106,794,301	102,047,638	4,746,663
Public Assistance:				
Human Services Department				
Salaries and employee benefits	39,489,630	39,779,812	39,779,811	1
Services and supplies	11,848,297	12,148,736	11,059,842	1,088,894
Other charges	14,096,748	16,606,444	14,105,335	2,501,109
Intrafund transfers	(342,787)	(342,787)	(286,128)	(56,659)
Appropriations for contingencies	-	4,904	-	4,904
Total	65,091,888	68,197,109	64,658,860	3,538,249
Community Programs				
Other charges	3,416,069	3,416,069	3,416,068	1
Total	3,416,069	3,416,069	3,416,068	1
(Continued)				

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2010

Budgetary Comparison Schedule, General Fund, Continued

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Assistance, Continued:				
Categorical Aids				
Other charges	\$ 29,686,989	\$ 30,570,778	\$ 30,203,426	\$ 367,352
Total	29,686,989	30,570,778	30,203,426	367,352
General Assistance				
Services and supplies	1,351	1,351	590	761
Other charges	329,533	329,533	211,827	117,706
Total	330,884	330,884	212,417	118,467
Burial of Indegents				
Services and supplies	49,129	49,129	30,848	18,281
Total	49,129	49,129	30,848	18,281
Family Relations				
Services and supplies	497,088	624,181	363,152	261,029
Other charges	228,184	354,545	208,995	145,550
Appropriations for contingencies	-	32,145	-	32,145
Total	725,272	1,010,871	572,147	438,724
Homeless				
Other charges	221,069	278,101	278,101	-
Total	221,069	278,101	278,101	-
Wards of Court				
Services and supplies	10,000	10,000	1,940	8,060
Other charges	167,500	232,500	128,381	104,119
Total	177,500	242,500	130,321	112,179
Veterans Service Officer				
Salaries and employee benefits	252,449	252,449	243,019	9,430
Services and supplies	39,068	39,068	30,207	8,861
Total	291,517	291,517	273,226	18,291
Total Public Assistance	99,990,317	104,386,958	99,775,414	4,611,544

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2010

Budgetary Comparison Schedule, General Fund, Continued

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Education:				
Agricultural Extension Services				
Salaries and employee benefits	\$ 125,187	\$ 127,187	\$ 126,148	\$ 1,039
Services and supplies	33,060	33,072	31,039	2,033
Total	158,247	160,259	157,187	3,072
Total Education	158,247	160,259	157,187	3,072
Recreation and Culture:				
Recreation and Cultural Services				
Salaries and employee benefits	4,595,012	4,694,692	4,694,691	1
Services and supplies	1,809,318	1,675,571	1,473,413	202,158
Other charges	315,165	315,165	315,163	2
Intrafund transfers	(209,672)	(209,672)	(206,672)	(3,000)
Total	6,509,823	6,475,756	6,276,595	199,161
Total Recreation and Culture	6,509,823	6,475,756	6,276,595	199,161
Public Ways and Facilities:				
Public Ways - DPW				
Services and supplies	227,290	225,303	197,129	28,174
Appropriations for contingencies	-	1,987	-	1,987
Total	227,290	227,290	197,129	30,161
Total Public Ways and Facilities	227,290	227,290	197,129	30,161
Debt Service:				
Debt Service				
Services and supplies	105,750	132,833	113,821	19,012
Other charges	339,158	669,158	553,441	115,717
Intrafund transfers	(277,743)	(277,743)	(277,980)	237
Total	167,165	524,248	389,282	134,966
Total Debt Service	167,165	524,248	389,282	134,966
Total Charges to Appropriations (Outflows)	349,777,952	360,728,590	341,357,434	19,371,156

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2010

Budgetary Comparison Schedule, General Fund, Continued

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Transfers Out:				
Auditor-Controller	\$ 10,669	\$ 10,669	\$ 10,669	\$ -
General Services	18,000	18,000	18,000	-
Jail and Rehabilitation Center	-	19,702	5,802	13,900
Probation Department	-	10,000	10,000	-
Debt Service	6,589,554	6,562,471	6,281,313	281,158
Total transfers out	6,618,223	6,620,842	6,325,784	295,058
Total Charges to Appropriations (Outflows)	356,396,175	367,349,432	347,683,218	19,666,214
Net change in fund balances	5,092,895	5,426,174	11,241,057	5,814,883
FUND BALANCE, ENDING	\$ 22,554,627	\$ 22,887,906	\$ 28,702,789	\$ 5,814,883 (Concluded)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2010

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	\$ 358,924,275
---	----------------

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(2,734,556)</u>
---	--------------------

Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u><u>\$ 356,189,719</u></u>
---	------------------------------

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	\$ 347,683,218
--	----------------

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(6,325,784)</u>
--	--------------------

Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u><u>\$ 341,357,434</u></u>
---	------------------------------

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2010

Budgetary Comparison Schedule, Redevelopment Agency

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
FUND BALANCE, BEGINNING	\$ 168,737,844	\$ 168,737,844	\$ 168,737,844	\$ -
RESOURCES (INFLOWS):				
Taxes	22,095,546	33,002,719	22,781,099	(10,221,620)
Fines, forfeits and penalties	-	-	27,957	27,957
Aid from other governments	14,550	14,550	28,863	14,313
Use of money and property	404,586	404,586	1,238,969	834,383
Other	10,960	10,960	1,586	(9,374)
Sale of capital assets	1,400,000	1,400,000	-	(1,400,000)
Gain on land held for resale	-	-	56,633	56,633
Transfers in	5,625,612	5,625,612	4,856,505	(769,107)
Amounts available for appropriation	29,551,254	40,458,427	28,991,612	(11,466,815)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Salaries and employee benefits	2,827,564	13,734,737	12,922,178	812,559
Services and supplies	2,798,041	4,241,781	7,479,360	(3,237,579)
Capital assets	12,460,000	12,460,000	294,664	12,165,336
Other charges	62,995,375	61,496,332	14,542,287	46,954,045
Interest expense	12,045,237	12,045,237	-	12,045,237
Long term debt principal payments	3,514,395	3,514,395	-	3,514,395
Transfers out	5,658,287	5,658,287	20,311,406	(14,653,119)
Total charges to appropriations	102,298,899	113,150,769	55,549,895	57,600,874
FUND BALANCE, ENDING	\$ 95,990,199	\$ 96,045,502	\$ 142,179,561	\$ 46,134,059

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	\$ 28,991,612
Differences - budget to GAAP:	
Gain on land held for resale is an inflow of budgetary resources but is not revenue for financial reporting purposes	(56,633)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(4,856,505)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Redevelopment Agency	\$ 24,078,474

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	\$ 55,549,895
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(20,311,406)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Redevelopment Agency	\$ 35,238,489

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2010

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

SCHEDULE OF FUNDING PROGRESS

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

<u>Safety Employees</u>						
	(A)	(B)	(C)	(D)	(E)	(F)
			Unfunded (Overfunded)			Unfunded (Overfunded)
		Entry Age	Actuarial	Funded		Liability as
Actuarial	Actuarial	Actuarial	Accrued	Ratio	Covered	a Percentage
Valuation	Value of	Accrued	Liability		Payroll	of Covered
Date*	Assets	Liability	[(B)-(A)]	[(A)/(B)]		Payroll
						[(C)/(E)]
2007	\$ 94,018,249	\$ 101,130,792	\$ 7,112,543	93.0%	\$ 13,605,487	52.3%
2008	100,320,639	108,851,515	8,530,876	92.2%	14,742,955	57.9%
2009	104,636,248	117,605,110	12,968,862	89.0%	15,469,830	83.8%

<u>Sheriff Safety Employees</u>						
	(A)	(B)	(C)	(D)	(E)	(F)
			Unfunded (Overfunded)			Unfunded (Overfunded)
		Entry Age	Actuarial	Funded		Liability as
Actuarial	Actuarial	Actuarial	Accrued	Ratio	Covered	a Percentage
Actuarial	Actuarial	Actuarial	Liability		Payroll	of Covered
Valuation	Value of	Accrued	[(B)-(A)]	[(A)/(B)]		Payroll
Date*	Assets	Liability				[(C)/(E)]
2007	\$ 60,274,587	\$ 79,666,860	\$ 19,392,273	75.7%	\$ 11,392,653	170.2%
2008	66,755,223	85,231,576	18,476,353	78.3%	11,340,292	162.9%
2009	71,394,537	95,041,935	23,647,398	75.1%	12,591,776	187.8%

*Most recent information available

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2010

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS), Continued

SCHEDULE OF FUNDING PROGRESS, Continued

Miscellaneous Employees

	(A)	(B)	(C)	(D)	(E)	(F)
			Unfunded (Overfunded)			Unfunded (Overfunded)
		Entry Age	Actuarial			Liability as
Actuarial	Actuarial	Actuarial	Accrued	Funded	Covered	a Percentage
Valuation	Value of	Accrued	Liability	Ratio	Payroll	of Covered
Date*	Assets	Liability	[(B)-(A)]	[(A)/(B)]		Payroll
						[(C)/(E)]
2007	\$ 563,086,816	\$ 649,343,449	\$ 86,256,633	86.7%	\$ 139,874,987	61.7%
2008	610,897,857	702,452,252	91,554,395	87.0%	146,055,991	62.7%
2009	646,907,355	772,139,864	125,232,509	83.8%	143,916,625	87.0%

OTHER POSTEMPLOYMENT OBLIGATIONS

SCHEDULE OF FUNDING PROGRESS

The table below shows the analysis of the actuarial value of assets as a percentage of the actuarial accrual liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30, 2010.

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

* Most recent information available.

SUPPLEMENTARY INFORMATION



**COMBINED, COMBINING AND
INDIVIDUAL FUND STATEMENTS AND
SCHEDULES**

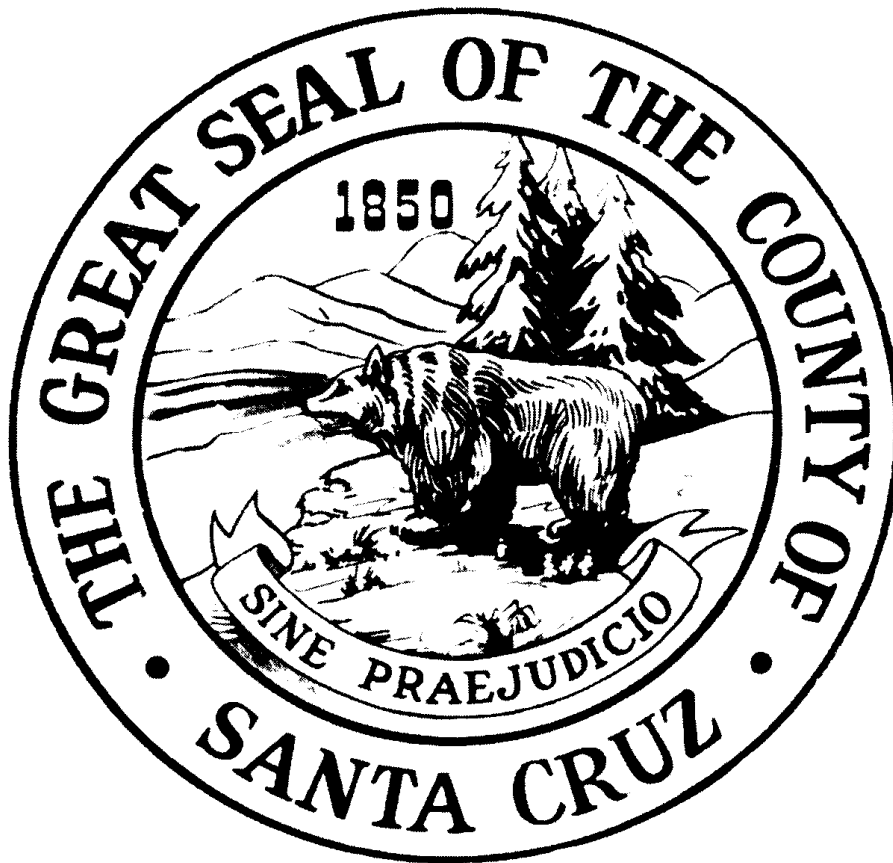


SUMMARY OF NONMAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

Debt Service Funds - The Debt Service Funds are used to account for the accumulation of resources for, and the payment of interest and principal on, revenue bonds issued by the Santa Cruz County Public Financing Authority. The bonds were issued for the purpose of financing certain development activities within the County, and for refunding outstanding bonds.

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



County of Santa Cruz
Combined Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 22,816,585	\$ -	\$ 2,131,529	\$ 24,948,114
Restricted cash and investments	5,641,194	9,464,618	-	15,105,812
Receivables	1,376,527	-	15,000	1,391,527
Loans Receivable	150,090	-	-	150,090
Due from other funds	3,444,797	-	523,237	3,968,034
Prepaid items	378,671	-	-	378,671
Advances from other funds	1,535,000	-	-	1,535,000
Total assets	\$ 35,342,864	\$ 9,464,618	\$ 2,669,766	\$ 47,477,248
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,225,921	\$ -	\$ 21,265	\$ 1,247,186
Due to other funds	3,489,988	-	523,237	4,013,225
Deferred revenue	1,352,139	-	-	1,352,139
Total liabilities	6,068,048	-	544,502	6,612,550
Fund Balances:				
Reserved:				
Encumbrances and reappropriations	7,665,073	-	80,492	7,745,565
Prepays	378,671	-	-	378,671
Advances and loans	150,090	-	-	150,090
Debt service	5,641,194	9,464,618	-	15,105,812
Capital asset acquisition	1,489,809	-	-	1,489,809
Unreserved:				
Undesignated, reported in:				
Special revenue funds	13,949,979	-	-	13,949,979
Capital project funds	-	-	2,044,772	2,044,772
Total fund balances	29,274,816	9,464,618	2,125,264	40,864,698
Total liabilities and fund balances	\$ 35,342,864	\$ 9,464,618	\$ 2,669,766	\$ 47,477,248

County of Santa Cruz
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2010

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES:				
Taxes	\$ 13,780,245	\$ -	\$ -	\$ 13,780,245
Fines, forfeits and penalties	22,722	-	-	22,722
Use of money and property	166,908	1,418	10,813	179,139
Aid from other governments	17,000,617	-	77,250	17,077,867
Charges for services	9,406,352	-	-	9,406,352
Other	1,108,247	-	102,100	1,210,347
Total revenues	41,485,091	1,418	190,163	41,676,672
EXPENDITURES:				
Current:				
General government	232,173	-	851,602	1,083,775
Public protection	11,448,177	-	-	11,448,177
Public ways and facilities	17,659,078	-	-	17,659,078
Health & sanitation	55	-	-	55
Public assistance	518,506	-	-	518,506
Education	4,763,564	-	-	4,763,564
Recreation and culture	1,068,437	-	-	1,068,437
Capital outlay	-	-	769,152	769,152
Debt service:				
Principal	4,908,377	3,455,000	-	8,363,377
Interest and fiscal charges	1,936,071	12,011,823	-	13,947,894
Total expenditures	42,534,438	15,466,823	1,620,754	59,622,015
REVENUES OVER (UNDER) EXPENDITURES	(1,049,347)	(15,465,405)	(1,430,591)	(17,945,343)
OTHER FINANCING SOURCES (USES):				
Transfers in	6,459,976	15,466,062	326,161	22,252,199
Transfers out	(3,627,040)	(11,161)	(275,051)	(3,913,252)
Total other financing sources (uses)	2,832,936	15,454,901	51,110	18,338,947
Net change in fund balances	1,783,589	(10,504)	(1,379,481)	393,604
FUND BALANCES:				
Beginning of year, as restated	27,491,227	9,475,122	3,504,745	40,471,094
End of year	\$ 29,274,816	\$ 9,464,618	\$ 2,125,264	\$ 40,864,698

County of Santa Cruz

Combined Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Capital Projects Funds

For the year ended June 30, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCES, BEGINNING	\$ 3,504,745	\$ 3,504,745	\$ 3,504,745	\$ -
RESOURCES (INFLOWS)				
Use of money and property	-	-	10,813	10,813
Aid from other governmental agencies	-	(209)	77,250	77,459
Other revenue	-	95,000	102,100	7,100
Transfers in	-	1,348,270	326,161	(1,022,109)
Amounts available for appropriation	-	1,443,061	516,324	(926,737)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	-	-	(163)	163
Capital assets	-	108,900	769,315	(660,415)
Other charges	-	851,602	851,602	-
Transfers out	-	275,051	275,051	-
Total charges to appropriations	-	1,235,553	1,895,805	(660,252)
FUND BALANCES, ENDING	<u>\$ 3,504,745</u>	<u>\$ 3,712,253</u>	<u>\$ 2,125,264</u>	<u>\$ (1,586,989)</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	\$ 516,324
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(326,161)
Total revenues as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	<u>\$ 190,163</u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,895,805
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(275,051)
Total expenditures as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	<u>\$ 1,620,754</u>



NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds:

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

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

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

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

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

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

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

Health Services Fund - The Health Services Fund provides for future purchases of health facilities.

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

Districts Governed by the Board of Supervisors: Public Protection, Health and Sanitation, Recreation and Culture, Public Ways and Facilities funds - The Public Protection, Health and Sanitation, Recreation and Culture, Public Ways and Facilities funds support a number of special purpose district funds administered by the Department of Public Works. Revenues consist of tax levies and service charges.

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

County of Santa Cruz
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2010

	Special Revenue			
	Library	Fire	Off Highway Road and Transportation	Public Financing Authority
ASSETS				
Cash and investments	\$ 55,149	\$ 2,751,170	\$ 2,266,112	\$ -
Restricted cash and investments	-	-	-	5,641,194
Receivables	-	-	834,444	-
Loans receivable	-	-	-	-
Due from other funds	-	-	3,444,797	-
Advances to other funds	-	-	-	1,535,000
Prepaid items	-	191,100	-	-
Total assets	\$ 55,149	\$ 2,942,270	\$ 6,545,353	\$ 7,176,194
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 739,913	\$ 72,227	\$ -
Due to other funds	-	-	3,167,317	45,191
Deferred revenue (credit)	-	-	1,352,139	-
Total liabilities	-	739,913	4,591,683	45,191
Fund Balances:				
Reserved:				
Encumbrances	-	208,900	6,505,941	-
Prepays	-	191,100	-	-
Advances and loans	-	-	-	-
Debt service	-	-	-	5,641,194
Capital asset acquisition	-	-	-	1,489,809
Total reserved	-	400,000	6,505,941	7,131,003
Unreserved:				
Undesignated	55,149	1,802,357	(4,552,271)	-
Total fund balances	55,149	2,202,357	1,953,670	7,131,003
Total liabilities and fund balances	\$ 55,149	\$ 2,942,270	\$ 6,545,353	\$ 7,176,194

Special Revenue							
Fish and Game	Private Revitalization of Downtown	Park Dedication and State Park Bonds	Health Services	Santa Cruz Flood Control and Water Conservation Zone 7	Public Protection	Health and Sanitation	
\$ 37,064	\$ 1,803,255	\$ 1,852,225	\$ 853,662	\$ 1,414,220	\$ 3,920,757	\$ 6,464	
-	-	-	-	-	-	-	
-	128,646	-	-	-	96,861	-	
-	150,090	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	187,571	-	
<u>\$ 37,064</u>	<u>\$ 2,081,991</u>	<u>\$ 1,852,225</u>	<u>\$ 853,662</u>	<u>\$ 1,414,220</u>	<u>\$ 4,205,189</u>	<u>\$ 6,464</u>	
\$ -	\$ 138,200	\$ 77,215	\$ -	\$ 41,616	\$ 90,645	\$ -	
-	-	-	-	-	24,703	-	
-	-	-	-	-	-	-	
-	138,200	77,215	-	41,616	115,348	-	
-	-	226,920	-	153,089	512,524	-	
-	-	-	-	-	187,571	-	
-	150,090	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	150,090	226,920	-	153,089	700,095	-	
37,064	1,793,701	1,548,090	853,662	1,219,515	3,389,746	6,464	
37,064	1,943,791	1,775,010	853,662	1,372,604	4,089,841	6,464	
<u>\$ 37,064</u>	<u>\$ 2,081,991</u>	<u>\$ 1,852,225</u>	<u>\$ 853,662</u>	<u>\$ 1,414,220</u>	<u>\$ 4,205,189</u>	<u>\$ 6,464</u>	

(Continued)

County of Santa Cruz
Combining Balance Sheet
Nonmajor Special Revenue Funds, Continued
June 30, 2010

	Special Revenue			
	Recreation and Culture	Public Ways and Facilities	Geologic Hazard Abatement Districts	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and investments	\$ 1,711,120	\$ 5,962,105	\$ 183,282	\$ 22,816,585
Restricted cash and investments	-	-	-	5,641,194
Receivables	-	316,576	-	1,376,527
Loans receivable	-	-	-	150,090
Due from other funds	-	-	-	3,444,797
Advances to other funds	-	-	-	1,535,000
Deferred charges	-	-	-	378,671
Total assets	\$ 1,711,120	\$ 6,278,681	\$ 183,282	\$ 35,342,864
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,635	\$ 63,470	\$ -	\$ 1,225,921
Due to other funds	-	252,777	-	3,489,988
Deferred revenue	-	-	-	1,352,139
Total liabilities	2,635	316,247	-	6,068,048
Fund Balances:				
Reserved:				
Encumbrances	14,202	43,497	-	7,665,073
Prepays	-	-	-	378,671
Advances and loans	-	-	-	150,090
Debt service	-	-	-	5,641,194
Capital asset acquisition	-	-	-	1,489,809
Total reserved	14,202	43,497	-	15,324,837
Unreserved:				
Undesignated	1,694,283	5,918,937	183,282	13,949,979
Total fund balances	1,708,485	5,962,434	183,282	29,274,816
Total liabilities and fund balances	\$ 1,711,120	\$ 6,278,681	\$ 183,282	\$ 35,342,864

(Concluded)



County of Santa Cruz
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2010

	Special Revenue			
	Library	Fire	Off Highway Road and Transportation	Public Financing Authority
REVENUES:				
Taxes	\$ 4,691,535	\$ 1,688,960	\$ -	\$ -
Fines, forfeits and penalties	-	-	-	-
Use of money and property	-	24,417	(12,225)	915
Aid from other governments	112,288	16,353	14,830,257	236,503
Charges for services	-	323,446	476,301	-
Other	-	953,520	36,719	-
Total revenues	4,803,823	3,006,696	15,331,052	237,418
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public protection	-	2,932,434	-	-
Public ways and facilities	-	-	12,487,195	-
Health & sanitation	-	-	-	-
Public assistance	-	-	-	-
Education	4,763,564	-	-	-
Recreation and culture	-	-	-	-
Debt service:				
Principal	-	-	-	4,908,377
Interest	-	-	-	1,936,071
Total expenditures	4,763,564	2,932,434	12,487,195	6,844,448
REVENUES OVER (UNDER) EXPENDITURES	40,259	74,262	2,843,857	(6,607,030)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	6,281,313
Transfers out	(5,555)	-	-	(1,204,196)
Total other financing sources (uses)	(5,555)	-	-	5,077,117
Net change in fund balances	34,704	74,262	2,843,857	(1,529,913)
FUND BALANCES:				
Beginning of year, restated	20,445	2,128,095	(890,187)	8,660,916
End of year	\$ 55,149	\$ 2,202,357	\$ 1,953,670	\$ 7,131,003

Special Revenue						
Fish and Game	Private Revitalization of Downtown	Park Dedication and State Park Bonds	Health Services	Santa Cruz Flood Control and Water Conservation Zone 7	Public Protection	Health and Sanitation
\$ -	\$ 505	\$ -	\$ -	\$ -	\$ 5,839,310	\$ -
22,722	-	-	-	-	-	-
266	20,812	14,403	6,917	7,171	45,257	114
-	124,000	15,502	-	675,000	461,525	-
-	163,042	175,354	-	1,595,197	1,073,573	-
-	5,577	100,000	-	-	-	-
22,988	313,936	305,259	6,917	2,277,368	7,419,665	114
-	-	232,173	-	-	-	-
10,900	-	-	-	1,377,067	7,127,776	-
-	-	-	-	-	-	-
-	-	-	-	-	-	55
-	518,506	-	-	-	-	-
-	-	-	-	-	-	-
-	-	54,925	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
10,900	518,506	287,098	-	1,377,067	7,127,776	55
12,088	(204,570)	18,161	6,917	900,301	291,889	59
-	88,378	79,616	-	-	-	-
-	(88,378)	(79,616)	-	(423,673)	(800,000)	-
-	-	-	-	(423,673)	(800,000)	-
12,088	(204,570)	18,161	6,917	476,628	(508,111)	59
24,976	2,148,361	1,756,849	846,745	895,976	4,597,952	6,405
\$ 37,064	\$ 1,943,791	\$ 1,775,010	\$ 853,662	\$ 1,372,604	\$ 4,089,841	\$ 6,464

County of Santa Cruz
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds, Continued
For the year ended June 30, 2010

	Special Revenue			Total
	Recreation and Culture	Public Ways and Facilities	Geologic Hazard Abatement Districts	Nonmajor Special Revenue Funds
REVENUES:				
Taxes	\$ 908,098	\$ 651,837	\$ -	\$ 13,780,245
Fines, forfeits and penalties	-	-	-	22,722
Use of money and property	13,407	43,969	1,485	166,908
Aid from other governments	4,718	524,471	-	17,000,617
Charges for services	321,872	5,277,567	-	9,406,352
Other	1,200	11,231	-	1,108,247
Total revenues	1,249,295	6,509,075	1,485	41,485,091
EXPENDITURES:				
Current:				
General government	-	-	-	232,173
Public protection	-	-	-	11,448,177
Public ways and facilities	-	5,171,883	-	17,659,078
Health & sanitation	-	-	-	55
Public assistance	-	-	-	518,506
Education	-	-	-	4,763,564
Recreation and culture	1,013,512	-	-	1,068,437
Debt service:				
Principal	-	-	-	4,908,377
Interest and fiscal charges	-	-	-	1,936,071
Total expenditures	1,013,512	5,171,883	-	42,534,438
REVENUES OVER (UNDER) EXPENDITURES	235,783	1,337,192	1,485	(1,049,347)
OTHER FINANCING SOURCES (USES):				
Transfers in	10,669	-	-	6,459,976
Transfers out	(135,673)	(889,949)	-	(3,627,040)
Total other financing sources (uses)	(125,004)	(889,949)	-	2,832,936
Net change in fund balances	110,779	447,243	1,485	1,783,589
FUND BALANCES:				
Beginning of year	1,597,706	5,515,191	181,797	27,491,227
End of year	\$ 1,708,485	\$ 5,962,434	\$ 183,282	\$ 29,274,816



County of Santa Cruz
Budgetary Comparison Schedule
Library Special Revenue Fund
For the year ended June 30, 2010

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
FUND BALANCE, BEGINNING	\$ 20,445	\$ 20,445	\$ 20,445	\$ -
RESOURCES (INFLOWS)				
Taxes	4,771,892	4,771,892	4,691,535	(80,357)
Aid from other governmental agencies	110,515	110,515	112,288	1,773
Amounts available for appropriation	4,882,407	4,882,407	4,803,823	(78,584)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	4,781,964	4,781,964	4,738,628	43,336
Other charges	24,936	24,936	24,936	-
Transfers out	5,555	5,555	5,555	-
Total charges to appropriations	4,812,455	4,812,455	4,769,119	43,336
FUND BALANCE, ENDING	\$ 90,397	\$ 90,397	\$ 55,149	\$ (35,248)

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	\$ 4,769,119
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(5,555)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 4,763,564

County of Santa Cruz
Budgetary Comparison Schedule
Fire Special Revenue Fund
For the year ended June 30, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 2,128,095	\$ 2,128,095	\$ 2,128,095	\$ -
RESOURCES (INFLOWS)				
Taxes	1,705,557	1,705,557	1,688,960	(16,597)
Use of money and property	40,000	40,000	24,417	(15,583)
Aid from other governmental agencies	14,244	14,244	16,353	2,109
Charges for current services	143,100	143,100	323,446	180,346
Other revenue	950,915	950,915	953,520	2,605
Amounts available for appropriation	2,853,816	2,853,816	3,006,696	152,880
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Salaries and employee benefits	66,183	66,183	59,864	6,319
Services and supplies	2,737,218	2,893,049	2,649,587	243,462
Other charges	248,061	248,061	219,251	28,810
Capital assets	452,333	452,333	3,732	448,601
Total charges to appropriations	3,503,795	3,659,626	2,932,434	727,192
FUND BALANCE, ENDING	\$ 1,478,116	\$ 1,322,285	\$ 2,202,357	\$ 880,072

County of Santa Cruz
Budgetary Comparison Schedule
Off Highways Road and Transportation Special Revenue Fund
For the year ended June 30, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ (890,187)	\$ (890,187)	\$ (890,187)	\$ -
RESOURCES (INFLOWS)				
Use of money and property	9,500	9,500	(12,225)	(21,725)
Aid from other governmental agencies	24,421,305	28,687,036	14,830,257	(13,856,779)
Charges for current services	4,376,867	4,376,867	476,301	(3,900,566)
Other revenue	-	135,199	36,719	(98,480)
Amounts available for appropriation	<u>28,807,672</u>	<u>33,208,602</u>	<u>15,331,052</u>	<u>(17,877,550)</u>
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	27,848,586	31,643,597	11,881,458	19,762,139
Other charges	-	605,737	605,737	-
Total charges to appropriations	<u>27,848,586</u>	<u>32,249,334</u>	<u>12,487,195</u>	<u>19,762,139</u>
FUND BALANCE, ENDING	<u>\$ 68,899</u>	<u>\$ 69,081</u>	<u>\$ 1,953,670</u>	<u>\$ 1,884,589</u>

County of Santa Cruz
Budgetary Comparison Schedule
Fish and Game Special Revenue Fund
For the year ended June 30, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 24,976	\$ 24,976	\$ 24,976	\$ -
RESOURCES (INFLOWS)				
Fines, forfeitures and penalties	3,500	3,500	22,722	19,222
Use of money and property	500	500	266	(234)
Amounts available for appropriation	4,000	4,000	22,988	18,988
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Other charges	22,500	22,500	10,900	11,600
Total charges to appropriations	22,500	22,500	10,900	11,600
FUND BALANCE, ENDING	\$ 6,476	\$ 6,476	\$ 37,064	\$ 30,588

County of Santa Cruz
Budgetary Comparison Schedule
Private Revitalization of Downtown Special Revenue Fund
For the year ended June 30, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING, AS RESTATED	\$ 2,148,361	\$ 2,148,361	\$ 2,148,361	\$ -
RESOURCES (INFLOWS)				
Taxes	-	-	505	505
Use of money and property	43,917	43,917	20,812	(23,105)
Aid from other governments	-	800,000	124,000	(676,000)
Charges for current services	60,000	60,000	163,042	103,042
Other revenue	1,800	1,800	5,577	3,777
Transfers in	194,095	194,095	88,378	(105,717)
Amounts available for appropriation	299,812	1,099,812	402,314	(697,498)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	1,404,226	1,404,226	318,470	1,085,756
Other charges	154,653	954,653	200,036	754,617
Transfers out	88,378	88,378	88,378	-
Total charges to appropriations	1,647,257	2,447,257	606,884	1,840,373
FUND BALANCE, ENDING	\$ 800,916	\$ 800,916	\$ 1,943,791	\$ 1,142,875

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	\$ 402,314
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(88,378)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 313,936

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	\$ 606,884
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(88,378)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 518,506

County of Santa Cruz
Budgetary Comparison Schedule
Park Dedication and State Park Bonds Special Revenue Fund
For the year ended June 30, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	<u>\$ 1,756,849</u>	<u>\$ 1,756,849</u>	<u>\$ 1,756,849</u>	<u>\$ -</u>
RESOURCES (INFLOWS)				
Use of money and property	15,320	15,320	14,403	(917)
Aid from other governmental agencies	-	928,480	15,502	(912,978)
Charges for current services	202,562	202,562	175,354	(27,208)
Other revenue	8,000	108,000	100,000	(8,000)
Transfers In	83,616	83,616	79,616	(4,000)
Amounts available for appropriation	<u>309,498</u>	<u>1,337,978</u>	<u>384,875</u>	<u>(953,103)</u>
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	23,111	23,111	11,998	11,113
Other charges	128,640	128,640	-	128,640
Capital assets	1,700,530	2,729,010	275,100	2,453,910
Transfers out	83,616	83,616	79,616	4,000
Total charges to appropriations	<u>1,935,897</u>	<u>2,964,377</u>	<u>366,714</u>	<u>2,597,663</u>
FUND BALANCE, ENDING	<u><u>\$ 130,450</u></u>	<u><u>\$ 130,450</u></u>	<u><u>\$ 1,775,010</u></u>	<u><u>\$ 1,644,560</u></u>

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

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 384,875
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(79,616)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	<u><u>\$ 305,259</u></u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	\$ 366,714
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(79,616)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	<u><u>\$ 287,098</u></u>

County of Santa Cruz
Budgetary Comparison Schedule
Santa Cruz Control and Water Conservation - Zone 7 Special Revenue Fund
For the year ended June 30, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 895,976	\$ 895,976	\$ 895,976	\$ -
RESOURCES (INFLOWS)				
Use of money and property	20,000	20,000	7,171	(12,829)
Aid from other governmental agencies	-	675,000	675,000	-
Charges for current services	1,575,561	1,575,561	1,595,197	19,636
Amounts available for appropriation	1,595,561	2,270,561	2,277,368	6,807
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	1,005,000	1,003,596	734,017	269,579
Capital assets	925,070	1,559,035	643,050	915,985
Transfers out	422,270	423,674	423,673	1
Total charges to appropriations	2,352,340	2,986,305	1,800,740	1,185,565
FUND BALANCE, ENDING	\$ 139,197	\$ 180,232	\$ 1,372,604	\$ 1,192,372

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	\$ 1,800,740
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(423,673)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 1,377,067

County of Santa Cruz

Budgetary Comparison Schedule

Districts Governed by the Board of Supervisors - Public Protection Special Revenue Fund

For the year ended June 30, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 4,597,952	\$ 4,597,952	\$ 4,597,952	\$ -
RESOURCES (INFLOWS)				
Taxes	5,921,687	5,921,687	5,839,310	(82,377)
Use of money and property	124,462	124,462	45,257	(79,205)
Aid from other governmental agencies	1,177,009	1,183,685	461,525	(722,160)
Charges for current services	1,079,693	1,079,693	1,073,573	(6,120)
Amounts available for appropriation	8,302,851	8,309,527	7,419,665	(889,862)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Salaries and employee benefits	46,278	48,851	48,850	1
Services and supplies	7,975,137	7,942,912	5,979,681	1,963,231
Other charges	971,316	971,316	970,743	573
Capital assets	1,951,483	2,351,483	128,502	2,222,981
Transfers out	800,000	800,000	800,000	-
Total charges to appropriations	11,744,214	12,114,562	7,927,776	4,186,786
FUND BALANCE, ENDING	\$ 1,156,589	\$ 792,917	\$ 4,089,841	\$ 3,296,924

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

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	\$ 7,927,776
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(800,000)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 7,127,776

County of Santa Cruz

Budgetary Comparison Schedule

Districts Governed by the Board of Supervisors - Health and Sanitation Special Revenue Fund

For the year ended June 30, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 6,405	\$ 6,405	\$ 6,405	\$ -
RESOURCES (INFLOWS)				
Use of money and property	800	800	114	(686)
Amounts available for appropriation	800	800	114	(686)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	7,205	7,205	55	7,150
Total charges to appropriations	7,205	7,205	55	7,150
FUND BALANCE, ENDING	\$ -	\$ -	\$ 6,464	\$ 6,464

County of Santa Cruz

Budgetary Comparison Schedule

Districts Governed by the Board of Supervisors - Recreation and Culture Special Revenue Fund For the year ended June 30, 2010

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
FUND BALANCE, BEGINNING	<u>\$ 1,597,706</u>	<u>\$ 1,597,706</u>	<u>\$ 1,597,706</u>	<u>\$ -</u>
RESOURCES (INFLOWS)				
Taxes	910,827	910,827	908,098	(2,729)
Use of money and property	19,650	19,650	13,407	(6,243)
Aid from other governmental agencies	5,363	5,363	4,718	(645)
Charges for current services	333,611	333,611	321,872	(11,739)
Other revenue	-	-	1,200	1,200
Transfers in	10,669	10,669	10,669	-
Amounts available for appropriation	<u>1,280,120</u>	<u>1,280,120</u>	<u>1,259,964</u>	<u>(20,156)</u>
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	967,793	967,330	702,055	265,275
Other charges	476,858	476,858	311,457	165,401
Transfers out	135,210	135,673	135,673	-
Total charges to appropriations	<u>1,579,861</u>	<u>1,579,861</u>	<u>1,149,185</u>	<u>430,676</u>
FUND BALANCE, ENDING	<u><u>\$ 1,297,965</u></u>	<u><u>\$ 1,297,965</u></u>	<u><u>\$ 1,708,485</u></u>	<u><u>\$ 410,520</u></u>

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

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule \$ 1,259,964

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 \$ 1,249,295

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule \$ 1,149,185

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (135,673)

Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds \$ 1,013,512

County of Santa Cruz

Budgetary Comparison Schedule

Districts Governed by the Board of Supervisors-Public Ways and Facilities Special Revenue Fund For the year ended June 30, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 5,515,191	\$ 5,515,191	\$ 5,515,191	\$ -
RESOURCES (INFLOWS)				
Taxes	662,616	662,616	651,837	(10,779)
Use of money and property	96,508	96,508	43,969	(52,539)
Aid from other governmental agencies	1,131,512	1,216,303	524,471	(691,832)
Charges for current services	5,271,736	5,271,736	5,277,567	5,831
Other revenues	3,950	3,950	11,231	7,281
Amounts available for appropriation	7,166,322	7,251,113	6,509,075	(742,038)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	7,703,213	7,813,476	4,962,512	2,850,964
Other charges	94,451	95,251	90,755	4,496
Capital assets	987,634	987,634	118,616	869,018
Transfers out	1,196,193	1,195,693	889,949	305,744
Total charges to appropriations	9,981,491	10,092,054	6,061,832	4,030,222
FUND BALANCE, ENDING	\$ 2,700,022	\$ 2,674,250	\$ 5,962,434	\$ 3,288,184

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	\$ 6,061,832
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(889,949)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 5,171,883

NONMAJOR ENTERPRISE FUNDS

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

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

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

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

County of Santa Cruz
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2010

	Boulder Creek CSA 7	Rolling Woods CSA 10	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport County Sanitation District
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 94,340	\$ 35,291	\$ 1,374,513	\$ 3,119,801	\$ -
Restricted cash	-	-	-	-	43,112
Loans receivable	-	-	9,363	-	-
Receivables	-	-	-	-	634,313
Due from other funds	-	-	-	-	-
Total current assets	94,340	35,291	1,383,876	3,119,801	677,425
Noncurrent assets:					
Loans Receivable	-	-	205,815	-	-
Capital assets:					
Nondepreciable					
Construction in progress	216,601	-	-	218,893	1,769,780
Depreciable, net					
Buildings and structures	1,535,775	321,381	-	6,265,230	3,357,743
Equipment	58,746	694	45,518	13,349	17,345
Accumulated depreciation	(1,157,400)	(193,506)	(45,518)	(3,299,699)	(1,512,001)
Capital assets, net	653,722	128,569	-	3,197,773	3,632,867
Total noncurrent assets	653,722	128,569	205,815	3,197,773	3,632,867
Total assets	748,062	163,860	1,589,691	6,317,574	4,310,292
LIABILITIES AND NET ASSETS					
Liabilities:					
Current Liabilities:					
Accounts payable	16	-	91,963	127,882	412,550
Due to other funds	-	-	-	-	1,013,531
Current portion of other long-term liabilities	-	-	11,033	-	26,266
Total current liabilities	16	-	102,996	127,882	1,452,347
Noncurrent Liabilities:					
Other long-term liabilities	-	-	255,681	-	352,547
Total noncurrent liabilities	-	-	255,681	-	352,547
Total liabilities	16	-	358,677	127,882	1,804,894
Net Assets:					
Invested in capital assets, net of related debt	653,722	128,569	-	3,197,773	3,254,054
Restricted:					
Debt service	-	-	-	-	43,112
Unrestricted	94,324	35,291	1,231,014	2,991,919	(791,768)
Total net assets	748,046	163,860	1,231,014	6,189,692	2,505,398
Total liabilities and net assets	\$ 748,062	\$ 163,860	\$ 1,589,691	\$ 6,317,574	\$ 4,310,292

Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20	Summit West CSA 54	Graham Hill CSA 57	Total
\$ 193,995	\$ 71,013	\$ -	\$ 3,110	\$ 410,285	\$ 5,302,348
-	-	-	-	-	43,112
-	-	-	-	-	9,363
-	-	-	-	-	634,313
-	-	5,194	-	-	5,194
193,995	71,013	5,194	3,110	410,285	5,994,330
-	-	-	-	-	205,815
-	-	-	-	-	2,205,274
188,209	586,459	-	-	-	12,254,797
41,178	-	13,569	-	-	190,399
(122,211)	(173,358)	(7,463)	-	-	(6,511,156)
107,176	413,101	6,106	-	-	8,139,314
107,176	413,101	6,106	-	-	8,345,129
301,171	484,114	11,300	3,110	410,285	14,339,459
-	16	-	-	-	632,427
-	-	2,769	-	-	1,016,300
-	-	-	-	-	37,299
-	16	2,769	-	-	1,686,026
-	-	-	-	-	608,228
-	-	-	-	-	608,228
-	16	2,769	-	-	2,294,254
107,176	413,101	6,106	-	-	7,760,501
-	-	-	-	-	43,112
193,995	70,997	2,425	3,110	410,285	4,241,592
301,171	484,098	8,531	3,110	410,285	12,045,205
\$ 301,171	\$ 484,114	\$ 11,300	\$ 3,110	\$ 410,285	\$ 14,339,459

County of Santa Cruz
Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Enterprise Funds
For the year ended June 30, 2010

	Boulder Creek CSA 7	Rolling Woods CSA 10	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport County Sanitation District
OPERATING REVENUES:					
Charges for services	\$ 418,363	\$ 56,190	\$ 846,438	\$ 607,475	\$ 452,669
Total operating revenues	418,363	56,190	846,438	607,475	452,669
OPERATING EXPENSES:					
Services and supplies	244,699	35,991	950,979	399,478	533,768
Depreciation and amortization	53,492	7,969	-	150,555	83,522
Other	-	-	-	-	83,054
Total operating expenses	298,191	43,960	950,979	550,033	700,344
OPERATING INCOME (LOSS)	120,172	12,230	(104,541)	57,442	(247,675)
NONOPERATING REVENUES (EXPENSES):					
Aid from other governments	-	-	-	-	591,726
Interest and investment earnings	387	165	13,761	25,602	(1,775)
Interest expense	-	-	(7,214)	-	(10,969)
Property taxes	-	-	-	-	24,089
Other	-	-	-	-	-
Total nonoperating revenues (expenses)	387	165	6,547	25,602	603,071
INCOME (LOSS) BEFORE TRANSFERS	120,559	12,395	(97,994)	83,044	355,396
TRANSFERS:					
Capital contributions	-	-	-	-	1,485
Total transfers	-	-	-	-	1,485
NET INCOME (LOSS)	120,559	12,395	(97,994)	83,044	356,881
NET ASSETS:					
Beginning of the year, as restated	627,487	151,465	1,329,008	6,106,648	2,148,517
End of the year	\$ 748,046	\$ 163,860	\$ 1,231,014	\$ 6,189,692	\$ 2,505,398

Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20	Summit West CSA 54	Graham Hill CSA 57	Total
\$ 80,319	\$ 303,824	\$ 69,612	\$ -	\$ 86,076	\$ 2,920,966
80,319	303,824	69,612	-	86,076	2,920,966
26,552	228,434	69,726	136	26,945	2,516,708
5,541	23,436	1,357	-	-	325,872
-	-	-	-	-	83,054
32,093	251,870	71,083	136	26,945	2,925,634
48,226	51,954	(1,471)	(136)	59,131	(4,668)
-	-	-	-	-	591,726
1,268	865	(36)	26	2,996	43,259
-	-	-	-	-	(18,183)
-	-	-	-	-	24,089
-	1,947	-	-	-	1,947
1,268	2,812	(36)	26	2,996	642,838
49,494	54,766	(1,507)	(110)	62,127	638,170
-	-	-	-	-	1,485
-	-	-	-	-	1,485
49,494	54,766	(1,507)	(110)	62,127	639,655
251,677	429,332	10,038	3,220	348,158	11,405,550
\$ 301,171	\$ 484,098	\$ 8,531	\$ 3,110	\$ 410,285	\$ 12,045,205

County of Santa Cruz
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the year ended June 30, 2010

	Boulder Creek CSA 7	Rolling Woods CSA 10	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport County Sanitation District
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers and users	\$ 418,363	\$ 56,190	\$ 846,438	\$ 659,240	\$ 700,447
Payments to suppliers for goods and services	(245,104)	(37,084)	(966,407)	(554,573)	(218,488)
Net cash provided (used) by operating activities	173,259	19,106	(119,969)	104,667	481,959
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Property taxes	-	-	-	-	24,089
Subsidy from other governmental agencies	-	-	-	-	13,669
Interfund activities	-	-	-	-	1,013,531
Principal paid on debt	-	-	(10,753)	-	-
Other income	-	-	17,531	-	-
Net cash provided (used) by noncapital financing activities	-	-	6,778	-	1,051,289
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital contributions	-	-	-	-	1,485
Purchase of capital assets	(186,161)	-	-	(459,868)	(1,551,144)
Principal paid on long-term liabilities	-	-	-	-	(25,598)
Interest paid on long-term liabilities	-	-	(7,214)	-	(10,969)
Net cash (used) in capital and related financing activities	(186,161)	-	(7,214)	(459,868)	(1,586,226)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment earnings received (paid)	387	165	13,761	25,602	(1,775)
Net cash provided (used) by investing activities	387	165	13,761	25,602	(1,775)
Net increase (decrease) in cash and cash equivalents	(12,515)	19,271	(106,644)	(329,599)	(54,753)
Cash and cash equivalents at beginning of year	106,855	16,020	1,481,157	3,449,400	97,865
Cash and cash equivalents at end of year	<u>\$ 94,340</u>	<u>\$ 35,291</u>	<u>\$ 1,374,513</u>	<u>\$ 3,119,801</u>	<u>\$ 43,112</u>

Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20	Summit West CSA 54	Graham Hill CSA 57	Total
\$ 80,319 (26,552)	\$ 303,824 (237,608)	\$ 69,612 (69,726)	\$ - (136)	\$ 86,076 (26,945)	\$ 3,220,509 (2,382,623)
53,767	66,216	(114)	(136)	59,131	837,886
-	-	-	-	-	24,089
-	-	-	-	-	13,669
-	-	(2,425)	-	-	1,011,106
-	-	-	-	-	(10,753)
-	1,947	-	-	-	19,478
-	1,947	(2,425)	-	-	1,057,589
-	-	-	-	-	1,485
-	(127,678)	-	-	-	(2,324,851)
-	-	-	-	-	(25,598)
-	-	-	-	-	(18,183)
-	(127,678)	-	-	-	(2,367,147)
1,268	865	(36)	26	2,996	43,259
1,268	865	(36)	26	2,996	43,259
55,035	(58,650)	(2,575)	(110)	62,127	(428,413)
138,960	129,663	2,575	3,220	348,158	5,773,873
\$ 193,995	\$ 71,013	\$ -	\$ 3,110	\$ 410,285	\$ 5,345,460

(Continued)

County of Santa Cruz
Combining Statement of Cash Flows, Continued
Nonmajor Enterprise Funds
For the year ended June 30, 2010

	Boulder Creek CSA 7	Rolling Woods CSA 10	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport County Sanitation District
RECONCILIATION OF OPERATING					
INCOME (LOSS) TO NET CASH PROVIDED					
(USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 120,172	\$ 12,230	\$ (104,541)	\$ 57,442	\$ (247,675)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	53,492	7,969	-	150,555	83,522
Changes in assets and liabilities:					
(Increase) decrease in:					
Receivables	-	-	-	51,765	247,778
(Increase) decrease in:					
Payables	(405)	(1,093)	(15,428)	(155,095)	398,334
Total adjustments	53,087	6,876	(15,428)	47,225	729,634
Net cash provided (used) by operating activities	\$ 173,259	\$ 19,106	\$ (119,969)	\$ 104,667	\$ 481,959



INTERNAL SERVICE FUNDS

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

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

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

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

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

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

County of Santa Cruz
Combining Statement of Net Assets
Internal Service Funds
June 30, 2010

	Central Duplicating	Information Services	Public Works	Service Center
ASSETS				
Current assets:				
Cash, cash equivalents and investments	\$ -	\$ 2,118,242	\$ 4,324,903	\$ -
Receivables	-	-	62,560	429
Due from other funds	-	8,898	1,182,433	-
Deposits with others	-	-	-	-
Inventory	-	-	537,417	21,401
Prepaid items	14,155	-	-	-
Total current assets	14,155	2,127,140	6,107,313	21,830
Capital assets:				
Land	-	-	62,914	34,173
Software in progress	-	1,214,644	-	-
Buildings and structures	-	-	2,468,610	473,443
Equipment	335,405	8,266,916	8,881,709	7,833,570
Accumulated depreciation	(323,671)	(6,859,041)	(9,583,287)	(6,468,846)
Total capital assets	11,734	2,622,519	1,829,946	1,872,340
Total assets	25,889	4,749,659	7,937,259	1,894,170
LIABILITIES AND NET ASSETS				
Liabilities:				
Current Liabilities:				
Accounts payable	16,210	302,053	1,263,340	102,745
Due to other funds	490,773	-	-	671,195
Claims liability	-	-	-	-
Compensated absences	6,579	603,059	2,485,087	52,351
Total current liabilities	513,562	905,112	3,748,427	826,291
Noncurrent Liabilities:				
Claims liability	-	-	-	-
Compensated absences payable, due in more than one year	2,037	186,810	642,963	2,611
Total noncurrent liabilities	2,037	186,810	642,963	2,611
Total liabilities	515,599	1,091,922	4,391,390	828,902
Net Assets:				
Invested in capital assets, net of related debt	11,734	2,622,519	1,829,946	1,872,340
Unrestricted	(501,444)	1,035,218	1,715,923	(807,072)
Total net assets, deficit	(489,710)	3,657,737	3,545,869	1,065,268
Total liabilities and net assets	\$ 25,889	\$ 4,749,659	\$ 7,937,259	\$ 1,894,170

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
\$ 656,992	\$ 1,369,502	\$ 5,084,861	\$ 10,199,328	\$ 805,246	\$ 415,015	\$ 24,974,089
-	109,586	-	-	-	-	172,575
-	-	1,161,967	-	-	-	2,353,298
-	-	-	150,000	-	-	150,000
-	-	-	-	-	-	558,818
-	-	-	-	-	-	14,155
656,992	1,479,088	6,246,828	10,349,328	805,246	415,015	28,222,935
-	-	-	-	-	-	97,087
-	-	-	-	-	-	1,214,644
-	-	-	-	-	-	2,942,053
55,237	-	-	-	-	-	25,372,837
(55,237)	-	-	-	-	-	(23,290,082)
-	-	-	-	-	-	6,336,539
656,992	1,479,088	6,246,828	10,349,328	805,246	415,015	34,559,474
36,245	37,597	363,172	603,809	23,404	-	2,748,575
-	-	-	-	-	-	1,161,968
-	16,460	1,809,562	11,480,394	-	71,056	13,377,472
60,666	-	-	-	35,353	-	3,243,095
96,911	54,057	2,172,734	12,084,203	58,757	71,056	20,531,110
-	23,189	2,965,438	18,813,606	-	116,444	21,918,677
-	-	-	-	-	-	834,421
-	23,189	2,965,438	18,813,606	-	116,444	22,753,098
96,911	77,246	5,138,172	30,897,809	58,757	187,500	43,284,208
-	-	-	-	-	-	6,336,539
560,081	1,401,842	1,108,656	(20,548,481)	746,489	227,515	(15,061,273)
560,081	1,401,842	1,108,656	(20,548,481)	746,489	227,515	(8,724,734)
\$ 656,992	\$ 1,479,088	\$ 6,246,828	\$ 10,349,328	\$ 805,246	\$ 415,015	\$ 34,559,474

County of Santa Cruz
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2010

	Central Duplicating	Information Services	Public Works	Service Center
OPERATING REVENUES:				
Charges for services	\$ 773,279	\$ 10,145,594	\$ 32,925,248	\$ 2,523,475
Other revenues	-	14,822	18,700	650
Total operating revenues	773,279	10,160,416	32,943,948	2,524,125
OPERATING EXPENSES:				
Salaries and employee benefits	247,693	5,923,881	25,648,196	552,799
Services and supplies	473,263	3,408,911	5,416,143	921,300
Insurance and compensation claims	-	74,782	1,388,906	25,662
Other charges	110,246	-	-	283,608
Depreciation and amortization	14,743	544,958	540,427	645,942
Total operating expenses	845,945	9,952,532	32,993,672	2,429,311
OPERATING INCOME (LOSS)	(72,666)	207,884	(49,724)	94,814
NONOPERATING REVENUES (EXPENSES):				
Gain (loss) on disposal of capital assets	-	(11,101)	30,687	24,303
Interest and investment earnings	-	-	-	-
Total nonoperating revenues (expenses)	-	(11,101)	30,687	24,303
INCOME (LOSS) BEFORE TRANSFERS	(72,666)	196,783	(19,037)	119,117
TRANSFERS:				
Transfers in	-	697,182	-	10,000
Total transfers	-	697,182	-	10,000
NET INCOME (LOSS)	(72,666)	893,965	(19,037)	129,117
NET ASSETS (DEFICIT):				
Beginning of the year, as restated	(417,044)	2,763,772	3,564,906	936,151
End of the year	\$ (489,710)	\$ 3,657,737	\$ 3,545,869	\$ 1,065,268

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
\$ 1,300,000	\$ 2,081,747	\$ 3,264,296	\$ 5,566,692	\$ 1,099,978	\$ 1,024,996	\$ 60,705,305
-	-	995,954	3,118	-	-	1,033,244
1,300,000	2,081,747	4,260,250	5,569,810	1,099,978	1,024,996	61,738,549
692,437	-	-	-	439,570	-	33,504,576
525,867	21,610	858,422	1,064,305	430,961	(1,624)	13,119,158
11,608	2,037,001	3,822,228	5,101,560	-	762,630	13,224,377
-	-	-	-	-	-	393,854
-	-	-	-	-	-	1,746,070
1,229,912	2,058,611	4,680,650	6,165,865	870,531	761,006	61,988,035
70,088	23,136	(420,400)	(596,055)	229,447	263,990	(249,486)
-	-	-	-	-	-	43,889
4,801	11,433	52,909	93,776	8,007	5,188	176,114
4,801	11,433	52,909	93,776	8,007	5,188	220,003
74,889	34,569	(367,491)	(502,279)	237,454	269,178	(29,483)
-	-	-	-	-	-	707,182
-	-	-	-	-	-	707,182
74,889	34,569	(367,491)	(502,279)	237,454	269,178	677,699
485,192	1,367,273	1,476,147	(20,046,202)	509,035	(41,663)	(9,402,433)
\$ 560,081	\$ 1,401,842	\$ 1,108,656	\$ (20,548,481)	\$ 746,489	\$ 227,515	\$ (8,724,734)

County of Santa Cruz
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2010

	Central Duplicating	Information Services	Public Works	Service Center
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers, including cash deposits	\$ 773,279	\$ 10,145,594	\$ 856,079	\$ 2,524,860
Cash received from interfund services provided	-	-	32,137,292	-
Cash paid to suppliers	(420,916)	(3,483,710)	(6,836,642)	(1,220,148)
Cash paid to employees	(250,964)	(5,836,708)	(25,512,643)	(540,174)
Cash receipts (payments) other	(110,246)	14,822	-	-
Net cash provided (used) by operating activities	(8,847)	839,998	644,086	764,538
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund activities	8,847	691,331	895,434	(349,949)
Net cash provided (used) by noncapital financing activities	8,847	691,331	895,434	(349,949)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	-	-	106,664	39,340
Purchase of capital assets	-	(762,914)	(19,709)	(453,929)
Net cash provided (used) by capital and related financing activities	-	(762,914)	86,955	(414,589)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment earnings received (paid)	-	-	-	-
Net cash provided (used) by investing activities	-	-	-	-
Net increase (decrease) in cash cash and cash equivalents	-	768,415	1,626,475	-
Cash and cash equivalents at beginning of year	-	1,349,827	2,698,428	-
Cash and cash equivalents at end of year	\$ -	\$ 2,118,242	\$ 4,324,903	\$ -

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
\$ 1,300,000	\$ 2,072,202	\$ 3,264,296	\$ 5,566,692	\$ 1,099,978	\$ 1,024,997	\$ 28,392,326
-	-	-	-	-	-	32,137,292
(535,387)	(2,056,214)	(4,486,337)	(5,739,638)	(430,961)	(761,007)	(25,970,960)
(663,657)	-	-	-	(415,385)	-	(33,219,531)
-	-	995,954	3,118	-	-	903,648
100,956	15,988	(226,087)	(169,828)	253,632	263,990	2,478,426
-	-	351,103	-	-	-	1,596,766
-	-	351,103	-	-	-	1,596,766
-	-	-	-	-	-	146,004
-	-	-	-	-	-	(1,236,552)
-	-	-	-	-	-	(1,090,548)
4,801	11,433	52,909	93,776	8,007	5,188	176,114
4,801	11,433	52,909	93,776	8,007	5,188	176,114
105,757	27,421	177,925	(76,052)	261,639	269,178	3,160,758
551,235	1,342,081	4,906,936	10,275,380	543,607	145,837	21,813,331
\$ 656,992	\$ 1,369,502	\$ 5,084,861	\$ 10,199,328	\$ 805,246	\$ 415,015	\$ 24,974,089

(Continued)

County of Santa Cruz
Combining Statement of Cash Flows, Continued
Internal Service Funds
For the year ended June 30, 2010

	Central Duplicating	Information Services	Public Works	Service Center
RECONCILIATION OF OPERATING				
INCOME (LOSS) TO NET CASH PROVIDED				
(USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (72,666)	\$ 207,884	\$ (49,724)	\$ 94,814
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	14,743	544,958	540,427	645,942
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	-	-	49,425	735
Inventory	-	-	8,185	6,237
Prepaid items	48,607	-	-	-
(Increase) decrease in:				
Payables	2,903	(11,449)	19,191	4,185
Accrued salaries and benefits	837	11,432	-	2,010
Compensated absences	(3,271)	87,173	76,582	10,615
Total adjustments	63,819	632,114	693,810	669,724
Net cash provided (used) by operating activities	\$ (8,847)	\$ 839,998	\$ 644,086	\$ 764,538

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
\$ 70,088	\$ 23,136	\$ (420,400)	\$ (596,055)	\$ 229,447	\$ 263,990	\$ (249,486)
-	-	-	-	-	-	1,746,070
-	(9,545)	-	-	-	-	40,615
-	-	-	-	-	-	14,422
-	-	-	-	-	-	48,607
2,088	2,397	194,313	426,227	-	-	639,855
1,484	-	-	-	5,094	-	20,857
27,296	-	-	-	19,091	-	217,486
30,868	(7,148)	194,313	426,227	24,185	-	2,727,912
\$ 100,956	\$ 15,988	\$ (226,087)	\$ (169,828)	\$ 253,632	\$ 263,990	\$ 2,478,426

(Concluded)



FIDUCIARY FUNDS

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

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

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

Property Tax Collections Funds - The Property Tax Collections Funds are used to account for the collection and distribution of property taxes and interest on bank deposits of other local governmental agencies.



County of Santa Cruz
Combining Balance Sheet
All Agency Funds
June 30, 2010

	Inter- governmental Agency	Payroll	Property Tax Collection	Total
ASSETS				
Cash and investments	\$ 36,145,369	\$ 444,116	\$ 7,036,906	\$ 43,626,391
Receivables	1,087,379	-	21,183,249	22,270,628
Total assets	\$ 37,232,748	\$ 444,116	\$ 28,220,155	\$ 65,897,019
LIABILITIES				
Accounts payable	\$ -	\$ 444,116	\$ 2,526	\$ 446,642
Due to other governmental units	-	-	28,217,629	28,217,629
Agency funds held for others	37,232,748	-	-	37,232,748
Total liabilities	\$ 37,232,748	\$ 444,116	\$ 28,220,155	\$ 65,897,019

County of Santa Cruz
Combining Statement of Changes in Net Assets
Agency Funds
For the year ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<u>Intergovernmental Agency</u>				
Assets:				
Cash and investments	\$ 42,864,123	\$ 268,882,802	\$ 275,601,556	\$ 36,145,369
Receivables	1,101,131	3,214,729	3,228,481	1,087,379
Total assets	\$ 43,965,254	\$ 272,097,531	\$ 278,830,037	\$ 37,232,748
Liabilities:				
Accounts payable	\$ -	\$ 79,042,196	\$ 79,042,196	\$ -
Due to other funds	-	-	-	-
Agency funds held for others	43,965,254	985,428,920	992,161,426	37,232,748
Total liabilities	\$ 43,965,254	\$ 1,064,471,116	\$ 1,071,203,622	\$ 37,232,748
<u>Payroll</u>				
Assets:				
Cash and investments	\$ 277	\$ 276,551,148	\$ 276,107,309	\$ 444,116
Deposits with others	740,929	-	740,929	-
Total assets	\$ 741,206	\$ 276,551,148	\$ 276,848,238	\$ 444,116
Liabilities:				
Accounts payable	\$ -	\$ 579,499,928	\$ 579,055,812	\$ 444,116
Due to other funds	741,206	-	741,206	-
Total liabilities	\$ 741,206	\$ 579,499,928	\$ 579,797,018	\$ 444,116
<u>Property Tax Collection</u>				
Assets:				
Cash and investments	\$ 6,160,073	\$ 901,536,660	\$ 900,659,827	\$ 7,036,906
Receivables	22,788,064	413,146,136	414,750,951	21,183,249
Total assets	\$ 28,948,137	\$ 1,314,682,796	\$ 1,315,410,778	\$ 28,220,155
Liabilities:				
Accounts payable	\$ -	\$ 26,733,838	\$ 26,731,312	\$ 2,526
Due to other governmental units	28,948,137	1,323,191,492	1,323,922,000	28,217,629
Total liabilities	\$ 28,948,137	\$ 1,349,925,330	\$ 1,350,653,312	\$ 28,220,155
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$ 49,024,473	\$ 1,446,970,610	\$ 1,452,368,692	\$ 43,626,391
Receivables	23,889,195	416,360,865	417,979,432	22,270,628
Deposits with others	740,929	-	740,929	-
Total assets	\$ 73,654,597	\$ 1,863,331,475	\$ 1,871,089,053	\$ 65,897,019
Liabilities:				
Accounts payable	\$ -	\$ 685,275,962	\$ 684,829,320	\$ 446,642
Due to other funds	741,206	-	741,206	-
Due to other governmental units	28,948,137	1,323,191,492	1,323,922,000	28,217,629
Agency funds held for others	43,965,254	985,428,920	992,161,426	37,232,748
Total liabilities	\$ 73,654,597	\$ 2,993,896,374	\$ 3,001,653,952	\$ 65,897,019

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS



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

To the Honorable Board of Supervisors
of the County of Santa Cruz
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, 2010, and have issued our report thereon dated January 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the County's audit committee, the Board of Supervisors of the County, others within the County, and the California State Controller and is not intended to be and should not be used by anyone other than these specified parties.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
January 27, 2011

STATISTICAL SECTION

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

Contents	Page
Financial Trends	
<i>These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.</i>	174-179
Revenue Capacity	
<i>These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.</i>	180-182
Debt Capacity	
<i>These schedules present information to help the reader assess the affordability of the County's current level of outstanding debt and the County's ability to issue additional debt in the future.</i>	183-186
Demographic and Economic Information	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.</i>	187-191
Operating Information	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.</i>	192-196

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

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

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

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

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

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

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

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

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

Fiscal Year	Current Property Taxes	Prior Property Taxes ¹	Delinquent Penalties and Costs	Sales and Use Tax	Occupancy Tax	Property Transfer Tax	Utility Tax	Other Taxes	Total Tax Revenues
2001	\$ 27,965	\$ (6)	\$ 3,338	\$ 3,334	\$ 4,082	\$ 1,867	\$ 9,755	\$ 88	\$ 50,423
2002	30,115	5	3,213	3,138	3,262	1,754	6,810	152	48,449
2003	31,496	3	2,995	3,038	3,245	1,821	181	135	42,914
2004	34,412	52	4,328	1,850	3,375	2,770	265	120	47,172
2005	51,892	28	3,036	7,218	3,806	3,213	N/A ²	69	69,262
2006	61,118	49	2,904	7,865	3,732	2,243	N/A ²	72	77,983
2007	66,783	117	2,741	7,961	3,931	1,481	N/A ²	72	83,086
2008	70,879	187	3,595	8,904	4,622	1,464	N/A ²	74	89,725
2009	72,032	224	5,291	8,038	3,887	1,532	N/A ²	74	91,078
2010	69,970	89	4,671	7,212	3,511	1,630	N/A ²	74	87,157

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

² Utility tax was repealed in 2005

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

	Fiscal Year				
	2010	2009	2008	2007	2006
General Fund					
Reserved	\$ 5,728	\$ 2,919	\$ 2,151	\$ 3,893	\$ 5,433
Unreserved	22,975	14,674	25,008	37,115	30,688
Total general fund	<u>\$ 28,703</u>	<u>\$ 17,593</u>	<u>\$ 27,159</u>	<u>\$ 41,008</u>	<u>\$ 36,121</u>
All other governmental funds					
Reserved	\$ 60,314	\$ 59,340	\$ 38,930	\$ 44,736	\$ 36,209
Unreserved, reported in:					
Special revenue funds	120,685	146,538	121,946	123,244	131,835
Capital project funds	2,045	3,181	10,273	1,369	5,277
Total all other governmental funds	<u>\$ 183,044</u>	<u>\$ 209,059</u>	<u>\$ 171,149</u>	<u>\$ 169,349</u>	<u>\$ 173,321</u>

	Fiscal Year				
	2005	2004	2003	2002	2001
General Fund					
Reserved	\$ 2,151	\$ 3,266	\$ 3,626	\$ 3,491	\$ 2,351
Unreserved	26,807	19,137	28,068	33,561	42,637
Total general fund	<u>\$ 28,958</u>	<u>\$ 22,403</u>	<u>\$ 31,694</u>	<u>\$ 37,052</u>	<u>\$ 44,988</u>
All other governmental funds					
Reserved	\$ 40,215	\$ 46,242	\$ 40,039	\$ 53,647	\$ 43,532
Unreserved, reported in:					
Special revenue funds	67,317	76,479	82,853	77,422	72,651
Capital project funds	6,226	8,123	10,060	8,936	12,423
Total all other governmental funds	<u>\$ 113,758</u>	<u>\$ 130,844</u>	<u>\$ 132,952</u>	<u>\$ 140,005</u>	<u>\$ 128,606</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									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues										
Taxes	\$123,718	\$129,130	\$ 127,367	\$119,947	\$110,189	\$ 97,506	\$ 79,092	\$ 71,261	\$ 75,425	\$ 75,704
Licenses and permits	9,247	9,177	10,085	10,183	9,481	10,072	9,013	7,776	7,557	7,413
Fines, forfeitures and penalties	5,231	5,088	4,911	5,673	6,440	12,784	5,199	4,312	4,693	4,474
Use of money and property	3,197	5,451	11,082	13,929	11,109	5,802	3,673	5,424	7,682	12,547
Aid from other governmental agencies	219,090	195,758	211,572	204,203	198,214	182,007	184,745	187,135	188,342	175,169
Charges for services	56,845	62,364	58,100	58,091	54,653	47,738	49,786	45,194	42,544	40,788
Other revenues	4,617	4,815	14,617	3,150	9,417	8,347	11,308	10,203	11,262	9,193
Total revenues	<u>421,945</u>	<u>411,783</u>	<u>437,734</u>	<u>415,177</u>	<u>399,503</u>	<u>364,256</u>	<u>342,816</u>	<u>331,305</u>	<u>337,505</u>	<u>325,288</u>
Expenditures										
Current										
General government	26,198	29,994	33,490	28,024	24,086	25,718	23,639	20,886	22,228	18,256
Public protection	118,848	126,014	123,435	112,395	111,868	104,108	105,350	101,845	96,865	89,968
Public ways and facilities	53,095	45,023	37,736	41,335	39,119	7,440	26,519	28,944	31,090	22,846
Health and sanitation	102,048	103,920	109,152	104,326	95,717	42,176	83,238	73,562	74,752	68,310
Public assistance	100,294	101,562	102,976	97,981	95,987	83,982	85,585	85,112	85,076	77,551
Education	4,921	5,420	5,040	4,711	4,502	84,639	4,017	3,421	3,067	3,102
Recreation and culture	7,345	7,876	9,189	7,789	7,377	3,971	7,918	7,917	7,300	7,210
Capital outlay	769	3,380	10,671	10,299	3,451	3,825	5,417	10,681	11,861	6,309
Debt service										
Principal	6,958	6,836	7,344	7,126	6,339	7,136	4,512	-	-	-
Bond redemption	-	771	-	-	-	335	-	5,330	4,353	7,556
Bond issue costs	-	181	263	738	1,998	-	2,117	-	-	1,728
Interest and fiscal charges	15,742	12,360	13,343	14,652	10,842	9,292	8,697	9,254	9,205	4,733
Total expenditures	<u>436,218</u>	<u>443,337</u>	<u>452,639</u>	<u>429,376</u>	<u>401,286</u>	<u>372,622</u>	<u>357,009</u>	<u>346,952</u>	<u>345,797</u>	<u>307,569</u>
Excess of Revenues Over (Under) Expenditures	(14,273)	(31,554)	(14,905)	(14,199)	(1,783)	(8,366)	(14,193)	(15,647)	(8,292)	17,719
Other Financing Sources (Uses)										
Sale of capital assets	57	(33)	1,255	-	-	-	5	3	6	5
Gain/(Loss) on land held for resale	-	-	(34)	-	-	-	-	-	-	-
Debt issue cost	-	-	-	-	-	-	-	(267)	-	-
Proceeds from long-term debt	-	-	-	-	68,860	-	23,000	-	-	38,751
Proceeds from COP	-	-	-	9,000	-	-	-	-	11,748	-
Premium on long-term debt	-	-	225	-	468	-	27	192	-	-
Discount on long-term debt	-	-	-	(63)	(45)	(67)	(194)	-	-	-
Transfers in from escrow agent	-	49,411	-	-	-	-	-	-	-	-
Proceeds from refunding bonds	-	60,492	7,370	10,755	-	10,580	48,435	8,378	-	15,872
Payment to bond refunding escrow agent	-	-	(8,012)	(10,366)	-	(11,590)	(46,392)	(5,726)	-	(15,385)
Transfers in	29,843	29,760	31,921	27,593	88,914	20,241	37,819	42,697	52,856	67,980
Transfers out	(30,551)	(79,777)	(32,043)	(27,795)	(89,008)	(20,241)	(60,019)	(42,697)	(52,856)	(67,980)
Inception of lease purchase agreement	-	110	94	5,990	-	-	109	-	-	800
Total other financing sources (uses)	<u>(651)</u>	<u>59,963</u>	<u>776</u>	<u>15,114</u>	<u>69,189</u>	<u>(1,077)</u>	<u>2,790</u>	<u>2,580</u>	<u>11,754</u>	<u>40,043</u>
Net change in Fund Balance	<u>\$ (14,924)</u>	<u>\$ 28,409</u>	<u>\$ (14,129)</u>	<u>\$ 915</u>	<u>\$ 67,406</u>	<u>\$ (9,443)</u>	<u>\$ (11,403)</u>	<u>\$ (13,067)</u>	<u>\$ 3,462</u>	<u>\$ 57,762</u>
Debt service as a percentage										
of noncapital expenditures	5.5%	4.8%	5.0%	5.7%	5.0%	4.8%	4.6%	4.5%	4.2%	4.9%

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

Fiscal Year Ended June 30	Total Secured Tax Levy for Fiscal Year ¹	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years ²	Total Collections to Date	
		Amount	Percentage of Levy		Total Tax Collections	Percentage of Levy
2000	\$ 226,705	\$ 222,705	98.2%	\$ 3,576	226,281	99.8%
2001	247,343	242,945	98.2%	3,933	246,878	99.8%
2002	264,657	259,444	98.0%	4,366	263,810	99.7%
2003	286,021	281,744	98.5%	5,067	286,811	100.3%
2004	309,733	305,178	98.5%	4,128	309,306	99.9%
2005	340,053	331,783	97.6%	4,357	336,140	98.8%
2006	361,455	347,484	96.1%	5,729	353,213	97.7%
2007	387,834	371,130	95.7%	8,277	379,407	97.8%
2008	402,589	384,873	95.6%	12,275	397,148	98.6%
2009	395,628	382,262	96.6%	9,736	391,998	99.1%

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

² Amounts reported for the fiscal years ended prior to and including June 30, 2004, include penalties and costs. This is reflected in total collections of 100.3% of the tax levy for the fiscal year ended June 30, 2003. Amounts reported for the fiscal years ended subsequent to and including June 30, 2005, exclude penalties and costs.

County of Santa Cruz

Assessed Value of Taxable Property ⁽¹⁾

Last Ten Fiscal Years

(Reported in Thousands)

<u>Fiscal Year Beginning July 1,</u>	<u>Secured</u>	<u>Unsecured</u>	<u>Total</u>	<u>Total Direct Tax Rate</u>
2001	\$ 20,541,442	\$ 800,498	\$ 21,341,940	1.00%
2002	21,849,406	801,139	22,650,545	1.00%
2003	23,387,410	785,326	24,172,736	1.00%
2004	25,106,093	748,200	25,854,293	1.00%
2005	27,584,028	792,922	28,376,950	1.00%
2006	30,238,488	811,727	31,050,215	1.00%
2007	32,504,394	843,037	33,347,431	1.00%
2008	33,586,675	861,576	34,448,251	1.00%
2009	32,531,717	865,265	33,396,982	1.00%
2010	32,390,765	801,371	33,192,136	1.00%

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

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

Fiscal Year	Property Tax Rates Per \$100 of Assessed Valuation		County	Cities	School Districts	Special Districts	Total
	Low	High					
2001	1.022	1.183	26.0	5.0	57.0	12.0	100.0
2002	1.019	1.144	27.0	5.0	56.0	12.0	100.0
2003	1.015	1.185	27.0	5.0	56.0	12.0	100.0
2004	1.055	1.202	25.0	5.0	57.0	13.0	100.0
2005	1.062	1.200	25.0	5.0	57.0	13.0	100.0
2006	1.040	1.162	26.0	5.0	56.0	13.0	100.0
2007	1.049	1.132	26.5	5.0	56.0	12.5	100.0
2008	1.056	1.147	26.5	5.0	56.0	12.5	100.0
2009	1.064	1.161	26.5	5.0	56.0	12.5	100.0
2010	1.059	1.174	26.5	5.0	56.0	12.5	100.0

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

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities									
Capital leases	\$ 5,673	\$ 5,942	\$ 6,051	\$ 6,000	\$ 53	\$ 337	\$ 671	\$ 928	\$ 1,217
Refunding Certificates of Participation	28,634	29,889	31,086	32,921	34,686	36,541	27,177	28,286	22,985
Acquisition and Refunding									
Certificates of Participation	-	-	-	-	-	-	-	-	3,565
Lease Revenue Bonds	7,090	7,290	7,840	8,375	9,135	9,875	10,595	11,300	14,336
Lease Revenue Refunding Bonds	1,535	1,667	1,797	1,918	2,037	2,153	15,064	16,459	15,100
Revenue Bonds	1,145	1,480	1,800	2,100	2,385	2,655	2,910	3,150	3,375
Local Agency Revenue Bonds	295	320	360	445	520	585	655	720	785
Certificates of Participation	30,746	32,312	28,822	27,916	21,915	22,441	23,027	-	-
CA Health Facilities Financing									
Authority (CHFFA)	-	510	711	898	1,072	1,233	1,382	1,522	1,652
CA Transportation Finance Bank	-	600	600	-	-	-	-	-	-
Local Assessment Bonds	-	-	-	-	-	-	40	75	110
Redevelopment Agency Tax Allocation Bonds	217,472	220,938	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	646	404	448	2,860	1,188	1,817	2,374	2,041	2,612
Capital leases	-	178	605	-	-	-	-	-	85
Component Unit	20,213	22,027	23,788	25,487	27,140	28,697	30,393	31,867	32,267
Total Primary government	<u>\$ 313,449</u>	<u>\$ 323,557</u>	<u>\$ 272,786</u>	<u>\$ 281,718</u>	<u>\$ 275,976</u>	<u>\$ 216,531</u>	<u>\$ 227,991</u>	<u>\$ 207,426</u>	<u>\$ 210,431</u>
Percentage of personal income ¹	2.42%	2.50% ³	2.27% ³	2.57% ³	2.57% ³	2.16% ³	2.29% ³	2.06% ³	2.01% ³
Per capita ²	\$ 1,239	\$ 1,294 ³	\$ 1,097 ³	\$ 1,132 ³	\$ 1,102 ³	\$ 861 ³	\$ 899 ³	\$ 811 ³	\$ 823 ³

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

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

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

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

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

Fiscal year	Assessed Value ¹	Legal Debt Limit ²	Total Net Applicable Debt	Legal Debt Margin	Legal Debt Margin/Debt Limit
2001	\$ 20,541,442,386	\$ 256,768,030	\$ -	\$ 256,768,030	100%
2002	21,849,406,351	273,117,579	-	273,117,579	100%
2003	23,387,410,251	292,342,628	-	292,342,628	100%
2004	25,106,093,420	313,826,168	-	313,826,168	100%
2005	27,584,028,124	344,800,352	-	344,800,352	100%
2006	30,238,488,053	377,981,101	-	377,981,101	100%
2007	32,504,394,093	406,304,926	-	406,304,926	100%
2008	33,586,675,030	419,833,438	-	419,833,438	100%
2009	32,531,716,741	406,646,459	-	406,646,459	100%
2010	32,390,764,838	404,884,560	-	404,884,560	100%

¹ Total Assessed Value includes exempt property.

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

County of Santa Cruz
Statement of Direct and Overlapping Debt
June 30, 2010

	Net Debt Outstanding	Percentage Applicable to County	County's Share of Debt
SCHOOL DISTRICTS			
Elementary	\$ 55,174,997	100%	\$ 55,174,997
High School	46,684,647	100%	46,684,647
Unified	102,366,434	100%	102,366,434
Community College	168,076,752	100%	168,076,752
SPECIAL DISTRICTS			
Fire	255,000	100%	255,000
Water	1,689,000	100%	1,689,000
Sewer	1,017,570	100%	1,017,570
Community Facilities	10,165,000	100%	10,165,000
Total Direct and Overlapping Debt			<u>\$ 385,429,400</u>

County of Santa Cruz
Outstanding Debt of the Public Financing Authority
June 30, 2010
(Reported in Thousands)

YEAR OF ISSUANCE	PRINCIPAL	INTEREST	TOTAL
Debt ¹			
1995B	\$ 1,145	\$ 114	\$ 1,259
1996	18,550	10,106	28,656
1999	295	88	383
2001B	7,090	4,154	11,244
2002	2,190	1,546	3,736
2002A	1,492	624	2,116
2004	18,275	7,016	25,291
2005	7,845	1,878	9,723
2006	8,085	4,907	12,992
2008	4,330	1,130	5,460
Total debt outstanding for the Public Financing Authority	<u>\$ 69,297</u>	<u>\$ 31,563</u>	<u>\$ 100,860</u>

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

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

County of Santa Cruz

General Information

Last Ten Fiscal Years

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

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

STATISTICS

Fiscal Year	Population (1) (In thousands)	Budget Requirements (2) (In thousands)	Budget Per Capita	Current Property Taxes (In thousands)	Taxes Per Capita
2001	260	370,462	1,425	27,965	108
2002	260	395,942	1,523	30,115	116
2003	260	374,714	1,441	31,496	121
2004	260	371,187	1,428	34,412	132
2005	260	368,492	1,417	51,892	200
2006	262	398,859	1,522	61,118	233
2007	264	434,371	1,645	66,783	253
2008	267	441,194	1,652	70,879	265
2009	269	441,726	1,642	72,032	268
2010	272	411,120	1,511	69,970	257

Fiscal Year	Assessed Valuation (In thousands)	Per Capita Income (3)	Personal Income (3) (In thousands)	School Enrollment (4)	Unemployment Rate (5)
2001	20,541,442	35,349	8,966,898	65,861	5.1
2002	21,849,406	40,958	10,478,569	66,952	5.7
2003	23,387,410	39,466	10,089,222	67,896	7.4
2004	25,106,093	39,262	9,961,127	67,596	7.8
2005	27,584,028	39,857	10,026,352	67,224	7.0
2006	30,238,488	42,905	10,744,160	67,387	6.3
2007	32,507,394	44,049	10,966,400	66,501	5.6
2008	33,586,675	48,206	11,991,593	68,647	5.9
2009	32,531,717	51,669	12,923,768	69,640	7.3
2010	32,390,765	51,140	12,934,896	69,958	11.2

SOURCES

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

(2) Santa Cruz County Final Budget.

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

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

(5) Data reflects the annual average rate for the calendar year (e.g., Fiscal Year 2010 is annual average for 2009 calendar year) as calculated by the California Employment Development Department.

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

Calendar Year	New Dwelling Units			Valuation of New Units (in thousands)			Deposits
	Single Family	Multiple Family	Total Units	Residential	Non-Residential	Total Values	Amount (In thousands)
2000	430	157	587	156,430	44,384	200,814	2,606,037
2001	398	204	602	147,572	47,912	195,484	2,758,594
2002	404	518	922	178,623	30,097	208,720	3,627,402
2003	654	548	1,202	238,334	36,602	274,936	3,853,001
2004	739	65	804	216,038	37,611	253,649	3,970,008
2005	669	225	894	208,121	49,300	257,421	4,112,131
2006	432	28	460	139,416	51,658	191,074	4,165,185
2007	236	342	578	165,997	62,612	228,609	4,238,971
2008	194	63	257	100,176	66,206	166,382	4,108,322
2009	107	2	109	54,300	50,809	105,109	4,224,669

2010 calendar year new construction and property value data and fiscal year deposit data is not available.

SOURCES FOR PROPERTY VALUATION AND NEW DWELLING UNIT INFORMATION:

California Department of Finance - Financial and Economic Research Unit

SOURCES FOR DEPOSIT INFORMATION:

Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report

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

Year ended June 30,	Debt Service Funds		Enterprise Funds	
	Special Assessment Billings	Special Assessments Collected	Special Assessment Billings	Special Assessments Collected
2001	142,117	142,126	210,911	221,694
2002	85,959	91,280	188,796	188,852
2003	108,902	95,479	189,469	187,323
2004	80,523	88,249	186,878	186,878
2005	36,663	36,663	154,503	154,479
2006	36,701	36,693	154,044	157,688
2007	131,731	131,731	157,990	157,028
2008	132,072	132,072	114,938	114,938
2009	129,337	128,488	92,315	92,307
2010	206,325	203,641	90,139	90,075

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

County of Santa Cruz
Principal Taxpayers
Current and Ten Years Ago

Taxpayer	Type of Business	Assessed Value 2009-2010	Percentage of Total Assessed Valuation 2009-2010 ¹
Pacific Gas & Electric Company	Gas & Electric Utility	\$197,984,476	0.59 %
NNN Enterprise Way LLC et al	Software Producer	67,513,819	0.20
Macerich Partnership L P	Commercial Real Estate	67,478,590	0.20
AT&T California	Telephone Utility	63,493,430	0.19
Watsonville Hospital Corporation	Hospital	60,429,871	0.18
Lonestar California Inc	Cement Manufacturer	57,383,708	0.17
Santa Cruz Seaside Company	Amusement Park	56,141,548	0.17
George Ow, Jr. et al	Real Estate	46,703,789	0.14
Cypress Point RE Investors LLC	Apartment Complex	42,209,111	0.13
S C Beach Hotel Partners LLC	Hotel	41,349,240	0.12
Totals		\$700,687,582	2.09 %

Taxpayer	Type of Business	Assessed Value 2000-2001	Percentage of Total Assessed Valuation 2000-2001 ²
Silicon Systems Inc.	Electron Systems	\$153,592,778	0.80 %
Pacific Bell	Telephone Utility	111,652,232	0.58
Pacific Gas & Electric Company	Gas & Electric Utility	108,513,499	0.57
Lone Star	Cement Manufacturer	77,354,278	0.40
Santa Cruz Seaside Company	Amusement Park	59,574,790	0.31
Seagate Technology	Electronic Manufacturer	57,472,001	0.30
Macerich Partnership L P	Commercial Real Estate	56,823,116	0.30
Watsonville Hospital Corporation	Hospital	52,351,892	0.27
Enterprise Way Associates	Software Producer	49,967,000	0.26
Sequoia Equities-Cypress Point	Rental Real Estate	35,886,296	0.19
Totals		\$763,187,882	3.98 %

Note: Principal taxpayer data for fiscal year 2009-2010 is derived from the 2009 tax roll, which is billed and collected during 2010. Data for fiscal year 2000-2001 is derived from the 2000 tax roll, which is billed and collected during 2001.

¹Percentage of total assessed valuation for 2009-2010 is calculated from the total net assessed valuation of \$33,417,744,265.

²Percentage of total assessed valuation for 2000-2001 is calculated from the total net assessed valuation of \$19,137,063,804.

County of Santa Cruz

Principal Employers

Current and Five Years Ago

Employer	Product/Service	Number of Employees 2009-2010 ¹	Percentage of Total Employment 2009-2010 ²
University of California at Santa Cruz	Education	1,000-4,999	2.20 %
Pajaro Valley Unified School District	Education	1,000-4,999	2.20
County of Santa Cruz	County Services	1,000-4,999	2.20
Dominican Hospital	Hospital	1,000-4,999	2.20
Santa Cruz Beach Boardwalk	Amusement/Recreation	1,000-4,999	2.20
Cabrillo College	Education	500-999	0.55
Santa Cruz City School District	Education	500-999	0.55
City of Santa Cruz	City Services	500-999	0.55
Seagate Technology	Disc Drives	500-999	0.55
Watsonville Hospital	Hospital	500-999	0.55
West Marine	Retail	500-999	0.55
Plantronics	Telephone Apparatus Mfg.	500-999	0.55
Total			14.85 %

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

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

¹ Number of employees reflect an average range based on California Employment Development Department (EDD) data. During 2004-2005, EDD provided the County with nearly accurate numbers whereas during 2009-2010, EDD provided the County with ranges.

² Based on total civilian employment of 136,300 as reported by the California Employment Development Department for June 2010.

³ Number of employees provided by California Employment Development Department

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

County of Santa Cruz

Operating Indicators by Function

Last Nine Fiscal Years

Function	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Public Assistance									
Human Services Department									
Adult Protective Services									
Referrals received	560 ²	585 ¹	610	585	664	618	574	548	561
Investigations completed	330 ²	416 ¹	468	432	370	390	361	369	376
Family and Children's Services									
Annual referrals (families)	2,604 ²	3,096 ¹	3,093	2,979	3,100	3,348	3,062	2,956	3,052
Finalized adoptions	37 ²	42 ¹	41	43	41	41	31	35	61
Monthly average number of licensed foster homes	105 ²	109 ¹	124	123	113	109	108	107	129
Benefit Services									
Average number of Medi-Cal recipients	28,635 ²	27,487 ¹	26,655	25,427	24,135	21,723	20,990	18,940	n/a
Public Ways and Facilities									
Public Works									
Roads									
Miles of road maintained	600	600	600	600	600	600	600	600	599
Potholes repaired	2,500	2,500	3,500 ³	5,500 ³	5,500 ³	5,500 ³	5,500 ³	5,500 ³	5,500 ³
Minor culverts maintained	2,000	2,000	2,000	2,200	2,262	2,261	2,260	2,258	2,255
Bridges and major culverts maintained	160	160	160	159	159	159	159	159	159
Traffic signs replaced/repared	1,029	1,400	1,475	2,200	2,425	2,400	2,350	2,300	2,250
Miles of street swept	4,000	4,500	5,000	5,000	4,550	5,000	4,900	4,800	4,700
Sanitation									
Miles of pipe maintained	230	222	222	222	222	222	222	220	220
Maintenance call responses	238	216	272	501	381	127	122	120	120
Landfill									
Waste generated (tons)	153,873	164,717	183,993	229,877	230,000	201,000	205,971	211,693	218,578
Waste disposed (tons)	71,701	76,203	77,745	99,423	87,400	86,430	94,745	103,730	98,360
Recreation and Cultural Services									
Parks, Open Space and Cultural Services									
Facility bookings	5,942	5,772 ¹	6,114	7,389	7,238	7,096	6,677	6,414	n/a
Recreation registrations	5,518	5,888	4,982	4,898	4,777	4,343	7,228	7,353	7,744
Swim admissions	90,771	86,834	82,800	78,126	76,746	77,522	74,676	68,086	n/a

Sources: Various County Departments

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

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

² Data is estimated as presented in the 2010-2011 Proposed Budget.

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

County of Santa Cruz

Operating Indicators by Function, Continued

Last Nine Fiscal Years

Function	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Public Protection									
Agricultural Commissioner									
High risk quarantine inspections	1,950 ²	2,800 ¹	2,640	2,894	2,686	2,600	2,300	2,700	2,900
District Attorney									
Criminal Prosecution									
Felony filings	2,141 ²	2,155 ¹	2,128	2,210	2,251	2,551	2,314	2,040	2,213
Juvenile filings	550 ²	731 ¹	1,046	813	714	1,046	1,262	681	661
Consumer Affairs									
Number of calls received	2,800 ²	2,880 ¹	2,960	3,008	3,165	3,046	3,012 ³	7,767	11,729 ⁴
Number of written complaints received	300 ²	288 ¹	440	375	228	206	195	244	265
Planning									
Building permits issued	2,557 ²	2,611	3,162	3,651	3,894	3,616	3,588	3,549	3,406
Building permit inspection sites visited	7,622 ²	9,353 ¹	10,061	11,862	12,157	12,247	11,420	11,101	10,953
Code compliance cases resolved	691 ²	574 ¹	1,192	871	907	1,025	1,064	1,196	1,003
Probation ⁵									
Juvenile division referrals	n/a ⁶	2,323 ²	2,378 ¹	2,411	2,222	2,671	2,353	2,694	2,843
Juvenile division petitions filed	n/a ⁶	1,166 ²	1,148 ¹	1,260	1,216	1,236	1,293	1,472	1,476
Juvenile court investigations	n/a ⁶	178 ²	183 ¹	218	249	284	232	226	171
Public Defender									
Total cases	12,000 ²	12,385 ¹	12,455	12,642	12,604	12,290	13,864	14,496	12,960
Sheriff/Coroner (Investigation Division) ⁵									
Felony cases cleared	n/a	n/a	n/a	n/a	n/a	675	741	719	1,361
Misdemeanor cases cleared	n/a	n/a	n/a	n/a	n/a	336	365	395	1,000
Detention									
Main jail bookings	12,716	13,576	12,941	13,479	13,109	12,721	12,834	13,200	12,545
Weights and Measures									
Establishments visited	1,377 ²	1,742 ¹	1,836	2,093	2,175	2,051	1,951	1,660	2,012
Special District									
Mosquito Abatement/Vector Control CSA #53									
Mosquito inspections	4,500 ²	5,515 ¹	4,396	4,462	4,547	3,052	3,112	1,950	1,487

Sources: Various County Departments

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

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

² Data is estimated as presented in the 2010-2011 Proposed Budget.

³ Consumer Affairs Coordinator reduced to half time.

⁴ Data reflects duplicated contracts from the same clients.

⁵ Data is presented on a calendar year basis.

⁶ Calendar year data is not yet available.

County of Santa Cruz

Budgeted Positions

Last Ten Fiscal Years

DEPARTMENT/FUNCTION	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
COUNTY ADMINISTRATIVE OFFICE	15.30	15.30	14.30	13.30	18.00	18.00	18.00	18.00	18.00	18.00
CLERK OF THE BOARD	5.00	5.00	5.00	5.00	-	-	-	-	-	-
AG COMMISSIONER ¹	15.58	17.81	17.26	17.00	18.00	20.00	21.00	22.00	22.00	19.75
MOSQUITO ABATEMENT	3.00	3.00	3.00	3.71	4.00	4.00	8.00	8.00	9.00	9.00
WEIGHTS & MEASURES ¹	3.00	3.00	3.00	2.00	2.00	-	-	-	-	-
PEST DETECTION	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	1.75
ASSESSOR	40.00	40.00	38.00	38.00	38.00	38.00	38.00	38.00	37.50	35.50
AUDITOR-CONTROLLER	29.50	30.50	30.00	29.00	29.00	29.00	29.50	29.50	29.50	29.00
BOARD OF SUPERVISORS	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
COMMISSIONS	1.50	1.50	-	-	-	-	-	-	-	-
RECORDER	14.00	14.00	15.00	16.00	12.00	13.00	13.00	13.00	11.00	11.00
ELECTIONS	8.50	8.50	7.00	7.50	11.00	10.00	12.00	14.00	14.00	14.00
COUNTY COUNSEL	21.20	23.20	21.50	20.00	19.00	19.50	19.50	19.50	19.00	18.50
DISTRICT ATTORNEY	182.75	102.50	94.00	87.50	84.50	81.50	85.50	91.50	92.50	92.50
CHILD SUPPORT SERVICES	-	86.75	92.75	85.75	70.50	68.50	68.50	69.50	66.50	66.50
EMERGENCY SERVICES	2.00	4.00	4.00	3.25	3.00	1.75	1.75	2.00	3.75	2.00
COMMUNICATIONS	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	1.55	2.30	-	-
GENERAL SERVICES	10.00	12.00	10.00	9.00	9.00	11.00	11.00	11.00	9.00	9.00
FACILITIES MAINTENANCE	35.00	37.00	40.00	39.00	36.00	37.00	38.00	47.75	47.00	47.00
PURCHASING	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
CENTRAL STORES/DUP	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
SERVICE CENTER	7.00	7.00	7.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
HEALTH SERVICES	562.85	607.41	579.25	571.70	546.60	577.60	647.75	661.05	526.55	486.50
HUMAN SERVICES	552.10	563.60	521.10	440.10	432.60	481.10	511.10	527.60	463.00	445.50
PUBLIC GUARDIAN ²	16.00	16.00	17.00	14.00	9.00	-	-	-	-	-
WORKFORCE INVESTMENT ADMIN	5.00	6.00	7.00	5.00	-	-	-	-	-	-
VETERANS SERVICES	5.00	5.00	5.00	3.00	3.00	5.00	5.00	5.00	4.00	4.00
IHSS PUBLIC AUTHORITY	-	-	5.00	4.00	-	-	-	-	-	-
INFORMATION SVCS/TELEPHONE	81.50	81.50	81.50	78.50	73.25	71.25	78.25	78.25	76.25	65.00
INFORMATION SVCS/COMM. TECH.	-	-	-	-	-	-	6.00	6.00	6.00	6.00
PARKS OPEN SPACE AND CULTURAL SVC	66.00	70.50	67.75	63.50	53.55	53.05	53.75	57.00	56.00	47.50
PERSONNEL	23.00	26.00	24.50	23.50	22.50	22.50	23.50	27.50	27.50	25.50
RISK MANAGEMENT	10.55	10.75	10.75	10.75	10.75	9.75	10.75	10.75	10.75	12.00
PLANNING	98.50	110.75	93.75	90.50	98.50	99.25	99.25	100.00	100.00	87.25
PROBATION	101.00	110.50	108.00	86.50	86.00	88.00	90.00	101.00	94.00	81.00
JUVENILE HALL	31.00	31.00	31.00	29.00	33.00	32.00	31.00	31.00	31.00	30.50
PUBLIC WORKS	281.00	289.00	308.00	303.00	298.00	296.00	303.50	300.50	290.00	274.00
RDA	15.00	15.00	15.00	16.00	11.00	13.00	13.00	14.00	14.00	22.00
SHERIFF-CORONER	179.50	180.50	177.50	175.50	169.00	170.50	172.75	177.25	176.25	173.75
DETENTION	144.00	146.00	137.00	137.00	136.00	138.00	144.00	148.00	168.00	165.25
COURT SECURITY	22.00	21.00	22.00	22.00	22.00	23.00	24.00	26.00	26.00	26.00
TREASURER	20.50	20.50	19.50	14.50	15.50	15.75	16.25	16.25	16.75	14.75
TOTAL	2,643.15	2,758.39	2,668.89	2,504.06	2,413.25	2,486.00	2,627.15	2,705.20	2,496.80	2,370.00

¹ Weights and Measures was incorporated-into the Ag Commissioner

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

County of Santa Cruz
Schedule of Insurance in Effect
June 30, 2010

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

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

Function	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Public protection - Sheriff									
Jail facilities	3	3	3	3	3	3	3	3	3
Rehabilitation center	1	1	1	1	1	1	1	1	1
Juvenile center	1	1	1	1	1	1	1	1	1
Courthouses	3	3	3	2	2	2	2	2	2
Morgue	1	1	1	1	1	1	1	1	1
Public assistance									
Child day care center	1	1	1	1	1	1	1	1	1
Elder day care center	1	1	1	1	1	1	1	1	1
Residential care facility	1	1	1	1	1	1	1	1	1
Volunteer center	1	1	1	1	1	1	1	1	1
Veterans centers	2 ²	2	2	2	2	2	2	2	2
Recreation and culture									
Parks acreage	223	223	223	223	223	223	223	223	223
Sites	57	57	57	55	56	55	55	54	54
Athletic fields	17	17	17	17	17	17	17	17	17
Swimming pools	4	4	2	2	2	2	2	2	2
Public ways and facilities									
Roads									
Pavement (miles)	600	600	600	600	600	600	600	599	599
Junction structures	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Minor culverts	2,000	2,000	2,000	2,200	2,262	2,261	2,260	2,258	2,255
Bridges and major culverts	160	160	160	159	159	159	159	159	159
Sanitation									
Pipe (miles)	230	222	222	222	222	222	222	220	220
Pump stations/treatment plants	62	62	62	62	62	62	62	59	59
General government and support services									
Administrative and other facilities ¹	10	10	10	10	10	10	10	10	8

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

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

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

GLOSSARY

(UNAUDITED)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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