

COUNTY OF SANTA CRUZ
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013



Prepared Under the Direction of

Mary Jo Walker, CPA
AUDITOR-CONTROLLER

Walton Lighthouse

The Walton Lighthouse, also known as the Santa Cruz Breakwater Lighthouse, is located on the west breaker at the entrance to Santa Cruz Harbor. Designed by Mark Mesiti-Miller, the lighthouse weighs 350,000 pounds, stands 41 ½ feet tall, is 59 ½ feet above the mean low water mark and was built to withstand a quarter million pounds of wave energy.

Prior to construction of the lighthouse, the harbor entrance had been marked by a light on a pipe. The proposal to replace the light with a classically designed lighthouse came from the community in 1998. By 2001, enough contributions had been raised to begin construction.

The completed lighthouse was dedicated and the green signal activated on June 9, 2002. It was named Walton Lighthouse, in honor of Derek Walton, the late brother of major donor, Charles Walton. Derek served in the merchant marines and was lost at sea during World War II.

The green lighthouse beacon flashes every four seconds. Today the lighthouse also sports a green band day marker. However, it had originally been painted red. Since the color of beacons and day markers serve as navigational aids, green and red signaling opposite messages, this was a problem and the band was painted green in March, 2003.

Cover Photo by Ronald Cyzman

County of Santa Cruz, California

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2013

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County of Santa Cruz
For the year ended June 30, 2013

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COUNTY OF SANTA CRUZ

AUDITOR-CONTROLLER'S OFFICE

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

December 18, 2013

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, 2013 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, Marcum LLP, who have rendered an unqualified opinion thereon, have audited these statements. Their report is provided herein.

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

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

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 as amended and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including the schedule of federal financial assistance, findings and recommendations, and auditors' 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 is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) The cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

In accordance with the County Budget Act in the California Government Code, the County prepares and adopts a budget on or before October 2 for each fiscal year. Budgets are adopted for the General Fund and Special Revenue Funds. In addition to the controls mentioned above, the County maintains budgetary controls, whose objective is to ensure compliance with legal provisions embodied in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the character level of salaries and benefits, services and supplies for each budget unit within each budgeted fund. Other charges, land, plant and improvements, and equipment are controlled by line item within each budget unit. The County also maintains an encumbrance accounting system as one technique for accomplishing budgetary control. At year-end, encumbrances lapse, but may be re-appropriated in the following year's budget. The encumbrance system is employed to record amounts committed for purchase orders or contracts. If appropriations are not sufficient, Board of Supervisors-approved appropriation transfers are required before commitments or expenditures are permitted. Encumbrances outstanding at year-end are shown as commitments 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 266,662. 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 continued to recover 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 after recovering from the economic downturn in 2001. Beginning in 2007, the subprime mortgage lending crisis significantly reduced home sales across the nation, including those in Santa Cruz County. While the assessed values of real property in the county had increased by an average of about 8% per year from fiscal year 2001-02 through 2007-08, 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 continued to decline but at a much slower pace during fiscal years 2010-11 through 2012-13 by an average of about 0.6% annually. The trend finally reversed in fiscal year 2013-14 as the economy began to recover, with an increase in assessed values of 3.8% over the prior year. Every indication is that assessed values will remain stable or continue to increase for fiscal year 2014-15. Property-related tax revenues comprise about 79% of the County's total tax revenues, so changes have a dramatic effect not only on the County, but also on every local agency and special district, as well as the State since over half of local property tax revenues are earmarked for K-12 education, which is a State obligation.

Another indicator of the local economy is retail sales. Sales tax receipts in the unincorporated County comprise about 9% of the County's total tax revenues. Sales tax receipts declined during fiscal years 2008-09 and 2009-10 by a total of 20%, but then revitalized by increasing 25% during the next three fiscal years through 2012-13. Sales tax receipts have continued to increase during fiscal year 2013-14, which is another signal that the economy is stabilizing. Tourism is also important to the local economy. The Santa Cruz area experienced lower occupancy and weaker tourist spending for a few years, but has bounced back. Transient Occupancy Tax collections, which comprise about 4% of the County's total tax revenues, ebb and flow with the economy, but have increased about 24% over the past seven years since the low in fiscal year 2005-06. On November 6, 2012, County voters elected to increase the Transient Occupancy Tax effective July 1, 2013, on lodging facilities in the unincorporated area from 9.5% to 11%. This is estimated to generate approximately \$600,000 of additional revenues annually to the County General Fund. Unemployment in the County is slowly returning to normal levels. The unemployment rate at June 30, 2013 was 7.9%, which is lower than it was one year ago at 10.3%, and much lower than the record high of 15.5% in February 2010, but still not down to the area's historical

average of about 6.5%. The decline in the unemployment rate is another indication that the local economy is slowly normalizing.

The County's General Fund revenues decreased by \$1.0 million from \$360.5 million in fiscal year 2011-12 to \$359.5 million in fiscal year 2012-13, a decrease of about 0.3%. There were reductions in licenses and permits sold and lower interest earnings. Intergovernmental revenue increased by \$10 million primarily due to Assembly Bill 109, the Public Safety Realignment Act, mentioned later. But this increase was offset by an \$11 million reduction in Charges for Services due to a change in accounting accruals for Health Clinic reimbursements.

The County General Fund increased its expenditures by \$10.1 million from \$346.5 million in fiscal year 2011-12 to \$356.7 million in fiscal year 2012-13, or about 3%. The increases were primarily in public protection. Assembly Bill 109, the Public Safety Realignment Act, shifted responsibility for lower-level inmates to local governments. The Sheriff's office is also in the process of transitioning to a new facility in 2013-14. To maintain cost controls, employees agreed to continue the furloughs at approximately 5% during fiscal year 2012-13, along with various other concessions. A number of programs and services were eliminated or reduced, and 412 positions were eliminated over the past four years, representing about 15% of the workforce.

Despite the difficult economic climate, the County has maintained its General Fund reserves within the minimum level. Total General Fund balance was \$40.6 million at June 30, 2013, a decrease of \$1.6 million from \$42.2 million at June 30, 2012. General Fund committed and assigned designations totaled \$27.8 million at June 30, 2013, an increase of \$0.9 million from \$26.9 million at June 30, 2012, not including \$4.0 million in encumbrance reserves for future purchase orders or contracts, or \$5.2 million assigned to fund next year's budget. The increases in the committed and assigned designations were made to remain in compliance with the County's Fund Balance Reserve Policy.

In June 2011, the County Board of Supervisors adopted a Fund Balance Reserve Policy in compliance with Governmental Accounting Standards Board Statement (GASB) 54, and established a minimum balance in the committed and assigned categories for the County General Fund at 7% of the upcoming budget year's estimated revenues. This policy has helped the County maintain a stronger fiscal position to weather negative economic trends while still preserving flexibility. The committed and assigned fund balance designations of the County's General Fund at June 30, 2013, of \$27.8 million (excluding encumbrances and the amount assigned to fund the fiscal year 2013-14 budget) were at 7.0% of fiscal year 2013-14 budgeted revenues.

The County's fiscal year 2013-14 adopted budget continues to reflect the impact of the recession and the slow recovery experienced by all private and public sectors. For Santa Cruz County government, the result is that property related revenues, interest earnings, and charges for services in the land use area are projected to remain essentially flat, but sales tax revenues and program revenues from federal and state agencies are projected to increase somewhat. While the County receives only 13% of the property tax dollar, approximately 79% of the County's general purpose revenues are related to real estate, either through property tax revenues or vehicle license fee revenues which change in lock-step with property tax revenues. The recession officially ended in the United States in June 2009, and

although the local economy is in recovery, the County continues to employ strict cost control measures to balance its budget, including employee furloughs and concessions, hiring freezes, and ongoing service reductions.

At the State level, California voters approved Proposition 30 in November 2012 to temporarily increase the statewide sales tax rate and the income tax rates on wealthier individuals, projected to raise about \$6 billion a year. Voters also approved Proposition 39 to close a loophole for out-of-state businesses, projected to raise about \$1 billion a year. These tax measures, coupled with the State's economic recovery and past budget cuts, give California a positive economic outlook for fiscal year 2013-14 and beyond.

The independent California Legislative Analyst's Office (LAO) is projecting a \$2.2 billion operating surplus in fiscal year 2013-14, resulting in a \$2.4 billion reserve at June 30, 2014. For the following fiscal year 2014-15, the LAO is projecting \$3.2 billion operating surplus, netting a \$5.6 billion reserve at June 30, 2015. The LAO projects the State's revenues will grow faster than expenditures through fiscal year 2017-18 when the temporary personal income tax rate increase expires under Proposition 30, resulting in a more gradual ramping down of state revenues at that point.

Statewide unemployment remains fairly high at about 8.9% at June 30, 2013, which is better than the record high of 12.2% three years ago, and is projected to continue declining over the next few years.

Assembly Bill 109, the Public Safety Realignment Act, is a sweeping reform which transferred responsibility to counties, instead of the California Department of Corrections and Rehabilitation, for supervising specified lower-level inmates and parolees, in exchange for increased funding. This initiative, which became effective on October 1, 2011, has allowed the County to provide a higher level of justice system effectiveness and improved public safety. To date, 269 inmates and parolees have been served by the County's local law enforcement and public safety partners under this new law.

The State legislature also adopted Assembly Bill (AB) X1 26 in June 2011. AB X1 26 required each California redevelopment agency to suspend nearly all activities except to implement existing contracts and prepare for dissolution. As the operations of the former redevelopment agencies wind down, their resources are redistributed to other local agencies such as cities, counties, special districts and schools. This largest portion of the redistribution goes to the schools which offsets required State education spending, thereby creating savings for the State. Through June 30, 2013, \$20.3 million of former redevelopment funds has been redistributed from the five redevelopment agencies within the County and its cities, and into the general funds of the local cities, county, special districts and schools. Statewide, \$4.0 billion of former redevelopment funds have been redistributed.

The California Public Employees Retirement System (CalPERS) pension fund, which Santa Cruz County employees participate in, has made significant and important changes in costs and benefits. In August 2012, the State legislature adopted a number of changes for state and local employees who participate in the CalPERS program. The changes include an increase in the retirement age and a lower benefit formula for new employees, a cap on the annual pension payout, and the requirement for workers to pay half of their costs. CalPERS

estimates the State will save approximately \$50 billion over 30 years. It is more difficult to estimate the future savings to the County.

CalPERS realized a gain of 13.2% on its investments for the year ended June 30, 2013, following gains of 1.0%, 20.9% and 11.6% in the three prior years, preceded by a loss of -23.4% the year before. CalPERS believes that its long-term 20-year investment return remains at 7.75%. In 2005, CalPERS approved a rate smoothing policy to reduce rate volatility caused in prior years by poor actuarial projections of the cost of plan amendments and investment losses. CalPERS adopted additional rate smoothing policies in June 2010 and April 2013, the most recent of which is designed to amortize investment gains and losses from earlier fiscal years over a fixed 30-year period, rather than the current rolling 30-year amortization period, with the increases and decreases in the rate spread over a five year period. County employees also participate in the CalPERS health insurance program, whose average premiums increased by 9.6% in 2013, and will increase by 3.0% for 2014.

The upcoming fiscal year will be another challenging one for the County, but the County's management and staff have done an excellent job under difficult fiscal conditions in the past, and will continue to do so. The State's improved financial condition will go a long way in allowing the County to more effectively manage its financial decisions at the local level.

MAJOR INITIATIVES

- The Agricultural Commissioner's Department, working closely with the State, enforces laws and regulations that promote and protect the agricultural industry, people, and the environment. Our County was removed from quarantine for the European Grape Vine Moth effective December of 2012, but remains under quarantine for the Light Brown Apple Moth. We work to prevent the spread of that pest and protect the ability of the industry to export commodities.
- The Assessor's Office, along with staff from the Tax Collector, Auditor and Information Services Department, completed the replacement of the mainframe tax cycle programs. The work included data conversion and program testing. The new tax system went live in October 2012. It is expected that program testing and refinements will continue through the next fiscal year.
- The County Recorder's Office installed a new electronic recording system and continued its goal of restoring historical official record books. A total of 43 Deed books were restored and filmed.
- The Auditor Controller's Office continued work on the fine tuning of the new Property Tax System, working with applicable departments, as well as beginning the process to replace the County's financial and procurement system expected to go live in the spring of 2015. In addition, the Payroll Division worked with the Personnel and Information Services department to implement changes in response to recent pension reform.
- Child Support Services continued to focus on improving customer service and program priorities. The department exceeded the child support collections goals set by the State

Department of Child Support Services. As a region, Santa Cruz-San Benito achieved its best-ever performance on the key federal performance measures.

- The County Administrative Office continues its primary focus as administrator of policies and procedures to enforce the policies established by the Board of Supervisors and as the representative of the Board in intergovernmental relationships. Significant efforts in 2013-14 include work on the Santa Cruz County Library Joint Powers Authority Facilities Plan; consolidation of the Treasurer/Tax Collector and the Auditor/Controller offices to achieve operational and financial efficiencies; economic development including the Redevelopment Successor Agency Long Range Plan; reopening of the Veteran's Building; Redevelopment Successor Agency Tax Allocation Bonds refunding; labor negotiations; legislative monitoring; and contract administration.
- In fiscal year 2012-13, the County Clerk/Elections Office conducted the November 6, 2012 Presidential Election, which saw record numbers in voter registration, vote-by-mail ballots, and provisional voting. The General Election was conducted under the "Top Two" law where the top two candidates with the most votes cast from the Primary are in the run-off in November. The election was also conducted using the newly drawn district boundaries. Two Special Elections were also conducted, one in May for the Lakeside and Soquel School Districts, and one in June for the City of Watsonville.

The Department continues to provide services in many areas such as issuing marriage licenses (1,545 issued), performing marriage ceremonies (310 performed), accepting passport applications (3,418 accepted), and issuing fictitious business statements (2,241 issued). The Department continues to offer Saturday passport hours at least quarterly and has expanded clerk services to Watsonville one Wednesday a month.

- The Office of the County Counsel continues to provide civil legal representation to every County department and several special districts. This past year, the Office contributed significantly to the Board's medical marijuana regulation efforts and the issues flowing from the mandatory dissolution of Redevelopment Agencies. This Office also won several motions for summary judgment in tort cases that saved the County from further litigating these high value cases.
- The District Attorney's Office continued to face an unprecedented number of homicides which occurred and went to trial. The investigation and prosecution of many of these cases will continue through the current year, limiting resources available for other types of cases. The Office was a key member of the team formed to establish the Countywide Gang Task force to combat violent gang activities. In addition, the Office is an integral member of the Community Corrections Partnership which was established to develop and implement plans for dealing with the financial and operational effects of Assembly Bill 109, the Public Safety Realignment Act, which allows specified lower-level inmates and parolees to serve their sentence in county jails instead of state prisons.
- The General Services Department continues its diligence in addressing the operational needs of the County, despite significant cutbacks in staffing and funding. Accomplishments include installation of additional electric vehicle charging stations at the Emeline campus and in South County, completion of the repair of the Santa Cruz

Veterans' Memorial Building in November 2013 and working with other County Departments, furthering the goals of the Climate Action Strategy by participating in the Community Choice Aggregation (CCA) program. The Facilities Division continues to scope additional energy efficiency projects for competitive and grant funding opportunities within the next couple of years. The Department's Purchasing Division continues to focus on procurement of environmental and energy-friendly products and services, as well as implementing cooperative purchasing with local governments to increase efficiencies and reduce costs.

- The Health Services Agency provides numerous services designed to promote and protect the health of the community and the environment. Service areas include Public Health, Environmental Health, Mental Health, Primary Care medical clinics, Emergency Medical Services, and Substance Abuse Treatment. These services are provided directly by the County and through contract providers. As in prior years the Agency faces numerous challenges including the threat of loss of Health Realignment funds, which would impact Public Health, Indigent Care, and Primary Care medical clinics. In addition the county will see an increased demand for services related to implementation of the Affordable Care Act and the completion of construction of the new Behavioral Health Center, housing the County's Psychiatric Health Facility and Crisis Stabilization Program.
- The Human Services Department is heavily leveraged by federal and state funding and provides a wide range of safety net services to protect the county's most vulnerable populations and provide assistance to individuals and families struggling financially. Economic woes continue in Santa Cruz County in FY 2012-13. Approximately 59,000 people within the county struggle with poverty and receive benefits from one or more public assistance programs, including food assistance (CalFresh), medical insurance (Medi-Cal) and cash aid (CalWORKs and General Assistance). The average unemployment rate for the County is 10%, which is higher than the California average, and the Watsonville rate is double the countywide rate. In partnership with the local business community, the Department created new paths to employment and job training opportunities by increasing access to subsidized employment and launching a marketing campaign to local businesses to promote direct job placements, on-the-job training opportunities, and layoff aversion services.

The most comprehensive initiative facing the Human Services Department is the full implementation of the Patient Protection and Affordable Care Act (ACA) on January 1, 2014. This act provides an unprecedented opportunity to ensure that over 28,000 Santa Cruz County previously uninsured or underinsured residents will now have access to health care either through the California Health Benefit Exchange or through Medi-Cal expansion. Through increased state and federal allocations, additional staffing and technology resources as well as comprehensive facilities improvements and service redesign efforts have been implemented to ensure that the newly eligible Medi-Cal population is enrolled for both health insurance and CalFRESH benefits. In addition, the department has been awarded a Covered California grant to conduct outreach and education activities for individuals and families eligible for Advanced Premium Tax Credit through the Health Exchange in the tri-county Monterey, San Benito and Santa Cruz region. The Department is also pursuing a grant from the California Department of

Health Care Services to conduct similar activities to reach the newly expanded Medi-Cal population in Santa Cruz County.

Through all these changes, we will continue to focus on our commitment to protect the most vulnerable, lift individuals and families out of poverty, and improve the quality of life for residents of Santa Cruz.

- The Information Services Department's focus remains on modernizing the County's technology infrastructure and service, with an eye to mobile and cloud solutions. The migration of business processes off the mainframe computer is in its final phase; the vendor selection for the General Ledger and Purchasing replacement system is scheduled for January 2014. Upgrading the network infrastructure while expanding our internet speed and throughput lays the groundwork to allow us to replace our aged telephony system. This modern framework is required for us to meet the pressing business needs of our user departments.
- The Parks, Open Space and Cultural Services Division of the Public Works Department continued to work in collaboration with other agencies, departments and non-profit organizations to improve park facilities and arts within the community, and offer quality recreation and nature programs at Simpkins Family Swim Center, at youth programs and camps, and at Quail Hollow Ranch as well as manage major capital improvements for the County. Completed park projects include the Carmichael Property - Nisene to the Sea Trail, a bike pump track installed by volunteers and interim parking at Chanticleer Avenue Neighborhood Park, and Phase One of the Farm Park Habitat Restoration Project. Public art was installed at the Behavioral Health Center and Phases Three and Four of the Traffic Box Art Program were completed. Construction of the Behavioral Health Center for the Health Services Agency will be completed in December 2013, as will the Forensic Sciences building, the first of three buildings that comprise the Sheriff's Office Center for Public Safety Project.
- Over the past four fiscal years, the Personnel and Risk Management Department has worked closely with other departments and employee unions to retain as many employees as possible while budgets have been reduced and to restructure pension and health benefit programs in order to reduce costs and improve the sustainability of these programs. More recently, the department has focused their efforts towards: 1.) meeting the requirements of the Affordable Care Act through specialize recruitments for both the Health and Human Services Agencies; 2.) achieving long term collective bargaining agreements with our labor unions that recognize the sacrifices of the past few years while at the same time increasing the County's ability to quickly adjust to future economic emergencies; 3.) re-inventing and modernizing our internal employee training programs and recruitment efforts to focus upon career development and transitional leadership planning; and 4.) implementing the provisions of the California Public Employees' Pension Reform Act of 2013 (PEPRA).
- The Planning Department continued work on the "Sustainable Santa Cruz County" / Transit Corridors Plan, which will result in proposed amendments to the General Plan land use, circulation and housing elements. The effort to prepare an Economic Vitality Strategy was initiated, and a public-private planning process occurred to identify future

opportunities for the East Cliff Drive shopping center. Work continued to modernize and simplify the County's land use regulations and associated processes, including adoption of updated Coastal Regulations. The Climate Action Strategy was completed and adopted. The Minto/Schapiro Knolls and Canterbury affordable housing projects were completed. Economic development activities were initiated, with a variety of assistance provided to businesses and developments, including but not limited to cottage food businesses.

- The Probation Department operates pursuant to Section 1203.5 of the California Penal code and Section 270 of the Welfare and Institutions Code. The Department is responsible for services required by the Adult and Juvenile Courts. The Department is divided into three divisions: Adult, Juvenile, and Institutions (Juvenile)Hall). The Adult and Juvenile divisions perform both investigative and supervision functions. The Department also staffs and administers the Juvenile Hall, the Work Furlough Program, and Pretrial Services.
- The Department of Public Works is responsible for administration, engineering, maintenance and construction of the County's roads, bridges, bikeways, sanitation, drainage, and flood control facilities, as well as oversight and engineering for solid waste disposal services and recycling programs. The Department administers the real property, surveyor, and development review programs, as well as manages various Board-governed special districts and County road and sanitation service areas and the Live Oak Parking Program.
- The Sheriff's Office continues to take a progressive approach to implementing AB 109, The California Public Safety Realignment Act, including the submittal of a grant for repurposing Rountree Facilities for inmate success upon release. The Sheriff's Office has completed the first phase of moving its' operations to the centrally located Center for Public Safety in Live Oak. This central location will dramatically improve operational efficiencies as well as our ability to respond to countywide calls for service. The Sheriff's Office continues to work with the District Attorney's Office and other law enforcement agencies to proactively investigate, apprehend, and prosecute criminal street gang members for violation of state and federal laws. The Santa Cruz County Gang Task Force was formed during September 2011. Now in its third year, the Task Force continues to have a significant impact on gang violence by removing violent offenders and weapons from our streets.
- The Treasurer-Tax Collector's Administration division continues its work to expand a delinquent court fine collection program as prescribed by the State of California. This comprehensive collection program provides appropriate follow-up activities for debt collection as well as additional revenues for the County and other local agencies. The Tax division has continued its work in implementing the County's new property tax system and has also implemented a Low Income Senior and Disabled Property Tax Postponement Pilot Program. The Central Collections division is beginning its implementation of the Franchise Tax Board Court Order Debt collections program for appropriate client departments."

OTHER INFORMATION

State statutes require an annual audit by independent Certified Public Accountants. The firm of Marcum LLP 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, 2012. 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

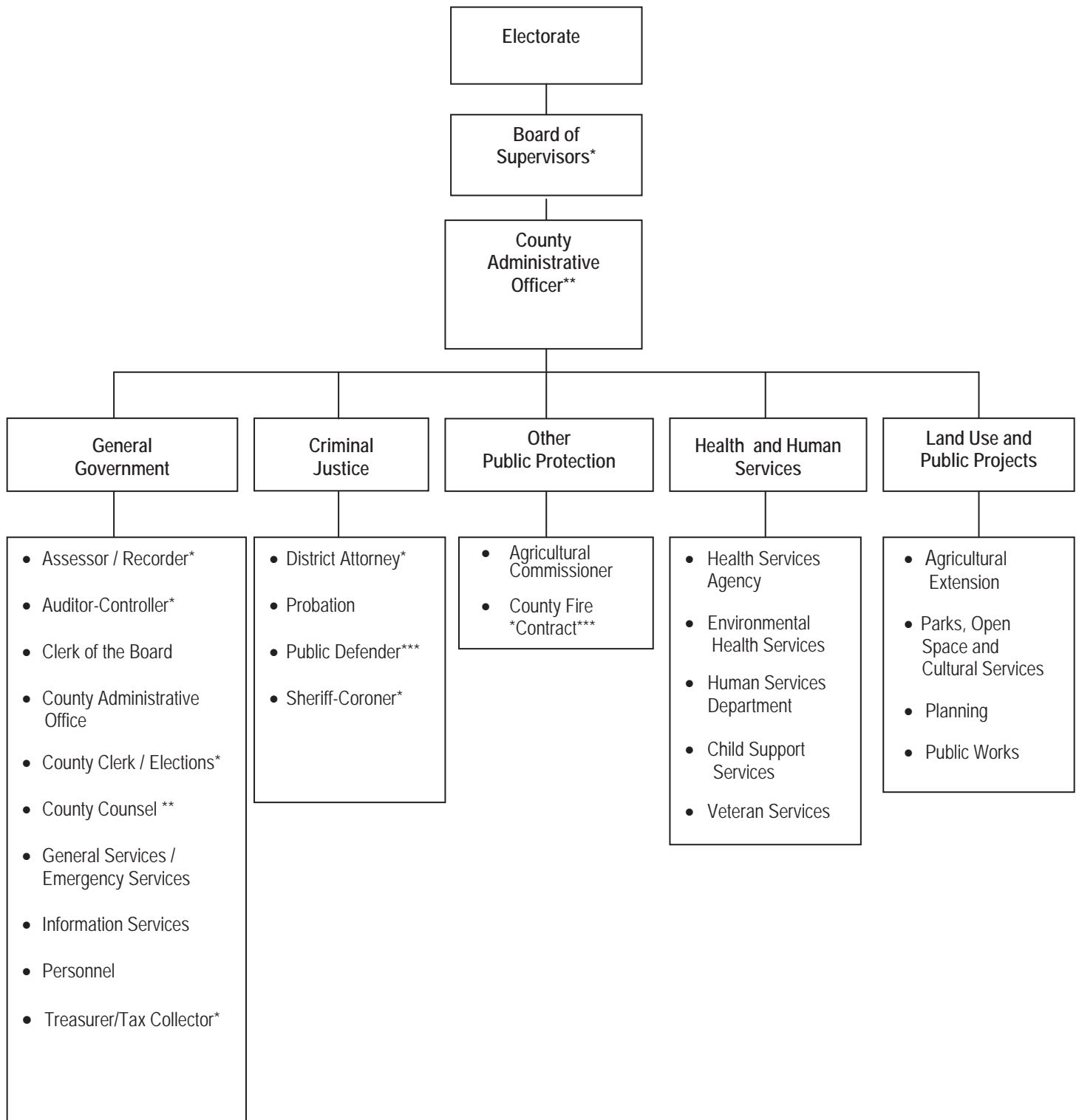
I wish to express my appreciation to my Accounting Division and Audit Division, the County departments that participated in the audit process, and Marcum LLP for their contributions, assistance, and guidance in the preparation of this report.

Respectfully submitted,



Mary Jo Walker
Auditor-Controller

COUNTY OF SANTA CRUZ



*Elected Official

**Appointed by the Board of Supervisors

***Contract

Directory of Public Officials

Elective Officers

		<u>Term ends</u>
Supervisor, 1st District	John Leopold	January 2017
Supervisor, 2nd District	Zach Friend	January 2017
Supervisor, 3rd District	Neal Coonerty	January 2015
Supervisor, 4th District	Greg Caput	January 2015
Supervisor, 5th District	Bruce McPherson	January 2017
State Senator, 17 th District	Bill Monning	December 2016
State Assemblyman, 29 th District	Mark Stone	December 2014
State Assemblyman, 30 th District	Luis A. Alejo	December 2014
U.S. Congressman, 17 th District	Sam Farr	January 2015
U.S. Senator	Dianne Feinstein	January 2019
U.S. Senator	Barbara Boxer	January 2017
U.S. Congresswoman	Anna G. Eshoo	January 2015
Assessor-Recorder	Sean Saldavia	January 2015
Auditor-Controller	Mary Jo Walker	January 2015
Treasurer-Tax Collector	Fred Keeley	January 2015
County Clerk-Elections	Gail Pellerin	January 2015
District Attorney-Public Administrator	Bob Lee	January 2015
Sheriff-Coroner	Phil Wowak	January 2015

Appointed Officers

Administrative Officer	Susan A. Mauriello
Agricultural Commissioner	MaryLou Nicoletti
County Counsel	Dana McRae
Director of Agricultural Extension	Mark Bolda
Director of Child Support Services	Kathy Sokolik
Director of General Services	Nancy Gordon
Director of Information Services	Kevin Bowling
Director of Human Services Department	Cecilia Espinola
Director of Planning	Kathy Previsich
Director of Public Works/Road Commissioner	John J. Presleigh
Director of Parks, Recreation and Cultural Services	John J. Presleigh
Health Officer	Dr. Lisa Hernandez
Health Services Administrator	Giang Nguyen
Personnel Director	Michael McDougall
Probation Officer	Scott MacDonald
Veteran's Services Officer	Allan Moltzen



Government Finance Officers Association

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, 2012

Executive Director/CEO

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Santa Cruz, California (County), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Santa Cruz, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-22 and 108-121 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Marcum LLP

Irvine, California
December 18, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS



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, 2013. 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 plus deferred outflows of resources of the County exceeded liabilities plus deferred inflows of resources at the close of the 2012-2013 fiscal year by \$483,239,029 (*net position*). Of this amount, a negative amount of \$57,499,444 is unrestricted, \$67,057,800 is restricted for specific purpose (*restricted net position*), and \$473,680,673 is the net investment in capital assets.
- The government’s total net position decreased by \$34,771,678. This decrease was primarily due to an increase in the OPEB liability by \$7 million, a decrease in property tax revenues by \$13 million from the prior year, and an extraordinary loss of \$16 million due to the transfer of assets back to the County Redevelopment Successor Agency.
- As of June 30, 2013, the County’s governmental funds reported combined ending fund balances of \$163,659,051, a decrease of \$26,194,106 in comparison with the prior year. Revenues decreased by approximately \$5 million, primarily from Property Taxes and Charges for Services, offset by increases in Aid from other governments. Expenditures increased by \$11 million, mainly in Public Protection and Public Ways. An extraordinary loss of \$7 million was recorded, which was the non-capital asset portion of the loss recorded in the government-wide section due to the Successor Agency transfer.
- At the end of the fiscal year, the general fund reported an ending fund balance of \$40,568,922, of which \$3,543,674 was nonspendable, \$2,000 was restricted, \$16,166,595 was committed, and \$20,856,653 was assigned as shown on page 31.
- The County’s total long-term liabilities are \$214,662,975, an increase of \$12.8 million in comparison with the prior year. The increase resulted primarily from an increase in estimated claims by \$11 million, mostly from the Workers Compensation internal service fund, and from the \$7 million increase due to the OPEB liability.

The increase was offset by a decrease in compensated absences of \$1.2 million and a decrease in other long term debt in the amount of \$4.4 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position 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. For more detail, please refer to the Sanitation District's separately issued financial statements.

The government-wide financial statements can be found on pages 21-25 of this report.

Fund Financial Statements

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

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

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

The County maintains several individual governmental funds organized according to their type (general,

special revenue, 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, Housing Fund, and the Capital Projects Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental funds financial statements can be found on pages 29-34 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 35-42 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, investment trust funds and private purpose trust funds. Since these 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 43-47 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 48-106 of this report.

Required Supplementary Information (other than MD&A)

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

obligations to retirees.

The County adopts an annual budget, which is a compilation of operating budgets from individual functional units within the General Fund, Special Revenue Funds, Capital Projects Funds and Proprietary Funds. Budgets are adopted for all funds except for 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 Housing Fund to demonstrate compliance with these budgets. These can be found on pages 111-124 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.

Net Position

	Governmental Activities		Business-Type Activities		Total		
	2013	2012	2013	2012	2013	2012	Dollar Change
Assets:							
Current and other assets	\$ 307,567,139	\$ 314,671,370	\$ 14,500,111	\$ 13,723,821	\$ 322,067,250	\$ 328,395,191	\$ (6,327,941)
Capital assets	496,342,314	503,433,421	25,324,157	25,767,490	521,666,471	529,200,911	(7,534,440)
Total assets	803,909,453	818,104,791	39,824,268	39,491,311	843,733,721	857,596,102	\$ (13,862,381)
Deferred Outflow of Resources	1,203,993	-	-	-	1,203,993	-	1,203,993
Liabilities:							
Current and other liabilities	146,515,568	136,860,615	520,142	899,157	147,035,710	137,759,772	9,275,938
Long-term liabilities	208,060,326	195,450,978	6,602,649	6,374,645	214,662,975	201,825,623	12,837,352
Total liabilities	354,575,894	332,311,593	7,122,791	7,273,802	361,698,685	339,585,395	22,113,290
Deferred Inflow of Resources	-	-	-	-	-	-	-
Net Position:							
Net investment in capital assets	448,657,370	455,726,517	25,023,303	25,441,909	473,680,673	481,168,426	(7,487,753)
Restricted	67,013,454	96,979,978	44,346	256,081	67,057,800	97,236,059	(30,178,259)
Unrestricted	(65,133,272)	(66,913,297)	7,633,828	6,519,519	(57,499,444)	(60,393,778)	2,894,334
Total net position	\$ 450,537,552	\$ 485,793,198	\$ 32,701,477	\$ 32,217,509	\$ 483,239,029	\$ 518,010,707	\$ (34,771,678)

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the County, assets plus deferred outflows of resources exceed liabilities plus deferred inflows of resources by \$483,239,029 at the close of the 2012-2013 fiscal year.

The portion of the County's net investment in capital assets, \$473,680,673 (98%), reflects its investment in capital assets (e.g., land, building and structures, and equipment), less accumulated depreciation in the amount of \$521,666,471, less the related debt of \$47,985,798 used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, \$67,057,800 (13.9%), represents resources that are subject to external restrictions on how they may be used. Of the total, 67% is restricted for capital asset acquisition, 19.5% is dedicated to public roads and facilities, 8% is restricted for public safety and the rest is restricted for debt service, health and various county imposed purposes.

The County's unrestricted net position of -\$57,499,445 increased slightly by \$2.89 million from the prior year. This amount consists of all net position that does not meet the definition of restricted net position or net investment in capital assets. Internal service funds, general governmental funds and business-type activities increased due to unrestricted revenues exceeding operating expenses.

Change in Net Position

	Governmental Activities		Business-Type Activities		Total		Dollar Change	%
	2013	2012	2013	2012	2013	2012		
Revenues								
Program Revenues:								
Charges for services	\$ 70,919,816	\$ 80,758,934	\$ 13,136,923	\$ 13,313,017	\$ 84,056,739	\$ 94,071,951	\$ (10,015,212)	-10.6%
Operating grants and contributions	219,341,110	207,264,093	207,824	572,873	219,548,934	207,836,966	11,711,968	5.6%
Capital grants and contributions	10,677,759	8,015,684	60,071	345,142	10,737,830	8,360,826	2,377,004	28.4%
General Revenues:								
Property taxes	84,795,154	97,715,702	25,410	25,155	84,820,564	97,740,857	(12,920,293)	-13.2%
Other taxes	17,201,238	16,043,928	-	-	17,201,238	16,043,928	1,157,310	7.2%
Investment earnings	1,253,704	2,740,937	(24,240)	45,512	1,229,464	2,786,449	(1,556,985)	-55.9%
Miscellaneous	4,971,878	52,099,146	608,671	704,517	5,580,549	52,803,663	(47,223,114)	-89.4%
Gain (Loss) on sale of assets	25,472	1,004,899	-	1,955	25,472	1,006,854	(981,382)	-97.5%
Total revenues	409,186,131	465,643,323	14,014,659	15,008,171	423,200,790	480,651,494	\$ (57,450,704)	-12.0%
Expenses:								
General government	22,735,367	27,417,095	-	-	\$ 22,735,367	\$ 27,417,095	\$ (4,681,728)	-17.1%
Public protection	127,639,841	124,721,303	-	-	127,639,841	124,721,303	2,918,538	2.3%
Public ways and facilities	47,166,719	32,192,222	-	-	47,166,719	32,192,222	14,974,497	46.5%
Health and sanitation	111,369,828	113,241,653	-	-	111,369,828	113,241,653	(1,871,825)	-1.7%
Public assistance	104,960,517	105,834,823	-	-	104,960,517	105,834,823	(874,306)	-0.8%
Education	5,004,928	5,032,815	-	-	5,004,928	5,032,815	(27,887)	-0.6%
Recreation and cultural services	5,867,061	6,669,621	-	-	5,867,061	6,669,621	(802,560)	-12.0%
Interest on long-term debt	3,321,366	10,262,013	-	-	3,321,366	10,262,013	(6,940,647)	-67.6%
County Disposal Sites CSA	-	-	10,903,896	10,506,363	10,903,896	10,506,363	397,533	3.8%
Boulder Creek CSA	-	-	343,857	294,996	343,857	294,996	48,861	16.6%
Rolling Woods CSA	-	-	14,435	13,783	14,435	13,783	652	4.7%
Septic Tank Maintenance CSA	-	-	1,016,649	943,587	1,016,649	943,587	73,062	7.7%
Freedom County Sanitation District	-	-	441,425	857,006	441,425	857,006	(415,581)	-48.5%
Davenport Sanitation District	-	-	458,073	531,693	458,073	531,693	(73,620)	-13.8%
Place De Mer CSA	-	-	21,395	37,481	21,395	37,481	(16,086)	-42.9%
Sand Dollar Beach CSA	-	-	259,799	264,900	259,799	264,900	(5,101)	-1.9%
Trestle Beach CSA	-	-	35,634	40,637	35,634	40,637	(5,003)	-12.3%
Summit West CSA	-	-	131	145	131	145	(14)	-9.7%
Graham Hill CSA	-	-	35,397	33,543	35,397	33,543	1,854	5.5%
Total expenses	428,065,627	425,371,545	13,530,691	13,524,134	441,596,318	438,895,679	2,700,639	0.6%
Revenues over/(under) expenditures	(18,879,496)	40,271,778	483,968	1,484,037	(18,395,528)	41,755,815	(60,151,343)	-144.1%
Extraordinary Gain(Loss)	(16,376,150)	174,032,971	-	-	(16,376,150)	174,032,971	(190,409,121)	-109.4%
Change in net position	(35,255,646)	214,304,749	483,968	1,484,037	(34,771,678)	215,788,786	(250,560,464)	-116.1%
Net position, beginning of year	485,793,198	271,488,449	32,217,509	30,733,472	518,010,707	302,221,921	215,788,786	71.4%
Net position, end of year	\$ 450,537,552	\$ 485,793,198	\$ 32,701,477	\$ 32,217,509	\$ 483,239,029	\$ 518,010,707	\$ (34,771,678)	-6.7%

Analysis of Change in Net Position

The County's net position decreased by \$34,771,678 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 position by \$35,255,646, accounting for 101.4% of the total decrease in net position of the County. This decrease resulted from property tax revenues, which were down by 13.2% over the prior year, and Health Services charges to clients, which were down by 30% from 2011-12 due to an accounting change from cash basis to accrual. Investment earnings decreased by 56% from the prior year due to a decline in the fair value of investments. Operating grants and capital grants improved by \$14.7 million over the prior year due primarily to additional revenues from State realignment programs for public safety and mental health.

Expenditures overall were relatively even compared to the prior year. General government expenses decreased by \$4.7 million from the prior year due to changes in cost allocations. Public Ways and Facilities expenses increased by \$15 million over the prior year attributable to other non-capital project expenditures for the Behavioral Health Facility (see Note 22) and other projects.

In addition, there was an extraordinary loss of \$16.4 million due to a transfer of assets back to the County RDA Successor Agency (see Note 23).

- **Business-type activities** increased by \$483,968 over the prior year. Miscellaneous recycling revenue from the County Disposal site in the amount of \$608,671 was primarily responsible for the increase. Revenues were down by \$994 thousand over the prior year because of grants received by Davenport Sanitation in the prior year that were not received in the current year. The Freedom County Sanitation District reduced its expenses by 48.5% due to a reduction in utility fees from the City of Watsonville. Place de Mer CSA 2 had a 42.9% decrease in expenses over the prior year, due to a reduction in indirect cost allocations in the current fiscal year.

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, 2013, the County's governmental funds reported combined ending fund balances of \$163,659,051, a decrease of \$26,194,106 in comparison with the prior year. The components of total fund balance are as follows (see Note 21 - Fund Balances).

- Nonspendable fund balance, \$59,620,349, are amounts that are not spendable in form, or are legally or contractually required to be maintained intact, and are made up of (1) inventory, prepaids, and imprest cash of \$1,419,261, (2) advances and loans of \$56,511,953, and (3) assets held for resale of \$1,689,135.

- Restricted fund balance, \$67,032,604, consists of amounts with constraints put on their use by externally imposed creditors, grantors, contributions, laws, regulations, or enabling legislation. Examples of restrictions on funds are those for (1) purpose of fund (i.e., flood control, library) of \$19,400,517, (2) debt service of \$2,739,533, and (3) amounts restricted for capital asset acquisition of \$44,892,554.
- Committed fund balance, \$16,166,595, are amounts for specific purposes determined by the Board of Supervisors, such as Working Capital of \$6,000,000, Natural Disasters of \$1,251,089, Economic Uncertainty of \$4,857,787, and General Government, Public Protection, Health and Sanitation and Public Assistance of \$4,057,719 in total.
- Assigned fund balance of \$20,856,653 represents amounts that are intended for specific purposes and are established by the Board of Supervisors or an official or body delegated by the governing body. Examples of assigned fund balances are (1) federally qualified health programs of \$14,229,750, (2) projected budgetary deficit of \$5,174,625, (3) liabilities of \$1,052,278, and (4) human services of \$400,000.
- Unassigned fund balance of negative \$17,150 in a nonmajor special revenue fund represents the amounts of expenditures for specific purposes that exceeded the amounts that were restricted, committed or assigned for those purposes.

Revenues for governmental functions totaled \$409,518,934 in fiscal year 2012-2013, which represents a decrease of \$5,188,641, or 1.25% from fiscal year 2011-2012. Expenditures for governmental functions totaling \$428,044,414 increased by \$11,452,316, or 2.75%, from fiscal year 2011-2012. In the fiscal year 2012-2013, expenditures for governmental functions exceeded revenues by \$18,525,480. Other financing uses, including interfund transfers, exceeded other financing sources by \$489,901. An extraordinary loss related to the dissolution of the Redevelopment Agency and transfers of assets was recorded in the amount of \$7,178,725.

The general fund is the primary operating fund of the County. At June 30, 2013, the general fund's total fund balance was \$40,568,922 of which \$3,543,674 was nonspendable, and \$37,025,248 was spendable. The spendable fund balance consists of \$2,000 in restricted fund balance, \$16,166,595 in committed fund balance, \$20,856,653 in assigned fund balance, and \$0 in unassigned. As a measure of the general fund's liquidity, it may be useful to compare both total fund balance and spendable fund balance to total fund expenditures. Total fund balance is 11.4% of total General Fund expenditures while spendable fund balance is 10.4% of total General Fund expenditures.

The Housing Fund is a major fund of the County. At June 30, 2013, the nonspendable fund balance amount was \$56,076,675, a 12.4% increase over the prior year, due to an increase in loans receivable. The spendable (restricted) fund balance amount was \$2,745,075, an increase of \$1,589,216 from the prior year. This increase is mainly attributed to an increase in state aid.

The Capital Projects Fund is also a major fund of the County. The total fund balance of \$40,053,013 was spendable (restricted) at June 30, 2013, a decrease of \$25,325,744 from the prior year. The decrease was due to significant expenditures for the Behavioral Health facility, major remodel expenses for a new Public Safety facility, Veteran's Building reconstruction, and infrastructure project costs.

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					
	2013	% of Total	2012	% of Total	Change
Taxes and assessments	\$ 101,996,392	24.91	\$ 113,759,630	27.43	\$ (11,763,238)
Licenses and permits	9,819,321	2.40	10,355,966	2.50	(536,645)
Fines and forfeitures	4,474,318	1.09	4,736,919	1.14	(262,601)
Use of money and property	1,263,829	0.31	2,635,573	0.64	(1,371,744)
Intergovernmental	230,018,869	56.17	215,279,777	51.91	14,739,092
Charge for services	56,626,177	13.83	65,666,049	15.83	(9,039,872)
Other revenues	5,320,028	1.30	2,273,661	0.55	3,046,367
Total	<u>\$ 409,518,934</u>	<u>100%</u>	<u>\$ 414,707,575</u>	<u>100%</u>	<u>\$ (5,188,641)</u>

Property values and property tax revenues decreased by approximately \$11.8 million over the prior year. Charges for services also decreased due to a change in accounting accruals in the Health Services clinic reimbursements. This was offset by an increase in intergovernmental revenues of \$14.7 million from AB109 revenue and Health Services sales tax realignment, and an increase in other revenue of \$3 million, mostly from interfund contributions.

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

Expenditures Classified by Function					
Governmental Funds					
	2013	% of Total	2012	% of Total	Change
General government	\$ 28,311,047	6.61	\$ 26,747,368	6.42	\$ 1,563,679
Public protection	129,561,769	30.27	118,671,033	28.48	10,890,736
Public ways and facilities	41,231,941	9.63	32,073,605	7.70	9,158,336
Health and sanitation	108,688,411	25.39	107,809,876	25.88	878,535
Public assistance	101,437,540	23.70	101,203,719	24.29	233,821
Education	4,780,590	1.12	4,810,199	1.15	(29,609)
Recreation and culture	6,900,013	1.61	7,004,272	1.68	(104,259)
Capital outlay	-	0.00	-	0.00	-
Debt service - bond redemption	3,815,000	0.89	7,790,000	1.87	(3,975,000)
Debt service - issue cost	-	0.00	-	0.00	-
Debt service - interest and fiscal charges	3,318,103	0.78	10,482,026	2.52	(7,163,923)
Total	<u>\$ 428,044,414</u>	<u>100%</u>	<u>\$ 416,592,098</u>	<u>100%</u>	<u>\$ 11,452,316</u>

Overall expenditures increased by \$11.5 million. Public protection professional services and salaries increased by \$10.9 million, related to the AB109 State shift of inmate care. Public ways and facilities expenditures increased significantly by \$9 million due to project expenditures for affordable housing programs and interfund agency contributions. This was offset by decreases in debt service of \$11.1 million, due to the elimination of the former RDA debt service which was included in the 2011-2012 financial statements.

Other financing sources and uses are presented below, including changes from the prior year. There were no new bond issues for 2012-2013 and no other entries related to the dissolution of the Redevelopment Agency as in the previous year.

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

	2013	% of Total	2012	% of Total	Change
Proceeds of long-term debt	\$ -	0.00	\$ 7,489,565	13.00	\$ (7,489,565)
Bond Premium/Discount	-	0.00	(23,157)	(0)	23,157
Inception of Capital Lease	35,766	(7.30)	80,266	0.14	(44,500)
Original issue costs	-	0.00	(247,884)	(0.43)	247,884
Payment to Refunding Escrow Agent	-	0.00	(1,399,253)	(2)	1,399,253
Sale of Capital Assets	-	0.00	1,138,814	2	(1,138,814)
Gain/(Loss) on land held for resale	-	0.00	(137,065)	(0.24)	137,065
Gain on Conversion of Receivables	-	0.00	5,024,265	-	(5,024,265)
Transfers in	17,620,574	(3596.76)	37,590,848	65.26	(19,970,274)
Transfers out	(18,378,865)	3751.55	(37,620,328)	(65.32)	19,241,463
Capital Contributions	232,624	(47.48)	45,701,407	-	(45,468,783)
Total	\$ (489,901)	100%	\$ 57,597,478	100%	\$ (58,087,379)

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

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

	Major Funds			Nonmajor Funds	Total
	General Fund	Housing Fund	Capital Projects Fund	Special Revenue Funds	
Revenues	\$ 359,495,024	\$ 2,412,735	\$ 1,891,724	\$ 45,719,451	\$ 409,518,934
Expenditures	(356,659,153)	(395,203)	(17,801,022)	(53,189,036)	(428,044,414)
Net other financing sources/(uses)	(4,435,776)	5,765,426	(2,237,721)	418,170	(489,901)
Extraordinary Loss	-	-	(7,178,725)	-	(7,178,725)
Net Change in Fund Balances	(1,599,905)	7,782,958	(25,325,744)	(7,051,415)	(26,194,106)
Fund balances, beginning (restated)	42,168,827	51,038,792	65,378,757	31,266,781	189,853,157
Fund balances, ending	\$ 40,568,922	\$ 58,821,750	\$ 40,053,013	\$ 24,215,366	\$ 163,659,051

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 position of \$16,917,003 at June 30, 2013, of which \$2,435,848 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	Internal Service
	County Disposal Sites CSA 9C			Fund
Operating revenues	\$ 10,732,799	\$ 3,012,795	\$ 13,745,594	\$ 64,996,676
Operating expenses	(11,258,579)	(2,670,362)	(13,928,941)	(64,538,981)
Net operating income	(525,780)	342,433	(183,347)	457,695
Net non-operating revenues/(expenses)	201,115	67,950	269,065	891,054
Change in net position	\$ (324,665)	\$ 410,383	\$ 85,718	\$ 1,348,749
Beginning of year	17,241,668	14,680,038	31,921,706	(17,248,263)
End of year	16,917,003	15,090,421	32,007,424	\$ (15,899,514)

Total enterprise fund net position increased by \$85,718. Operating revenues of \$13,745,594 decreased by \$1,189,955 over the prior fiscal year due to a decrease and reclassification of aid from other governments. Operating expenses of \$13,928,941 increased by \$1,131,862 over the prior year because of a post-closure liability adjustment made in the prior year that resulted in a \$1.2 million reduction in expenses.

Internal Service fund net position increased by \$1,348,749 over the prior fiscal year. This was due to decreases in liability claims expenses compared to the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

After the adoption of the 2012–2013 fiscal year budget, the original General Fund budget was increased by \$10,006,382 during the year, not including transfers out, primarily due to additional financial resources made available from State and Federal Agencies for Public Protection, Public Assistance, and Health Services. Actual expenditures in the General Fund were \$30,278,065 less than the original budget, including transfers out.

The 2012–2013 total expenditures were \$9,974,937, or 2.88%, greater than the prior fiscal year, not including transfers. This was largely due to increased spending in Public Protection due to additional funding from public safety realignment. General Fund actual revenues were \$21,705,166 lower than the original budget. The majority of this was due to a difference of \$26 million from the original budget originating from Transfers In and \$8 million from Charges for services, offset by an \$11 million increase in revenue over budget from Aid from other Governments.

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, 2013 totaled \$521,666,471 (net of accumulated depreciation of \$380,247,574). These capital assets include land, construction in progress, infrastructure, buildings and structures, and equipment. The decrease in the County's capital assets for the 2012–2013 fiscal year was \$7,534,440, or 1.4%.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the 2012-2013 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	
	2013	2012	2013	2012	2013	2012
Land	\$ 50,122,478	\$ 59,319,954	\$ 1,858,849	\$ 1,858,849	\$ 51,981,327	\$ 61,178,803
Construction in progress	44,907,791	36,060,149	1,223,856	136,993	46,131,647	36,197,142
Infrastructure	574,889,300	567,500,776	-	-	574,889,300	567,500,776
Buildings and structures	130,195,693	127,648,142	42,798,919	42,586,352	172,994,612	170,234,494
Equipment	45,596,208	42,349,698	10,320,951	10,252,677	55,917,159	52,602,375
Accumulated depreciation	(349,369,156)	(329,445,298)	(30,878,418)	(29,067,381)	(380,247,574)	(358,512,679)
Total	<u>\$ 496,342,314</u>	<u>\$ 503,433,421</u>	<u>\$ 25,324,157</u>	<u>\$ 25,767,490</u>	<u>\$ 521,666,471</u>	<u>\$ 529,200,911</u>

Capital Assets decreased in Governmental Activities by \$7 million over the prior fiscal year. Land in the amount of \$9 million was transferred back to the Redevelopment Successor Agency as the result of a State Department of Finance decision (see Note 23). There was an \$8.8 million increase in Construction in Progress due to the construction of the Behavioral Health Unit, reconstruction of the Sheriff's facility and the Veteran's building, and various other uncompleted projects. Infrastructure increased by \$7.4 million over the prior year for roads and drainage. Building and jail improvements were responsible for increases in the other categories. These were offset by an increase of approximately \$20 million in depreciation charges.

Business-type capital assets decreased by \$443,333 primarily due to increases in Construction in Progress offset by an increase in accumulated depreciation.

Additional information on the County's capital assets can be found in Note No. 7 on pages 79-81 of this report.

Long-term Debt

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Refunding certificates of participation	\$ 24,534,509	\$ 25,959,378	-	-	\$ 24,534,509	\$ 25,959,378
Lease revenue bonds	6,450,000	6,670,000	-	-	6,450,000	6,670,000
Lease revenue refunding bonds	1,812,279	1,866,100	-	-	1,812,279	1,866,100
Certificates of participation	31,278,200	33,024,107	-	-	31,278,200	33,024,107
Revenue bonds	225,000	655,000	-	-	225,000	655,000
Mandated payment	1,450,147	2,175,220	-	-	1,450,147	2,175,220
Loans payable	173,494	33,175	530,658	569,941	704,152	603,116
Capital leases	5,090,588	5,365,598	2,951	-	5,093,539	5,365,598
Total	<u>\$ 71,014,217</u>	<u>\$ 75,748,578</u>	<u>\$ 533,609</u>	<u>\$ 569,941</u>	<u>\$ 71,547,826</u>	<u>\$ 76,318,519</u>

For the governmental activities, the County had total long-term debt outstanding of \$71,014,217 as compared to \$75,748,578 the prior year (excluding compensated absences and estimated claims), a decrease of \$4,734,361. There was a small loan payable issued during the year, but the overall decrease was due to bond redemptions.

For the business-type activities, the County had total long-term debt outstanding of \$533,609 as compared to \$569,941 in the prior year (excluding post-closure liability), a decrease of \$36,332, which represented the amount of retirement of debt for the year, offset by a minor increase in capital leases.

The County's total debt for all primary government activities decreased by \$4,770,693 or 6.25%, during the current fiscal year (excluding compensated absences, estimated claims, and post-closure liability).

The County maintains a Standard & Poor's 'SP-1+' and a Moody's 'MIG 1' rating for short term notes. Moody's has assigned its long-term rating on the County's general fund certificates of participation and lease revenue bonds of "A2." This rating was last reviewed by Moody's in June 2011. Standard & Poor's has assigned its long-term rating on the County's general fund certificates of participation and lease revenue bonds of "A+." This rating was last reviewed by Standard & Poor's in September 2011. Such ratings reflect only the views of the rating agency and any desired explanation of the significance of such ratings should be obtained from the rating agency.

The component unit, Santa Cruz Sanitation District, had total long-term debt outstanding of \$21,484,035 as compared to \$23,742,590 in the prior year. This amount was comprised of \$4,710,000 of Waste Water Revenue Refunding Bonds, \$23,370 of unamortized bond premium, \$475,000 of Limited Obligation Refunding Improvement Bonds, and \$16,275,665 of Loans Payable. During the year, retirement of debt amounted to \$2,462,058 and a loan payable was increased by \$203,503.

Additional information on the County's long-term debt can be found in Note No. 10 on pages 85-93 of this report.

FISCAL YEAR 2013-2014 BUDGET AND ECONOMIC CONDITIONS

The 2013-2014 County Budget reflects another difficult year resulting from the slow economic recovery. The budget calls for a 2.61% increase over the prior year for General and Special Revenue funds.

- There was an increase in property assessed values for the 2013-2014 fiscal year, resulting in a modest increase in budgeted property tax revenues of 1.56% over the prior fiscal year actual revenue.
- An increase of 9% from general fund intergovernmental revenues is based on increases in Prop 172 half cent sales tax for public safety, increases in Mental Health Services Act and other intergovernmental revenues related to Behavioral Health, Social Service realignment revenue, and increases in State AB118 local revenue fund program for Health and Human Services.
- There is continued reduction in payroll costs of approximately \$5.9 million through negotiated furloughs in 2013-2014.
- The Patient Protection and Affordable Care Act (ACA) goes into effect in January 2014, and approximately 10,000 County residents will be eligible for Medi-Cal and approximately 12,000 County residents will purchase health insurance with a federal subsidy, significantly impacting direct and indirect services at County clinics and through County contracted services.
- The effects of the Federal sequestration and temporary government shutdown are still not finalized at the federal level. These reductions impact County discretionary programs, such as Substance Abuse Prevention and Treatment Block Grants and Workforce Investment Act grants.

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 Position
June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and investments	\$ 211,487,624	\$ 8,232,528	\$ 219,720,152	\$ 22,722,985
Restricted cash	6,582,547	5,861,316	12,443,863	1,622,865
Loans receivable	56,088,593	135,190	56,223,783	-
Receivables, net	29,025,401	606,484	29,631,885	-
Deposits with others	240,000	-	240,000	-
Inventory	594,689	128,852	723,541	14,190
Prepaid items	1,394,891	-	1,394,891	-
Land held for resale	1,689,135	-	1,689,135	-
Notes receivable	-	-	-	55,077
Internal balances	464,259	(464,259)	-	-
Capital Assets:				
Nondepreciable assets	95,030,269	3,082,705	98,112,974	10,779,667
Depreciable assets, net	401,312,045	22,241,452	423,553,497	108,430,594
Total assets	803,909,453	39,824,268	843,733,721	143,625,378
DEFERRED OUTFLOWS OF RESOURCES				
Deferred bond issuance costs	1,203,993	-	1,203,993	72,275
Total deferred outflows of resources	1,203,993	-	1,203,993	72,275
LIABILITIES				
Payables	21,621,802	478,739	22,100,541	333,931
Accrued interest payable	935,437	-	935,437	351,204
Tax and revenue anticipation notes payable	50,997,222	-	50,997,222	-
Unearned revenue	41,764,564	-	41,764,564	-
Compensated absences:				
Due within one year	18,278,012	-	18,278,012	-
Due in more than one year	7,795,565	-	7,795,565	-
Estimated claims:				
Due within one year	8,021,852	-	8,021,852	-
Due in more than one year	38,730,576	-	38,730,576	-
Other long-term liabilities:				
Due within one year	4,896,679	41,403	4,938,082	2,545,822
Due in more than one year	66,117,538	6,602,649	72,720,187	18,938,213
OPEB Liability	95,416,647	-	95,416,647	-
Pollution remediation obligation	-	-	-	4,848
Total liabilities	354,575,894	7,122,791	361,698,685	22,174,018
NET POSITION				
Net investment in capital assets	448,657,370	25,023,303	473,680,673	97,726,226
Restricted for:				
Debt service	2,739,533	-	2,739,533	1,255,964
Capital asset acquisition	44,892,554	-	44,892,554	-
Public safety	5,416,221	-	5,416,221	-
Health and public assistance	874,483	-	874,483	-
Public ways and facilities	13,090,663	-	13,090,663	-
Other	-	44,346	44,346	-
Unrestricted	(65,133,272)	7,633,828	(57,499,444)	22,541,445
Total net position	\$ 450,537,552	\$ 32,701,477	\$ 483,239,029	\$ 121,523,635

See accompanying Notes to Basic Financial Statements.

County of Santa Cruz
Statement of Activities
For the year ended June 30, 2013

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	\$ 22,735,367	\$ 18,070,855	\$ 3,188,508	\$ -	\$ 21,259,363
Public protection	127,639,841	20,741,564	42,875,119	2,940,089	66,556,772
Public ways and facilities	47,166,719	5,993,575	6,593,382	7,705,152	20,292,109
Health and sanitation	111,369,828	22,888,777	90,514,720	32,518	113,436,015
Public assistance	104,960,517	349,613	76,083,937	-	76,433,550
Education	5,004,928	-	44,561	-	44,561
Recreation and cultural services	5,867,061	2,875,432	2,884	-	2,878,316
Debt Service	3,321,366	-	37,999	-	37,999
Total governmental activities	428,065,627	70,919,816	219,341,110	10,677,759	300,938,685
Business-type activities:					
County Disposal Sites CSA 9C	10,903,896	10,124,128	207,824	-	10,331,952
Boulder Creek CSA 7	343,857	427,195	-	-	427,195
Rolling Woods CSA 10	14,435	11,569	-	-	11,569
Septic Tank Maintenance CSA 12	1,016,649	967,929	-	-	967,929
Freedom County Sanitation District	441,425	701,770	-	-	701,770
Davenport Sanitation District	458,073	426,401	-	60,071	486,472
Place de Mer CSA 2	21,395	82,964	-	-	82,964
Sand Dollar Beach CSA 5	259,799	249,991	-	-	249,991
Trestle Beach CSA 20	35,634	54,252	-	-	54,252
Summit West CSA 54	131	-	-	-	-
Graham Hill CSA 57	35,397	90,724	-	-	90,724
Total business-type activities	13,530,691	13,136,923	207,824	60,071	13,404,818
Total primary government	\$ 441,596,318	\$ 84,056,739	\$ 219,548,934	\$ 10,737,830	\$ 314,343,503
Component unit:					
Santa Cruz County Sanitation District	\$ 19,371,707	\$ 21,326,540	\$ 347,000	\$ -	\$ 21,673,540

General Revenues:

Taxes:

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

Total taxes

Grants and contributions not restricted for specific purposes

Interest and investment earnings

Gain/(loss) on disposal of capital assets

Miscellaneous

Total general revenues

Change in net position before extraordinary item

Extraordinary Item

Change in net position

Net position - beginning of year

Net position - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Governmental Activities	Business-Type Activities	Total	
\$ (1,476,004)	\$ -	\$ (1,476,004)	
(61,083,069)	-	(61,083,069)	
(26,874,610)	-	(26,874,610)	
2,066,187	-	2,066,187	
(28,526,967)	-	(28,526,967)	
(4,960,367)	-	(4,960,367)	
(2,988,745)	-	(2,988,745)	
(3,283,367)	-	(3,283,367)	
<u>(127,126,942)</u>	<u>-</u>	<u>(127,126,942)</u>	
-	(571,944)	(571,944)	
-	83,338	83,338	
-	(2,866)	(2,866)	
-	(48,720)	(48,720)	
-	260,345	260,345	
-	28,399	28,399	
-	61,569	61,569	
-	(9,808)	(9,808)	
-	18,618	18,618	
-	(131)	(131)	
-	55,327	55,327	
<u>-</u>	<u>(125,873)</u>	<u>(125,873)</u>	
\$ (127,126,942)	\$ (125,873)	\$ (127,252,815)	
			\$ 2,301,833
84,795,154	25,410	84,820,564	92,170
1,935,643	-	1,935,643	-
9,128,895	-	9,128,895	-
4,515,035	-	4,515,035	-
1,621,665	-	1,621,665	-
<u>101,996,392</u>	<u>25,410</u>	<u>102,021,802</u>	<u>92,170</u>
117,416	-	117,416	-
1,253,704	(24,240)	1,229,464	34,891
25,472	-	25,472	31,819
4,854,462	608,671	5,463,133	-
<u>108,247,446</u>	<u>609,841</u>	<u>108,857,287</u>	<u>158,880</u>
(18,879,496)	483,968	(18,395,528)	2,460,713
(16,376,150)	-	(16,376,150)	-
<u>(35,255,646)</u>	<u>483,968</u>	<u>(34,771,678)</u>	<u>2,460,713</u>
485,793,198	32,217,509	518,010,707	119,062,922
<u>\$ 450,537,552</u>	<u>\$ 32,701,477</u>	<u>\$ 483,239,029</u>	<u>\$ 121,523,635</u>



FUND FINANCIAL STATEMENTS



GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

Housing Fund - The Housing 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.

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.

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



County of Santa Cruz
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Housing Fund	Capital Projects Fund		
ASSETS					
Cash and investments	\$ 115,202,052	\$ 2,644,665	\$ 42,423,325	\$ 20,877,905	\$ 181,147,947
Restricted cash and investments	-	-	-	6,582,547	6,582,547
Receivables, net	26,171,957	185,208	15,000	2,032,915	28,405,080
Due from other funds	18,384	-	15,000	-	33,384
Loans receivable	-	56,088,593	-	-	56,088,593
Deposits with others	90,000	-	-	-	90,000
Inventory	27,616	-	-	-	27,616
Prepays	1,343,166	-	-	-	1,343,166
Land held for resale	1,689,135	-	-	-	1,689,135
Advances to other funds	-	-	-	997,761	997,761
Total assets	\$ 144,542,310	\$ 58,918,466	\$ 42,453,325	\$ 30,491,128	\$ 276,405,229
LIABILITIES					
Payables	\$ 15,289,636	\$ 96,716	\$ 2,385,312	\$ 2,179,344	\$ 19,951,008
Tax and revenue anticipation notes payable	50,997,222	-	-	-	50,997,222
Due to other funds	-	-	15,000	18,384	33,384
Unearned revenue	37,686,530	-	-	4,078,034	41,764,564
Total liabilities	103,973,388	96,716	2,400,312	6,275,762	112,746,178
FUND BALANCES					
Nonspendable	3,543,674	56,076,675	-	-	59,620,349
Restricted	2,000	2,745,075	40,053,013	24,232,516	67,032,604
Committed	16,166,595	-	-	-	16,166,595
Assigned	20,856,653	-	-	-	20,856,653
Unassigned	-	-	-	(17,150)	(17,150)
Total fund balance	40,568,922	58,821,750	40,053,013	24,215,366	163,659,051
Total liabilities and fund balances	\$ 144,542,310	\$ 58,918,466	\$ 42,453,325	\$ 30,491,128	\$ 276,405,229

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 Position
June 30, 2013

Total Fund Balances - Total Governmental Funds \$ 163,659,051

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. (Net of \$5,061,691 of internal service fund capital assets) 491,280,623

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 Changes in Net Position). 1,203,993

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

Internal service funds included in governmental activities	(15,899,514)
Transfer of internal service funds to business-type activities	(694,053)

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

Refunding certificates of participation, including premium	(24,534,509)	
Lease revenue bonds	(6,450,000)	
Lease revenue refunding bonds, including premium	(1,812,279)	
Certificates of participation, including premium	(31,278,200)	
Revenue bonds	(225,000)	
California Energy Resources Conservation and Development Commission	(172,837)	
McGaffigan Mill Road Association	(657)	
Scotts Valley Writ of Mandate	(1,450,147)	
OPEB Liability	(95,416,647)	
Compensated absences	(21,661,789)	
Capital leases	(5,075,046)	(188,077,111)

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. (935,437)

Net Position of Governmental Activities \$ 450,537,552

See accompanying Notes to Basic Financial Statements.

County of Santa Cruz
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2013

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Housing Fund	Capital Projects Fund		
REVENUES:					
Taxes	\$ 88,390,337	\$ -	\$ -	\$ 13,606,055	\$ 101,996,392
Licenses and permits	9,819,321	-	-	-	9,819,321
Fines, forfeits and penalties	4,418,159	-	49,557	6,602	4,474,318
Use of money and property	1,079,143	97,891	90,010	(3,215)	1,263,829
Aid from other governments	208,953,957	1,525,127	117,192	19,422,593	230,018,869
Charges for services	43,279,759	277,033	1,634,907	11,434,478	56,626,177
Other	3,554,348	512,684	58	1,252,938	5,320,028
Total revenues	359,495,024	2,412,735	1,891,724	45,719,451	409,518,934
EXPENDITURES:					
Current:					
General government	27,919,587	-	-	391,460	28,311,047
Public protection	113,965,861	-	-	15,595,908	129,561,769
Public ways and facilities	219,847	-	17,801,022	23,211,072	41,231,941
Health and sanitation	107,549,603	-	-	1,138,808	108,688,411
Public assistance	101,042,337	395,203	-	-	101,437,540
Education	115,398	-	-	4,665,192	4,780,590
Recreation and culture	5,663,542	-	-	1,236,471	6,900,013
Debt service:					
Principal	-	-	-	3,815,000	3,815,000
Interest and fiscal charges	182,978	-	-	3,135,125	3,318,103
Total expenditures	356,659,153	395,203	17,801,022	53,189,036	428,044,414
REVENUES OVER (UNDER) EXPENDITURES	2,835,871	2,017,532	(15,909,298)	(7,469,585)	(18,525,480)
OTHER FINANCING SOURCES (USES):					
Transfers in	2,073,089	5,830,738	3,295,487	6,421,260	17,620,574
Transfers out	(6,777,255)	(65,312)	(5,533,208)	(6,003,090)	(18,378,865)
Inception of capital lease	35,766	-	-	-	35,766
Capital contributions	232,624	-	-	-	232,624
Total other financing sources (uses)	(4,435,776)	5,765,426	(2,237,721)	418,170	(489,901)
Change in Fund Balance Before Extraordinary Item	(1,599,905)	7,782,958	(18,147,019)	(7,051,415)	(19,015,381)
Extraordinary Item	-	-	(7,178,725)	-	(7,178,725)
Net change in fund balances	(1,599,905)	7,782,958	(25,325,744)	(7,051,415)	(26,194,106)
Fund balances - beginning	42,168,827	51,038,792	65,378,757	31,266,781	189,853,157
Fund balances - ending	<u>\$ 40,568,922</u>	<u>\$ 58,821,750</u>	<u>\$ 40,053,013</u>	<u>\$ 24,215,366</u>	<u>\$ 163,659,051</u>

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 For the year ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds \$ (26,194,106)

Amounts reported for governmental activities in the Statement of Revenues, Expenditures and Changes in Fund Balances were different because:

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

Expenditures for general capital assets, infrastructure, and other related capital assets	29,521,093	
Retirement of capital assets	(8,245,122)	
Less current year depreciation	<u>(19,375,422)</u>	1,900,549

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

Inception of capital lease	(162,868)	
Other long-term debt issued - California Energy Resources Conservation and Development Commission	<u>(172,837)</u>	(335,705)

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

Refunding certificates of participation	1,425,000	
Certificates of participation	1,740,000	
Lease revenue bonds	220,000	
Lease revenue refunding bonds	54,660	
Revenue bonds	430,000	
Scotts Valley Writ of Mandate	725,073	
McGaffigan Mill Road HOA	32,518	
Capital leases	<u>424,691</u>	5,051,942

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

Amortization of bond premium/discount	4,937	
Amortization of bond issuance costs	(115,545)	
Change in accrued interest payable	107,345	
Change in compensated absences	<u>(224,400)</u>	(227,663)

OPEB obligation costs do not require current resources, so it is not reported on the governmental funds (7,203,737)

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. 1,348,749

Reverse of prior year transfer of internal service funds to business-type activities 295,803
Transfer of internal service funds to business-type activities (694,053)

Change in Net Position of Governmental Activities before Extraordinary Item (26,058,221)

Change in Extraordinary Item (Loss on capital assets transferred back to Santa Cruz County Redevelopment Successor Agency) (9,197,425)

Change in Net Position of Governmental Activities \$ (35,255,646)

See accompanying Notes to Basic Financial Statements.

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 Position
Proprietary Funds
June 30, 2013

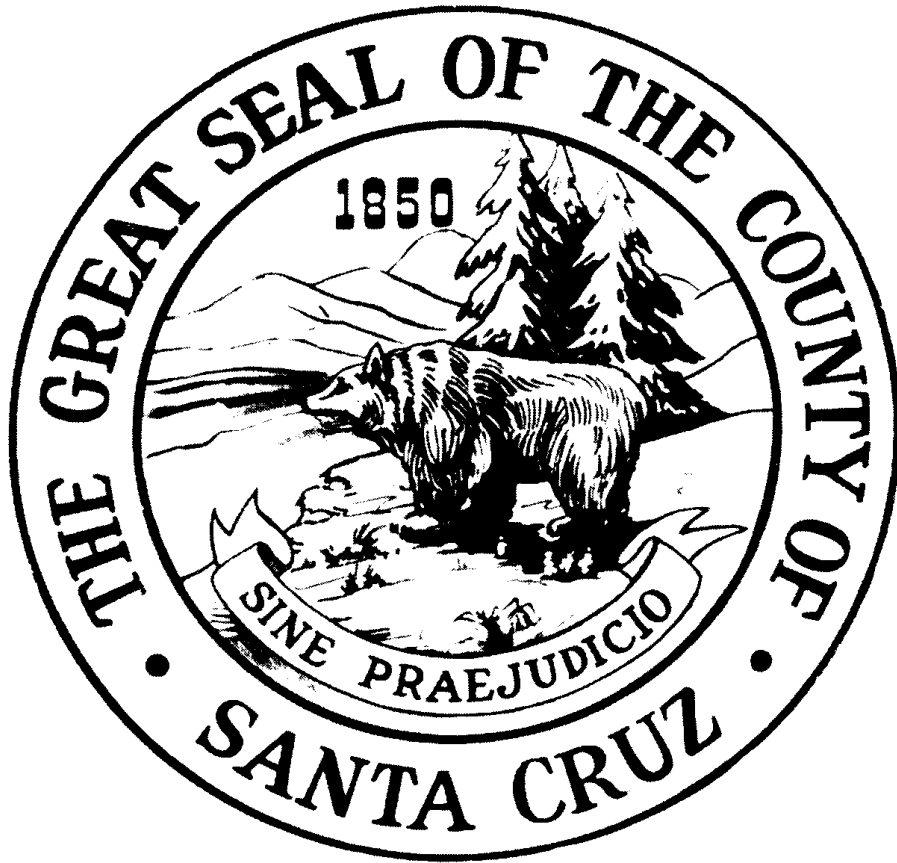
	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	
ASSETS				
Current assets:				
Cash and investments	\$ 3,393,460	\$ 4,839,068	\$ 8,232,528	\$ 30,339,677
Restricted cash	5,844,908	16,408	5,861,316	-
Loans receivable	-	-	-	-
Receivables	605,505	979	606,484	620,321
Due from other funds	-	-	-	218,685
Deposits with others	-	-	-	150,000
Inventory	128,852	-	128,852	567,073
Prepaid items	-	-	-	51,725
Total current assets	9,972,725	4,856,455	14,829,180	31,947,481
Noncurrent assets:				
Loans receivable	-	135,190	135,190	-
Capital Assets:				
Non-depreciable:				
Land	1,858,848	-	1,858,848	97,087
Construction in progress	-	1,223,857	1,223,857	8,445
Depreciable:				
Buildings and structures	25,730,812	17,068,107	42,798,919	3,085,056
Equipment	10,133,653	186,605	10,320,258	26,167,698
Accumulated depreciation	(23,240,133)	(7,637,592)	(30,877,725)	(24,296,595)
Capital assets, net	14,483,180	10,840,977	25,324,157	5,061,691
Total noncurrent assets	14,483,180	10,976,167	25,459,347	5,061,691
Total assets	24,455,905	15,832,622	40,288,527	37,009,172
LIABILITIES				
Current liabilities:				
Payables	427,747	50,992	478,739	1,670,794
Due to other funds	-	160,551	160,551	58,134
Advances from other funds	997,761	-	997,761	-
Current portion of long-term liabilities	-	40,317	40,317	-
Capital leases	1,086	-	1,086	10,012
Claims liability	-	-	-	8,021,852
Compensated absences, due within one year	-	-	-	2,880,521
Total current liabilities	1,426,594	251,860	1,678,454	12,641,313
Noncurrent liabilities:				
Long-term liabilities	-	490,341	490,341	-
Capital leases	1,865	-	1,865	5,530
Claims liability	-	-	-	38,730,576
Closure and postclosure care costs liability	6,110,443	-	6,110,443	-
Compensated absences, due in more than one year	-	-	-	1,531,267
Total noncurrent liabilities	6,112,308	490,341	6,602,649	40,267,373
Total liabilities	7,538,902	742,201	8,281,103	52,908,686
NET POSITION				
Net investment in capital assets	14,480,236	10,543,067	25,023,303	5,054,922
Restricted for:				
Debt Service	919	43,427	44,346	-
Unrestricted	2,435,848	4,503,927	6,939,775	(20,954,436)
Total net position	\$ 16,917,003	\$ 15,090,421	32,007,424	\$ (15,899,514)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			694,053	
Net Position of Business-type Activities per Government-Wide Financial Statements			<u>\$ 32,701,477</u>	

See accompanying Notes to Basic Financial Statements.

County of Santa Cruz
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
OPERATING REVENUES:				
Charges for services	\$ 10,124,128	\$ 3,012,795	\$ 13,136,923	\$ 64,115,877
Other revenues	608,671	-	608,671	880,799
Total operating revenues	10,732,799	3,012,795	13,745,594	64,996,676
OPERATING EXPENSES:				
Salaries and employee benefits	-	-	-	33,982,313
Services and supplies	9,900,889	2,217,015	12,117,904	13,425,050
Insurance and compensation claims	-	-	-	15,807,995
Other	-	-	-	49,829
Depreciation and amortization	1,357,690	453,347	1,811,037	1,273,794
Total operating expenses	11,258,579	2,670,362	13,928,941	64,538,981
Operating income (loss)	(525,780)	342,433	(183,347)	457,695
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental	207,824	-	207,824	117,416
Interest and investment income	(6,709)	(17,531)	(24,240)	(10,125)
Property taxes	-	25,410	25,410	-
Gain/(loss) on disposal of capital assets	-	-	-	25,472
Total nonoperating revenues (expenses)	201,115	7,879	208,994	132,763
Income (loss) before contributions and transfers	(324,665)	350,312	25,647	590,458
Capital Contributions	-	60,071	60,071	-
Transfers in	-	-	-	758,291
Change in net position	(324,665)	410,383	85,718	1,348,749
Net position - beginning	17,241,668	14,680,038	31,921,706	(17,248,263)
Net position - ending	<u>\$ 16,917,003</u>	<u>\$ 15,090,421</u>	32,007,424	<u>\$ (15,899,514)</u>
Change in Net Position of Business-type Activities			85,718	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			398,250	
Change in Net Position of Business-type Activities per Government-Wide Financial Statements			<u>\$ 483,968</u>	

See accompanying Notes to Basic Financial Statements.



County of Santa Cruz
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 10,757,162	\$ 3,216,587	\$ 13,973,749	\$ 31,817,987
Receipts from interfund services provided	-	-	-	32,802,454
Payments to suppliers for goods and services	(3,951,634)	(1,528,674)	(5,480,308)	(26,365,591)
Payments to employees for services	-	-	-	(34,016,069)
Payments to interfund services used	(6,185,927)	(833,988)	(7,019,915)	-
Other receipts	-	-	-	3,574
Other payments	(2,343)	-	(2,343)	(49,829)
Net cash provided by operating activities	617,258	853,925	1,471,183	4,192,526
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	115,611	9,094	124,705	1,158,924
Transfers to other funds	(115,611)	(333,536)	(449,147)	-
Operating grants	207,824	-	207,824	117,416
Principal paid on other long-term liabilities	-	(11,614)	(11,614)	-
Interest paid on other long-term liabilities	-	(6,353)	(6,353)	-
Property taxes	-	25,410	25,410	-
Net cash provided (used) by noncapital financing activities	207,824	(316,999)	(109,175)	1,276,340
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital contributions	-	60,071	60,071	-
Purchase of capital assets	(36,814)	(1,345,103)	(1,381,917)	(1,613,847)
Principal paid on long-term debt	(980)	(27,670)	(28,650)	(8,965)
Interest paid on long-term debt	(387)	(8,870)	(9,257)	(1,630)
Proceeds from sale of capital assets	-	-	-	25,471
Loan proceeds	-	-	-	58,133
Loan repayments	-	-	-	(77,196)
Net cash (used) by capital and related financing activities	(38,181)	(1,321,572)	(1,359,753)	(1,618,034)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends	(6,315)	(2,308)	(8,623)	(8,494)
Net cash (used) by investing activities	(6,315)	(2,308)	(8,623)	(8,494)
Net increase (decrease) in cash and cash equivalents	780,586	(786,954)	(6,368)	3,842,338
CASH AND CASH EQUIVALENTS:				
Beginning of year	8,457,782	5,642,430	14,100,212	26,497,339
End of year	\$ 9,238,368	\$ 4,855,476	\$ 14,093,844	\$ 30,339,677

See accompanying Notes to Basic Financial Statements.

(Continued)

County of Santa Cruz
Statement of Cash Flows, Continued
Proprietary Funds
For the year ended June 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED (USED) BY:				
Operating activities:				
Operating income (loss)	\$ (525,780)	\$ 342,433	\$ (183,347)	\$ 457,695
Adjustments to reconcile operating income (loss) to net cash (used) by operating activities:				
Depreciation	1,357,690	453,347	1,811,037	1,273,794
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	24,363	203,792	228,155	(364,460)
Inventory	(36,436)	-	(36,436)	52,430
Prepaid items	-	-	-	(10,997)
Increase (decrease) in:				
Payables	(217,349)	(145,647)	(362,996)	2,811,785
Due to other funds	(251,685)	-	(251,685)	-
Closure and postclosure care liability	266,455	-	266,455	-
Compensated absences	-	-	-	(27,721)
Net cash provided by operating activities	\$ 617,258	\$ 853,925	\$ 1,471,183	\$ 4,192,526

See accompanying Notes to Basic Financial Statements.



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.

Private Purpose Trust Fund - The Private Purpose Trust Fund is used to report resources of other trust arrangements in which principal and income benefit individuals, private organizations, or other governments.



County of Santa Cruz
Statement of Net Position
Fiduciary Funds
June 30, 2013

	Agency Funds	Investment Trust Fund	Private Purpose Trust Fund	Total
ASSETS				
Cash and investments	\$ 36,547,947	\$ 358,813,874	\$ 20,539,610	\$ 415,901,431
Restricted cash with fiscal agents	-	-	12,957,371	12,957,371
Receivables	15,184,677	-	-	15,184,677
Capital assets, net	-	-	9,209,579	9,209,579
Total assets	\$ 51,732,624	\$ 358,813,874	\$ 42,706,560	\$ 453,253,058
DEFERRED OUTFLOWS OF RESOURCES				
Deferred bond issuance costs	-	-	3,610,855	3,610,855
Total deferred outflows of resources	\$ -	\$ -	\$ 3,610,855	\$ 3,610,855
LIABILITIES				
Accounts payable	\$ 6,688,087	\$ -	\$ 65,386	\$ 6,753,473
Interest payable	-	-	4,636,371	4,636,371
Compensated absences	-	-	55,769	55,769
Due to other governmental units	24,163,897	-	-	24,163,897
Agency funds held for others	20,880,640	-	-	20,880,640
Long-term debt	-	-	241,230,018	241,230,018
Total liabilities	\$ 51,732,624	-	245,987,544	\$ 297,720,168
DEFERRED INFLOWS OF RESOURCES				
Deferred tax increment revenue	-	-	7,425,854	7,425,854
Total deferred inflows of resources	\$ -	\$ -	\$ 7,425,854	\$ 7,425,854
NET POSITION				
Net position held in trust	\$ -	\$ 358,813,874	\$ (207,095,983)	\$ 151,717,891

See accompanying Notes to Basic Financial Statements.



County of Santa Cruz
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2013

	Investment Trust Fund	Private Purpose Trust Fund	Total
ADDITIONS			
Contributions:			
Contribution to investment pool	\$ 1,355,074,895	\$ -	\$ 1,355,074,895
Contributions from other agencies	-	315,373	315,373
Total contributions	1,355,074,895	315,373	1,355,390,268
Investment income	485,760	(40,026)	445,734
Tax increment received	-	12,239,109	12,239,109
Other revenue	-	256,003	256,003
Total Additions	1,355,560,655	12,770,459	1,368,331,114
DEDUCTIONS			
Distributions from investment pool	1,245,140,583	-	1,245,140,583
Payments in accordance with trust agreements	-	15,942,667	15,942,667
Contributions to other agencies	-	1,159,675	1,159,675
Total Deductions	1,245,140,583	17,102,342	1,262,242,925
EXTRAORDINARY GAIN/(LOSS)	-	16,376,150	16,376,150
Change in net position held in trust:	110,420,072	12,044,267	122,464,339
Net position - beginning of year	248,393,802	(216,894,656)	31,499,146
Prior period adjustment	-	(2,245,594)	(2,245,594)
Net position - beginning of year, as restated	248,393,802	(219,140,250)	29,253,552
Net position held in trust - end of year	\$ 358,813,874	\$ (207,095,983)	\$ 151,717,891

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS



County of Santa Cruz
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For the year ended June 30, 2013

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County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

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, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity, Continued

Blended Component Units, Continued

Santa Cruz County Public Financing Authority

The Santa Cruz County Public Financing Authority (Authority) facilitates financing for the County. 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
- 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, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

Districts Governed by the Board of Supervisors

Public Protection

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

Health and Sanitation

- Pasatiempo Rolling Woods Sewer District

Recreation and Culture

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

Public Ways and Facilities

- County Highway Lighting CSA 9
- County Highway Residential Lighting CSA 9 Zone A
- School Crossing Guard CSA 9 Zone B
- County Road Maintenance CSA 9D Zone 1
- County Road Maintenance CSA 9D Zone 2
- CSA 9D Zone 3
- Hutchinson Road CSA 13
- Oakflat Road CSA 13A
- Huckleberry Woods Road CSA 15
- Robak Drive CSA 16
- Empire Acres CSA 17
- Whitehouse Canyon CSA 18
- Westdale Drive CSA 21
- Kelly Hill CSA 22
- Old Ranch Road CSA 23
- Pineridge CSA 24
- Viewpoint Road CSA 25
- Hidden Valley CSA 26
- Lomond Terrace CSA 28
- Glenwood Acres CSA 30
- View Circle CSA 32
- Soquel Village Parking Improvement
- Underground Utilities #4-41st Ave.
- Redwood Drive CSA 33
- Larsen Road CSA 34
- County Estates CSA 35
- Forest Glen CSA 36
- Roberts Road CSA 37
- Reed Street CSA 39
- Ralston Way CSA 40
- Loma Prieta CSA 41
- Sunlit Lane CSA 42
- Bonita-Encino Drive CSA 43
- Sunbeam Woods CSA 44
- Pinecrest CSA 46
- Braemoor CSA 47
- Vineyard CSA 50
- Hopkins Gulch CSA 51
- Upper Pleasant Valley CSA 52
- Mosquito Abatement CSA 53
- Riverdale Park Road CSA 55
- Felton Grove CSA 56
- Mansfield Street Assessment Dist.
- Ridge Drive CSA 58
- McGaffigan Mill Road CSA 59

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

Geologic Hazard Abatement Districts (GHAD)

- Corralitos GHAD
- Mid-County GHAD
- Heartwood GHAD

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

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

B. Basis of Accounting and Measurement Focus

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

New Accounting Pronouncements

The following GASB Statements have been implemented in the current financial statements:

Government Accounting Standards Board Statement No. 60

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into.

Government Accounting Standards Board Statement No. 61

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, an amendment of GASB Statement Nos. 14 and 34, modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and display and disclosure requirements.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus

Government Accounting Standards Board Statement No. 62

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.

Government Accounting Standards Board Statement No. 63

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* provides financial guidance for deferred outflows of resources and deferred inflows of resources.

Government Accounting Standards Board Statement No. 65

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, provides guidance to determine which balances, previously reported as assets and liabilities, should be reported as deferred outflows of resources or deferred inflows of resources. Application of the statement is effective for the County's fiscal year ending June 30, 2014. The County implemented this statement early.

Upcoming Accounting Pronouncements

The following GASB Statements will become effective for fiscal years subsequent to June 30, 2013. The County is currently analyzing its accounting practices to determine the potential impact on the financial statements for the GASB Statements.

Government Accounting Standards Board Statement No. 66

The objective of GASB Statement No. 66, *Technical Corrections*, is to resolve conflicting guidance between GASB Statement No. 54 and 10 and between GASB Statement Nos. 62, 13 and 48. Application of the statement is effective for the County's fiscal year ending June 30, 2014.

Government Accounting Standards Board Statement No. 67

The objective of GASB Statement No. 67, *Financial Reporting for Pension Plans*, is to improve financial reporting by state and local governmental pension plans. Application of the statement is effective for the County's fiscal year ending June 30, 2014.

Government Accounting Standards Board Statement No. 68

The primary objective of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, is to improve accounting and financial reporting by state and local governments for pensions. Application of the statement is effective for the County's fiscal year ending June 30, 2015.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government Accounting Standards Board Statement No. 69

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* is intended to improve accounting and financial reporting for U.S. state and local governments' combinations and disposals of government operations. The requirements of this Statement are effective for the County's fiscal year ending June 30, 2015.

Government Accounting Standards Board Statement No. 70

The objective of GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of this Statement are effective for the County's fiscal year ending June 30, 2014.

Government-Wide Financial Statements

The County's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. 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, deferred outflows of resources, liabilities, and deferred inflows of resources including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

- Fees, fines, and charges for services
- Operating grants and contributions
- Capital grants and contributions

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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 Position 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 indirect support costs are allocated to County funds and departments using a step-down method so that the true cost of operations can be included in determining the rates to be charged to users.

The County apply, for governmental and business-type activities, all applicable GASB pronouncements as well as the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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.

Housing Fund - accounts for the County's housing developments and loans.

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

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.

Unearned revenue arises when potential revenues do not meet both the “*measurable*” and “*available*” criteria for recognition in the current period. Unearned 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 unearned 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 Position, a Statement of Revenues, Expenses and Changes in Net Position, 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.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements, Continued

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

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

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. 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 non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

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

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.

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.

Private Purpose Trust Fund - Report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Private purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. This fund is used to report the assets, deferred outflows of resources, liabilities, deferred inflows of resources and activities of the County of Santa Cruz Redevelopment Agency Successor Agency.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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."

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

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

The 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.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets, Continued

Government-Wide Financial Statements, Continued

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.

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 Position.

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 reported in the non-spendable fund balance because such assets are not available to finance the County's current operations.

H. Deferred Outflows and Inflows of Resources

The County recognizes deferred outflows of resources and deferred inflows of resources in accordance with GASB Statement No. 63 and GASB Statement No. 65. Deferred outflows and inflows were items previously reported as assets and liabilities and are defined as "a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively."

I. 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 outflows of resources.

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 Position.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. 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.

K. 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.

L. Unearned Revenue

Government-Wide Financial Statements - Unearned revenue is a liability reported when revenue has been received prior to revenue recognition. 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.

M. Net Position and Fund Balances

Government-Wide Financial Statements - In the Government-Wide Financial Statements, net position is classified in the following:

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

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Net Position and Fund Balances, Continued

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

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

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

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

The establishment of a committed fund balance requires the passage of a resolution by a simple majority vote before June 30 of the applicable fiscal year. Board action is required to change or remove the commitment. The Board resolution shall identify the title of the commitment, describe the specific purpose for the commitment, and the actual amount of the commitment or the process or formula necessary to calculate the actual amount. Funding for Committed fund balance shall be approved annually by the Board of Supervisors as part of the budget approval process.

Assigned fund balance - amounts that are constrained by the County's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.

The Board of Supervisors has the authority to assign funds for a specific purpose with a simple majority vote. The same action is required to change or remove an assignment.

The County Administrative Officer also has the authority to assign funds for specific purposes, and to change or remove the assignment. The establishment, change or removal of an assignment by the County Administrative Officer must be reported to the Board of Supervisors at the next Board meeting. The Board may change or remove an assignment established by the County Administrative Officer with a simple majority vote.

An appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget may be classified as assigned fund balance.

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Net Position and Fund Balances, Continued

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

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

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

The County has adopted a policy to achieve and maintain committed and assigned fund balance categories of no less than 7% of the upcoming budget year's estimated revenues.

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

Reserve for Working Capital

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

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

As of June 30, 2013, the County's Reserve for Working Capital fund balance was \$6,000,000 and is included in the general fund.

Reserve for Economic Uncertainty

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Net Position and Fund Balances, Continued

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

As of June 30, 2013, the County's Reserve for Economic Uncertainty fund balance was \$4,857,787 and is included in the general fund.

Reserve for Natural Disasters

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

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

As of June 30, 2013, the County's Reserve for Natural Disasters fund balance was \$1,251,089 and is included in the general fund.

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.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

These taxes are secured by liens on the property being taxed. The Board annually sets the rates of the County and district taxes and levies 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 statement of fiduciary net position of the property tax trust funds reported in the Agency 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.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

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, 2013, was distributed on the second business day during July 2013, and is shown as part of receivables on the financial statements.

The following is a summary of cash and investments at June 30, 2013:

	Government-Wide Statement of Net Assets			
	Primary Governments			Component Unit
	Governmental Activities	Business-Type Activities	Total	Santa Cruz County Sanitation District
Cash and Investments	\$ 211,487,624	\$ 8,232,528	\$ 219,720,152	\$ 22,722,985
Restricted Cash and Investments	6,582,547	5,861,316	12,443,863	1,622,865
Total Cash and Investments	\$ 218,070,171	\$ 14,093,844	\$ 232,164,015	\$ 24,345,850
	Fiduciary Funds			
	Agency Funds	Investment Trust Fund	Private Purpose Trust Fund	County Total
Cash and Investments	\$ 36,547,947	\$ 358,813,874	\$ 20,539,610	\$ 658,344,568
Restricted Cash and Investments	-	-	12,957,371	\$ 27,024,099
Total Cash and Investments	\$ 36,547,947	\$ 358,813,874	\$ 33,496,981	\$ 685,368,667
	Cash and Investments	Restricted Cash and Investments	Total	
Primary Government and Fiduciary Funds:				
Cash on hand or imprest cash	\$ 3,192,381	\$ -	\$ 3,192,381	
Cash deposits in treasury pool	7,995,810	-	7,995,810	
Investments in treasury pool	624,433,392	-	624,433,392	
Restricted investments in other pools	-	19,539,918	19,539,918	
Restricted cash deposits in treasury pool:				
Davenport County Sanitation District	-	16,408	16,408	
County Disposal Sites CSA 9C	-	5,844,908	5,844,908	
Total	635,621,583	25,401,234	661,022,817	
Component Unit:				
Investments in treasury pool	22,722,985	652,928	23,375,913	
Restricted investments in other banks	-	969,937	969,937	
Total	22,722,985	1,622,865	24,345,850	
Total cash and investments	\$ 658,344,568	\$ 27,024,099	\$ 685,368,667	

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

2. CASH AND INVESTMENTS, Continued

At June 30, 2013, 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	\$ 48,480	\$ 3,143,901	\$ 3,192,381
Deposits	7,995,810	-	7,995,810
Investments	630,294,708	19,539,918	649,834,626
Total Primary Government	638,338,998	22,683,819	661,022,817
Component Unit:			
Investments	23,375,913	969,937	24,345,850
Total Component Unit	23,375,913	969,937	24,345,850
Total reporting entity	\$ 661,714,911	\$ 23,653,756	\$ 685,368,667

The carrying amounts of the County's cash deposits were \$7,995,810 at June 30, 2013. Bank balances at June 30, 2013, were \$22,566,732 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, 2013

2. CASH AND INVESTMENTS, Continued

A. Investments

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

Authorized Investment Types	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local agency bonds	5 years	10%	None
U.S. Treasury obligations	5 years	100%	None
U.S. Government Agency obligations	5 years	100%	25%
State of California obligations	5 years	10%	None
Banker's acceptances	180 days	40%	10%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years	30%	None
Non-negotiable certificates of deposit	180 days	10%	10%
Repurchase agreements	1 year	100%	10%
Medium-term notes	5 years	30%	10%
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 fair value. The fair value of investments generally changes with fluctuations of interest rates. When interest rates fall, the fair value of investments increases, and conversely when interest rates rise, the fair value of investments could fall below the original cost of the investments. A rise in interest rates in June 2013 resulted in a material decrease of \$2,418,121 in the fair value of pool investments at June 30, 2013, which has been recorded in the financial statements of all funds with equity in pooled cash and investments in the County Treasury.

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, 2013

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, 2013, the County had the following investment maturities:

Investment Type	Fair Value	Investment Maturities (In Years)				
		Less than 1	1 to 2	2 to 3	3 to 4	More than 4
U.S. Treasury Securities	\$ 281,327,441	\$ 133,085,390	\$ 107,529,160	\$ 10,963,187	\$ 15,089,100	\$ 14,660,604
Federal Agency Securities	214,619,259	41,118,440	7,995,120	94,857,409	41,365,290	29,283,000
Corporate Bonds and Notes	19,993,700	-	10,003,200	9,990,500	-	-
Medium-Term Notes - Other	16,000,000	16,000,000	-	-	-	-
Money Market Mutual Funds	25,582,547	25,582,547	-	-	-	-
Local Agency Investment Fund (LAIF)	50,024,364	50,024,364	-	-	-	-
Certificates of Deposit	50,017,158	50,017,158	-	-	-	-
Investment Agreements	969,937	-	-	-	-	969,937
Total investments	\$ 658,534,406	\$ 315,827,899	\$ 125,527,480	\$ 115,811,096	\$ 56,454,390	\$ 44,913,541

C. Concentration of Credit Risk

At June 30, 2013, 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 schedule 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, 2013.

Investments Type	Standard & Poor's	Moody's	% of Portfolio
U.S. Treasury Securities	AA+	Aaa	42.72%
Federal Agency Securities	AA+	Aaa	32.59%
Corporate Bonds and Notes	AA+ / AA-	Aa3	3.04%
Medium-Term Notes - Other	Unrated	Unrated	2.43%
Money Market Mutual Funds	Unrated	Unrated	3.88%
Local Agency Investment Fund (LAIF)	Unrated	Unrated	7.59%
Certificates of Deposit	A1+	Aa3 / Aa2	7.60%
Investment Agreements	AAA	Aa3	0.15%
Total			100.00%

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

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, 2013, 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, 2013, the County had \$50,024,364 invested in LAIF, which had invested 0.33% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 0.51% in the previous year. LAIF provided a fair value factor of 1.000273207 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, 2013

3. RESTRICTED CASH AND INVESTMENTS

Cash and investments at June 30, 2013, 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	<u>\$ 6,582,547</u>
<u>Business-Type Activities</u>	
County Disposal Site CSA 9C:	
Used for landfill deposits	5,844,908
Davenport County Sanitation District:	
Used for debt service and bond reserves	<u>16,408</u>
Subtotal	<u><u>5,861,316</u></u>
<u>Component Unit</u>	
Santa Cruz County Sanitation District:	
Used for debt service	<u>1,712,185</u>
<u>Fiduciary Funds</u>	
Redevelopment Agency Successor Agency	
Used for debt service	<u>12,957,371</u>
Total restricted cash and investments	<u><u>\$ 27,113,419</u></u>

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

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	Housing Fund	Capital Projects Fund	Non-major Funds	Internal Service Funds	Total Governmental Activities
Governmental Activities:						
Accounts	\$ 26,685,833	\$ 185,208	\$ 15,000	\$ 2,032,915	\$ 620,321	\$ 29,539,277
Taxes	1,314,358	-	-	-	-	1,314,358
Gross receivables	28,000,191	185,208	15,000	2,032,915	620,321	30,853,635
Less: allowance for uncollectibles	(1,828,234)	-	-	-	-	(1,828,234)
Net receivables	\$ 26,171,957	\$ 185,208	\$ 15,000	\$ 2,032,915	\$ 620,321	\$ 29,025,401

	County Disposal Sites CSA	Non-major Funds	Total Business-Type Activities
Business-Type Activities: Accounts receivable	\$ 605,505	\$ 979	\$ 606,484

5. INTERFUND TRANSACTIONS

A. Government-Wide Financial Statements

Long-Term Internal Balances

At June 30, 2013, the County had the following long-term internal balances:

Internal Balances Receivables	
Governmental Activities	
Internal Balances Payable	
Business-Type Activities	\$ 464,259

The “Internal balances” on the Statement of Net Position (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.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial and Proprietary Fund Statements

Due to/from

The County had the following due to/from other funds as of June 30, 2013:

	Due from Other Funds			
	General Fund	Capital Projects Fund	Internal Service Funds	Total
Capital Projects Fund	\$ -	\$ 15,000	\$ -	\$ 15,000
Non major Governmental Funds	18,384	-	-	18,384
Non major Enterprise Funds	-	-	160,551	160,551
Internal Service Funds	-	-	58,134	58,134
Total	\$ 18,384	\$ 15,000	\$ 218,685	\$ 252,069

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.

Long-Term Advances

The County had the following long-term advances as of June 30, 2013:

	Advances to Other Funds
	Public Financing Authority Fund
County Disposal Site CSA 9C Fund	\$ 997,761

This balance consists of a long-term advance between the Public Financing Authority Fund and the County Disposal Site CSA 9C Fund of \$997,761.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Transfers in/out

The County had the following transfers for the year ending June 30, 2013:

		Transfers In					
		General	Housing	Capital Projects	Non-Major Governmental	Internal Service	
		Fund	Fund	Fund	Funds	Funds	Total
Transfers Out	General Fund	\$ -	\$ 232,624	\$ 124,286	\$ 6,233,614	\$ 186,731	\$ 6,777,255
	Housing Fund	-	65,312	-	-	-	65,312
	Capital Projects Fund	2	5,532,802	404	-	-	5,533,208
	Non-Major Governmental Funds	2,073,087	-	3,170,797	187,646	571,560	6,003,090
	Total	\$ 2,073,089	\$ 5,830,738	\$ 3,295,487	\$ 6,421,260	\$ 758,291	\$ 18,378,865

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, 2013

6. LOANS RECEIVABLE

A. Governmental Wide Financial Statements

The County had the following loans receivable as of June 30, 2013:

<u>Housing Fund</u>	
Aptos Cottages (Miller)	\$ 8,682,802
First Time Homebuyer Program	5,999,639
Golden Torch	1,296,240
Hand loans	2,405,967
Housing for Independent People	40,940
Marmo's	1,642,323
Mercy - McIntosh (Coach Loan)	348,665
Mercy - Rehab	95,237
McIntosh Coach Purchases	97,367
McIntosh Coach Purchase #12	98,000
McGregor	891,748
Mid-Peninsula the Farm, Inc	1,786,465
Minto	10,191,743
Mobile Home Change Out Program	5,344,980
Mobile Home Rehab Program	338,146
Mobile Home Rehab Program (Bonds)	23,069
Pacific Family-SCH	2,733,234
Pacific Family Coach Acquisitions	143,990
Pleasant Acres Permanent Financing	3,512,452
Pleasant Acres Coach Acquisitions	124,875
Property Tax Postponement Loans	27,022
San Andreas	700,000
SERAF Loan	2,245,594
Sorrento Oaks	10,000
South County Housing Corp	5,721,263
St Stephens Predevelopment	421,832
Vista Verde Family Housing	1,165,000
Total Housing Fund	<u>\$ 56,088,593</u>

The St Stephens Predevelopment loan is an unsecured loan, which will be converted to loan secured by the deed of trust to the property upon commencement of development. The SERAF Loan is secured by a promissory note. All remaining loans are housing loans secured by deeds of trust on the properties.

B. Business-Type Financial Statements

The County had the following loans receivable as of June 30, 2013:

<u>Nonmajor business-type fund:</u>	
Septic tank maintenance CSA 12	\$ 135,190
Total business-type loans receivable	<u>\$ 135,190</u>

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

7. CAPITAL ASSETS

A. Government-Wide Financial Statements

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

	Balance July 1, 2012	Additions	Retirements	Reclassifications	Balance June 30, 2013
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 59,319,954	\$ -	\$ (9,197,476)	\$ -	\$ 50,122,478
Construction-in-progress	36,060,149	11,285,128	-	(2,437,486)	44,907,791
Total capital assets, not being depreciated	95,380,103	11,285,128	(9,197,476)	(2,437,486)	95,030,269
Capital assets, being depreciated:					
Infrastructure	567,500,776	15,388,524	(8,000,000)	-	574,889,300
Buildings	127,648,142	2,153,755	(238,794)	632,590	130,195,693
Machinery and equipment	42,349,698	2,203,353	(761,739)	1,804,896	45,596,208
Total capital assets, being depreciated	737,498,616	19,745,632	(9,000,533)	2,437,486	750,681,201
Less accumulated depreciation for:					
Infrastructure	(222,723,500)	(14,014,004)	-	-	(236,737,504)
Buildings	(68,205,641)	(4,274,736)	-	-	(72,480,377)
Machinery and equipment	(38,516,157)	(2,395,032)	759,914	-	(40,151,275)
Total accumulated depreciation	(329,445,298)	(20,683,772)	759,914	-	(349,369,156)
Total capital assets, being depreciated, net	408,053,318	(938,140)	(8,240,619)	2,437,486	401,312,045
Governmental activities capital assets, net	\$ 503,433,421	\$ 10,346,988	\$ (17,438,095)	\$ -	\$ 496,342,314

For an explanation of retirements of Land, see note 24, Extraordinary Item.

Depreciation expense was charged to governmental functions as follows:

	Total
<u>Governmental Activities:</u>	
General government	\$ 1,375,364
Public protection	2,201,249
Public ways and facilities	13,577,455
Health and sanitation	818,958
Public assistance	479,849
Education	218,098
Recreation and culture	704,450
Subtotal	19,375,423
Capital assets held by the County's internal services funds are charged to the various functions based on their usage of the assets	1,308,349
Total	\$ 20,683,772

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

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, 2012	Additions	Retirements	Reclassifications	Balance June 30, 2013
Business-Type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,858,849	\$ -	\$ -	\$ -	\$ 1,858,849
Construction-in-progress	136,993	1,086,863	-	-	1,223,856
Total capital assets, not being depreciated	<u>1,995,842</u>	<u>1,086,863</u>	<u>-</u>	<u>-</u>	<u>3,082,705</u>
Capital assets, being depreciated:					
Buildings	42,586,352	212,567	-	-	42,798,919
Machinery and equipment	10,252,677	68,274	-	-	10,320,951
Total capital assets, being depreciated	<u>52,839,029</u>	<u>280,841</u>	<u>-</u>	<u>-</u>	<u>53,119,870</u>
Less accumulated depreciation for:					
Buildings	(19,564,069)	(1,526,971)	-	-	(21,091,040)
Machinery and equipment	(9,503,312)	(284,066)	-	-	(9,787,378)
Total accumulated depreciation	<u>(29,067,381)</u>	<u>(1,811,037)</u>	<u>-</u>	<u>-</u>	<u>(30,878,418)</u>
Total capital assets, being depreciated, net	<u>23,771,648</u>	<u>(1,530,196)</u>	<u>-</u>	<u>-</u>	<u>22,241,452</u>
Business-Type activities capital assets, net	<u>\$ 25,767,490</u>	<u>\$ (443,333)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,324,157</u>

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

	Total
<u>Business-Type Activities:</u>	
County Disposal Sites CSA 9C	\$ 1,357,690
Boulder Creek CSA 7	73,385
Rolling Woods CSA 10	8,644
Septic Tank Maintenance CSA 12	903
Freedom County Sanitation District	163,209
Davenport Sanitation District	165,390
Place de Mer CSA 2	5,541
Sand Dollar Beach CSA 5	34,918
Trestle Beach CSA 20	1,357
Total	<u>\$ 1,811,037</u>

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

7. CAPITAL ASSETS, Continued

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

	Balance July 1, 2012	Additions	Deletions	Reclassification	Balance June 30, 2013
Nondepreciable assets:					
Construction in progress	\$ 26,868,373	\$ 5,617,457	\$ -	\$ (21,706,163)	\$ 10,779,667
Total nondepreciable assets	<u>26,868,373</u>	<u>5,617,457</u>	<u>-</u>	<u>(21,706,163)</u>	<u>10,779,667</u>
Depreciable assets:					
Pumping stations	39,484,678	1,646,451	-	-	41,131,129
Transmission systems	73,015,189	789,263	-	21,706,163	95,510,615
Sewage treatment capacity rights	35,038,480	110,029	-	-	35,148,509
Mobile equipment	3,690,964		(103,668)	-	3,587,296
Other equipment	2,520,682	112,414		-	2,633,096
Total depreciable assets	<u>153,749,993</u>	<u>2,658,157</u>	<u>(103,668)</u>	<u>21,706,163</u>	<u>178,010,645</u>
Accumulated depreciation:					
Pumping stations	(19,235,515)	(878,352)		-	(20,113,867)
Transmission systems	(31,202,337)	(1,643,849)		-	(32,846,186)
Sewage treatment capacity rights	(11,263,847)	(875,126)		-	(12,138,973)
Mobile equipment	(2,533,314)	(214,413)	103,668	-	(2,644,059)
Other equipment	(1,683,571)	(153,395)		-	(1,836,966)
Total accumulated depreciation	<u>(65,918,584)</u>	<u>(3,765,135)</u>	<u>103,668</u>	<u>-</u>	<u>(69,580,051)</u>
Depreciable assets, net	<u>87,831,409</u>	<u>(1,106,978)</u>	<u>-</u>	<u>21,706,163</u>	<u>108,430,594</u>
Total capital assets, net	<u>\$ 114,699,782</u>	<u>\$ 4,510,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,210,261</u>

Depreciation expense for the District at June 30, 2013, is \$3,661,467.

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, 2013, was as follows:

Fiscal Year	Interest Rate	Beginning Balance	Additions	Deletions	Accrued Interest	Ending Balance
2012	2.0%	\$ -	\$ 48,854,000	\$ (15,195,833)	\$ -	\$ 33,658,167
2013	2.0%	\$ 33,658,167	\$ 50,000,000	\$ (33,658,167)	\$ 997,222	\$ 50,997,222

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

9. LEASES

A. Operating Leases

The County has entered into certain operating leases as lessee. Total expenditures for these operating leases for the fiscal year ended June 30, 2013, were \$2,343,550.

As of June 30, 2013, the County has future minimum operating lease payments with a remaining term in excess of one year as follows:

Year Ending June 30,	Governmental Activities
2014	\$ 1,586,242
2015	1,618,314
2016	1,526,352
2017	1,306,929
2018	1,298,911
2019-2023	4,428,104
2024-2028	254,066
2029-2033	287,453
2034-2038	325,226
2039-2043	367,964
2044-2048	416,317
2049-2053	471,025
2054-2058	532,921
2059-2060	232,287
	<u>\$ 14,652,111</u>

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

9. LEASES, Continued

B. 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, 2013
Government-Wide Activities		
<u>Governmental Activities:</u>		
Energy efficient infrastructure	3.62%	\$ 4,901,059
Human Services Department-server	4.45%	8,159
Treasurer's check remittance-processor	4.24%	51,469
Copy machines	12.54%	114,359
Subtotal Governmental Activities:		<u>5,075,046</u>
<u>Internal Service Fund Activities:</u>		
Central duplicating-copy machine	6.70%	9,109
Public Works copy machines		6,433
Subtotal Internal Service Fund Activities:		<u>15,542</u>
Total government-wide capital lease obligations		<u>\$ 5,090,588</u>
Business-type Activities		
<u>Enterprise Fund Activities</u>		
County Disposal Sites CSA 9C Copy Machines	12.54%	2,951
Total business-type capital lease obligations		<u>\$ 2,951</u>

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

	Governmental Activities	Business-Type Activities
Equipment, computers, furniture, and vehicles	\$ 500,843	\$ 1,551,878
Structures and improvements	6,041,400	-
Total assets under capital lease	<u>6,542,243</u>	<u>1,551,878</u>
Less: accumulated depreciation	<u>(1,438,329)</u>	<u>(1,438,438)</u>
Net	<u>\$ 5,103,914</u>	<u>\$ 113,440</u>

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

9. LEASES, Continued

B. Capital Leases, Continued

As of June 30, 2013, capital lease annual amortization is as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2014	542,662	\$ 1,364
2015	524,509	1,364
2016	490,577	682
2017	452,336	-
2018	449,250	-
2019-2023	2,246,251	-
2024-2027	1,797,001	-
Total Requirements	6,502,586	3,410
Less: Interest	(1,411,998)	(459)
Present Value of Remaining l	<u>\$ 5,090,588</u>	<u>\$ 2,951</u>

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

10. LONG-TERM DEBT

The following is a summary of long-term liabilities transactions for the year ended June 30, 2013:

	Balance July 1, 2012	Debt Issued	Debt Retired or Transferred Out	Balance June 30, 2013	Due in One Year	Due in More Than One Year
Governmental Activity Debt:						
PFA-1996 Refunding Certificates of Participation	\$ 17,130,000	\$ -	\$ (765,000)	\$ 16,365,000	\$ 815,000	\$ 15,550,000
PFA-2002 Refunding Certificates of Participation	2,080,000	-	(60,000)	2,020,000	60,000	1,960,000
2002 Unamortized bond premium	86,255	-	(4,208)	82,047	4,208	77,839
Subtotal	2,166,255	-	(64,208)	2,102,047	64,208	2,037,839
PFA-2005 Refunding Certificates of Participation	6,700,000	-	(600,000)	6,100,000	635,000	5,465,000
2005 Unamortized bond discount	(36,877)	-	4,339	(32,538)	(4,339)	(28,199)
Subtotal	6,663,123	-	(595,661)	6,067,462	630,661	5,436,801
PFA-2001B Lease Revenue Bonds	6,670,000	-	(220,000)	6,450,000	230,000	6,220,000
PFA-1995B Revenue Bonds	405,000	-	(405,000)	-	-	-
PFA-1999 Local Agency Revenue Bonds	250,000	-	(25,000)	225,000	30,000	195,000
PFA-2004 Certificates of Participation	16,265,000	-	(1,060,000)	15,205,000	1,100,000	14,095,000
2004 Unamortized bond premium	16,426	-	(1,369)	15,057	1,369	13,688
Subtotal	16,281,426	-	(1,061,369)	15,220,057	1,111,369	14,108,688
2006 Certificates of Participation	7,410,000	-	(355,000)	7,055,000	370,000	6,685,000
2006 Unamortized bond discount	(51,203)	-	2,090	(49,113)	(2,090)	(47,023)
Subtotal	7,358,797	-	(352,910)	7,005,887	367,910	6,637,977
PFA-2008 Certificates of Participation	3,705,000	-	(325,000)	3,380,000	340,000	3,040,000
2008 Unamortized bond premium	78,388	-	(6,816)	71,572	6,816	64,756
Subtotal	3,783,388	-	(331,816)	3,451,572	346,816	3,104,756
PFA-2011 Certificates of Participation	5,605,000	-	-	5,605,000	145,000	5,460,000
2011 Unamortized bond discount	(4,504)	-	188	(4,316)	(188)	(4,128)
Subtotal	5,600,496	-	188	5,600,684	144,812	5,455,872
PFA-2012 Lease Revenue Refunding Bond, Series A	1,884,565	-	(54,660)	1,829,905	61,789	1,768,116
2012 Unamortized bond discount	(18,465)	-	839	(17,626)	(839)	(16,787)
Subtotal	1,866,100	-	(53,821)	1,812,279	60,950	1,751,329
California Energy Resources Conservation and Development Commission		172,837		172,837	15,416	157,421
McGaffigan Mill Road HOA	33,175	-	(32,518)	657	657	-
City of Scotts Valley Writ of Mandate	2,175,220	-	(725,073)	1,450,147	725,073	725,074
Subtotal bonds and loans payable	70,382,980	172,837	(4,632,188)	65,923,629	4,542,872	61,380,757
OPEB Liability	88,212,910	7,203,737	-	95,416,647	-	95,416,647
Compensated absences	21,437,389	15,462,385	(15,237,984)	21,661,790	15,397,491	6,264,299
Capital leases	5,336,869	5,173,194	(5,435,017)	5,075,046	343,795	4,731,251
Total governmental activity	\$ 185,370,148	\$ 28,012,153	\$ (25,305,189)	\$ 188,077,112	\$ 20,284,158	\$ 167,792,954

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

10. LONG-TERM DEBT, Continued

	Balance July 1, 2012	Debt Issued	Debt Retired	Balance June 30, 2013	Due in One Year	Due in More Than One Year
Governmental Activity Debt, Continued:						
Internal Service Funds						
Compensated absences	\$ 4,441,851	\$ 2,878,440	\$ (2,908,504)	\$ 4,411,787	\$ 2,880,521	\$ 1,531,266
Estimated claims	44,287,352	15,843,711	(13,378,635)	46,752,428	8,021,852	38,730,576
Capital leases	28,729	-	(13,187)	15,542	10,012	5,530
Total Internal Service Funds	\$ 48,757,932	\$ 18,722,151	\$ (16,300,326)	\$ 51,179,757	\$ 10,912,385	\$ 40,267,372
Total Government-Wide Activities						
Compensated absences	\$ 25,879,240	\$ 18,340,825	\$ (18,146,488)	\$ 26,073,577	\$ 18,278,012	\$ 7,795,565
Estimated claims	44,287,352	15,843,711	(13,378,635)	46,752,428	8,021,852	38,730,576
Other long-term liabilities:						
Bonds and loans payable	70,382,980	172,837	(4,632,188)	65,923,629	4,542,872	61,380,757
Capital leases	5,365,598	5,173,194	(5,448,204)	5,090,588	353,807	4,736,781
Subtotal other long-term liabilities	75,748,578	5,346,031	(10,080,392)	71,014,217	4,896,679	66,117,538
OPEB liability	88,212,910	7,203,737	-	95,416,647	-	95,416,647
Total Government-Wide Activities	\$ 234,128,080	\$ 46,734,304	\$ (41,605,515)	\$ 239,256,869	\$ 31,196,543	\$ 208,060,326
Business-Type Activities						
<i>Enterprise Funds</i>						
<i>Loans payable</i>						
Septic Tank Maintenance CSA 12	\$ 244,362	\$ -	\$ (11,614)	\$ 232,748	\$ 11,916	\$ 220,832
Davenport Sanitation	325,580	-	(27,670)	297,910	28,401	269,509
Total Loans Payable	569,942	-	(39,284)	530,658	40,317	490,341
<i>Postclosure Liability</i>						
Enterprise Fund - County Disposal Sites CSA 9	5,843,987	266,456	-	6,110,443	-	6,110,443
<i>Capital Leases</i>	-	3,927	(976)	2,951	1,086	1,865
Total Business-Type Activities	\$ 6,413,929	\$ 270,383	\$ (40,260)	\$ 6,644,052	\$ 41,403	\$ 6,602,649
Component Unit - Santa Cruz County						
Sanitation District						
2005 Wastewater Revenue Refunding Bonds	\$ 5,475,000	\$ -	\$ (765,000)	\$ 4,710,000	\$ 800,000	\$ 3,910,000
2005 Unamortized bond premium	25,605	-	(2,235)	23,370	2,235	21,135
2004 Limited Obligation STET						
Improvement Bonds	540,000	-	(65,000)	475,000	70,000	405,000
2009 State Water Resource Control Board Loan	7,631,772	203,503	(307,617)	7,527,658	314,359	7,213,299
Loans payable	10,070,213	-	(1,322,206)	8,748,007	1,359,228	7,388,779
Total Component Unit	\$ 23,742,590	\$ 203,503	\$ (2,462,058)	\$ 21,484,035	\$ 2,545,822	\$ 18,938,213

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

10. LONG-TERM DEBT, Continued

Descriptions of the long-term liabilities at June 30, 2013, are as follows:

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2013
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)					
Collateral: HSA Building/Jail Infirmary					
Serial certificates	9/1/97-9/1/26	4.00-5.65%	\$190,000-\$1,065,000	\$ 20,955,000	\$ 12,465,000
Term bonds	3/1/21-9/1/23	5.60%	\$1,230,000-\$1,370,000	3,900,000	3,900,000
				Total 1996 Issue	<u>16,365,000</u>
2002 Issue (refinanced road improvements, a detention facility, a library, equipment, purchase of parkland and construction of a transfer station and financed an animal services authority facility)					
Collateral: Polo Grounds Park/Ben Lomond Transfer Station					
Serial certificates	8/1/03-8/1/22	4.00-5.15%	\$50,000-\$730,000	\$ 4,380,000	760,000
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	82,047
				Total 2002 Issue	<u>2,102,047</u>
2005 Issue (defeased 1995A Lease Revenue Refunding Bonds and financed construction of and improvements to the Santa Cruz County Water Street and Roundtree Lane detention facility)					
Collateral: Water Street Detention Facility/Rountree Lanr Detention Facility					
Serial certificates	8/1/05-8/1/20	2.75-4.25%	\$500,000-\$910,000	\$ 10,580,000	6,100,000
Unamortized bond discount				(67,249)	(32,538)
				Total 2005 Issue	<u>6,067,462</u>
				Total Refunding Certificates of Participation	<u>24,485,000</u>
				Net Premiums/ (Discounts)	<u>49,509</u>
				Total including Premiums (Discounts)	<u>\$ 24,534,509</u>
<i>Lease Revenue Bonds</i>					
2001 Series B Lease Revenue Bonds (financed equipment for the Santa Cruz County Department of Public Works, County Counsel, Agricultural Commissioner, and improvements to the Health Services building)					
Collateral: Water Street Detention Facility/Rountree Lane Detention Facility					
Serial bonds	8/1/02-8/1/26	2.10-4.625%	\$200,000-\$760,000	\$ 9,675,000	\$ 4,225,000
Term bonds	2/1/27-8/1/31	4.75%	\$405,000-\$485,000	2,225,000	2,225,000
				Total 2001 Issue	<u>\$ 6,450,000</u>
2012 Series A (refinanced construction and equipment costs for the Santa Cruz County Consolidated Emergency Communication Center)					
Collateral: Santa Cruz County Regional 911 Center					
Serial bonds	6/15/13-6/15/30	2.00-4.75%	\$115,000-\$225,000	\$ 1,402,135	\$ 1,347,475
Term bonds	6/15/31-6/15/34	5.00%		482,430	482,430
Unamortized bond discount				18,465	(17,626)
				Total 2012 Issue	<u>1,812,279</u>
				Total Lease Revenue Refunding Bonds	<u>8,279,905</u>
				Net Premiums/ (Discounts)	<u>(17,626)</u>
				Total including Premiums (Discounts)	<u>\$ 8,262,279</u>

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

10. LONG-TERM DEBT, Continued

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2013
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	\$ -
Term bonds	2/1/11-8/1/12	6.50%	\$380,000-\$405,000	785,000	-
				Total 1995 Issue	<u>\$ -</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	\$ 225,000
<i>Certificates of Participation</i>					
2004 Series Issue (financed payments due for settlement of lawsuits arising from damage to property caused by flooding of the Pajaro River)					
Collateral: County Administrative Offices/County Court Building					
Serial certificates	6/1/05-6/1/24	2.25-5.00%	\$525,000-\$1,720,000	\$ 23,000,000	\$ 15,205,000
Unamortized bond premium				27,378	15,057
				Total 2004 Issue	<u>15,220,057</u>
2006 Series Issue (financed improvements to Watsonville Courthouse and Buena Vista Landfill)					
Collateral: Water Street Detention Facility/Rountree Lane Detention Facility					
Serial certificates	8/1/07-8/1/28	3.50-4.50%	\$180,000-\$410,000	\$ 6,225,000	4,280,000
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)	(49,113)
				Total 2006 Issue	<u>7,005,887</u>
2008 Series Issue (finance purchase of computer software systems for various County departments)					
Collateral: Water Street Detention Facility/Rountree Lane Detention Facility					
Serial certificates	8/1/09-8/1/23	3.00-4.30%	\$215,000-\$405,000	\$ 4,625,000	3,380,000
Unamortized bond premium				102,244	71,572
				Total 2008 Issue	<u>3,451,572</u>
2011 Series Issue (financed improvements to Veteran's Building and Main Jail roof)					
Collateral: HSD Application Center					
Serial certificates	8/1/12-8/1/21	2.00-4.00%	\$145,000-\$340,000	\$ 1,495,000	1,495,000
Term certificates	8/1/22-8/1/26	4.25%		1,080,000	1,080,000
Term certificates	8/1/27-8/1/31	4.625%		1,340,000	1,340,000
Term certificates	8/1/32-8/1/36	5.000%		1,690,000	1,690,000
Unamortized bond discount				(4,692)	(4,316)
				Total 2011 Issue	<u>5,600,684</u>
				Total Certificates of Participation	<u>31,245,000</u>
				Net Premiums/(Discounts)	<u>33,200</u>
				Total including Premiums (Discounts)	<u>\$ 31,278,200</u>

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

10. LONG-TERM DEBT, Continued

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2013
Governmental Activities, Continued:					
<i>Capital leases</i>					
Energy efficient infrastructure	2008-2027	3.62%	\$135,989-\$220,635	\$ 5,989,594	\$ 4,901,059
Human Services Department - server	2008-2013	4.45%	\$8,159-\$23,765	110,563	8,159
Treasurer's - check remittance processor	2011-2016	4.24%	\$4,033-\$18,806	89,348	51,469
Copy Machines	2011-2016	12.54%	\$2,953-\$48,812	183,614	120,792
Central duplicating - copy machine	2011-2015	6.70%	\$1,464-\$7,645	28,058	9,109
				Total leases	5,090,588
			Total Governmental Activities		\$ 69,390,576
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	\$ 86,117
California Technology, Trade & Commerce Agency (fund sanitation system improvements)	2/28/95-7/1/25	2.75%	\$3,550-\$4,817	310,691	150,608
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	61,185
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	232,748
				Total Loans	530,658
Landfill post closure					6,110,443
Capital Leases	2012-2016	12.50%	\$682-\$1364	4,377	2,951
			Total Business-Type Activities		\$ 6,644,052

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

10. LONG-TERM DEBT, Continued

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Payments	Original Issue	Outstanding at June 30, 2013
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	\$ 4,710,000
Unamortized bond premium				41,252	23,370
					<u>4,733,370</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	475,000
Loans payable - City of Santa Cruz (construct treatment plant expansion)	2000-2019	2.80%	\$928,354-\$1,564,248	24,330,576	8,748,007
2009 State Water Resources Control Board Loan	2013-2032	2.50%	\$630,445-\$959,296	8,116,120	<u>7,527,658</u>
Total Component Unit					<u>\$ 21,484,035</u>

A. Governmental Activities

At June 30, 2013, 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
2014	1,510,000	1,222,225	291,789	365,484	1,965,000	1,373,060
2015	1,585,000	1,150,665	301,789	354,613	2,035,000	1,295,858
2016	1,670,000	1,073,843	314,165	343,131	2,110,000	1,214,018
2017	1,760,000	991,944	326,542	330,687	2,185,000	1,125,073
2018	1,860,000	904,705	336,542	317,325	2,040,000	1,036,678
2019-2023	8,900,000	3,086,707	1,903,356	1,352,379	10,735,000	3,812,133
2024-2028	6,490,000	954,100	2,294,160	886,750	4,330,000	1,735,044
2029-2033	710,000	96,600	2,380,855	296,151	2,950,000	1,048,920
2033-2037	-	-	130,707	6,535	2,895,000	286,231
Total	<u>\$ 24,485,000</u>	<u>\$ 9,480,789</u>	<u>\$ 8,279,905</u>	<u>\$ 4,253,055</u>	<u>\$ 31,245,000</u>	<u>\$ 12,927,015</u>

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

10. LONG-TERM DEBT, Continued

A. Governmental Activities, Continued

Public Financing Authority, Continued

Year Ending June 30,	Lease Revenue Bonds		Lease Revenue Refunding Bonds		Local Agency Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	230,000	290,966	61,789	74,518	30,000	11,520
2015	240,000	281,331	61,789	73,282	30,000	9,893
2016	250,000	271,161	64,165	71,970	30,000	8,250
2017	260,000	260,321	66,542	70,366	30,000	6,600
2018	270,000	248,791	66,542	68,534	35,000	4,813
2019-2023	1,535,000	1,043,258	368,356	309,120	70,000	3,850
2024-2028	1,845,000	655,950	449,160	230,800	-	-
2029-2033	1,820,000	177,650	560,855	118,501	-	-
2034	-	-	130,707	6,535	-	-
Total	\$ 6,450,000	\$ 3,229,428	\$ 1,829,905	\$ 1,023,626	\$ 225,000	\$ 44,926

The Refunding Certificates of Participation, Lease Revenue Refunding Bonds, Certificates of Participation, and Lease Revenue Bonds retirements and related interest payments are paid from revenues from the General Fund. The Local Agency Revenue Bonds retirements and related interest payments are paid from revenues generated from property owners' assessments.

McGaffigan Mill Road Association

Year Ending June 30,	Principal	Interest
2014	656	4
Total	\$ 656	\$ 4

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 matures in July 1, 2014. For the current year, principal and interest paid on the loan was \$33,900. The outstanding balance of the loan is \$660.

During the year the County entered into a loan agreement with the Energy Resources Conservation and Development Commission in the amount of \$172,837.44. The loan bears annual interest rate of 3% due semi-annually and matures on December 22, 2017. For the current year, principal and interest paid on the loan was \$0.00. The outstanding balance of the loan is \$172,837.44.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

10. LONG-TERM DEBT, Continued

B. Business-Type Activities

At June 30, 2013, annual debt service requirements for loans payable of business-type activities to maturity are as follows:

Year Ending June 30,	Loans Payable	
	Principal	Interest
2014	40,316	11,530
2015	41,376	10,590
2016	42,463	9,625
2017	43,579	8,634
2018	44,724	7,618
2019-2023	201,278	22,646
2024-2028	99,411	5,800
2029-2033	17,512	280
Total	\$ 530,659	\$ 76,723

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

C. Component Unit

At June 30, 2013, 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
2014	\$ 800,000	\$ 196,800	\$ 70,000	\$ 21,990	\$ 1,673,587	\$ 433,135
2015	840,000	160,000	75,000	18,599	1,719,505	387,219
2016	890,000	125,400	75,000	14,980	1,766,684	340,039
2017	940,000	84,100	80,000	11,123	1,815,161	291,562
2018	535,000	47,225	85,000	6,914	1,864,969	241,754
2019-2022	705,000	22,525	90,000	2,363	3,429,992	686,935
2024-2028	-	-	-	-	2,115,183	397,572
2029-2033	-	-	-	-	1,890,584	119,620
Total	\$ 4,710,000	\$ 636,050	\$ 475,000	\$ 75,969	\$ 16,275,665	\$ 2,897,836

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 Certificates of Participation 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.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

10. LONG-TERM DEBT, Continued

C. Component Unit, Continued

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

During 2009, the District entered into a Project Finance Agreement (Agreement) with the State Water Resources Control Board (SWRCB) to finance the Aptos Transmission Main Relocation Project. Under this Agreement, the SWRCB has agreed to loan the District a total of \$16,725,699. As of June 30, 2013, SWRCB has loaned the District a total of \$7,835,275 pursuant to this Agreement. Pursuant to the Agreement, the interest rate is 2.5% and the District will begin to make payments to repay the loan in the 2012-2013 fiscal year.

D. Legal Debt Limit

The County’s legal annual debt service limit as of June 30, 2013, is \$420,314,615. 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.

11. PLEDGE OF FUTURE REVENUES

PFA 2012A Lease Revenue Refunding Bonds

The revenues of the Santa Cruz Regional 911 (Regional 911) were pledged to repay \$3,965,000 in lease revenue refunding bonds issued in May 2012. 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 were payable from use payments paid to the Regional 911 by the different governmental agencies. Annual principal and interest payments on the bonds continue through 2034 and are expected to require less than 12 percent of revenues. The total principal and interest remaining to be paid on the bonds is \$6,003,644. Pursuant to the Joint Powers Authority Agreement, the County of Santa Cruz is responsible for 47.53% of the total liability, or \$2,853,532. Total principal and interest paid for the current year and total customer revenues were \$287,338 and \$4,764,164 respectively. The County of Santa Cruz paid \$136,572 of the current year principal and interest. The Bonds were refunded on May 15, 2012.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

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, 2013, a liability for closure and postclosure maintenance in the amount of \$6,110,443 is reflected in the County Disposal Sites Enterprise Fund based upon landfill capacity used to date. As of June 30, 2013, Ben Lomond Landfill was filled to 100% capacity, and the County estimates that the Buena Vista Landfill is filled to 61.3% of capacity with an estimated remaining useful life of 10 years. The Ben Lomond Landfill was closed during 1989 and the closure and postclosure care costs have been fully paid. The County will recognize the remaining estimated cost of closure and postclosure maintenance of \$4,572,298 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2013. 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, 2013, cash of \$5,844,908 is held for this purpose, reported as restricted assets on the Statement of Net Position. 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's 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, 2013

13. DEFICIT NET POSITION AND FUND BALANCES

Individual nonmajor special revenue fund and proprietary fund deficit net position at June 30, 2013, were as follows:

Nonmajor Special Revenue Funds:	
Library	\$ 17,150
Internal Service Funds:	
Self Insurance - Liability and Property	3,401,337
Self-Insurance - Workers' Compensation	23,874,819

The Library Fund had deficit net position of \$17,150, a reduction of \$5,327 from a \$22,477 net deficit at June 30, 2012. The deficit originated in the fiscal year ended June 30, 2011, as a result of unrealized property tax revenues. Each fiscal year, the annual payment from the Library Fund to the Library Financing Authority is calculated based upon estimated property tax revenues. During the 2010-2011 fiscal year, property tax revenues were slightly lower than anticipated, but the annual payment to the Library Financing Authority still was required to be made. A procedure was implemented to ensure that the payment to the Library Financing Authority is capped if there are insufficient funds to make the entire payment.

The Liability and Property Fund and Workers' Compensation Fund had deficit net position of \$3,401,337 and \$23,874,819 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. These funds will normally show up as deficits 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 (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS 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 CalPERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

14. DEFINED BENEFIT PENSION PLAN, Continued

B. Funding Policy

Active plan members are required by State statute to contribute 7% and 9% of annual covered salary for miscellaneous and safety employees respectively. The County makes the contributions required of County employees on their behalf and for their account for Service Employees International Union employees only, other employees pay their own contributions. The County was required to contribute for fiscal year 2012-2013 at an actuarially determined rate of 14.253% for miscellaneous employees, 17.381% for safety employees, and 29.153% 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 CalPERS.

C. Annual Pension Costs

The County's annual pension cost for the current year and two previous years was \$34,365,995, \$33,261,121, and \$31,074,807, respectively. These were equal to the County's required and actual contributions. The 2012-2013 required contribution was determined as part of the June 30, 2010, 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 3.55% to 14.45% for miscellaneous employees, 3.55% to 13.15% for safety and sheriff safety depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period. CalPERS unfunded actuarial accrued liabilities (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. All gains and losses are tracked and amortized over a rolling 30 year period for both miscellaneous and safety plans with the exception of special gains and losses in fiscal years 2008-2009, 2009-2010, and 2010-2011. Each of these years' gains and losses will be isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization).

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

14. DEFINED BENEFIT PENSION PLAN, Continued

C. Annual Pension Costs, Continued

THREE-YEAR TREND INFORMATION FOR CalPERS

Fiscal Year	Miscellaneous			Safety		
	Annual	Percentage	Net Pension	Annual	Percentage	Net Pension
	Pension Cost	of APC		Pension Cost	of APC	
	(APC)	Contributed	Obligation	(APC)	Contributed	Obligation
6/30/2011	23,622,349	100%	\$ -	3,349,540	100%	\$ -
6/30/2012	24,723,167	100%	-	3,863,194	100%	-
6/30/2013	25,235,435	100%	-	4,222,688	100%	-

Fiscal Year	Safety Sheriff			County Totals		
	Annual	Percentage	Net Pension	Annual	Percentage	Net Pension
	Pension Cost	of APC		Pension Cost	of APC	
	(APC)	Contributed	Obligation	(APC)	Contributed	Obligation
6/30/2011	4,102,918	100%	\$ -	31,074,807	100%	\$ -
6/30/2012	4,674,760	100%	-	33,261,121	100%	-
6/30/2013	4,907,872	100%	-	34,365,995	100%	-

D. Funded Status and Funding Progress

The following is the funded status information for each plan as of June 30, 2011, the most recent actuarial valuation date:

	Actuarial	Entry Age	Unfunded	Funded	Covered	Unfunded
	Value of	Actuarial	(Overfunded)	Ratio	Payroll	(Overfunded)
	Assets	Accrued	Actuarial			Liability as
		Liability	Accrued			a Percentage
			Liability			of Covered
						Payroll
Miscellaneous	\$ 721,534,770	\$ 875,808,856	\$ 154,274,086	82.4%	\$ 139,029,180	111.0%
Safety	114,873,164	133,199,435	18,326,271	86.2%	14,825,926	123.6%
Safety Sheriff	81,994,903	108,356,979	26,362,076	75.7%	12,207,567	215.9%

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

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

15. POST-RETIREMENT HEALTH CARE BENEFITS

Plan Description. Employees of the County who retire through CalPERS, their spouse, and eligible dependents may receive health plan coverage through the Public Employees’ Medical & Hospital Care Program 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 CalPERS’ regulations and requirements. For the Physicians Bargaining Unit, the County contributes fixed dollar amounts that vary by coverage [(\$327.21 (single), \$388.41 (2-party) and \$454.49 (family) for 2013]. For other bargaining units, the County contributions are based on longevity schedules with fixed dollar scaling that varies by bargaining unit. The Plan does not issue a financial report.

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.

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.

The numbers of participants in the Plan are as follows:

Participants as of January 1, 2012*	Total
Active employees	2,111
Retirees	1,072
Total	3,183

* Most recent information available.

Funding Policy. The contribution requirements for the County are established by a Memorandum of Understanding as negotiated by each group or bargaining unit. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2013, the County contributed \$4,591,534 to the Plan.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

15. POST-RETIREMENT HEALTH CARE BENEFITS, Continued

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	\$ 12,106,000
Interest on net OPEB obligation	3,866,271
Amortization of net OPEB obligation	<u>(4,177,000)</u>
Annual OPEB cost (expense)	11,795,271
Contributions made	<u>(4,591,534)</u>
Increase in net OPEB obligation	7,203,737
Net OPEB obligation - beginning of year	<u>88,212,910</u>
Net OPEB obligation - end of year	<u>\$ 95,416,647</u>

The County's annual OPEB costs, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013 is as follows:

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Annual</u> <u>Contribution</u>	<u>% of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
6/30/2011	25,556,004	4,818,714	18.9%	81,781,824
6/30/2012	11,254,000	4,822,914	42.9%	88,212,910
6/30/2013	11,795,166	4,591,534	38.9%	95,416,647

Funded Status and Funding Progress. As of January 1, 2012, the most recent actuarial valuation date, the Plan was zero percent funded. The Actuarial Accrued Liability for benefits was \$127,836,000 and the actuarial value of assets was \$0, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$127,836,000. The covered payroll (annual payroll of active employees covered by the plan) was \$154,788,000 and the ratio of UAAL to the covered payroll was 82.6%.

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.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

15. POST-RETIREMENT HEALTH CARE BENEFITS, Continued

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, 2012, 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 in County investments, and an annual healthcare cost trend of actual premiums initially and reduced to an ultimate rate of 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 a level percentage of projected payroll on a closed basis. The remaining amortization as of June 30, 2013, was 27 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, 2013. The schedule of funding progress presented as RSI following the notes to the financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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
01/01/12	-	127,836,000	127,836,000	0.0%	154,788,000	82.6%

16. DEFERRED COMPENSATION PLAN

The County offers all of its full-time employees a deferred compensation plan (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, 2013, the Plan's assets of \$120,644,891 are not recorded in the County's financial statements as they are deposited with a third party administrator independent of the County.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

17. COMMITMENTS AND CONTINGENCIES

As of June 30, 2013, 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 \$5,335,948 and \$17,727,638, respectively.

A. Litigation

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

B. Federal and State Grants

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

C. Medicare and Medi-Cal Reimbursements

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

D. 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 by the County as an extension of formal budgetary accounting in the General Fund, Housing Fund, Capital Projects Fund, and Nonmajor Governmental Funds. Encumbrances still open at year end are not accounted for as expenditures and liabilities but as part of committed fund balance. At June 30, 2013, encumbrances totaled \$4,059,718, \$121,236, \$35,844,535 and \$9,945,943 for the General Fund, Housing Fund, Capital Projects Fund, and Nonmajor Governmental Funds, respectively.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

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, 2013, the workers' compensation liability limit per occurrence was \$500,000.

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

The change in the balance of claims liabilities during the fiscal years ended June 30, 2013, and two prior years for all Self-Insurance Internal Service Funds combined is as follows:

	2013	2012	2011
Unpaid claims and claim adjustment expenses, beginning of the fiscal year	\$ 44,287,352	\$ 36,861,428	\$ 35,296,149
Incurred claims and claim adjustment expenses	15,843,711	23,928,174	13,092,624
Claim payments	(13,378,635)	(16,502,250)	(11,527,345)
Unpaid claims and claim adjustment expenses, end of the fiscal year	<u>\$ 46,752,428</u>	<u>\$ 44,287,352</u>	<u>\$ 36,861,428</u>

At June 30, 2013, the Self-Insurance Funds held a total of \$23,221,348 in cash for the payment of these claims.

A. Workers' Compensation

The Workers' Compensation self-insurance program is funded on a cash flow plus contingency reserve basis. The County is liable for the first \$500,000 and carries catastrophic insurance coverage. At June 30, 2013, the estimated future liabilities were \$34,494,000. As permitted by State and Federal guidelines, the Workers' Compensation program is funded on a pay-as-you-go basis. The funding is closely monitored to ensure that claims are paid when due or required by law.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

18. RISK MANAGEMENT, Continued

B. Dental and Medical

On September 30, 1994, the County discontinued its medical self-insurance program. On January 5, 1991, the County established a self-insurance program to provide dental benefits. At June 30, 2013, the County had an estimated future liability of \$96,053 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, 2013, the County had estimated future liabilities totaling \$12,070,909 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, 2013, estimated future liabilities were \$91,466.

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.

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

19. POLLUTION REMEDIATION OBLIGATIONS, Continued

At June 30, 2013, the County identified the following site, within the Santa Cruz County Sanitation District (District), which met one of the above obligating events:

Rio Del Mar Pump Station

The site was the former location of the District’s Rio Del Mar Pump Station underground storage tank (UST) for diesel fuel. The UST was removed in 1996. However, levels of hydrocarbons have been detected at the site above acceptable levels. The District has contracted with a consultant for a corrective action plan, which has been approved. The estimated clean-up remaining as of June 30, 2013, was calculated by the consultant by extrapolating the total volume of diesel fuel present based on (1) the volume of diesel absorbed into the soil, (2) the volume of separate-phase, “free product” floating on the groundwater, and (3) the volume of dissolved diesel in the groundwater. The estimated volume of diesel fuel present was then used to calculate the amount of reactive oxidant needed to break down the remaining contamination. The estimated clean-up cost for the underground contamination and monitoring as of June 30, 2013, is approximately \$4,848.

At June 30, 2013, the District has recorded a pollution remediation obligation in the amount of \$4,848 on the Government-Wide Statement of Net Position and allocated the total amount to General Government on the Government-Wide Statement of Activities and Changes in Net Position.

20. PRIOR PERIOD ADJUSTMENTS

In the Private Purpose Trust Fund, the \$2,245,594 SERAF loan owed by the Redevelopment Successor Agency to the County was not included in Long-term debt at June 30, 2012. The beginning net position held in trust of \$(216,894,656), as originally reported, was restated to \$(219,140,250) to include the SERAF loan of \$2,245,594 at June 30, 2012.

	Net Position, as previously reported	Net Position, as restated	Prior Period Adjustment
Net position held in trust	(216,894,656)	(219,140,250)	(2,245,594)

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

21. FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned and unassigned (see Note 1 for a description of these categories). A detailed schedule of fund balances at June 30, 2013, is as follows:

	General Fund	Housing Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventory, prepaids and imprest cash	\$ 1,419,261	\$ -	\$ -	\$ -	\$ 1,419,261
Advances and loans	435,278	56,076,675	-	-	56,511,953
Assets held for resale	1,689,135	-	-	-	1,689,135
Total nonspendable fund balance	<u>3,543,674</u>	<u>56,076,675</u>	<u>-</u>	<u>-</u>	<u>59,620,349</u>
Restricted for:					
Purpose of fund	-	2,745,075	-	16,655,442	19,400,517
Debt service	2,000	-	-	2,737,533	2,739,533
Capital asset acquisition	-	-	40,053,013	4,839,541	44,892,554
Total restricted fund balance	<u>2,000</u>	<u>2,745,075</u>	<u>40,053,013</u>	<u>24,232,516</u>	<u>67,032,604</u>
Committed to:					
Natural Disasters	1,251,089	-	-	-	1,251,089
Working Capital	6,000,000	-	-	-	6,000,000
Economic Uncertainty	4,857,787	-	-	-	4,857,787
General Government	1,133,234	-	-	-	1,133,234
Public Protection	2,391,987	-	-	-	2,391,987
Public Ways and Facilities	2,564	-	-	-	2,564
Health and Sanitation	639	-	-	-	639
Public Assistance	492,042	-	-	-	492,042
Recreation and Cultural Services	37,253	-	-	-	37,253
Total committed fund balance	<u>16,166,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,166,595</u>
Assigned to:					
Federally qualified health program	14,229,750	-	-	-	14,229,750
Eliminate projected budgetary deficit in subsequent year's budget	5,174,625	-	-	-	5,174,625
Liabilities	1,052,278	-	-	-	1,052,278
Human services	400,000	-	-	-	400,000
Total assigned fund balance	<u>20,856,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,856,653</u>
Unassigned Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,150)</u>	<u>(17,150)</u>
Total fund balances	<u>\$ 40,568,922</u>	<u>\$ 58,821,750</u>	<u>\$ 40,053,013</u>	<u>\$ 24,215,366</u>	<u>\$ 163,659,051</u>

County of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

22. SUBSEQUENT EVENTS

On July 3, 2013, 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 in one payment of \$50,000,000 on July 2, 2014, and is payable from taxes, income, revenues, cash receipts and other moneys which are received by the County for the general fund attributable to Fiscal Year 2013-2014 and which are lawfully available for the payment of current expenses and other obligations of the County (the Unrestricted Revenues).

The County of Santa Cruz is projecting completion of the County owned Behavioral Health Unit (BHU) located at 2250 Soquel Avenue. The BHU will operate two primary programs a crisis stabilization unit for short-term crisis services and a 16-bed short-stay psychiatric health facility providing evaluation and stabilization for acute psychiatric crises, nursing care, medication monitoring, psychiatric consultation, and referrals. This acute care psychiatric facility would replace the existing County facility that has been operating on the Dominican Hospital campus since 1985. The construction is scheduled to be completed with operations beginning January 1, 2014. The project cost of approximately \$14.5 Million to complete was financed primarily with \$6 Million of Redevelopment funds and \$8.5 Million in Mental Health reserves backed by a \$5 Million reimbursement guarantee from Dominican Hospital.

23. EXTRAORDINARY ITEM

As of February 1, 2012 all redevelopment agencies in the State of California were dissolved and successor agencies were formed in accordance with Assembly Bill 1X26 (Bill). All assets and liabilities were transferred from the governmental funds of the former redevelopment agency to the private-purpose trust fund of the successor agency. As a result of the dissolution an extraordinary gain of \$174,032,791 was recognized by the County in the June 30, 2012 financial statements. A corresponding loss was recognized by the Redevelopment Successor Agency (RSA) as of January 31, 2012.

In March 2011, prior to the dissolution, the Board had approved and the County Redevelopment Agency had transferred all non-housing properties that were not encumbered by third-party enforceable obligations to the County. Pursuant to a state-wide order by the State Controller of the State of California dated April 20, 2012, regarding transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011, the County transferred the non-housing properties back to the public body designated as the successor agency by the Bill.

Amounts related to the dissolution of the former Redevelopment Agency that transferred from the County to the Agency as of June 30, 2013 are presented in the table below.

Asset transferred from the County to the Redevelopment Successor Agency relation to the dissolution of the former Redevelopment Agency	
Cash and investments (Loss on governmental funds financial statements)	\$ 7,178,725
Land	9,197,425
Total (Loss on government-wide financial statements and to RSA)	<u>\$ 16,376,150</u>



**REQUIRED SUPPLEMENTARY
INFORMATION (UNAUDITED)**

County of Santa Cruz
Required Supplementary Information (Unaudited)
For the year ended June 30, 2013

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 of Supervisors a proposed program budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. In addition, the Auditor-Controller submits a proposed budget containing the line items of revenue and appropriations based up on the County Administrative Officer's 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 purposes they 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 a 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, 2013

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 appropriations, is employed as an extension of formal budgetary accounting in the General and Special Revenue Funds. Encumbrances outstanding at year-end are reported as commitments 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, 2013

Budgetary Comparison Schedule, General Fund

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
FUND BALANCE, BEGINNING	\$ 42,168,827	42,168,827	\$ 42,168,827	\$ -
RESOURCE(INFLOWS)				
Taxes	87,291,909	87,291,909	88,390,337	1,098,428
Licenses	10,264,567	10,264,567	9,819,321	(445,246)
Fines, forfeitures and penalties	4,292,372	4,565,517	4,418,159	(147,358)
Revenue from use of money and property	1,715,859	1,715,859	1,079,143	(636,716)
Aid from other governmental agencies	197,228,219	206,092,439	208,953,957	2,861,518
Charges for current services	51,376,481	51,992,902	43,279,759	(8,713,143)
Other revenues	3,243,467	4,049,294	3,554,348	(494,946)
Inception of capital leases	-	-	35,766	35,766
Contributed capital	-	-	232,624	232,624
Transfers in	28,128,795	29,736,614	2,073,089	(27,663,525)
Amount Available for Appropriation	383,541,669	395,709,101	361,836,503	(33,872,598)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General Government:				
Board of Supervisors				
Salaries and employee benefits	2,257,977	2,283,977	2,279,334	4,643
Services and supplies	99,395	103,063	97,647	5,416
Other charges	3,230	3,230	3,229	1
Capital assets	10,385	10,385	10,385	-
Total	2,370,987	2,400,655	2,390,595	10,060
Administrative Office				
Salaries and employee benefits	2,576,257	2,576,257	2,166,162	410,095
Services and supplies	1,741,591	1,652,139	373,159	1,278,980
Other charges	210,342	210,342	210,342	-
Intrafund transfers	(1,059,779)	(1,059,779)	(1,057,654)	(2,125)
Total	3,468,411	3,378,959	1,692,009	1,686,950
Auditor-Controller				
Salaries and employee benefits	2,664,330	2,674,173	2,662,567	11,606
Services and supplies	1,971,684	1,883,601	1,794,611	88,990
Other charges	849,549	1,786,732	847,735	938,997
Intrafund transfers	(1,592,313)	(1,592,313)	(1,756,436)	164,123
Appropriations for contingencies	-	13,915	-	13,915
Total	3,893,250	4,766,108	3,548,477	1,217,631

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2013

Budgetary Comparison Schedule, General Fund, Continued

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
General Government, Continued:				
Treasurer - Tax Collector				
Salaries and employee benefits	\$ 1,295,085	1,295,085	\$ 1,207,188	\$ 87,897
Services and supplies	694,518	573,771	481,520	92,251
Intrafund transfers	(13,959)	(13,959)	(13,959)	-
Total	1,975,644	1,854,897	1,674,749	180,148
Assessor				
Salaries and employee benefits	2,563,189	2,563,189	2,485,629	77,560
Services and supplies	744,301	662,008	636,164	25,844
Other charges	260,172	260,172	260,170	2
Intrafund transfers	(444,260)	(444,260)	(443,925)	(335)
Total	3,123,402	3,041,109	2,938,038	103,071
Purchasing				
Salaries and employee benefits	302,989	302,989	300,330	2,659
Services and supplies	115,969	109,693	109,403	290
Intrafund transfers	(85,792)	(85,792)	(85,792)	-
Total	333,166	326,890	323,941	2,949
County Counsel				
Salaries and employee benefits	2,682,087	2,723,840	2,723,838	2
Services and supplies	339,823	253,093	198,319	54,774
Intrafund transfers	(963,249)	(963,249)	(988,199)	24,950
Appropriations for contingencies	-	42,319	-	42,319
Total	2,058,661	2,056,003	1,933,958	122,045
Personnel				
Salaries and employee benefits	2,400,604	2,400,604	2,199,725	200,879
Services and supplies	2,997,839	2,863,878	2,814,013	49,865
Intrafund transfers	(578,925)	(578,925)	(578,925)	-
Total	4,819,518	4,685,557	4,434,813	250,744
County Clerk/Elections				
Salaries and employee benefits	1,574,254	1,709,692	1,668,948	40,744
Services and supplies	1,552,027	1,648,790	1,110,746	538,044
Other charges	3,125	3,907	3,906	1
Capital assets	61,484	66,864	66,864	-
Total	3,190,890	3,429,253	2,850,464	578,789

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2013

Budgetary Comparison Schedule, General Fund, Continued

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
General Government, Continued:				
Communications				
Salaries and employee benefits	\$ 624,879	644,879	\$ 635,576	\$ 9,303
Services and supplies	1,816,187	2,499,349	1,917,955	581,394
Other charges	130,838	117,084	117,084	-
Capital Assets	2,028	2,028	-	2,028
Intrafund transfers	(568,852)	(568,852)	(517,482)	(51,370)
Total	2,005,080	2,694,488	2,153,133	541,355
General Services				
Salaries and employee benefits	3,934,740	4,018,106	4,018,106	-
Services and supplies	3,358,184	3,247,832	3,242,636	5,196
Other charges	471,695	471,695	460,472	11,223
Capital assets	-	6,000	5,542	458
Interfund transfers	(4,415,663)	(4,415,663)	(4,277,456)	(138,207)
Appropriations for contingencies	-	13,702	-	13,702
Total	3,348,956	3,341,672	3,449,300	(107,628)
Real Property Management				
Services and supplies	59,762	107,494	107,493	1
Total	59,762	107,494	107,493	1
Surveyor				
Services and supplies	445,707	413,873	370,255	43,618
Interfund transfers	-	-	(2,429)	2,429
Total	445,707	413,873	367,826	46,047
DPW Engineering				
Services and supplies	149,756	149,756	81,257	68,499
Total	149,756	149,756	81,257	68,499
Central Stores				
Salaries and employee benefits	159,154	166,254	165,061	1,193
Services and supplies	43,692	38,848	37,384	1,464
Intrafund transfers	(244,413)	(244,413)	(228,911)	(15,502)
Total	(41,567)	(39,311)	(26,466)	(12,845)
Total General Government	31,201,623	32,607,403	27,919,587	4,687,816

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2013

Budgetary Comparison Schedule, General Fund, Continued

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Protection:				
Courts				
Services and supplies	\$ 26,000	26,000	\$ 19,738	\$ 6,262
Other charges	2,163,153	2,313,408	2,283,010	30,398
Total	2,189,153	2,339,408	2,302,748	36,660
Grand Jury				
Services and supplies	138,750	138,982	136,224	2,758
Total	138,750	138,982	136,224	2,758
Child Support				
Salaries and employee benefits	6,142,146	6,067,151	5,678,591	388,560
Services and supplies	699,165	749,165	670,191	78,974
Other charges	219,787	219,787	219,787	-
Total	7,061,098	7,036,103	6,568,569	467,534
District Attorney				
Salaries and employee benefits	10,754,718	10,891,746	10,856,237	35,509
Services and supplies	1,100,513	1,260,133	1,154,364	105,769
Other charges	170,127	231,232	228,232	3,000
Intrafund transfers	(153,373)	(153,373)	(180,709)	27,336
Total	11,871,985	12,229,738	12,058,124	171,614
Public Defender				
Services and supplies	9,089,895	9,089,895	8,810,211	279,684
Total	9,089,895	9,089,895	8,810,211	279,684
Sheriff-Coroner				
Salaries and employee benefits	20,755,424	21,155,424	21,096,022	59,402
Services and supplies	5,121,642	5,241,151	4,522,887	718,264
Other charges	55,166	55,856	50,753	5,103
Capital assets	70,810	310,647	203,623	107,024
Intrafund transfers	-	-	-	-
Total	26,003,042	26,763,078	25,873,285	889,793
Jail and Rehabilitation Center				
Salaries and employee benefits	21,799,868	19,839,039	19,717,132	121,907
Services and supplies	4,694,709	6,634,099	6,457,104	176,995
Other charges	66,758	36,913	6,757	30,156
Appropriations for contingencies	-	22,721	-	22,721
Total	26,561,335	26,532,772	26,180,993	351,779

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2013

Budgetary Comparison Schedule, General Fund, Continued

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Protection, Continued:				
Probation Department				
Salaries and employee benefits	\$ 12,573,776	12,680,143	\$ 12,080,267	\$ 599,876
Services and supplies	5,220,364	5,053,886	4,524,872	529,014
Other charges	30,332	65,192	54,979	10,213
Capital assets	26,082	62,382	42,868	19,514
Appropriations for contingencies	-	80,073	-	80,073
Total	17,850,554	17,941,676	16,702,986	1,238,690
State Correctional Schools				
Services and supplies	5,740	20,070	-	20,070
Other charges	15,000	15,000	15,000	-
Total	20,740	35,070	15,000	20,070
Agricultural Commissioner/ Weights and Measures				
Salaries and employee benefits	1,633,571	1,615,717	1,579,649	36,068
Services and supplies	312,232	338,280	334,934	3,346
Other charges	2,859	3,574	3,572	2
Intrafund transfers	(115,430)	(115,430)	(115,430)	-
Total	1,833,232	1,842,141	1,802,725	39,416
Public Works - Other Construction Inspection				
Services and supplies	38,250	88,250	62,553	25,697
Total	38,250	88,250	62,553	25,697
Recorder				
Salaries and employee benefits	881,830	881,830	850,296	31,534
Services and supplies	798,313	784,512	691,193	93,319
Other charges	-	117,413	117,413	-
Capital assets	18,000	18,000	18,000	-
Intrafund transfers	73,879	73,879	73,879	-
Total	1,772,022	1,875,634	1,750,781	124,853

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2013

Budgetary Comparison Schedule, General Fund, Continued

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Protection, Continued:				
County Emergency Office				
Salaries and employee benefits	\$ 150,008	150,008	\$ 147,346	\$ 2,662
Services and supplies	317,887	326,660	296,691	29,969
Total	467,895	476,668	444,037	32,631
Local Agency Formation Commission				
Other charges	104,267	104,267	104,267	-
Total	104,267	104,267	104,267	-
Planning Department				
Salaries and employee benefits	7,167,628	7,236,628	7,224,044	12,584
Services and supplies	2,111,833	1,833,863	1,489,585	344,278
Other charges	1,434,880	3,035,998	1,237,020	1,798,978
Intrafund transfers	(2,250)	(2,250)	(1,571)	(679)
Appropriations for contingencies	-	4,311	-	4,311
Total	10,712,091	12,108,550	9,949,078	2,159,472
Animal Services				
Other charges	1,170,768	1,170,768	1,170,768	-
Total	1,170,768	1,170,768	1,170,768	-
Association of Monterey Bay Area Govts.				
Other charges	33,512	33,512	33,512	-
Total	33,512	33,512	33,512	-
Total Public Protection	116,918,589	119,806,512	113,965,861	5,840,651
Public Ways and Facilities:				
Public Ways - DPW				
Services and supplies	205,459	222,411	219,847	2,564
Total	205,459	222,411	219,847	2,564
Total Public Ways and Facilities	205,459	222,411	219,847	2,564

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2013

Budgetary Comparison Schedule, General Fund, Continued

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Health and Sanitation:				
Health Services Agency				
Salaries and employee benefits	\$ 56,393,256	56,009,098	\$ 53,507,287	\$ 2,501,811
Services and supplies	50,653,481	52,047,963	43,155,278	8,892,685
Other charges	24,070,982	24,847,353	22,047,691	2,799,662
Capital assets	65,372	80,185	(136,188)	216,373
Intrafund transfers	(13,680,777)	(14,164,826)	(12,150,948)	(2,013,878)
Appropriations for contingencies	-	77,473	-	77,473
Total	117,502,314	118,897,246	106,423,120	12,474,126
Mosquito Abatement				
Salaries and employee benefits	765,057	765,057	749,232	15,825
Services and supplies	563,730	563,730	342,719	221,011
Other charges	4,450	4,450	4,450	-
Capital assets	12,000	12,000	-	12,000
Total	1,345,237	1,345,237	1,096,401	248,836
Air Pollution				
Other charges	31,711	31,711	30,082	1,629
Total	31,711	31,711	30,082	1,629
Total Health and Sanitation	118,879,262	120,274,194	107,549,603	12,724,591
Public Assistance:				
Human Services Department				
Salaries and employee benefits	41,194,288	41,730,572	41,704,211	26,361
Services and supplies	13,283,279	15,052,222	13,724,229	1,327,993
Other charges	10,213,813	11,156,885	9,972,801	1,184,084
Capital assets	404,108	1,523,077	909,233	613,844
Intrafund transfers	(548,881)	(548,881)	(260,483)	(288,398)
Appropriations for contingencies	-	128,911	-	128,911
Total	64,546,607	69,042,786	66,049,991	2,992,795
Community Programs				
Other charges	3,075,281	3,075,281	3,075,162	119
Total	3,075,281	3,075,281	3,075,162	119

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2013

Budgetary Comparison Schedule, General Fund, Continued

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Assistance, Continued:				
Categorical Aids				
Other charges	\$ 31,105,162	30,716,782	\$ 30,231,497	\$ 485,285
Total	31,105,162	30,716,782	30,231,497	485,285
General Assistance				
Services and supplies	1,351	3,351	2,946	405
Other charges	448,505	446,505	366,278	80,227
Total	449,856	449,856	369,224	80,632
Burial of Indegents				
Services and supplies	49,129	49,129	32,206	16,923
Total	49,129	49,129	32,206	16,923
Family Relations				
Services and supplies	921,843	990,067	582,111	407,956
Other charges	563,984	549,320	366,484	182,836
Appropriations for contingencies	-	22,918	-	22,918
Total	1,485,827	1,562,305	948,595	613,710
Wards of Court				
Services and supplies	10,000	22,709	8,126	14,583
Other charges	201,500	201,500	63,793	137,707
Appropriations for contingencies	-	291	-	291
Total	211,500	224,500	71,919	152,581
Veterans Service Officer				
Salaries and employee benefits	298,269	298,269	241,668	56,601
Services and supplies	23,145	23,145	22,075	1,070
Total	321,414	321,414	263,743	57,671
Total Public Assistance	101,244,776	105,442,053	101,042,337	4,399,716

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2013

Budgetary Comparison Schedule, General Fund, Continued

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Education:				
Agricultural Extension Services				
Salaries and employee benefits	\$ 87,064	87,064	\$ 86,903	\$ 161
Services and supplies	36,354	36,354	28,495	7,859
Total	<u>123,418</u>	<u>123,418</u>	<u>115,398</u>	<u>8,020</u>
Total Education	<u>123,418</u>	<u>123,418</u>	<u>115,398</u>	<u>8,020</u>
Recreation and Culture:				
Recreation and Cultural Services				
Salaries and employee benefits	3,856,721	3,806,721	3,706,821	99,900
Services and supplies	1,813,470	1,854,133	1,823,055	31,078
Other charges	315,822	315,822	261,847	53,975
Capital assets	-	56,888	-	56,888
Intrafund transfers	(126,831)	(126,831)	(128,181)	1,350
Total	<u>5,859,182</u>	<u>5,906,733</u>	<u>5,663,542</u>	<u>243,191</u>
Total Recreation and Culture	<u>5,859,182</u>	<u>5,906,733</u>	<u>5,663,542</u>	<u>243,191</u>
Debt Service:				
Debt Service				
Services and supplies	145,850	145,850	97,125	48,725
Other charges	330,382	386,349	371,883	14,466
Intrafund transfers	(284,697)	(284,697)	(286,030)	1,333
Total	<u>191,535</u>	<u>247,502</u>	<u>182,978</u>	<u>64,524</u>
Total Debt Service	<u>191,535</u>	<u>247,502</u>	<u>182,978</u>	<u>64,524</u>
Total Charges to Appropriations (Outflows)	<u>374,623,844</u>	<u>384,630,226</u>	<u>356,659,153</u>	<u>27,971,073</u>

(Continued)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2013

Budgetary Comparison Schedule, General Fund, Continued

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Transfers Out:				
Auditor-Controller	\$ -	232,624	\$ 232,624	\$ -
Communications	-	40,000	40,000	-
Child Support Services	-	24,995	24,593	402
Sheriff-Coroner	45,000	124,855	109,987	14,868
Probation Department	95,000	75,700	67,198	8,502
Mosquito Abatement	40,000	40,000	24,808	15,192
Health Services Agency	12,426,202	15,059,202	-	15,059,202
Human Services Department	44,431	44,431	44,431	-
Debt Service to Public Financing Authority	6,439,996	6,495,963	6,233,614	262,349
Total transfers out	19,090,629	22,137,770	6,777,255	15,360,515
Total Charges to Appropriations (Outflows)	393,714,473	406,767,996	363,436,408	43,331,588
Net change in fund balances	(10,172,804)	(11,058,895)	(1,599,905)	9,458,990
FUND BALANCE, ENDING	\$ 31,996,023	31,109,932	\$ 40,568,922	\$ 9,458,990
				(Concluded)

County of Santa Cruz
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2013

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	\$ 361,836,503
Differences - budget to GAAP:	
Inception of capital leases are not revenues for financial reporting purposes	(35,766)
Sales of capital assets are not revenues for financial reporting purposes	-
Contributed capital are not revenue for financial reporting purposes	(232,624)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(2,073,089)</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u><u>\$ 359,495,024</u></u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	\$ 363,436,408
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(6,777,255)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u><u>\$ 356,659,153</u></u>

County of Santa Cruz
Budgetary Comparison Schedule
Housing Fund
For the year ended June 30, 2013

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 51,038,792	\$ 51,038,792	\$ 51,038,792	\$ -
RESOURCES(INFLOWS)				
Use of money and property	12,450	60,710	97,891	37,181
Aid from other governments	1,856,099	2,856,099	1,525,127	(1,330,972)
Charges for current services	385,836	385,836	277,033	(108,803)
Other revenue	2,500	2,500	512,684	510,184
Transfers in	65,312	65,312	5,830,738	5,765,426
Amounts available for appropriation	2,322,197	3,370,457	8,243,473	4,873,016
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	503,083	550,368	287,297	263,071
Other charges	2,050,465	3,051,440	107,906	2,943,534
Transfers out	65,312	65,312	65,312	-
Total charges to appropriations	2,618,860	3,667,120	460,515	3,206,605
FUND BALANCE, ENDING	\$ 50,742,129	\$ 50,742,129	\$ 58,821,750	\$ 8,079,621

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

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 8,243,473
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(5,830,738)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 2,412,735

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	\$ 460,515
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(65,312)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 395,203

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

SCHEDULE OF FUNDING PROGRESS

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

Miscellaneous Employees

	(A)	(B)	(C)	(D)	(E)	(F)
			Unfunded (Overfunded)			Unfunded (Overfunded)
		Entry Age	Actuarial			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	Payroll
						[(C)/(E)]
2009	\$ 646,907,355	\$ 772,139,864	\$ 125,232,509	83.8%	\$ 143,916,625	87.0%
2010	682,810,383	823,338,155	140,527,772	82.9%	143,904,032	97.7%
2011	721,534,770	875,808,856	154,274,086	82.4%	139,029,180	111.0%

Safety 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	Payroll
						[(C)/(E)]
2009	\$ 104,636,268	\$ 117,605,110	\$ 12,968,842	89.0%	\$ 15,469,830	83.8%
2010	109,419,543	124,165,627	14,746,084	88.1%	15,479,038	95.3%
2011	114,873,164	133,199,435	18,326,271	86.2%	14,825,926	123.6%

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS), Continued

SCHEDULE OF FUNDING PROGRESS, Continued

Sheriff Safety Employees

Actuarial Valuation Date*	(A) Actuarial Value of Assets	(B) Entry Age Actuarial Accrued Liability	(C) Unfunded (Overfunded) Actuarial Accrued Liability [(B)-(A)]	(D) Funded Ratio [(A)/(B)]	(E) Covered Payroll	(F) Unfunded (Overfunded) Liability as a Percentage of Covered Payroll [(C)/(E)]
2009	\$ 71,394,537	\$ 95,041,935	\$ 23,647,398	75.1%	\$ 12,591,776	187.8%
2010	76,572,047	100,814,044	24,241,997	76.0%	12,490,589	194.1%
2011	81,994,903	108,356,979	26,362,076	75.7%	12,207,567	215.9%

*Most recent information available

OTHER POSTEMPLOYMENT OBLIGATIONS

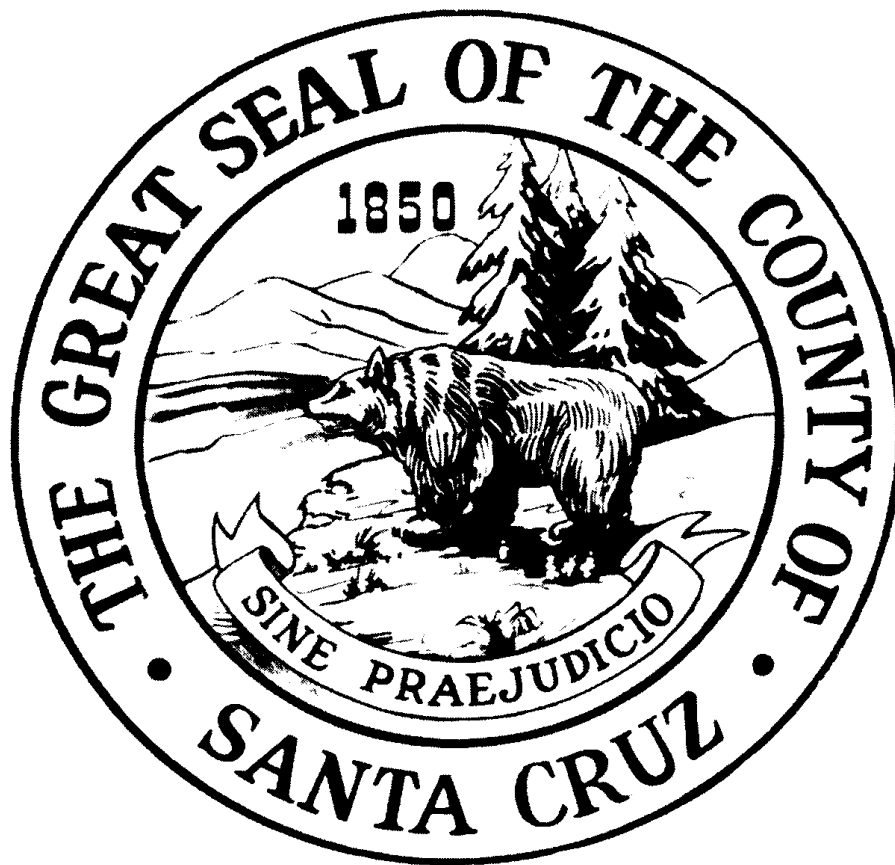
SCHEDULE OF FUNDING PROGRESS

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 January 1 of each year indicated. Unfunded liability as a percentage of covered payroll decreased significantly with the January 1, 2012, actuarial valuation as the County made changes to the other post employment benefits offered to employees. County contributions are now based on Longevity Schedules with Fixed Dollar Scaling that varies by bargaining unit (excluding the physicians bargaining unit, which receives a fixed dollar amount).

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%
01/01/12	-	127,836,000	127,836,000	0.0%	154,788,000	82.6%

* Most recent information available.

SUPPLEMENTARY INFORMATION



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.



County of Santa Cruz
Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Funds
ASSETS	
Cash and investments	\$ 20,877,905
Restricted cash and investments	6,582,547
Receivables	2,032,915
Advances to other funds	997,761
Total assets	<u><u>\$ 30,491,128</u></u>
LIABILITIES	
Accounts payable	\$ 2,179,344
Due to other funds	18,384
Unearned revenue	4,078,034
Total liabilities	<u>6,275,762</u>
FUND BALANCES	
Restricted	24,232,516
Unassigned	(17,150)
Total fund balances	<u>24,215,366</u>
Total liabilities and fund balances	<u><u>\$ 30,491,128</u></u>

County of Santa Cruz
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2013

	Special Revenue Funds
	<u> </u>
REVENUES:	
Taxes	\$ 13,606,055
Fines, forfeits and penalties	6,602
Use of money and property	(3,215)
Aid from other governments	19,422,593
Charges for services	11,434,478
Other	1,252,938
Total revenues	<u>45,719,451</u>
EXPENDITURES:	
Current:	
General government	391,460
Public protection	15,595,908
Public ways and facilities	23,211,072
Health & Sanitation	1,138,808
Education	4,665,192
Recreation and culture	1,236,471
Debt service:	
Principal	3,815,000
Interest and fiscal charges	3,135,125
Total expenditures	<u>53,189,036</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(7,469,585)</u>
OTHER FINANCING SOURCES (USES):	
Transfers in	6,421,260
Transfers out	(6,003,090)
Total other financing sources (uses)	<u>418,170</u>
Net change in fund balances	<u>(7,051,415)</u>
FUND BALANCES:	
Beginning of year	<u>31,266,781</u>
End of year	<u>\$ 24,215,366</u>

County of Santa Cruz
Budgetary Comparison Schedule
Capital Project Funds
For the year ended June 30, 2013

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
FUND BALANCE, BEGINNING	\$ 65,378,757	\$ 65,378,757	\$ 65,378,757	\$ -
RESOURCES(INFLOWS)				
Fines, forfeits and penalties	-	56,972	49,557	(7,415)
Use of money and property	175,825	182,568	90,010	(92,558)
Aid from other governmental agencies	-	54,382	117,192	62,810
Charges for services	-	1,435,707	1,634,907	199,200
Other revenue	-	194,239	58	(194,181)
Transfers in	-	3,017,051	3,295,487	278,436
Amounts available for appropriation	175,825	4,940,919	5,187,211	246,292
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	297,416	201,435	68,316	133,119
Capital assets	55,867,094	21,258,041	7,509,701	13,748,340
Other charges	-	34,686,739	10,223,005	24,463,734
Transfers out	407,328	5,639,106	5,533,208	105,898
Total charges to appropriations	56,571,838	61,785,321	23,334,230	38,451,091
FUND BALANCE, ENDING	\$ 8,982,744	\$ 8,534,355	\$ 47,231,738	\$ 38,697,383

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	\$ 5,187,211
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(3,295,487)
Total revenues as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	\$ 1,891,724

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 23,334,230
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(5,533,208)
Total expenditures as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	\$ 17,801,022



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.

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

County of Santa Cruz
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2013

	Library	Fire	Off Highway Road and Transportation	Public Financing Authority
ASSETS				
Cash and investments	\$ -	\$ 2,677,555	\$ 4,341,901	\$ -
Restricted cash and investments	-	-	-	6,582,547
Receivables	-	62,099	1,142,568	-
Advances to other funds	-	-	-	997,761
Prepaid items	-	-	-	-
Land held for Resale	-	-	-	-
Total assets	\$ -	\$ 2,739,654	\$ 5,484,469	\$ 7,580,308
LIABILITIES				
Accounts payable	\$ -	\$ 41,451	\$ 1,028,866	\$ -
Due to other funds	17,150	-	-	1,234
Unearned revenue	-	-	4,078,034	-
Total liabilities	17,150	41,451	5,106,900	1,234
FUND BALANCES				
Restricted	-	2,698,203	377,569	7,579,074
Unassigned	(17,150)	-	-	-
Total fund balance	(17,150)	2,698,203	377,569	7,579,074
Total liabilities and fund balances	\$ -	\$ 2,739,654	\$ 5,484,469	\$ 7,580,308

Fish and Game	Park Dedication and State Park Bonds	Health Services	Santa Cruz Flood Control and Water Conservation Zone 7	Districts Governed by the Board of Supervisors	
				Public Protection	Health and Sanitation
\$ 15,409	\$ 1,414,731	\$ 862,519	\$ 597,521	\$ 2,077,027	\$ 11,964
-	-	-	-	-	-
-	-	-	609,190	208,566	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 15,409</u>	<u>\$ 1,414,731</u>	<u>\$ 862,519</u>	<u>\$ 1,206,711</u>	<u>\$ 2,285,593</u>	<u>\$ 11,964</u>
\$ -	\$ 17,018	\$ -	\$ 806,663	\$ 168,216	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	17,018	-	806,663	168,216	-
15,409	1,397,713	862,519	400,048	2,117,377	11,964
-	-	-	-	-	-
<u>15,409</u>	<u>1,397,713</u>	<u>862,519</u>	<u>400,048</u>	<u>2,117,377</u>	<u>11,964</u>
<u>\$ 15,409</u>	<u>\$ 1,414,731</u>	<u>\$ 862,519</u>	<u>\$ 1,206,711</u>	<u>\$ 2,285,593</u>	<u>\$ 11,964</u>

(Continued)

County of Santa Cruz
Combining Balance Sheet
Nonmajor Special Revenue Funds, Continued
June 30, 2013

	Districts Governed by the Board of Supervisors			Total Nonmajor Special Revenue Funds
	Recreation and Culture	Public Ways and Facilities	Geologic Hazard Abatement Districts	
ASSETS				
Cash and investments	\$ 1,762,196	\$ 6,931,898	\$ 185,184	\$ 20,877,905
Restricted cash and investments	-	-	-	6,582,547
Receivables	-	10,492	-	2,032,915
Advances to other funds	-	-	-	997,761
Prepaid items	-	-	-	-
	-	-	-	-
Total assets	\$ 1,762,196	\$ 6,942,390	\$ 185,184	\$ 30,491,128
LIABILITIES				
Accounts payable	\$ 2,274	\$ 114,856	\$ -	\$ 2,179,344
Due to other funds	-	-	-	18,384
Unearned revenue	-	-	-	4,078,034
Total liabilities	2,274	114,856	-	6,275,762
FUND BALANCES				
Restricted	1,759,922	6,827,534	185,184	24,232,516
Unassigned	-	-	-	(17,150)
Total fund balance	1,759,922	6,827,534	185,184	24,215,366
Total liabilities and fund balances	\$ 1,762,196	\$ 6,942,390	\$ 185,184	\$ 30,491,128



County of Santa Cruz

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the year ended June 30, 2013

	Library	Fire	Off Highway Road and Transportation	Public Financing Authority
REVENUES:				
Taxes	\$ 4,631,513	\$ 1,656,926	\$ -	\$ -
Fines, forfeits and penalties	-	-	-	-
Use of money and property	-	332	4,169	995
Aid from other governments	44,561	206,663	13,856,868	37,999
Charges for services	-	991,816	1,802,537	-
Other	-	7,200	1,208,351	-
Total revenues	4,676,074	2,862,937	16,871,925	38,994
EXPENDITURES:				
Current:				
General government	-	-	-	5,940
Public protection	-	2,026,446	-	-
Public ways and facilities	-	-	19,066,371	-
Health & Sanitation	-	-	-	-
Education	4,665,192	-	-	-
Recreation and culture	-	-	-	-
Debt service:				
Principal	-	-	-	3,815,000
Interest	-	-	-	3,135,125
Total expenditures	4,665,192	2,026,446	19,066,371	6,956,065
REVENUES OVER (UNDER) EXPENDITURES	10,882	836,491	(2,194,446)	(6,917,071)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	6,233,614
Transfers out	(5,555)	-	(183,033)	(3,569,982)
Total other financing sources (uses)	(5,555)	-	(183,033)	2,663,632
Net change in fund balances	5,327	836,491	(2,377,479)	(4,253,439)
Fund balances - beginning	(22,477)	1,861,712	2,755,048	11,832,513
Fund balances (deficit) - ending	\$ (17,150)	\$ 2,698,203	\$ 377,569	\$ 7,579,074

							Board of Supervisors Governed		
Fish and Game	Park Dedication and State Park Bonds	Health Services	Santa Cruz Flood Control and Water Conservation Zone 7	Public Protection	Health and Sanitation	Recreation and Culture			
\$ -	\$ -	\$ -	\$ -	\$ 5,725,942	\$ -	\$ 969,073			
6,602	-	-	-	-	-	-			
4	264	(322)	(2,471)	1,361	33	(2,111)			
-	-	-	4,226,872	605,080	-	2,884			
-	131,643	-	1,668,962	1,176,253	-	338,805			
-	-	-	75	5,131	-	3,004			
<u>6,606</u>	<u>131,907</u>	<u>(322)</u>	<u>5,893,438</u>	<u>7,513,767</u>	<u>33</u>	<u>1,311,655</u>			
-	385,520	-	-	-	-	-			
7,500	-	-	6,235,295	7,284,358	42,309	-			
-	-	-	-	-	-	-			
-	-	-	-	-	-	-			
-	-	-	-	-	-	-			
-	40,875	-	-	-	-	1,195,596			
-	-	-	-	-	-	-			
-	-	-	-	-	-	-			
<u>7,500</u>	<u>426,395</u>	<u>-</u>	<u>6,235,295</u>	<u>7,284,358</u>	<u>42,309</u>	<u>1,195,596</u>			
<u>(894)</u>	<u>(294,488)</u>	<u>(322)</u>	<u>(341,857)</u>	<u>229,409</u>	<u>(42,276)</u>	<u>116,059</u>			
-	160,146	-	-	27,500	-	-			
-	(160,146)	-	-	(827,500)	-	(135,665)			
-	-	-	-	(800,000)	-	(135,665)			
<u>(894)</u>	<u>(294,488)</u>	<u>(322)</u>	<u>(341,857)</u>	<u>(570,591)</u>	<u>(42,276)</u>	<u>(19,606)</u>			
16,303	1,692,201	862,841	741,905	2,687,968	54,240	1,779,528			
<u>\$ 15,409</u>	<u>\$ 1,397,713</u>	<u>\$ 862,519</u>	<u>\$ 400,048</u>	<u>\$ 2,117,377</u>	<u>\$ 11,964</u>	<u>\$ 1,759,922</u>			

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, 2013

	Board of Supervisors Governed		Total Nonmajor Special Revenue Funds
	Public Ways and Facilities	Geologic Hazard Abatement Districts	
REVENUES:			
Taxes	\$ 622,601	\$ -	\$ 13,606,055
Fines, forfeits and penalties	-	-	6,602
Use of money and property	(5,401)	(68)	(3,215)
Aid from other governments	441,666	-	19,422,593
Charges for services	5,324,462	-	11,434,478
Other	29,177	-	1,252,938
Total revenues	6,412,505	(68)	45,719,451
EXPENDITURES:			
Current:			
General government	-	-	391,460
Public protection	-	-	15,595,908
Public ways and facilities	4,144,701	-	23,211,072
Health & Sanitation	1,138,808	-	1,138,808
Education	-	-	4,665,192
Recreation and culture	-	-	1,236,471
Debt service:			
Principal	-	-	3,815,000
Interest and fiscal charges	-	-	3,135,125
Total expenditures	5,283,509	-	53,189,036
REVENUES OVER (UNDER) EXPENDITURES	1,128,996	(68)	(7,469,585)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	6,421,260
Transfers out	(1,121,209)	-	(6,003,090)
Total other financing sources (uses)	(1,121,209)	-	418,170
Net change in fund balances	7,787	(68)	(7,051,415)
Beginning of year	6,819,747	185,252	31,266,781
End of year	\$ 6,827,534	\$ 185,184	\$ 24,215,366



County of Santa Cruz
Budgetary Comparison Schedule
Library Special Revenue Fund
For the year ended June 30, 2013

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ (22,477)	\$ (22,477)	\$ (22,477)	\$ -
RESOURCES(INFLOWS)				
Taxes	4,627,819	4,627,819	4,631,513	3,694
Aid from other governmental agencies	97,616	97,616	44,561	(53,055)
Amounts available for appropriation	4,725,435	4,725,435	4,676,074	(49,361)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	4,675,951	4,675,951	4,643,741	32,210
Other Charges	21,451	21,451	21,451	-
Transfers out	5,555	5,555	5,555	-
Total charges to appropriations	4,702,957	4,702,957	4,670,747	32,210
FUND BALANCE, ENDING	\$ 1	\$ 1	\$ (17,150)	\$ (17,151)

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	\$ 4,670,747
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	\$ 4,665,192

County of Santa Cruz
Budgetary Comparison Schedule
Fire Special Revenue Fund
For the year ended June 30, 2013

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 1,861,712	\$ 1,861,712	\$ 1,861,712	\$ -
RESOURCES(INFLOWS)				
Taxes	1,659,025	1,659,025	1,656,926	(2,099)
Use of money and property	13,000	13,000	332	(12,668)
Aid from other governmental agencies	154,987	235,711	206,663	(29,048)
Charges for current services	1,011,773	1,011,773	991,816	(19,957)
Other revenue	7,200	7,200	7,200	-
Amounts available for appropriation	2,845,985	2,926,709	2,862,937	(63,772)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Salaries and employee benefits	160,145	160,145	111,153	48,992
Services and supplies	3,010,661	3,032,422	1,779,519	1,252,903
Other charges	96,445	96,445	85,986	10,459
Capital assets	40,000	98,963	49,788	49,175
Appropriations for contingencies	200,000	200,000	-	200,000
Total charges to appropriations	3,507,251	3,587,975	2,026,446	1,561,529
FUND BALANCE, ENDING	\$ 1,200,446	\$ 1,200,446	\$ 2,698,203	\$ 1,497,757

County of Santa Cruz
Budgetary Comparison Schedule
Off Highways Road and Transportation Special Revenue Fund
For the year ended June 30, 2013

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 2,755,048	\$ 2,755,048	\$ 2,755,048	\$ -
RESOURCES(INFLOWS)				
Use of money and property	5,950	5,950	4,169	(1,781)
Aid from other governmental agencies	29,932,917	31,594,543	13,856,868	(17,737,675)
Charges for current services	4,748,104	4,203,928	1,802,537	(2,401,391)
Other revenue	-	-	1,208,351	1,208,351
Amounts available for appropriation	<u>34,686,971</u>	<u>35,804,421</u>	<u>16,871,925</u>	<u>(18,932,496)</u>
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	37,376,995	38,232,925	19,006,924	19,226,001
Other Charges	-	59,448	59,447	1
Transfers out	-	183,033	183,033	-
Appropriations for contingencies	-	19,039	-	19,039
Total charges to appropriations	<u>37,376,995</u>	<u>38,494,445</u>	<u>19,249,404</u>	<u>19,245,041</u>
FUND BALANCE, ENDING	<u>\$ 65,024</u>	<u>\$ 65,024</u>	<u>\$ 377,569</u>	<u>\$ 312,545</u>

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	\$ 19,249,404
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(183,033)</u>
Fund Balances - Nonmajor Special Revenue Funds	<u>\$ 19,066,371</u>

County of Santa Cruz
Budgetary Comparison Schedule
Fish and Game Special Revenue Fund
For the year ended June 30, 2013

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 16,303	\$ 16,303	\$ 16,303	\$ -
RESOURCES(INFLOWS)				
Fines, forfeitures and penalties	3,000	3,000	6,602	3,602
Use of money and property	100	100	4	(96)
Amounts available for appropriation	3,100	3,100	6,606	3,506
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Other charges	7,500	7,500	7,500	-
Appropriations for contingencies	500	500	-	500
Total charges to appropriations	8,000	8,000	7,500	500
FUND BALANCE, ENDING	\$ 11,403	\$ 11,403	\$ 15,409	\$ 4,006

County of Santa Cruz
Budgetary Comparison Schedule
Park Dedication and State Park Bonds Special Revenue Fund
For the year ended June 30, 2013

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 1,692,201	\$ 1,692,201	\$ 1,692,201	\$ -
RESOURCES(INFLOWS)				
Use of money and property	5,931	5,931	264	(5,667)
Aid from other governmental agencies	132,119	132,119	-	(132,119)
Charges for current services	178,361	178,361	131,643	(46,718)
Other revenue	80,000	80,000	-	(80,000)
Transfers In	160,146	160,146	160,146	-
Amounts available for appropriation	556,557	556,557	292,053	(264,504)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	14,676	14,676	13,613	1,063
Other charges	228,547	228,547	20,153	208,394
Capital assets	1,834,687	1,834,687	392,629	1,442,058
Transfers out	160,146	160,146	160,146	-
Total charges to appropriations	2,238,056	2,238,056	586,541	1,651,515
FUND BALANCE, ENDING	\$ 10,702	\$ 10,702	\$ 1,397,713	\$ 1,387,011

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	\$ 292,053
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(160,146)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 131,907

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	\$ 586,541
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(160,146)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	\$ 426,395

County of Santa Cruz
Budgetary Comparison Schedule
Santa Cruz Flood Control and Water Conservation - Zone 7 Special Revenue Fund
For the year ended June 30, 2013

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 741,905	\$ 741,905	\$ 741,905	\$ -
RESOURCES(INFLOWS)				
Use of money and property	2,300	2,300	(2,471)	(4,771)
Aid from other governmental agencies	8,656,000	12,588,854	4,226,872	(8,361,982)
Charges for current services	1,627,122	1,627,122	1,668,962	41,840
Other revenue	-	-	75	75
Transfers In	1,045,493	1,045,493	-	(1,045,493)
Amounts available for appropriation	11,330,915	15,263,769	5,893,438	(9,370,331)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	1,059,685	1,051,603	920,633	130,970
Other charges	-	952,494	942,788	9,706
Capital assets	10,941,270	13,902,000	4,371,874	9,530,126
Transfers out	10,000	10,000	-	10,000
Appropriations for contingencies	61,867	89,579	-	89,579
Total charges to appropriations	12,072,822	16,005,676	6,235,295	9,770,381
FUND BALANCE, ENDING	\$ (2)	\$ (2)	\$ 400,048	\$ 400,050

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, 2013

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	<u>\$ 2,687,968</u>	<u>\$ 2,687,968</u>	<u>\$ 2,687,968</u>	<u>\$ -</u>
RESOURCES(INFLOWS)				
Taxes	5,732,164	5,732,164	5,725,942	(6,222)
Use of money and property	13,059	13,059	1,361	(11,698)
Aid from other governmental agencies	716,425	716,425	605,080	(111,345)
Charges for current services	933,245	947,745	1,176,253	228,508
Other revenue	-	-	5,131	5,131
Transfers in	-	27,500	27,500	-
Amounts available for appropriation	<u>7,394,893</u>	<u>7,436,893</u>	<u>7,541,267</u>	<u>104,374</u>
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Salaries and employee benefits	54,190	54,190	43,047	11,143
Services and supplies	6,434,716	6,635,176	5,937,309	697,867
Other charges	883,988	884,030	879,829	4,201
Capital assets	925,099	910,723	424,173	486,550
Transfers out	800,000	800,000	827,500	(27,500)
Appropriations for contingencies	174,899	154,899	-	154,899
Total charges to appropriations	<u>9,272,892</u>	<u>9,439,018</u>	<u>8,111,858</u>	<u>1,327,160</u>
FUND BALANCE, ENDING	<u>\$ 809,969</u>	<u>\$ 685,843</u>	<u>\$ 2,117,377</u>	<u>\$ 1,431,534</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	\$ 7,541,267
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(27,500)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	<u>\$ 7,513,767</u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	\$ 8,111,858
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(827,500)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	<u>\$ 7,284,358</u>

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, 2013

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 54,240	\$ 54,240	\$ 54,240	\$ -
RESOURCES(INFLOWS)				
Use of money and property	50	50	33	(17)
Amounts available for appropriation	50	50	33	(17)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	54,290	54,069	42,088	11,981
Other charges	-	221	221	-
Total charges to appropriations	54,290	54,290	42,309	11,981
FUND BALANCE, ENDING	\$ -	\$ -	\$ 11,964	\$ 11,964

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, 2013

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 1,779,528	\$ 1,779,528	\$ 1,779,528	\$ -
RESOURCES(INFLOWS)				
Taxes	924,728	924,728	969,073	44,345
Use of money and property	8,754	8,754	(2,111)	(10,865)
Aid from other governmental agencies	3,802	3,802	2,884	(918)
Charges for current services	321,889	321,889	338,805	16,916
Other revenue	1,200	1,200	3,004	1,804
Amounts available for appropriation	1,260,373	1,260,373	1,311,655	51,282
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	1,013,783	1,013,320	945,154	68,166
Other charges	396,437	396,437	250,442	145,995
Transfers out	135,202	135,665	135,665	-
Total charges to appropriations	1,545,422	1,545,422	1,331,261	214,161
FUND BALANCE, ENDING	\$ 1,494,479	\$ 1,494,479	\$ 1,759,922	\$ 265,443

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 \$ 1,331,261

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (135,665)

Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds \$ 1,195,596

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, 2013

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING	\$ 6,819,747	\$ 6,819,747	\$ 6,819,747	\$ -
RESOURCES(INFLOWS)				
Taxes	607,706	607,706	622,601	14,895
Use of money and property	45,179	45,179	(5,401)	(50,580)
Aid from other governmental agencies	1,265,974	1,265,974	441,666	(824,308)
Charges for current services	5,325,027	5,325,027	5,324,462	(565)
Other revenues	-	21,550	29,177	7,627
Amounts available for appropriation	7,243,886	7,265,436	6,412,505	(852,931)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	7,901,156	7,739,429	4,529,017	3,210,412
Other charges	61,023	85,192	73,317	11,875
Capital assets	1,241,793	1,411,793	681,175	730,618
Transfers out	1,385,237	1,385,237	1,121,209	264,028
Appropriations for contingencies	91,000	91,000	-	91,000
Total charges to appropriations	10,680,209	10,712,651	6,404,718	4,307,933
FUND BALANCE, ENDING	\$ 3,383,424	\$ 3,372,532	\$ 6,827,534	\$ 3,455,002

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 \$ 6,404,718

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (1,121,209)

Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds \$ 5,283,509



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 each 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 Position
Nonmajor Enterprise Funds
June 30, 2013

	Boulder Creek CSA 7	Rolling Woods CSA 10	Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20
ASSETS					
Current assets:					
Cash and investments	\$ 486,158	\$ 1,515	\$ 336,595	\$ 148,010	\$ 70,945
Restricted cash	-	-	-	-	-
Receivables	-	-	-	-	-
Total current assets	486,158	1,515	336,595	148,010	70,945
Noncurrent assets:					
Loans Receivable	-	-	-	-	-
Capital assets:					
Construction in progress	-	-	-	-	-
Buildings and structures	1,903,676	375,398	188,209	917,969	-
Equipment	83,079	-	-	-	13,569
Accumulated depreciation	(1,368,144)	(217,394)	(97,658)	(265,679)	(11,534)
Capital assets, net	618,611	158,004	90,551	652,290	2,035
Total Noncurrent assets	618,611	158,004	90,551	652,290	2,035
Total assets	1,104,769	159,519	427,146	800,300	72,980
LIABILITIES					
Current Liabilities:					
Payables	95	-	-	19,046	54
Due to other funds	-	-	-	-	-
Current portion of long-term liabilities	-	-	-	-	-
Total current liabilities	95	-	-	19,046	54
Noncurrent Liabilities:					
Long-term liabilities	-	-	-	-	-
Total noncurrent liabilities	-	-	-	-	-
Total liabilities	95	-	-	19,046	54
NET POSITION					
Net investment in capital assets	618,611	158,004	90,551	652,290	2,035
Restricted for:					
Debt service	-	-	-	-	-
Unrestricted	486,063	1,515	336,595	128,964	70,891
Total net position	\$ 1,104,674	\$ 159,519	\$ 427,146	\$ 781,254	\$ 72,926

Summit West CSA 54	Graham Hill CSA 57	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District	Total
\$ 2,733	\$ 586,716	\$ 1,152,123	\$ 2,040,115	\$ 14,158	\$ 4,839,068
-	-	-	-	16,408	16,408
-	-	979	-	-	979
2,733	586,716	1,153,102	2,040,115	30,566	4,856,455
-	-	135,190	-	-	135,190
-	-	-	1,223,857	-	1,223,857
-	-	-	7,076,821	6,606,034	17,068,107
-	-	72,612	-	17,345	186,605
-	-	(46,421)	(3,741,749)	(1,889,013)	(7,637,592)
-	-	26,191	4,558,929	4,734,366	10,840,977
-	-	161,381	4,558,929	4,734,366	10,976,167
2,733	586,716	1,314,483	6,599,044	4,764,932	15,832,622
-	-	31,227	139	431	50,992
-	-	-	-	160,551	160,551
-	-	11,916	-	28,401	40,317
-	-	43,143	139	189,383	251,860
-	-	220,832	-	269,509	490,341
-	-	220,832	-	269,509	490,341
-	-	263,975	139	458,892	742,201
-	-	26,191	4,558,929	4,436,456	10,543,067
-	-	-	-	43,427	43,427
2,733	586,716	1,024,317	2,039,976	(173,843)	4,503,927
\$ 2,733	\$ 586,716	\$ 1,050,508	\$ 6,598,905	\$ 4,306,040	\$ 15,090,421

County of Santa Cruz
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
For the year ended June 30, 2013

	Boulder Creek CSA 7	Rolling Woods CSA 10	Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20
OPERATING REVENUES:					
Charges for services	\$ 427,195	\$ 11,569	\$ 82,964	\$ 249,991	\$ 54,252
Total operating revenues	427,195	11,569	82,964	249,991	54,252
OPERATING EXPENSES:					
Services and supplies	280,837	6,013	16,462	233,493	35,590
Depreciation and amortization	73,385	8,644	5,541	34,918	1,357
Total operating expenses	354,222	14,657	22,003	268,411	36,947
Operating income (loss)	72,973	(3,088)	60,961	(18,420)	17,305
NONOPERATING REVENUES (EXPENSES):					
Interest and investment income	(582)	76	(276)	(194)	(84)
Property taxes	-	-	-	-	-
Total nonoperating revenues (expenses)	(582)	76	(276)	(194)	(84)
Income (loss) before contributions and transfers	72,391	(3,012)	60,685	(18,614)	17,221
Capital contributions	-	-	-	-	-
Change in net position	72,391	(3,012)	60,685	(18,614)	17,221
Beginning of the year	1,032,283	162,531	366,461	799,868	55,705
End of the year	\$ 1,104,674	\$ 159,519	\$ 427,146	\$ 781,254	\$ 72,926

Summit West CSA 54	Graham Hill CSA 57	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District	Total
\$ -	\$ 90,724	\$ 967,929	\$ 701,770	\$ 426,401	\$ 3,012,795
-	90,724	967,929	701,770	426,401	3,012,795
136	36,753	1,015,746	288,087	303,898	2,217,015
-	-	903	163,209	165,390	453,347
136	36,753	1,016,649	451,296	469,288	2,670,362
(136)	53,971	(48,720)	250,474	(42,887)	342,433
(1)	(326)	(7,841)	1,142	(9,445)	(17,531)
-	-	-	-	25,410	25,410
(1)	(326)	(7,841)	1,142	15,965	7,879
(137)	53,645	(56,561)	251,616	(26,922)	350,312
-	-	-	-	60,071	60,071
(137)	53,645	(56,561)	251,616	33,149	410,383
2,870	533,071	1,107,069	6,347,289	4,272,891	14,680,038
\$ 2,733	\$ 586,716	\$ 1,050,508	\$ 6,598,905	\$ 4,306,040	\$ 15,090,421

County of Santa Cruz
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the year ended June 30, 2013

	Boulder Creek CSA 7	Rolling Woods CSA 10	Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 427,195	\$ 11,569	\$ 82,964	\$ 249,991	\$ 54,252
Payments to suppliers for goods and services	(93,921)	(4,816)	(9,310)	(71,039)	(9,045)
Payments for interfund services used	(187,237)	(1,197)	(7,152)	(143,724)	(27,638)
Net cash provided (used) by operating activities	146,037	5,556	66,502	35,228	17,569
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
Principal paid on other long-term debt	-	-	-	-	-
Interest paid on other long-term debt	-	-	-	-	-
Property taxes	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital contributions	-	-	-	-	-
Purchase of capital assets	-	(54,017)	-	-	-
Principal paid on long-term liabilities	-	-	-	-	-
Interest paid on long-term liabilities	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	-	(54,017)	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest and dividends	(582)	76	(276)	(194)	(84)
Net cash provided (used) by investing activities	(582)	76	(276)	(194)	(84)
Net increase (decrease) in cash and cash equivalents	145,455	(48,385)	66,226	35,034	17,485
Cash and cash equivalents at beginning of year	340,703	49,900	270,369	112,976	53,460
Cash and cash equivalents at end of year	\$ 486,158	\$ 1,515	\$ 336,595	\$ 148,010	\$ 70,945

County of Santa Cruz
Combining Statement of Cash Flows, Continued
Nonmajor Enterprise Funds
For the year ended June 30, 2013

	Boulder Creek CSA 7	Rolling Woods CSA 10	Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20
RECONCILIATION OF OPERATING					
INCOME (LOSS) TO NET CASH PROVIDED					
(USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 72,973	\$ (3,088)	\$ 60,961	\$ (18,420)	\$ 17,305
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	73,385	8,644	5,541	34,918	1,357
Changes in assets and liabilities:					
(Increase) decrease in:					
Receivables	-	-	-	-	-
Increase (decrease) in:					
Payables	(321)	-	-	18,730	(1,093)
Total adjustments	73,064	8,644	5,541	53,648	264
Net cash provided (used) by operating activities	\$ 146,037	\$ 5,556	\$ 66,502	\$ 35,228	\$ 17,569

Summit West CSA 54	Graham Hill CSA 57	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District	Total
\$ -	\$ 90,724	\$ 1,025,878	\$ 701,770	\$ 572,244	\$ 3,216,587
(125)	(4,122)	(1,065,696)	(191,537)	(79,063)	(1,528,674)
(11)	(32,631)	-	(202,329)	(232,069)	(833,988)
(136)	53,971	(39,818)	307,904	261,112	853,925
-	-	-	(2,056)	11,150	9,094
-	-	-	-	(333,536)	(333,536)
-	-	(11,614)	-	-	(11,614)
-	-	(6,353)	-	-	(6,353)
-	-	-	-	25,410	25,410
-	-	(17,967)	(2,056)	(296,976)	(316,999)
-	-	-	-	60,071	60,071
-	-	(27,094)	(1,263,992)	-	(1,345,103)
-	-	-	-	(27,670)	(27,670)
-	-	-	-	(8,870)	(8,870)
-	-	(27,094)	(1,263,992)	23,531	(1,321,572)
(1)	(326)	(1,488)	1,142	(575)	(2,308)
(1)	(326)	(1,488)	1,142	(575)	(2,308)
(137)	53,645	(86,367)	(957,002)	(12,908)	(786,954)
2,870	533,071	1,238,490	2,997,117	43,474	5,642,430
\$ 2,733	\$ 586,716	\$ 1,152,123	\$ 2,040,115	\$ 30,566	\$ 4,855,476

(Continued)

Summit West CSA 54	Graham Hill CSA 57	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District	Total
\$ (136)	\$ 53,971	\$ (48,720)	\$ 250,474	\$ (42,887)	\$ 342,433
-	-	903	163,209	165,390	453,347
-	-	57,949	-	145,843	203,792
-	-	(49,950)	(105,779)	(7,234)	(145,647)
-	-	8,902	57,430	303,999	511,492
\$ (136)	\$ 53,971	\$ (39,818)	\$ 307,904	\$ 261,112	\$ 853,925

(Concluded)



INTERNAL SERVICE FUNDS

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

Central Duplicating Fund - 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 to 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 Position
Internal Service Funds
June 30, 2013

	Central Duplicating	Information Services	Public Works	Service Center
ASSETS				
Current assets:				
Cash and investments	\$ -	\$ 3,330,472	\$ 2,455,171	\$ 1,332,686
Receivables	-	-	579,459	30
Due from other funds	-	58,134	160,551	-
Deposits with others	-	-	-	-
Inventory	-	-	550,336	16,737
Prepaid items	51,725	-	-	-
Total current assets	51,725	3,388,606	3,745,517	1,349,453
Capital assets:				
Land	-	-	62,914	34,173
Construction in progress	-	-	8,445	-
Buildings and structures	-	-	2,611,613	473,443
Equipment	389,772	9,854,697	7,992,163	7,875,829
Accumulated depreciation	(353,925)	(7,189,882)	(9,598,548)	(7,099,003)
Capital assets, net	35,847	2,664,815	1,076,587	1,284,442
Total assets	87,572	6,053,421	4,822,104	2,633,895
LIABILITIES				
Current Liabilities:				
Payables	6,990	168,349	837,765	98,120
Due to other funds	58,134	-	-	-
Claims liability	-	-	-	-
Capital leases	7,645	-	2,367	-
Compensated absences, due within one year	9,773	504,352	2,235,389	36,768
Total current liabilities	82,542	672,701	3,075,521	134,888
Noncurrent Liabilities:				
Claims liability	-	-	-	-
Capital leases	1,464	-	4,066	-
Compensated absences, due in more than one year	1,972	392,350	1,036,259	21,755
Total noncurrent liabilities	3,436	392,350	1,040,325	21,755
Total liabilities	85,978	1,065,051	4,115,846	156,643
NET POSITION				
Net investment in capital assets	26,735	2,664,815	1,078,930	1,284,442
Unrestricted	(25,141)	2,323,555	(372,672)	1,192,810
Total net position	\$ 1,594	\$ 4,988,370	\$ 706,258	\$ 2,477,252

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
\$ 487,315	\$ 1,365,872	\$ 8,909,387	\$ 10,682,231	\$ 584,904	\$ 1,191,639	\$ 30,339,677
-	40,832	-	-	-	-	620,321
-	-	-	-	-	-	218,685
-	-	-	150,000	-	-	150,000
-	-	-	-	-	-	567,073
-	-	-	-	-	-	51,725
487,315	1,406,704	8,909,387	10,832,231	584,904	1,191,639	31,947,481
-	-	-	-	-	-	97,087
-	-	-	-	-	-	8,445
-	-	-	-	-	-	3,085,056
55,237	-	-	-	-	-	26,167,698
(55,237)	-	-	-	-	-	(24,296,595)
-	-	-	-	-	-	5,061,691
487,315	1,406,704	8,909,387	10,832,231	584,904	1,191,639	37,009,172
26,803	44,796	239,815	213,050	35,106	-	1,670,794
-	-	-	-	-	-	58,134
-	96,053	3,328,736	4,505,597	-	91,466	8,021,852
-	-	-	-	-	-	10,012
64,837	-	-	-	29,402	-	2,880,521
91,640	140,849	3,568,551	4,718,647	64,508	91,466	12,641,313
-	-	8,742,173	29,988,403	-	-	38,730,576
-	-	-	-	-	-	5,530
68,375	-	-	-	10,556	-	1,531,267
68,375	-	8,742,173	29,988,403	10,556	-	40,267,373
160,015	140,849	12,310,724	34,707,050	75,064	91,466	52,908,686
-	-	-	-	-	-	5,054,922
327,300	1,265,855	(3,401,337)	(23,874,819)	509,840	1,100,173	(20,954,436)
\$ 327,300	\$ 1,265,855	\$ (3,401,337)	\$ (23,874,819)	\$ 509,840	\$ 1,100,173	\$ (15,899,514)

County of Santa Cruz
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the year ended June 30, 2013

	Central Duplicating	Information Services	Public Works	Service Center
OPERATING REVENUES:				
Charges for services	\$ 577,095	\$ 9,973,195	\$ 33,926,101	\$ 2,150,202
Other revenues	-	82,114	754,629	11,306
Total operating revenues	577,095	10,055,309	34,680,730	2,161,508
OPERATING EXPENSES:				
Salaries and employee benefits	149,205	6,258,150	25,980,279	442,782
Services and supplies	293,514	3,063,669	5,167,065	1,077,411
Insurance and compensation claims	-	79,044	2,323,723	26,593
Other	49,829	-	-	-
Depreciation and amortization	7,872	442,031	371,803	452,088
Total operating expenses	500,420	9,842,894	33,842,870	1,998,874
Operating income (loss)	76,675	212,415	837,860	162,634
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental	-	-	-	117,416
Interest and investment income	(881)	-	(750)	-
Gain/(loss) on disposal of capital assets	-	-	8,895	16,577
Total nonoperating revenues (expenses)	(881)	-	8,145	133,993
Income (loss) before contributions and transfers	75,794	212,415	846,005	296,627
Transfers in	-	571,560	-	186,731
Change in net position	75,794	783,975	846,005	483,358
Beginning of the year	(74,200)	4,204,395	(139,747)	1,993,894
End of the year	\$ 1,594	\$ 4,988,370	\$ 706,258	\$ 2,477,252

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
\$ 1,400,000	\$ 1,973,115	\$ 5,900,000	\$ 6,500,000	\$ 1,016,169	\$ 700,000	\$ 64,115,877
-	-	708	32,042	-	-	880,799
1,400,000	1,973,115	5,900,708	6,532,042	1,016,169	700,000	64,996,676
853,159	-	-	-	298,738	-	33,982,313
559,644	31,712	1,668,901	1,067,014	491,277	4,843	13,425,050
22,302	2,040,918	3,197,944	7,766,723	-	350,748	15,807,995
-	-	-	-	-	-	49,829
-	-	-	-	-	-	1,273,794
1,435,105	2,072,630	4,866,845	8,833,737	790,015	355,591	64,538,981
(35,105)	(99,515)	1,033,863	(2,301,695)	226,154	344,409	457,695
-	-	-	-	-	-	117,416
543	(102)	(5,409)	(2,575)	(217)	(734)	(10,125)
-	-	-	-	-	-	25,472
543	(102)	(5,409)	(2,575)	(217)	(734)	132,763
(34,562)	(99,617)	1,028,454	(2,304,270)	225,937	343,675	590,458
-	-	-	-	-	-	758,291
(34,562)	(99,617)	1,028,454	(2,304,270)	225,937	343,675	1,348,749
361,862	1,365,472	(4,429,791)	(21,570,549)	283,903	756,498	(17,248,263)
\$ 327,300	\$ 1,265,855	\$ (3,401,337)	\$ (23,874,819)	\$ 509,840	\$ 1,100,173	\$ (15,899,514)

County of Santa Cruz
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2013

	Central Duplicating	Information Services	Public Works	Service Center
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 577,095	\$ 10,080,281	\$ 1,438,422	\$ 2,192,012
Receipts from interfund services provided	-	-	32,802,454	-
Payments to suppliers for goods and services	(334,246)	(3,169,607)	(7,128,319)	(1,195,104)
Payments to employees for services	(146,595)	(6,189,687)	(26,078,577)	(437,374)
Other receipts	-	-	-	-
Other payments	(49,829)	-	-	-
Net cash provided (used) by operating activities	46,425	720,987	1,033,980	559,534
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	-	571,560	400,633	186,731
Intergovernmental	-	-	-	117,416
Net cash provided (used) by noncapital financing activities	-	571,560	400,633	304,147
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of capital assets	(19,333)	(878,239)	(419,185)	(297,090)
Principal paid on long-term debt	(7,149)	-	(1,816)	-
Interest paid on long-term debt	(880)	-	(750)	-
Proceeds from sale of capital assets	-	-	8,895	16,576
Loan proceeds	58,133	-	-	-
Loan repayment	(77,196)	-	-	-
Net cash provided (used) by capital and related financing activities	(46,425)	(878,239)	(412,856)	(280,514)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends	-	-	-	-
Net cash provided (used) by investing activities	-	-	-	-
Net increase (decrease) in cash and cash equivalents	-	414,308	1,021,757	583,167
Cash and cash equivalents at beginning of year	-	2,916,164	1,433,414	749,519
Cash and cash equivalents at end of year	\$ -	\$ 3,330,472	\$ 2,455,171	\$ 1,332,686

County of Santa Cruz
Combining Statement of Cash Flows, Continued
Internal Service Funds
For the year ended June 30, 2013

	Central Duplicating	Information Services	Public Works	Service Center
RECONCILIATION OF OPERATING				
INCOME (LOSS) TO NET CASH PROVIDED				
(USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 76,675	\$ 212,415	\$ 837,860	\$ 162,634
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	7,872	442,031	371,803	452,088
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	-	24,972	(431,653)	30,504
Inventory	-	-	46,798	5,632
Prepaid items	(10,997)	-	-	-
Increase (decrease) in:				
Payables	(29,735)	(26,894)	286,065	(96,732)
Accrued salaries and benefits	116	7,267	5,210	99
Compensated absences	2,494	61,196	(82,103)	5,309
Total adjustments	(30,250)	508,572	196,120	396,900
Net cash provided (used) by operating activities	\$ 46,425	\$ 720,987	\$ 1,033,980	\$ 559,534

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
\$ 1,400,000	\$ 1,984,833	\$ 5,900,000	\$ 6,529,175	\$ 1,016,169	\$ 700,000		\$ 31,817,987
-	-	-	-	-	-		32,802,454
(575,111)	(2,055,591)	(4,909,886)	(6,179,939)	(462,197)	(355,591)		(26,365,591)
(851,883)	-	-	-	(311,953)	-		(34,016,069)
-	-	707	2,867	-	-		3,574
-	-	-	-	-	-		(49,829)
(26,994)	(70,758)	990,821	352,103	242,019	344,409		4,192,526
-	-	-	-	-	-		1,158,924
-	-	-	-	-	-		117,416
-	-	-	-	-	-		1,276,340
-	-	-	-	-	-		(1,613,847)
-	-	-	-	-	-		(8,965)
-	-	-	-	-	-		(1,630)
-	-	-	-	-	-		25,471
-	-	-	-	-	-		58,133
-	-	-	-	-	-		(77,196)
-	-	-	-	-	-		(1,618,034)
543	(102)	(5,409)	(2,575)	(217)	(734)		(8,494)
543	(102)	(5,409)	(2,575)	(217)	(734)		(8,494)
(26,451)	(70,860)	985,412	349,528	241,802	343,675		3,842,338
513,766	1,436,732	7,923,975	10,332,703	343,102	847,964		26,497,339
\$ 487,315	\$ 1,365,872	\$ 8,909,387	\$ 10,682,231	\$ 584,904	\$ 1,191,639		\$ 30,339,677

(Continued)

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
\$ (35,105)	\$ (99,515)	\$ 1,033,863	\$ (2,301,695)	\$ 226,154	\$ 344,409	\$	457,695
-	-	-	-	-	-		1,273,794
-	11,717	-	-	-	-		(364,460)
-	-	-	-	-	-		52,430
-	-	-	-	-	-		(10,997)
6,834	17,040	(43,042)	2,653,798	29,080	-		2,796,414
3,841	-	-	-	(1,162)	-		15,371
(2,564)	-	-	-	(12,053)	-		(27,721)
8,111	28,757	(43,042)	2,653,798	15,865	-		3,734,831
\$ (26,994)	\$ (70,758)	\$ 990,821	\$ 352,103	\$ 242,019	\$ 344,409	\$	4,192,526

(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.

Private Purpose Trust Fund - The Private Purpose Trust Fund is used to report the assets, liabilities and activities of the Santa Cruz County Redevelopment *Successor Agency*.



County of Santa Cruz
Combining Statement of Net Position
All Agency Funds
June 30, 2013

	Inter- governmental Agency	Payroll	Property Tax Collection	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and investments	\$ 20,765,595	\$ 6,688,087	\$ 9,094,265	\$ 36,547,947
Receivables	115,045	-	15,069,632	15,184,677
Total assets	<u>\$ 20,880,640</u>	<u>\$ 6,688,087</u>	<u>\$ 24,163,897</u>	<u>\$ 51,732,624</u>
LIABILITIES				
Accounts payable	\$ -	\$ 6,688,087	\$ -	\$ 6,688,087
Due to other governmental units	-	-	24,163,897	24,163,897
Agency funds held for others	20,880,640	-	-	20,880,640
Total liabilities	<u>\$ 20,880,640</u>	<u>\$ 6,688,087</u>	<u>\$ 24,163,897</u>	<u>\$ 51,732,624</u>

County of Santa Cruz
Combining Statement of Changes in Net Position
Agency Funds
For the year ended June 30, 2013

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<u>Intergovernmental Agency</u>				
Assets:				
Cash and investments	\$ 20,734,644	\$ 243,307,172	\$ 243,276,221	\$ 20,765,595
Receivables	191,639	228,252	304,846	115,045
Total assets	\$ 20,926,283	\$ 243,535,424	\$ 243,581,067	\$ 20,880,640
Liabilities:				
Accounts payable	-	45,993,767	45,993,767	-
Agency funds held for others	20,926,283	425,201,444	425,247,087	20,880,640
Total liabilities	\$ 20,926,283	\$ 471,195,211	\$ 471,240,854	\$ 20,880,640
<u>Payroll</u>				
Assets:				
Cash and investments	\$ 6,735,692	\$ 282,701,235	\$ 282,748,840	\$ 6,688,087
Total assets	\$ 6,735,692	\$ 282,701,235	\$ 282,748,840	\$ 6,688,087
Liabilities:				
Accounts payable	6,735,692	631,807,850	631,855,455	6,688,087
Total liabilities	\$ 6,735,692	\$ 631,807,850	\$ 631,855,455	\$ 6,688,087
<u>Property Tax Collection</u>				
Assets:				
Cash and investments	\$ 7,176,363	\$ 870,483,806	\$ 868,565,904	\$ 9,094,265
Receivables	15,653,898	406,941,023	407,525,289	15,069,632
Total assets	\$ 22,830,261	\$ 1,277,424,829	\$ 1,276,091,193	\$ 24,163,897
Liabilities:				
Accounts payable	\$ 2,566	\$ 19,536,018	\$ 19,538,584	-
Due to other governmental units	22,827,695	1,287,311,707	1,285,975,505	24,163,897
Total liabilities	\$ 22,830,261	\$ 1,306,847,725	\$ 1,305,514,089	\$ 24,163,897
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$ 34,646,699	\$ 1,396,492,213	\$ 1,394,590,965	\$ 36,547,947
Receivables	15,845,537	407,169,275	407,830,135	15,184,677
Total assets	\$ 50,492,236	\$ 1,803,661,488	\$ 1,802,421,100	\$ 51,732,624
Liabilities:				
Accounts payable	\$ 6,738,258	\$ 697,337,635	\$ 697,387,806	\$ 6,688,087
Due to other governmental units	22,827,695	1,287,311,707	1,285,975,505	24,163,897
Agency funds held for others	20,926,283	425,201,444	425,247,087	20,880,640
Total liabilities	\$ 50,492,236	\$ 2,409,850,786	\$ 2,408,610,398	\$ 51,732,624

Santa Cruz County Redevelopment Successor Agency
Statement of Net Position
Private Purpose Trust Fund
June 30, 2013

	Santa Cruz County Redevelopment Successor Agency
ASSETS	
Current Assets:	
Cash and investments	\$ 20,539,610
Total current assets:	<u>20,539,610</u>
Noncurrent Assets:	
Restricted cash with fiscal agents	12,957,371
Capital assets, net	9,209,579
Total noncurrent assets:	<u>22,166,950</u>
Total assets	<u><u>\$ 42,706,560</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred bond issuance costs	3,610,855
Total deferred outflows of resources	<u><u>\$ 3,610,855</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable - claims	\$ 62,638
Accounts payable - payroll	2,748
Interest payable	4,636,371
Compensated absences - due within one year	14,211
Long-term debt - due within one year	5,120,519
Total current liabilities:	<u>9,836,487</u>
Long-term Liabilities:	
Compensated absences - due in more than one year	41,558
Long-term debt - due in more than one year	236,109,499
Total long-term liabilities:	<u>236,151,057</u>
Total liabilities	<u><u>\$ 245,987,544</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred tax increment revenue	7,425,854
Total deferred inflows of resources	<u><u>\$ 7,425,854</u></u>
NET POSITION	
Fund net position held in trust	<u><u>\$ (207,095,983)</u></u>

Santa Cruz County Redevelopment Successor Agency
Statement of Changes in Net Position
Private Purpose Trust Funds
For the year ended June 30, 2013

	Santa Cruz County Redevelopment Successor Agency
ADDITIONS:	
Investment income	\$ (40,026)
Tax increment received	12,239,109
Other revenue	256,003
Contributions from other agencies	315,373
Total additions	<u>12,770,459</u>
DEDUCTIONS:	
Payments in accordance with enforceable obligations	15,942,667
Contributions to other agencies	1,159,675
Total deductions	<u>17,102,342</u>
Change in net position before extraordinary item	(4,331,883)
EXTRAORDINARY GAIN/(LOSS)	<u>16,376,150</u>
Change in net position held in trust:	<u>12,044,267</u>
Net position - beginning	(216,894,656)
Prior period adjustment	(2,245,594)
Net position - beginning, as restated	<u>(219,140,250)</u>
Net position - ending	<u><u>\$ (207,095,983)</u></u>



STATISTICAL SECTION

(UNAUDITED)

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>	184 - 186
Revenue Capacity <i>These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.</i>	187 - 192
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>	193 - 196
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>	197 - 201
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>	202 - 206

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 Position by Component
Last Ten Fiscal Years
(Reported in Thousands)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities										
Net investment in capital assets	\$ 448,657	\$ 455,726	\$ 215,172	\$ 212,557	\$ 242,858	\$ 327,708	\$ 332,526	\$ 263,521	\$ 244,386	\$ 46,942
Restricted	67,014	96,980	117,713	40,865	31,660	55,167	39,024	96,829	103,442	16,192
Unrestricted	(65,133)	(66,913)	(61,396)	36,955	32,147	(21,529)	6,532	3,703	13,017	2,545
Total governmental activities net position	<u>\$ 450,538</u>	<u>\$ 485,793</u>	<u>\$ 271,489</u>	<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>
Business-type activities										
Net investment in capital assets	\$ 25,023	\$ 25,442	\$ 24,677	\$ 26,662	\$ 26,327	\$ 27,280	\$ 23,266	\$ 23,032	\$ 22,869	\$ 21,425
Restricted	44	256	253	317	83	187	250	261	255	308
Unrestricted	7,634	6,520	5,803	6,553	7,433	6,797	12,628	12,972	13,041	14,013
Total business-type activities net position	<u>\$ 32,701</u>	<u>\$ 32,218</u>	<u>\$ 30,733</u>	<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>
Total primary government										
Net investment in capital assets	\$ 473,680	\$ 481,168	\$ 239,849	\$ 239,219	\$ 269,185	\$ 354,988	\$ 355,792	\$ 286,553	\$ 267,255	\$ 68,367
Restricted	67,058	97,236	117,966	41,182	31,743	55,354	39,274	97,090	103,697	16,500
Unrestricted	(57,499)	(60,393)	(55,593)	43,508	39,580	(14,732)	19,160	16,675	26,058	16,558
Total primary government net position	<u>\$ 483,239</u>	<u>\$ 518,011</u>	<u>\$ 302,222</u>	<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>

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Government activities:										
General government	\$ 22,735	\$ 27,417	\$ 39,206	\$ 30,407	\$ 37,098	\$ 48,765	\$ 29,116	\$ 25,887	\$ 27,948	\$ 25,066
Public protection	127,640	124,721	125,065	122,743	146,283	117,001	113,608	112,832	104,329	115,996
Public ways and facilities	47,167	32,192	36,694	45,826	32,859	47,209	26,840	39,017	7,589	41,230
Health and sanitation	111,370	113,242	107,497	105,239	111,310	112,560	105,039	97,340	33,103	81,903
Public assistance	104,961	105,835	101,990	108,121	110,208	101,454	98,679	97,378	84,028	83,910
Education	5,005	5,033	5,194	5,140	5,153	5,209	4,714	4,502	85,081	3,926
Recreation and culture	5,867	6,670	6,386	6,617	8,499	8,558	7,399	6,662	3,977	7,949
Interest on long term debt	3,321	10,262	17,144	15,782	13,098	13,211	16,026	12,205	8,986	8,453
Total government activities expenses	<u>428,066</u>	<u>425,372</u>	<u>439,176</u>	<u>439,875</u>	<u>464,508</u>	<u>453,967</u>	<u>401,421</u>	<u>395,823</u>	<u>355,041</u>	<u>368,433</u>
Business-type activities:										
County Disposal Site CSA 9C	\$ 10,904	\$ 10,506	\$ 14,792	\$ 12,283	\$ 14,317	\$ 16,088	\$ 13,540	\$ 13,022	\$ 11,831	12,381
Boulder Creek CSA 7	344	295	299	298	417	438	299	353	317	327
Rolling Woods CSA 10	14	14	12	44	93	78	62	62	57	46
Septic Tank Maintenance CSA 12	1,017	943	1,050	951	1,148	966	875	718	997	793
Freedom County Sanitation CSA	441	857	825	551	891	609	602	533	280	551
Davenport County Sanitation District CSA	458	532	477	701	550	420	410	432	501	401
Place de Mer CSA 2	21	37	70	32	52	39	64	50	68	36
Sand Dollar Beach CSA 5	260	265	315	252	254	314	216	220	181	148
Trestle Beach CSA 20	36	41	43	71	61	73	40	45	30	26
Summit West CSA 54	1	1	1	1	1	31	4	4	4	4
Graham Hill CSA 57	35	33	27	27	27	13	20	18	6	7
Total business-type activities expense	<u>13,531</u>	<u>13,524</u>	<u>17,911</u>	<u>15,211</u>	<u>17,811</u>	<u>19,069</u>	<u>16,131</u>	<u>15,457</u>	<u>14,272</u>	<u>14,720</u>
Total primary government expenses	<u>\$ 441,597</u>	<u>\$ 438,896</u>	<u>\$ 457,087</u>	<u>\$ 455,086</u>	<u>\$ 482,319</u>	<u>\$ 473,036</u>	<u>\$ 417,552</u>	<u>\$ 411,280</u>	<u>\$ 369,313</u>	<u>\$ 383,153</u>
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 18,071	\$ 17,695	\$ 18,305	\$ 17,083	\$ 18,494	\$ 16,953	\$ 16,467	\$ 16,797	\$ 23,169	\$ 4,499
Health, sanitation & public assistance	23,238	33,029	27,635	24,754	27,137	23,675	25,324	22,307	16,727	32,130
Public protection	20,742	20,623	20,954	20,961	22,364	24,795	23,792	23,328	23,428	20,050
Public ways & facilities, and recreation	8,869	9,412	8,453	8,555	8,633	7,672	7,933	5,939	7,664	7,318
Operating grants and contributions	219,341	207,264	199,689	209,932	187,859	208,047	196,695	192,287	175,187	184,464
Capital grants and contributions	10,678	8,016	11,298	8,673	7,885	3,542	7,508	5,632	6,828	-
Total governmental activities program revenues	<u>300,939</u>	<u>296,039</u>	<u>286,334</u>	<u>289,958</u>	<u>272,372</u>	<u>284,684</u>	<u>277,719</u>	<u>266,290</u>	<u>253,003</u>	<u>248,461</u>
Business-type activities:										
Charges for services	13,137	13,313	13,058	13,166	13,350	13,237	13,299	13,223	12,723	12,185
Operating grants and contributions	208	573	289	964	338	123	127	101	258	320
Capital grants and contributions	60	345	1,097	15	50	25	8	4	20	2
Total business-type activities program revenues	<u>13,405</u>	<u>14,231</u>	<u>14,444</u>	<u>14,145</u>	<u>13,738</u>	<u>13,385</u>	<u>13,434</u>	<u>13,328</u>	<u>13,001</u>	<u>12,507</u>
Total primary government program revenues	<u>\$ 314,344</u>	<u>\$ 310,270</u>	<u>\$ 300,778</u>	<u>\$ 304,103</u>	<u>\$ 286,110</u>	<u>\$ 298,069</u>	<u>\$ 291,153</u>	<u>\$ 279,618</u>	<u>\$ 266,004</u>	<u>\$ 260,968</u>
Net (expense)/revenue										
Governmental activities	\$ (127,127)	\$ (129,333)	\$ (152,843)	\$ (149,917)	\$ (192,136)	\$ (169,283)	\$ (123,702)	\$ (129,533)	\$ (102,038)	\$ (119,972)
Business-type activities	(126)	707	(3,467)	(1,066)	(4,073)	(5,685)	(2,697)	(2,129)	(1,271)	(2,213)
Total primary government net expense	<u>\$ (127,253)</u>	<u>\$ (128,626)</u>	<u>\$ (156,310)</u>	<u>\$ (150,983)</u>	<u>\$ (196,209)</u>	<u>\$ (174,968)</u>	<u>\$ (126,399)</u>	<u>\$ (131,662)</u>	<u>\$ (103,309)</u>	<u>\$ (122,185)</u>

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Revenue and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 84,795	\$ 97,716	\$ 109,837	\$ 111,224	\$ 115,179	\$ 111,745	\$ 104,814	\$ 95,746	\$ 82,709	\$ 64,881
Other taxes	17,201	16,044	15,265	12,978	13,951	15,622	15,133	14,443	14,796	14,212
Grants and contributions not restricted for specific purposes	117									
Use of money and property	1,254	2,741	2,827	3,373	5,805	11,858	14,628	11,655	6,040	3,673
Miscellaneous	4,854	52,099	6,033	4,606	2,546	13,402	3,155	11,576	8,388	10,953
Gain (Loss) on sale of assets	26	1,005	(6)	101	37	(79)	-	-	-	-
Total governmental activities	108,247	169,605	133,956	132,282	137,518	152,548	137,730	133,420	111,933	93,719
Business-type activities:										
Property taxes	25	25	25	24	25	-	-	-	-	-
Use of money and property	(24)	45	12	13	174	756	1,064	859	511	293
Miscellaneous	609	705	631	760	1,068	3,048	1,513	1,370	1,179	642
Gain (Loss) on sale of assets	-	2	-	3	-	-	-	-	-	-
Total business-type activities	610	777	668	800	1,267	3,804	2,577	2,229	1,690	935
Total primary government	\$ 108,857	\$ 170,382	\$ 134,624	\$ 133,082	\$ 138,785	\$ 156,352	\$ 140,307	\$ 135,649	\$ 113,623	\$ 94,654
Extraordinary Item:	\$ (16,377)	\$ 174,033	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Position										
Governmental activities	\$ (35,257)	\$ 214,305	\$ (18,887)	\$ (17,635)	\$ (54,618)	\$ (16,735)	\$ 14,028	\$ 3,887	\$ 9,895	\$ (26,253)
Business-type activities	484	1,484	(2,799)	(266)	(2,806)	(1,881)	(120)	100	419	(1,278)
Total primary government	\$ (34,773)	\$ 215,789	\$ (21,686)	\$ (17,901)	\$ (57,424)	\$ (18,616)	\$ 13,908	\$ 3,987	\$ 10,314	\$ (27,531)

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	Other Taxes	Total Tax Revenues
2004	\$ 34,412	\$ 52	\$ 4,328	\$ 1,850	\$ 3,375	\$ 2,770	\$ 285 ²	\$ 47,072
2005	51,892	28	3,036	7,218	3,806	3,213	69	69,262
2006	61,118	49	2,904	7,865	3,732	2,243	72	77,983
2007	66,783	117	2,741	7,961	3,931	1,481	72	83,086
2008	70,879	187	3,595	8,904	4,622	1,464	74	89,725
2009	72,032	224	5,291	8,038	3,887	1,532	74	91,078
2010	69,970	89	4,671	7,212	3,511	1,630	74	87,157
2011	69,606	118	5,156	7,892	4,101	1,709	72	88,654
2012	69,497	77	4,249	8,378	4,605	1,528	72	88,406
2013	69,152	65	3,522	9,129	4,515	1,936	72	88,391

¹ The County uses the Alternative Tax Apportionment Method, which treats prior taxes as payments against an outstanding taxes receivable balance. Amounts shown are either past adjustments or present delinquent payments applicable to the supplemental tax roll.

² Includes utility tax, which was repealed in 2005.

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

	Fiscal Year					
	2009	2008	2007	2006	2005	2004
General Fund						
Reserved	\$ 2,919	\$ 2,151	\$ 3,893	\$ 5,433	\$ 2,151	\$ 3,266
Unreserved	14,674	25,008	37,115	30,688	26,807	19,137
Total general fund	<u>\$ 17,593</u>	<u>\$ 27,159</u>	<u>\$ 41,008</u>	<u>\$ 36,121</u>	<u>\$ 28,958</u>	<u>\$ 22,403</u>
All other governmental funds						
Reserved	\$ 59,340	\$ 38,930	\$ 44,736	\$ 36,209	\$ 40,215	\$ 46,242
Unreserved, reported in:						
Special revenue funds	146,538	121,946	123,244	131,835	67,317	76,479
Capital project funds	3,181	10,273	1,369	5,277	6,226	8,123
Total all other governmental funds	<u>\$ 209,059</u>	<u>\$ 171,149</u>	<u>\$ 169,349</u>	<u>\$ 173,321</u>	<u>\$ 113,758</u>	<u>\$ 130,844</u>

	Fiscal Year			
	2013	2012	2011	2010
General Fund ¹				
Nonspendable	\$ 3,544	\$ 3,739	\$ 4,118	\$ 1,525
Restricted	2	1	-	-
Committed	16,166	13,706	12,847	11,748
Assigned	20,857	24,722	22,231	15,430
Unassigned	-	-	171	-
Total general fund	<u>\$ 40,569</u>	<u>\$ 42,168</u>	<u>\$ 39,367</u>	<u>\$ 28,703</u>
All other governmental funds				
Nonspendable	\$ 56,077	\$ 49,883	\$ -	\$ -
Restricted	67,030	97,824	166,676	183,044
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	(17)	(22)	(37)	-
Total all other governmental funds	<u>\$ 123,090</u>	<u>\$ 147,685</u>	<u>\$ 166,639</u>	<u>\$ 183,044</u>

¹ In fiscal year 2010-2011 the County implemented GASB 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned.

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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Taxes	\$ 101,997	\$ 113,760	\$ 125,101	\$ 123,718	\$ 129,130	\$ 127,367	\$ 119,947	\$ 110,189	\$ 97,506	\$ 79,092
Licenses and permits	9,819	10,356	9,046	9,247	9,177	10,085	10,183	9,481	10,072	9,013
Fines, forfeitures and penalties	4,474	4,737	5,200	5,231	5,088	4,911	5,673	6,440	12,784	5,199
Use of money and property	1,264	2,635	2,718	3,197	5,451	11,082	13,929	11,109	5,802	3,673
Aid from other governmental agencies	230,019	215,280	210,987	219,090	195,758	211,572	204,203	198,214	182,007	184,745
Charges for services	56,626	65,666	61,115	56,845	62,364	58,100	58,091	54,653	47,738	49,786
Other revenues	5,320	2,274	5,341	4,617	4,815	14,617	3,150	9,417	8,347	11,308
Total revenues	409,519	414,708	419,508	421,945	411,783	437,734	415,177	399,503	364,256	342,816
Expenditures										
Current										
General government	28,311	26,747	29,084	26,198	29,994	33,490	28,024	24,086	25,718	23,639
Public protection	129,562	118,671	117,531	118,848	126,014	123,435	112,395	111,868	104,108	105,350
Public ways and facilities	41,232	32,074	37,534	53,095	45,023	37,736	41,335	39,119	7,440	26,519
Health and sanitation	108,688	107,810	104,191	102,048	103,920	109,152	104,326	95,717	42,176	83,238
Public assistance	101,437	101,204	99,120	100,294	101,562	102,976	97,981	95,987	83,982	85,585
Education	4,781	4,810	4,974	4,921	5,420	5,040	4,711	4,502	84,639	4,017
Recreation and culture	6,900	7,004	6,928	7,345	7,876	9,189	7,789	7,377	3,971	7,918
Capital outlay	-	-	35,417	769	3,380	10,671	10,299	3,451	3,825	5,417
Debt service										
Principal	3,815	7,790	7,603	6,958	6,836	7,344	7,126	6,339	7,136	4,512
Bond redemption	-	-	-	-	771	-	-	-	335	-
Bond issue costs	-	-	1,127	-	181	263	738	1,998	-	2,117
Interest and fiscal charges	3,318	10,482	15,677	15,742	12,360	13,343	14,652	10,842	9,292	8,697
Total expenditures	428,044	416,592	459,186	436,218	443,337	452,639	429,376	401,286	372,622	357,009
Excess of Revenues Over (Under) Expenditures	(18,525)	(1,884)	(39,678)	(14,273)	(31,554)	(14,905)	(14,199)	(1,783)	(8,366)	(14,193)
Other Financing Sources (Uses)										
Sale of capital assets	-	1,139	-	57	(33)	1,255	-	-	-	5
Gain/(Loss) on land held for resale	-	(137)	(9)	-	-	(34)	-	-	-	-
Debt issue cost	-	(248)	-	-	-	-	-	-	-	-
Escrow Transfers In	-	-	29,876	-	49,411	-	-	-	-	-
Escrow Transfers Out	-	-	(29,876)	-	-	-	-	-	-	-
Proceeds from long-term debt	-	7,490	-	-	-	-	-	68,860	-	23,000
Contributed capital	233	45,701	35,410	-	-	-	9,000	-	-	-
Bond premium/discount	-	(23)	(914)	-	-	225	(63)	423	(67)	(167)
Gain on conversion of receivables	-	5,024	-	-	-	-	-	-	-	-
Proceeds from refunding bonds	-	-	-	-	60,492	7,370	10,755	-	10,580	48,435
Payment to bond refunding escrow agent	-	(1,399)	-	-	-	(8,012)	(10,366)	-	(11,590)	(46,392)
Transfers in	17,620	24,252	145,035	29,843	29,760	31,921	27,593	88,914	20,241	37,819
Transfers out	(18,379)	(24,282)	(145,709)	(30,551)	(79,777)	(32,043)	(27,795)	(89,008)	(20,241)	(60,019)
Inception of capital lease	36	80	123	-	110	94	5,990	-	-	109
Total other financing sources (uses)	(490)	57,597	33,936	(651)	59,963	776	15,114	69,189	(1,077)	2,790
Extraordinary Item	(7,179)	(71,866)	-	-	-	-	-	-	-	-
Net change in Fund Balance	\$ (26,194)	\$ (16,153)	\$ (5,742)	\$ (14,924)	\$ 28,409	\$ (14,129)	\$ 915	\$ 67,406	\$ (9,443)	\$ (11,403)
Debt service as a percentage of noncapital expenditures	1.79%	4.59%	5.76%	5.57%	4.66%	4.85%	5.56%	4.48%	4.76%	3.85%

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 ²		Collections in Subsequent Years ³	Total Collections to Date	
		Amount	Percentage of Levy		Total Tax Collections	Percentage of Levy
2004	\$ 286,021	\$ 281,778	98.5%	\$ 4,164	\$ 285,942	100.0%
2005	309,733	305,178	98.5%	4,464	309,642	100.0%
2006	340,053	333,817	98.2%	5,986	339,803	99.9%
2007	361,430	352,091	97.4%	8,990	361,081	99.9%
2008	387,834	373,296	96.3%	13,969	387,265	99.9%
2009	402,589	387,153	96.2%	13,808	400,961	99.6%
2010	395,628	383,707	97.0%	10,095	393,802	99.5%
2011	394,498	385,099	97.6%	5,658	390,757	99.1%
2012	395,546	388,135	98.1%	4,190	392,325	99.2%
2013	399,146	393,223	98.5%	0	393,223	98.5%

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

² Included are amounts collected by the County on behalf of itself, school districts, cities and special districts under the supervision of their own governing boards.

³ Under the Alternative Method of Tax Apportionment (the Teeter Plan) the County allocates to all taxing jurisdictions under the County, 100% of the secured property taxes billed, even if not yet collected. In return, the County retains the subsequent delinquent payments and associated penalties and interest. Refer to schedule of General Fund Tax Revenues by Source for property tax collections applicable to the County.

County of Santa Cruz
Assessed Value of Taxable Property and Actual Value of Property¹
Last Ten Fiscal Years
(Reported in Thousands)

<u>Fiscal Year</u> <u>Beginning July 1,</u>	<u>Secured²</u>	<u>Unsecured</u>	<u>Total Taxable</u> <u>Assessed Value³</u>	<u>Total Direct</u> <u>Tax Rate⁴</u>
2004	\$ 25,106,093	\$ 748,200	\$ 25,854,293	1.00%
2005	27,584,028	792,922	28,376,950	1.00%
2006	30,238,488	811,727	31,050,215	1.00%
2007	32,504,394	843,037	33,347,431	1.00%
2008	33,586,675	861,576	34,448,251	1.00%
2009	32,531,717	865,265	33,396,982	1.00%
2010	32,390,765	801,371	33,192,136	1.00%
2011	32,332,271	767,714	33,099,985	1.00%
2012	32,033,769	767,064	32,800,833	1.00%
2013	33,625,169	764,939	34,390,108	1.00%

¹ Assessed value of taxable property represents all taxable property within the County except as excluded or exempted by the State Constitution and the Legislature.

² Includes unitary properties (e.g., railroads, utilities), which are assessed by the State Board of Equalization.

³ The County does not track the estimated actual value of all County properties due in part to the manner in which assessed value is calculated following the passage of California Proposition 13. Thus, the total taxable assessed value reported represents all property within the County.

⁴ 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		County	Cities	School Districts	Special Districts	Total
	Assessed Valuation						
	Low	High					
2004	1.055	1.202	25.0	5.0	57.0	13.0	100.0
2005	1.062	1.200	25.0	5.0	57.0	13.0	100.0
2006	1.040	1.162	26.0	5.0	56.0	13.0	100.0
2007	1.049	1.132	26.5	5.0	56.0	12.5	100.0
2008	1.056	1.147	26.5	5.0	56.0	12.5	100.0
2009	1.064	1.161	26.5	5.0	56.0	12.5	100.0
2010	1.059	1.174	26.5	5.0	56.0	12.5	100.0
2011	1.065	1.190	26.5	5.0	56.0	12.5	100.0
2012	1.067	1.195	26.5	5.0	56.0	12.5	100.0
2013	1.064	1.197	26.5	5.0	56.0	12.5	100.0

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities										
Capital leases	\$ 5,075	\$ 5,337	\$ 5,544	\$ 5,673	\$ 5,942	\$ 6,051	\$ 6,000	\$ 53	\$ 337	\$ 671
Refunding Certificates of Participation	24,534	25,959	27,334	28,634	29,889	31,086	32,921	34,686	36,541	27,177
Lease Revenue Bonds	6,450	6,670	6,885	7,090	7,290	7,840	8,375	9,135	9,875	10,595
Lease Revenue Refunding Bonds	1,812	1,866	1,404	1,535	1,667	1,797	1,918	2,037	2,153	15,064
Revenue Bonds	-	405	785	1,145	1,480	1,800	2,100	2,385	2,655	2,910
Local Agency Revenue Bonds	225	250	275	295	320	360	445	520	585	655
Certificates of Participation	31,278	33,024	29,110	30,746	32,312	28,822	27,916	21,915	22,441	23,027
City of Scotts Valley Writ of Mandate	1,450	2,175	-	-	-	-	-	-	-	-
McGaffigan Mill Road HOA	1	33	63	91	-	-	-	-	-	-
CA Health Facilities Financing										
Authority (CHFFA)	-	-	-	-	510	711	898	1,072	1,233	1,382
CA Transportation Finance Bank	-	-	-	-	600	600	-	-	-	-
Local Assessment Bonds	-	-	-	-	-	-	-	-	-	40
RDA Tax Allocation Bonds	-	-	247,995	217,472	220,938	168,549	172,144	174,677	108,147	110,816
RDA CERTS Loans Payable	-	-	-	-	-	-	-	-	352	679
Internal Service Funds	16	29	22	-	-	329	653	1,171	1,699	2,208
Business-type activities										
Loans Payable	531	570	608	646	404	448	2,860	1,188	1,817	2,374
Capital leases	3	-	-	-	178	605	-	-	-	-
Total Primary government ¹	<u>\$ 71,375</u>	<u>\$ 76,318</u>	<u>\$ 320,025</u>	<u>\$ 293,327</u>	<u>\$ 301,530</u>	<u>\$ 248,998</u>	<u>\$ 256,230</u>	<u>\$ 248,840</u>	<u>\$ 187,835</u>	<u>\$ 197,598</u>
Percentage of personal income ^{2,4}	0.55%	0.62%	2.70%	2.28%	2.35%	2.08%	2.34%	2.32%	1.87%	1.98%
Per capita ^{3,4}	\$ 270	\$ 290	\$ 1,231	\$ 1,143	\$ 1,190	\$ 990	\$ 1,019	\$ 986	\$ 742	\$ 776

¹ Excludes Component Unit. Total primary government, percentage of personal income and per capita data for prior periods were restated here to exclude amounts related to the Component Unit.

² Percentage of personal income is calculated from personal income data for the preceding calendar year (e.g. percentage of personal income for Fiscal Year 2013 is based on 2011 calendar year personal income data). Personal income data is provided by the Bureau of Economic Analysis

³ Per capita data is calculated from per capita income data for the preceding calendar year (e.g. per capita for Fiscal Year 2013 is based on 2011 calendar year per capita income data). Per capita income data is provided by the Bureau of Economic Analysis.

⁴ Some prior period personal and per capita income data was revised by the Bureau of Economic Analysis and thus some prior period calculations 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	Debt Margin/Debt Limit
2004	\$ 25,106,093,420	\$ 313,826,168	\$ -	\$ 313,826,168	100%
2005	27,584,028,124	344,800,352	-	344,800,352	100%
2006	30,238,488,053	377,981,101	-	377,981,101	100%
2007	32,504,394,093	406,304,926	-	406,304,926	100%
2008	33,586,675,030	419,833,438	-	419,833,438	100%
2009	32,531,716,741	406,646,459	-	406,646,459	100%
2010	32,390,764,838	404,884,560	-	404,884,560	100%
2011	32,332,270,918	404,153,386	-	404,153,386	100%
2012	32,033,769,082	400,422,114	-	400,422,114	100%
2013	33,625,169,225	420,314,615	-	420,314,615	100%

¹Total Assessed Value includes exempt property.

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

County of Santa Cruz
Statement of Direct and Overlapping Debt
June 30, 2013
(Reported in Thousands)

2012-2013 Total Net Assessed Valuation	\$ 32,849,679		
		<u>Percentage Applicable¹</u>	<u>Net Debt Outstanding</u>
<u>Overlapping Tax and Assessment and General Obligation Debt</u>			
SCHOOL DISTRICTS			
Live Oak Elementary		100%	\$ 16,621
Santa Cruz City Elementary		100%	20,076
Soquel Union Elementary		100%	11,740
Santa Cruz City High		100%	40,372
Bonny Doon Elementary		100%	350
Scotts Valley Unified		100%	15,950
San Lorenzo Valley Unified		100%	32,114
Pajaro Valley Unified		100%	131,459
Cabrillo College		100%	126,370
SPECIAL DISTRICTS			
Zayante Fire		100%	175
Lompico Water		100%	306
Rolling Woods Water		100%	1,155
Rolling Woods Sewer Improvements		100%	790
North Polo Drive Sewer Extension		100%	175
Felton Community Facilities - District No. 1		100%	9,820
Total Overlapping Tax and Assessment and General Obligation Debt			<u>407,473</u>
<u>Direct Debt</u>			
Santa Cruz County ²		100%	70,841
Total Direct Debt			<u>70,841</u>
Total Combined Overlapping and Direct Debt			<u>\$ 478,314</u>
<u>Ratio to 2012-2013 Assessed Valuation</u>			
Total Overlapping Tax and Assessment and General Obligation Debt		1.24%	
Total Direct Debt		0.22%	
Total Combined Direct Debt and Overlapping Debt		1.46%	

¹ Percentage of overlapping agency's assessed valuation located within the boundaries of the County.

² Governmental activities debt excluding tax and revenue anticipation notes, compensated absences and estimated claims, business-type activities and debt related to the Santa Cruz County Sanitation District.

County of Santa Cruz
Outstanding Debt of the Public Financing Authority¹
June 30, 2013
(Reported in Thousands)

<u>YEAR OF ISSUANCE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
Debt ²			
1996	\$ 16,365	\$ 7,191	\$ 23,556
1999	225	45	270
2001B	6,450	3,229	9,679
2002	2,020	1,225	3,245
2004	15,205	4,652	19,857
2005	6,100	1,065	7,165
2006	7,055	3,937	10,992
2008	3,380	684	4,064
2011	5,605	3,654	9,259
2012A	1,830	1,024	2,854
Total debt outstanding for the Public Financing Authority	<u>\$ 64,235</u>	<u>\$ 26,706</u>	<u>\$ 90,941</u>

¹The Public Financing Authority is a separate legal entity for whose debt the County is not liable.

²Certificates 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.

Fiscal Year	Population ¹ (in thousands)	Budget Requirements ² (in thousands)	Budget Per Capita	Current Property Taxes (in thousands)	Taxes Per Capita
2004	260	\$ 371,187	\$ 1,428	\$ 34,412	\$ 132
2005	260	368,492	1,417	51,892	200
2006	262	398,859	1,522	61,118	233
2007	264	434,371	1,645	66,783	253
2008	267	441,194	1,652	70,879	265
2009	269	441,726	1,642	72,032	268
2010	272	411,120	1,511	69,970	257
2011	264	422,464	1,600	69,606	264
2012	266	432,514	1,626	69,497	261
2013	267	447,006	1,674	69,152	259

Fiscal Year	Assessed Valuation (in thousands)	Per Capita Income ³	Personal Income ³ (in thousands)	School Enrollment ⁴	Unemployment Rate ⁵
2004	\$ 25,106,093	\$ 39,135	\$ 9,961,111	67,596	7.8%
2005	27,584,028	39,626	10,026,336	67,224	7.0%
2006	30,238,488	42,575	10,744,154	67,387	6.3%
2007	32,507,394	43,625	10,966,384	66,501	5.6%
2008	33,586,675	47,658	11,991,600	68,647	5.9%
2009	32,531,717	50,692	12,840,550	69,640	7.3%
2010	32,390,765	50,063	12,842,091	69,958	11.3%
2011	32,332,271	45,647	11,868,723	68,543	12.6%
2012	32,033,769	46,586	12,246,607	69,336	12.3%
2013	33,625,169	48,883	12,919,550	69,194	11.1%

SOURCES

¹ Based on information compiled by the California Department of Finance.

² Santa Cruz County Final/Adopted Budgets.

³ U.S. Bureau of Economic Analysis (BEA). Figures are for the preceding calendar year (e.g., Fiscal Year 2013 is 2011 calendar year data). Some prior period numbers were revised by the BEA and have been restated here.

⁴ Total includes 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 2013 is annual average for 2012 calendar year) as calculated by the California Employment Development Department. Calendar year 2012 was revised by the EDD and has been restated here.

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

Calendar Year	New Dwelling Units ¹			Valuation of New Units ¹ (in thousands)			Deposits ²
	Single Family	Multiple Family	Total Units	Residential	Non-Residential	Total Valuation	Amount (in thousands)
2003	654	548	1,202	238,334	36,602	274,936	3,853,001
2004	739	65	804	216,038	37,611	253,649	3,970,008
2005	669	225	894	208,121	49,300	257,421	4,112,131
2006	432	28	460	139,416	51,658	191,074	4,165,185
2007	236	342	578	165,997	62,612	228,609	4,238,971
2008	194	63	257	100,176	66,206	166,382	4,108,322
2009	107	2	109	54,300	50,809	105,109	4,224,669
2010	92	23	115	61,446	40,841	102,287	4,172,547
2011	79	111	190	58,010	40,165 ³	98,175 ³	4,235,090
2012	80	173	253	68,932	51,671	120,603	4,308,423

¹ Compiled by the California Department of Finance - Economic Research Unit. Calendar year 2013 new construction and property valuation data is not available.

² Compiled by the Federal Deposit Insurance Corporation (FDIC) as reported in the Deposit Market Share Report reflecting deposits as of June 30, 2012.

³ 2011 calendar year non-residential and total valuation amounts have been restated here.

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

Year ended June 30,	Debt Service Funds		Enterprise Funds	
	Special Assessment Billed	Special Assessment Collected	Special Assessment Billed	Special Assessment Collected
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	90,075	90,139
2011	201,300	201,300	92,629	92,653
2012	199,146	223,739	89,947	89,946
2013	195,230	199,209	92,052	92,171

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

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value 2012-2013</u>	<u>Percentage of Total Assessed Valuation 2012-2013¹</u>
Pacific Gas & Electric Company	Gas & Electric Utility	\$ 225,458,856	0.69 %
Santa Cruz Seaside Company	Amusement Park	67,868,390	0.21
Macerich Partnership L P	Commercial Real Estate	61,199,999	0.19
Neven Development LLC	Hospital	58,289,484	0.18
Pacific Bell Telephone Co.	Telephone Utility	52,153,174	0.16
S C Beach Hotel Partners LLC	Hotel	44,143,577	0.13
Cypress Point RE Investors LLC	Real Estate	39,811,821	0.12
George Ow, Jr. et al	Real Estate	37,515,680	0.11
Safeway Inc	Food Retailer	37,439,682	0.11
SC Shaffer Road Investors	Real Estate	34,433,102	0.10
Totals		<u>\$658,313,765</u>	<u>2.00 %</u>

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value 2003-2004</u>	<u>Percentage of Total Assessed Valuation 2003-2004²</u>
Pacific Gas & Electric Company	Gas & Electric Utility	\$ 142,691,693	0.59 %
Lone Star	Cement Manufacturer	72,351,949	0.30
Pacific Bell Telephone Company	Telephone Utility	71,782,384	0.30
Santa Cruz Seaside Company	Amusement Park	64,336,891	0.27
Macerich Partnership L P	Commercial Real Estate	60,138,629	0.25
Watsonville Hospital Corporation	Hospital	56,335,250	0.23
Enterprise Way Associates	Software Producer	52,787,770	0.22
Sequoia Equities-Cypress Point	Real Estate	44,170,166	0.18
Seagate Technology	Electronic Manufacturer	40,882,373	0.17
Paradise Park Masonic Club	Housing Development	26,951,656	0.11
Totals		<u>\$632,428,761</u>	<u>2.62 %</u>

Note: Principal taxpayer data for fiscal year 2012-2013 is derived from the 2012 tax roll, which was billed and collected during 2013.

Data for fiscal year 2003-2004 is derived from the 2003 tax roll, which was billed and collected during 2004.

¹Percentage of total assessed valuation for 2012-2013 is calculated from the total net assessed valuation of \$32,849,679,306.

²Percentage of total assessed valuation for 2003-2004 is calculated from the total net assessed valuation of \$24,106,889,832.

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

Employer	Product/Service	Number of Employees 2012-2013¹	Percentage of Total Employment 2012-2013²
University of California at Santa Cruz	Education	1,000-4,999	2.10 %
County of Santa Cruz	County Services	1,000-4,999	2.10
Pajaro Valley Unified School District	Education	1,000-4,999	2.10
Dominican Hospital	Hospital	1,000-4,999	2.10
Santa Cruz Beach Boardwalk	Amusement/Recreation	1,000-4,999	2.10
Cabrillo College	Education	500-999	0.52
City of Santa Cruz	City Services	500-999	0.52
Threshold Enterprises	Manufacturing	500-999	0.52
Watsonville Community Hospital	Hospital	500-999	0.52
West Marine	Retail	500-999	0.52
Plantronics	Telephone Apparatus Mfg.	500-999	0.52
Santa Cruz City School District	Education	500-999	0.52

Employer³	Product/Service³	Number of Employees 2008-2009³	Percentage of Total Employment 2008-2009³
University of California at Santa Cruz	Education	1,000-4,999	2.04 %
Pajaro Valley Unified School District	Education	1,000-4,999	2.04
County of Santa Cruz	County Services	1,000-4,999	2.04
Dominican Hospital	Hospital	1,000-4,999	2.04
Santa Cruz Beach Boardwalk	Amusement/Recreation	1,000-4,999	2.04
Cabrillo College	Education	500-999	0.51
Santa Cruz City School District	Education	500-999	0.51
City of Santa Cruz	City Services	500-999	0.51
Seagate Technology	Manufacturing	500-999	0.51
Watsonville Hospital	Hospital	500-999	0.51
West Marine	Retail	500-999	0.51
Plantronics	Manufacturing	500-999	0.51

¹ Number of employees reflects a range provided by California Employment Development Department (EDD) data.

² Average of the reported range divided by total civilian employment of 149,400 as reported by the EDD for June 2013.

³ Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2009.

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

Function	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Public Assistance										
Human Services Department										
Adult Protective Services										
Referrals received	658 ²	626 ¹	547	542	585	610	585	664	618	574
Investigations completed	460 ²	386 ¹	352	320	416	468	432	370	390	361
Family and Children's Services										
Annual referrals (families)	2,651 ²	3,200 ¹	2,870	2,624	3,096	3,093	2,979	3,100	3,348	3,062
Finalized adoptions	50 ²	51 ¹	41	32	42	41	43	41	41	31
Licensed foster homes (monthly average)	112 ²	112 ¹	105	100	109	124	123	113	109	108
Benefit Services										
Average number of Medi-Cal recipients	32,806 ²	31,624 ¹	30,786	28,998	27,487	26,655	25,427	24,135	21,723	20,990
Public Ways and Facilities										
Public Works										
Roads										
Miles of road maintained	600	600	600	600	600	600	600	600	600	600
Potholes repaired	3,700	4,500	3,552	2,500	2,500	3,500 ³	5,500 ³	5,500 ³	5,500 ³	5,500
Minor culverts maintained	2,262	2,262 ⁴	1,010	2,000	2,000	2,000	2,200	2,262	2,261	2,260
Bridges and major culverts maintained	160	160	160	160	160	160	159	159	159	159
Traffic signs replaced/repairs	1,463	1,516	1,850	1,029	1,400	1,475	2,200	2,425	2,400	2,350
Miles of street swept	1,800	1,555	1,465	4,000	4,500	5,000	5,000	4,550	5,000	4,900
Sanitation										
Miles of pipe maintained	236	230	230	230	222	222	222	222	222	222
Maintenance call responses	138	168	182	238	216	272	501	381	127	122
Landfill										
Waste generated (tons)	139,529	138,448	139,365	153,873	164,717	183,993	229,877	230,000	201,000	205,971
Waste disposed (tons)	60,974	61,503	71,470	71,701	76,203	77,745	99,423	87,400	86,430	94,745
Recreation and Cultural Services										
Parks, Open Space and Cultural Services										
Facility bookings	6,877	6,114	5,545	5,942	5,772	6,114	7,389	7,238	7,096	6,677
Recreation registrations	6,218	6,165	6,273	5,518	5,888	4,982	4,898	4,777	4,343	7,228
Swim admissions	130,059 ⁵	77,022	76,334	90,771	86,834	82,800	78,126	76,746	77,522	74,676

Sources: Various County Departments

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

² Data is estimated as presented in the 2013-2014 Proposed Budget.

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

⁴ Prior period restated here consistent with Capital Assets Statistics by Function.

⁵ Current period includes admissions for POSCS-sponsored programs and private parties. Prior periods included only admissions for POSCS-sponsored programs.

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

Function	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Public Protection										
Agricultural Commissioner										
High risk quarantine inspections	1,601 ²	1,450 ¹	1,669	1,900	2,800	2,640	2,894	2,686	2,600	2,300
District Attorney										
Criminal Prosecution										
Felony filings	2,180 ²	2,164 ¹	2,169	2,457	2,155	2,128	2,210	2,251	2,551	2,314
Juvenile filings	724 ²	799 ¹	503	594	731	1,046	813	714	1,046	1,262
Consumer Affairs										
Number of calls received	2,245 ²	2,345 ¹	2,410	2,622	2,880	2,960	3,008	3,165	3,046	3,012
Number of written complaints received	216 ²	272 ¹	302	462	288	440	375	228	206	195
Planning										
Building permits issued	3,000 ²	2,899	2,787	2,463	2,611	3,162	3,651	3,894	3,616	3,588
Building permit inspection sites visited	8,700 ²	8,601	7,620	7,093	9,353	10,061	11,862	12,157	12,247	11,420
Code compliance cases resolved	240 ²	249	228	400	574	1,192	871	907	1,025	1,064
Probation										
Juvenile division referrals	n/a ³	1,453	1,613	1,649	2,323	2,378	2,411	2,222	2,671	2,353
Juvenile division petitions filed	n/a ³	637	851	880	1,166	1,148	1,260	1,216	1,236	1,293
Juvenile court investigations	n/a ³	96	110	116	178	183	218	249	284	232
Public Defender										
Total cases	11,042 ²	10,731 ¹	10,311	10,805	12,385	12,455	12,642	12,604	12,290	13,864
Sheriff/Coroner (Investigation Division)										
Total cases reviewed	n/a ³	10,989	11,750	12,535	12,929	12,617	12,529	13,046	13,046	12,222
Total arrests	n/a ³	98 ⁴	215	307	238	254	347	420	584	617
Detention										
Main jail bookings	9,658	10,699	12,274	12,716	13,576	12,941	13,479	13,109	12,721	12,834
Weights and Measures										
Establishments visited	850 ²	1,027 ¹	1,139	1,500	1,742	1,836	2,093	2,175	2,051	1,951
Special District										
Mosquito Abatement/Vector Control CSA #53										
Mosquito inspections	3,900 ²	3,885 ¹	4,500	5,515	5,515	4,396	4,462	4,547	3,052	3,112

Sources: Various County Departments

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

² Data is estimated as presented in the 2013-2014 Proposed Budget.

³ Data is presented on a calendar year basis, which is not yet available.

⁴ Most misdemeanor cases previously handled by the Investigation Division were referred for follow-up to the Patrol Division.

County of Santa Cruz
Budgeted Positions
Last Ten Fiscal Years

<u>DEPARTMENT/FUNCTION</u>	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
COUNTY ADMINISTRATIVE OFFICE	18.30	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
AGRICULTURAL COMMISSIONER ¹	19.00	20.00	20.00	21.00	22.00	22.00	19.75	19.70	19.60	19.40
MOSQUITO ABATEMENT/VECTOR CONTROL	3.71	4.00	4.00	8.00	8.00	9.00	9.00	8.00	8.00	8.00
AGRICULTURAL EXTENSION	2.00	2.00	2.00	2.00	2.00	2.00	1.75	1.00	1.00	1.00
ASSESSOR	38.00	38.00	38.00	38.00	38.00	37.50	35.50	33.50	33.25	33.25
AUDITOR-CONTROLLER	29.00	29.00	29.00	29.50	29.50	29.50	29.00	29.00	29.00	29.00
BOARD OF SUPERVISORS	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
RECORDER	16.00	12.00	13.00	13.00	13.00	11.00	11.00	11.00	11.00	11.00
COUNTY CLERK/ELECTIONS	7.50	11.00	10.00	12.00	14.00	14.00	14.00	14.00	14.00	14.00
COUNTY COUNSEL	20.00	19.00	19.50	19.50	19.50	19.00	18.50	18.50	18.50	18.50
DISTRICT ATTORNEY	87.50	84.50	81.50	85.50	91.50	92.50	92.50	90.50	89.50	89.50
CHILD SUPPORT SERVICES	85.75	70.50	68.50	68.50	69.50	66.50	66.50	65.50	62.00	63.00
EMERGENCY SERVICES	3.25	3.00	1.75	1.75	2.00	3.75	2.00	2.00	2.00	2.00
COMMUNICATIONS	7.00	6.00	6.00	-	-	-	-	-	-	-
FIRE MARSHALL	1.00	1.00	1.00	1.55	2.30	-	-	-	-	-
GENERAL SERVICES	9.00	9.00	11.00	11.00	11.00	9.00	9.00	9.00	8.80	8.80
FACILITIES MAINTENANCE	39.00	36.00	37.00	38.00	47.75	47.00	47.00	44.00	44.00	44.00
CENTRAL STORES/DUPLICATING	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
PURCHASING	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00
SERVICE CENTER	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.00	5.00	5.00
HEALTH SERVICES	571.70	546.60	577.60	647.75	661.05	526.55	486.50	498.25	522.00	508.05
HUMAN SERVICES	440.10	432.60	481.10	511.10	527.60	463.00	445.50	434.50	435.50	441.00
PUBLIC GUARDIAN ²	14.00	9.00	-	-	-	-	-	-	-	-
WORKFORCE INVESTMENT ADMIN	5.00	-	-	-	-	-	-	-	-	-
VETERANS SERVICES	3.00	3.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00	3.00
IHSS PUBLIC AUTHORITY	4.00	-	-	-	-	-	-	-	-	-
INFORMATION SERVICES/TELEPHONE	78.50	73.25	71.25	78.25	78.25	76.25	65.00	65.00	64.00	64.50
INFORMATION SERVICES/COMM. TECH.	-	-	-	6.00	6.00	6.00	6.00	6.00	6.00	6.00
PARKS OPEN SPACE & CULTURAL SERVICES	63.50	53.55	53.05	53.75	57.00	56.00	47.50	42.10	29.80	34.80
PERSONNEL	23.50	22.50	22.50	23.50	27.50	27.50	25.50	24.50	24.25	24.25
RISK MANAGEMENT	10.75	10.75	9.75	10.75	10.75	10.75	12.00	11.00	11.00	11.00
PLANNING	90.50	98.50	99.25	99.25	100.00	100.00	87.25	75.60	63.25	66.00
PROBATION	86.50	86.00	88.00	90.00	101.00	94.00	81.00	77.00	77.50	93.75
JUVENILE HALL	29.00	33.00	32.00	31.00	31.00	31.00	30.50	30.50	30.50	30.50
PUBLIC WORKS	303.00	298.00	296.00	303.50	300.50	290.00	274.00	272.50	272.50	267.50
RDA	16.00	11.00	13.00	13.00	14.00	14.00	22.00	22.00	1.00	1.00
SHERIFF-CORONER	175.50	169.00	170.50	172.75	177.25	176.25	173.75	170.75	171.00	171.00
CORRECTIONS	137.00	136.00	138.00	144.00	148.00	168.00	165.25	155.00	156.50	164.50
COURT SECURITY	22.00	22.00	23.00	24.00	26.00	26.00	26.00	25.00	24.00	24.00
TREASURER-TAX COLLECTOR	14.50	15.50	15.75	16.25	16.25	16.75	14.75	13.50	13.50	13.50
TOTAL	2,504.06	2,413.25	2,486.00	2,627.15	2,705.20	2,496.80	2,370.00	2,318.90	2,292.95	2,311.80

¹ Weights and Measures was incorporated-into the Agricultural 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, 2013

COVERAGE	DETAILS OF COVERAGE	LIMITS
Property	CSAC-EIA Blanket buildings and equipment including EDP, Vehicles, Contractors' Equipment, Boiler & Machinery. All Risk, flood, replacement cost-agreed amount including earthquake at scheduled locations All Risk Limits (portion of limits are shared) Earthquake Limits (portion of limits are shared) Deductible	\$ 600,000,000 390,000,000 5,000
Crime Bond Blanket Program	CSAC-EIA Faithful Performance Bond (covers failure to faithfully perform duties and employee dishonesty). Includes all employees and Treasurer Deductible	15,000,000 2,500
Non-owned aircraft	National Union Fire Insurance Company Includes passengers' bodily injury, terrorism and property damage combined each occurrence Medical Expense/Passenger Deductible	5,000,000 5,000
Excess Workers' Compensation Employer's Liability	CSAC-EIA Workers' Compensation Employer's Liability \$500,000 Self-Insured Retention Deductible (per occurrence) Workers' Compensation and Employer's Liability	Statutory Limits
Medical Malpractice and General Liability	CSAC-EIA Comprehensive hospital professional and general liability for HSA staff and operations and Jail Medical Unit Deductible	21,500,000 10,000
Fine Arts	Travelers Deductible	125,000 500
Excess Liability (GLII)	CSAC-Excess Insurance Authority Excess Liability Insurance \$1,000,000 Self-Insured Retention to \$25,000,000	25,000,000
Optional Excess	CSAC - Excess Insurance Authority \$10,000,000 excess of \$25,000,000	35,000,000
Catastrophic Liability	CSAC - Excess Insurance Authority Upper layer of coverage in Optional Excess and GLII	50,000,000
County Fire Auto & Liability Insurance	ABD Services, American Alternative Insurance Corp. Includes property insurance for County owned fire stations including contents, business interruption, money & securities, boiler & machinery Deductible Equipment Deductible Host Liquor Liability (included in GL) Auto Liability Sublimits: Uninsured/Underinsured	3,000,000 1,000 100 1,000,000 60,000
Pollution Program	CSAC-EIA Pollution Program (per occurrence) Self-Insured Retention Deductible	10,000,000 250,000

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

Function	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Public protection										
Jail facilities	3	3	3	3	3	3	3	3	3	3
Rehabilitation center	1	1	1	1	1	1	1	1	1	1
Juvenile center	1	1	1	1	1	1	1	1	1	1
Courthouses	3	3	3	3	3	3	2	2	2	2
Morgue	1	1	1	1	1	1	1	1	1	1
Public assistance										
Child day care center	1	1	1	1	1	1	1	1	1	1
Elder day care center	1	1	1	1	1	1	1	1	1	1
Residential care facility	1	1	1	1	1	1	1	1	1	1
Volunteer center	1	1	1	1	1	1	1	1	1	1
Veterans centers ²	2	2	2	2	2	2	2	2	2	2
Recreation and culture										
Parks acreage	226	225	223	223	223	223	223	223	223	223
Sites	59	59	57	57	57	57	55	56	55	55
Athletic fields	17	17	17	17	17	17	17	17	17	17
Swimming pools	4	4	4	4	4	2	2	2	2	2
Public ways and facilities										
Roads										
Pavement (miles)	600	600	600	600	600	600	600	600	600	600
Junction structures	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Minor culverts	2,262	2,262	1,010	2,000	2,000	2,000	2,200	2,262	2,261	2,260
Bridges and major culverts	160	160	160	160	160	160	159	159	159	159
Sanitation										
Pipe (miles)	236	230	230	230	222	222	222	222	222	222
Pump stations/treatment plants	63	62	62	62	62	62	62	62	62	62
General government										
Administrative/other facilities ¹	11	11	10	10	10	10	10	10	10	10

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

² The Veterans Memorial Building was temporarily vacated on January 21, 2010, to repair identified structural issues that rendered the building unsafe for occupancy.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Santa Cruz, California (County), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Irvine, California
December 18, 2013

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES. The consumption or acquisition of net assets in one period that are applicable to future periods.

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.

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.

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 position and the statement of 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.

NET INVESTMENT IN CAPITAL ASSETS. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

NET POSITION. The residual of all other elements of the statement of financial position. In other words, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources.

NONSPENDABLE FUND BALANCE. Amounts that cannot be spent because they are either (1) not spendable in form or (2) legally or contractually required to be maintained intact.

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

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

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

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

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

PRIVATE-PURPOSE TRUST FUND. Trust Fund used to report resources of other trust arrangements in which principal and income benefit individuals, private organizations, or other governments.

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 (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

RESTRICTED FUND BALANCE. Amounts with constraints placed on their use that are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

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

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

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

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

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

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

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

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).