COUNTY OF SANTA CRUZ
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2012

Prepared Under the Direction of

Mary Jo Walker, CPA
AUDITOR-CONTROLLER

S.S. Palo Alto

The S.S. Palo Alto, also known as the Cement Ship, is the most famous concrete ship on the west coast. The ship was built as an oil tanker at the end of World War I by the San Francisco Shipbuilding Company at the U.S. Naval Shipyard in Oakland, California and launched May 29, 1919, months after the end of the war.

The S.S. Palo Alto remained docked in San Francisco Bay for over ten years until it was purchased by the Seacliff Amusement Company of Nevada and towed to Seacliff State Beach in Aptos, California. The ship was grounded in the bay, connected to the shore by a pier and retrofitted as an amusement ship, with amenities including an arcade, dining room, dance hall and swimming pool.

Two years later, the Seacliff Amusement Company went out of business, a victim of the Great Depression. During a winter storm, the S.S. Palo Alto's midsection cracked and the ship was subsequently stripped of her fittings and left as a fishing pier. Eventually the ship deteriorated to the point where it was unsafe for even this use and was closed to the public. Today the ship remains at Seacliff State Beach and serves as an artificial reef for marine life.

Cover Photo by Kevin Bowling,
Insert Photo by Bry Stewart

County of Santa Cruz, California

Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2012

Prepared Under the Direction of
Mary Jo Walker
Auditor-Controller

THE GREAT SEAL OF THE COUNTY OF
1850
SINE PRAEJUDICIO
SANTA CRUZ

County of Santa Cruz
For the year ended June 30, 2012

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COUNTY OF SANTA CRUZ

AUDITOR-CONTROLLER'S OFFICE
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December 21, 2012

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, 2012 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 auditor's reports on the internal control structure and compliance with applicable laws and regulations are included in the single audit report, which is issued as a separate document. This report includes all funds and account groups of the County.

The County provides the full range of services contemplated by statute or ordinance. These services include public protection, public ways and facilities, health and sanitation, public assistance, recreation and culture, education, and general government. In addition, various utility, maintenance, redevelopment and capital acquisition entities are included as part of the reporting entity based on financial accountability. School districts and autonomous special districts have not met the established criteria for inclusion in the reporting entity, and are therefore reported under the category of fiduciary fund types.

FINANCIAL INFORMATION

Management of the County is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. 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 265,981. Approximately half live in one of the County's four cities; Capitola, Santa Cruz, Scotts Valley, or Watsonville, with the other half living in the unincorporated County area.

ECONOMIC CONDITIONS AND OUTLOOK

The Santa Cruz area is similar to many parts of the country in that the local economy has started showing signs of recovery after the global recession in the real estate and construction industry and the financial market meltdown. The Santa Cruz area had enjoyed a fairly healthy economy in the first half of the decade after recovering from the economic downturn in 2001. The subprime mortgage lending crisis significantly reduced home sales across the nation beginning in 2007, including those in Santa Cruz County. From fiscal year 2001-02 through 2007-08, assessed value of real property in the county increasing by an average of about 8% per year. Assessed values slowed the following year to 3.3% growth, and then actually declined by 3.0% for fiscal year 2009-10, which was the first decline since the County began tracking property tax growth in 1968. Assessed values continued to decline, but at a much slower pace during fiscal years 2010-11 through 2012-13, declining an average of about 0.6% during those years. Every indication is that assessed values will remain flat or perhaps increase slightly for fiscal year 2013-14. 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 10% each year, but then recovered almost 10% during fiscal year 2010-11, and another 6% in fiscal year 2011-12. Sales tax receipts continue to increase during fiscal year 2012-13, which is another signal that the economy is stabilizing. Tourism is important to the local economy, and 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 23% over the past six years since the low in fiscal year 2005-06. On November 6, 2012, County voters elected to increase the Transient Occupancy Tax on lodging facilities in the unincorporated area, which is estimated to generate approximately $600,000 of additional revenues annually to the County general fund. Unemployment in the County historically averages about 6.5%, but closed the year at 12.1%, which is lower than last year's record high, but is still nearly double the historic average.

The County's General Fund revenues increased by $7.9 million from $352.6 million in fiscal year 2010-11 to $360.5 million in fiscal year 2011-12, an increase of about 2.2%. Intergovernmental aid from other governments caused the majority of the increase.

The County increased its expenditures by $6.6 million from $340.0 million in fiscal year 2010-11 to $346.6 million in fiscal year 2011-12, or about 1.9%. The increases were primarily in programs that were fund by aid from other governments with federal and state grants, such as health and sanitation programs. To maintain cost controls, employees agreed to continue the furloughs at approximately 7% during fiscal year 2011-12, 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 was able to increase its General Fund committed and assigned designations during the year. Total General Fund balance was $39.4 million at June 30, 2011, and increased by $2.8 million to $42.2 million at June 30, 2012. General Fund committed and assigned designations totaled $32.6 million at June 30, 2011, and increased by $3.5 million to $36.1 million at June 30, 2012, not including $2.2 million in encumbrance reserves for future purchase orders or contracts, $3.7 million of non-spendable fund balance, or $1 thousand in restricted fund balance. $2.0 million of this increase is from various assets that were transferred from the County's Community Redevelopment Agency to the General Fund during the year.

The County's fiscal year 2012-13 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 there are signs of recovery in our local economy, the County continues to employ strict cost control measures to balance its budget, including employee furloughs and concessions, service and program reductions and staffing cuts.

In June 2011, the County Board of Supervisors adopted a Fund Balance Policy in compliance with Governmental Accounting Standards Board Statement (GASB) 54, and established a minimum fund balance policy in the County General Fund of 7% of budgeted revenues. This policy not only met the requirements of GASB 54, but also will help the County maintain a stronger fiscal position to weather negative economic trends while still preserving flexibility.

At the State level, the California Legislative Analyst's Office is projecting an end to a decade of acute budget challenges. On November 6, 2012, California voters approved Proposition 30 to temporarily increase the statewide sales tax rate and also the income tax rates on wealthier individuals, raising 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 2012-13 and beyond.

The Legislative Analyst's Office is now projecting a deficit of $943 million in the State budget for fiscal year 2012-13 and another $936 million budget gap for fiscal year 2013-14, resulting in a combined deficit over the next eighteen months of nearly $1.9 billion. While still significant, this projected deficit is a fraction of what it has been in prior years, primarily due to the Proposition 30 tax increases. Statewide unemployment remains fairly high at about 8.2%, which is better than the record high of 9.6% two years ago, and is projected to continue declining over the next five years.

As part of the State's budget package for fiscal year 2011-12, the State legislature adopted Assembly Bill 109, the Public Safety Realignment Act, which became effective on October 1, 2011. This sweeping reform transfers responsibility for supervising specified lower-level inmates and parolees from the California Department of Corrections and Rehabilitation to counties, in exchange for increased funding. This initiative represents a considerable opportunity to provide a higher level of justice system effectiveness and public safety.

The State legislature also adopted Assembly Bill (AB) X1 26 as part of the fiscal year 2011-12 budget. AB X1 26 requires 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.

The California Public Employees Retirement System (CalPERS) pension fund, which Santa Cruz County employees participate in, will see significant and important changes in costs and benefits. In August 2012, the State legislature adopted a number of changes for state employees and local employees who participate in the 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 1.0% on its investments for the year ended June 30, 2012, following gains of 20.9% and 11.6% in the two 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 by at least 50%, which in prior years was caused mostly by poor actuarial projections of the cost of plan amendments and the CALPERS investment losses. In June 2010, CALPERS adopted an additional rate smoothing methodology designed to ease the impact of expected investment losses from earlier fiscal years by amortizing them over a fixed and declining 30-year period as opposed to the current rolling 30-year amortization period. County employees also participate in the CALPERS health insurance program, whose average premiums increased by 4.1% in 2012, and will increase by 9.6% for 2013.

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 continues to enforce laws and regulations that promote and protect the agricultural industry, people, and the environment. Our County is under quarantine for two invasive pests: the European Grape Vine Moth, and the Light Brown Apple Moth. The Department works closely with the State to ensure that its efforts coincide with State priorities and mandates.

- The Assessor's Office continued to see a large volume of assessment appeals due to the downturn in the real estate market with many of these properties receiving value reductions. The Assessor's Office is one of the primary team members which is designing and implementing the County's new property tax system.

- The County Recorder's Office installed a new electronic recording system and continued its goal of restoring historical official records by restoring 43 deed books. The Office began a project to convert vital records to digital images. Vital records currently on paper and 35mm microfilm will be digitized and indexed. Approximately 187,300 images from 1950-1984 will be converted to allow for more efficient access.

- The Auditor-Controller's Office was a key member of the team involved in replacing the County's property tax system. The system, which went live in September 2012, is continuing to be customized. This past year, the Office implemented a new program to automate payments for participating vendors using Commerce Bank's E-Payable program. The elimination of redevelopment agencies statewide, and the creation of the Successor Agencies including the County's Live Oak Redevelopment Agency, continues to require considerable staff effort in the Auditor-Controller's Office.

- Child Support Services focused on improving customer service, including reducing the wait time for court dates from 6 months to 45 days, increasing performance in collecting both current and past-due child support, and for the first time, ended the year above 60% in both measurements.

- The County Administrative Office again was challenged by the continuing economic conditions to present a balanced budget for fiscal year 2012-2013. Much effort was directed to the elimination of the County's Redevelopment Agency as a result of Assembly Bills AB 1X 26 and AB 1484. The County Administrative Officer played a critical role as Chair of the Allocation Working Group dealing with the statewide reallocation of public safety funds pursuant to the Public Safety Realignment Act. Another focus was working with departments and employee unions to renegotiate retirement and health benefits to achieve significant future savings. The Office also coordinated the realignment of Supervisorial District boundaries, and the issuance of Certificates of Participation bonds to finance infrastructure improvements.

- The County Clerk/Elections Office supported the June 5, 2012, Presidential Primary Election using newly redistricted political lines and a new Top Two Primary System. The Department continues to provide services in many areas such as issuing marriage licenses (1,552 issued), performing marriage ceremonies (367 performed), accepting passport applications (2,942 accepted), and issuing fictitious business statements (2,496 issued). The Department received a $25,000 grant from the Election Assistance Commission to study and establish vote auditing standards, a $25,000 grant from the Federal Voting Assistance Program to improve services to military and oversees votes, and a $23,000 grant from the Secretary of State to purchase accessibility equipment.

- 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 plastic bag ban, protecting residents in mobile home parks and issues involving the mandatory dissolution of Redevelopment Agencies.

- 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 the completion of multiple energy efficiency upgrade projects at various County sites. Installation of an electric vehicle charging station at the County Government Center with additional charging stations to be installed at the Emeline campus and in South County. The repair of the Santa Cruz Veterans' Memorial Building has begun, Phase I was completed during August 2012 and Phase II is scheduled to commence during 2013. 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 has been working to secure a contract with the Federal Government to implement the Low Income Health Program, a key component of the Federal 1115 waiver for health reform. This program runs January 2012 through December 2013, and provides eligible medical services to uninsured childless adults who are currently ineligible for California Medi-Cal program. The County's new Behavioral Health Unit (BHU) has been a particularly demanding project, including the purchase of land and the related land use and zoning approvals. The construction of the BHU began during the Summer 2012. In addition, there has been intensive and ongoing work in collaboration with the Probation and Sheriff's departments as well as with the community to implement the State Public Safety Realignment of AB 109 for intervention mental health and substance abuse services for AB 109 population.

Finally, the State 2011 Realignment of several programs including Managed Care Medi-Cal for specialty mental health, Drug Medi-Cal, and EPSDT has involved rigorous planning and implementation work for the Health Services Agency.

- The Human Services Department is heavily leveraged by federal and state funding. Ongoing high unemployment and poverty rates resulted in increased demand for many services. Unfortunately, continued state and local funding reductions have negatively impacted services in most areas, especially the Employment and Benefit Services (Medi-Cal, CalFresh, General Assistance, CalWORKs Cash Aid and Welfare to Work) and Family and Children's Services (Child Protection and Adoptions). Several initiatives were implemented to address the growing number of program applicants including Benefits CalWIN (an online, web-based application system), and Access CalWIN, (an interactive voice response system where applicants have 24 hour access to status information). Additionally, the Department was the recipient of two federal grants which provide increased support to foster families (Roots and Wings) and to parents of young children who are participants in Family Preservation Court due to their Substance Abuse.

- The Information Services Department's focus remains on modernizing the County's hardware and software, and consolidating support services. The migration of business processes off the mainframe computer is in its final phase, using vendor solutions as well as in-house development of specialized applications, with the General Ledger and Purchasing replacement becoming the focus. The Department's major migration project, County's new property tax system, went into production during September 2012.

- 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. Projects completed include Felt Street Neighborhood Park, East Cliff Drive Parkway, and energy conservation improvements at Simpkins Family Swim Center, water conservation improvements at Polo Grounds Park, and Phase Two of the Traffic Box Art Program.

- The Personnel and Risk Management Department continued to work closely with other departments and employee unions to retain as many employees as possible, in response to continuing budget reductions. In fiscal year 2011-2012, the County reduced budgeted positions by 152. Over the past four fiscal years, the County has reduced or unfunded 703 budgeted positions, approximately 30% of the work force. Fortunately, many of the reductions have been met through attrition and employee redeployment efforts. The Department also worked closely with employee unions through the collective bargaining process to restructure retiree health and pension benefits to improve the long term sustainability of these programs and reduce the County's future costs by approximately $25 million over the next eight budget years.

- The Planning Department continued work to simplify the County's land use regulations and associated processes during fiscal year 2011-2012, including adoption of a new Nonconforming Uses and Structures Ordinance, updated parking requirements, and streamlining of certain permit processes particularly for commercial uses. Consultants were hired and work on the Transit Corridors Plan for Sustainable Communities began. The Department prepared a Preliminary Draft Climate Action Strategy and continued work to finalize that Strategy for adoption by the Board of Supervisors. Several new affordable housing projects and grant-funded affordable housing programs were underway, with 140 new units under construction and many households assisted through security deposit, rental, first time homebuyer and housing rehabilitation programs.

- The Probation Department is one full year into the implementation of the first phase of the Community Corrections Partnership (CCP) Plan, which supports the goals of the Public Safety Realignment Act, Assembly Bill 109 (AB 109). The CCP has identified and contracted with a number of local agencies to provide evidenced based intervention services needed to address the criminogenic needs among the AB 109 population, reduce recidivism and increase public safety. The Department has documented policies and procedures for Deputy Probation Officers who are assigned to work exclusively with the AB 109 population and provide supervision and reentry services. Lastly, AB 109 funds are supporting the full implementation of the Maintaining Ongoing Stability through Treatment team, which provides integrated multidisciplinary support for persons with serious mental illness.

- The Public Works Department is currently completing the repair of damaged sites from the heavy rain storms in 2006, 2009, and 2011. The department was able to secure funding through the State Transportation Improvement Program for two of the most critical sites (Nelson Road and Redwood Lodge Road) and is pursuing an insurance claim to fund the remainder of the repairs to County roads damaged from the March 2011 storms. The department has completed the first phase of the Pajaro River Bench Excavation Project and continues its efforts to secure State and Federal funding to initiate both the second phase of the Pajaro River Bench Excavation Project and to complete the environmental documentation for the larger, Federal Pajaro River Flood Risk Reduction Project.

- The Sheriff's Office continues to take a progressive approach to implementing AB 109, The California Public Safety Realignment Act, including repurposing Roundtree Facilities for inmate success upon release. The Sheriff's Office is moving forward with plans to consolidate our operations at the Center for Public Safety in Live Oak. This central location will improve our ability to respond to county-wide 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. In its first year, the group seized 37 guns, up from 12 guns in the year before the task force.

- The Treasurer-Tax Collector's Office continues its work to expand a delinquent court fine collection program and a related Amnesty program, which was be fully implemented in 2012, 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. This Office also expanded the base of Transient Occupancy Tax revenues, was instrumental in the implementation of the Santa Cruz Tourism Marketing District, and is a key member of the team which is designing and implementing the County's new property tax system.

OTHER INFORMATION

State statutes require an annual audit by independent Certified Public Accountants. The firm of 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, 2011. 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

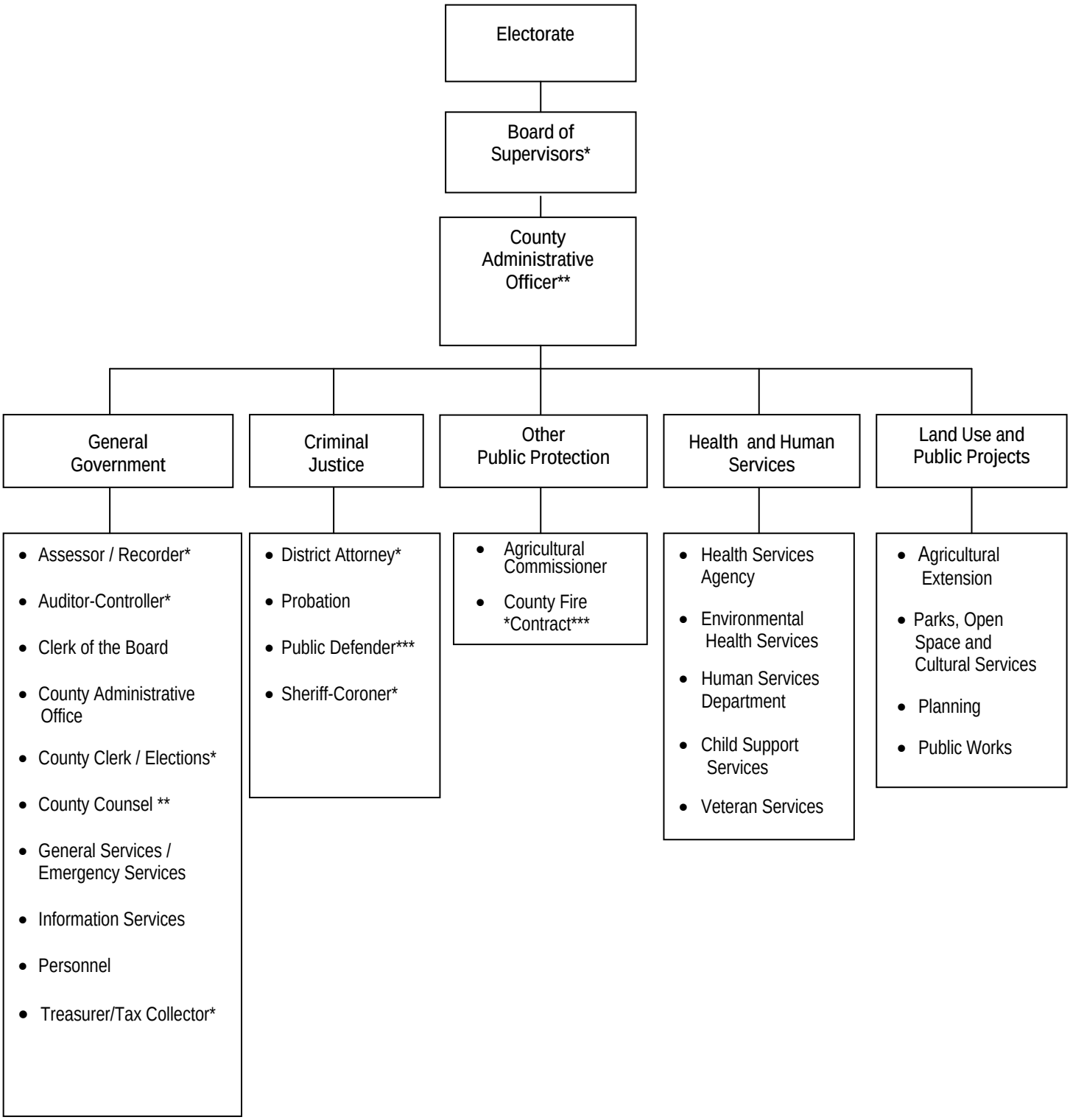
I wish to express my appreciation to my Accounting Division and Audit Division, the County departments that participated in the audit process, and Marcum LLP for their contributions, assistance, and guidance in the preparation of this report.

Respectfully submitted,

Mary Jo Walker

Mary Jo Walker
Auditor-Controller

COUNTY OF SANTA CRUZ



*Elected Official
**Appointed by the Board of Supervisors
***Contract

Directory of Public Officials

Elective Officers

		Term ends
Supervisor, 1st District	John Leopold	January 2013
Supervisor, 2nd District	Ellen Pirie	January 2013
Supervisor, 3rd District	Neal Coonerty	January 2015
Supervisor, 4th District	Greg Caput	January 2015
Supervisor, 5th District	Mark W. Stone	January 2013
State Senator, 11th District	S. Joseph Simitian	December 2012
State Senator, 15th District	Abel Maldonado	December 2012
State Assemblyman, 27th District	Bill Monning	December 2012
U.S. Congressman, 17th District	Sam Farr	December 2012
U.S. Senator	Dianne Feinstein	December 2012
U.S. Senator	Barbara Boxer	December 2016
U.S. Congresswoman	Anna G. Eshoo	December 2012
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
Affirmative Action Officer	Claire Schwartz
Agricultural Commissioner	MaryLou Nicoletti
County Counsel	Dana McRae
Director of Agricultural Extension	Laura Tourte
Director of Child Support Services	Kathy Sokolik
Director of General Services	Nancy Gordon
Director of Information Services	Kevin Bowling
Director of Human Services Department	Cecilia Espinola
Director of Planning	Kathy Previsich
Director of Public Works/Road Commissioner	John J. Presleigh
Health Officer	Dr. Poki Namkung
Health Services Administrator	Giang Nguyen
Parks, Recreation and Cultural Services	John J. Presleigh
Personnel Director	Michael McDougall
Probation Officer	Scott MacDonald
Redevelopment Agency Administrator	Betsey Lynberg
Veteran's Services Officer	Allan Moltzen

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Santa Cruz County California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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

President

Executive Director

THE GREAT SEAL OF THE COUNTY OF
1850
SINE PRAEJUDICIO
SANTA CRUZ

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, each major fund, and the aggregate remaining fund information of the County of Santa Cruz as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained further in Note 23, the California State Legislation enacted Assembly Bill X1 26 (the "Bill") that dissolved the County's redevelopment agency as of January 31, 2012. In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (Private-purpose trust fund). The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) to the Successor Agency is reported in the private-purpose trust fund as an extraordinary loss.

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2012, 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 and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 15 and 121 through 130, 132 and 154 through 165 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Marcum LLP

Marcum LLP
Certified Public Accountants
Irvine, California
December 21, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE GREAT SEAL OF THE COUNTY OF
1850
SINE PRAEJUDICIO
SANTA CRUZ

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, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at the close of the 2011-2012 fiscal year by $518,010,707 (*net assets*). Of this amount, a negative amount of $60,393,778 is unrestricted, $97,236,059 is restricted for specific purpose (*restricted net assets*), and $481,168,426 is invested in capital assets, net of related debt.

- The government's total net assets increased by $215,788,786. This increase is attributable primarily to the dissolution of the Redevelopment Agency by the State of California under ABx1 26 and the subsequent transfer of its assets to the County.

- As of June 30, 2012, the County's governmental funds reported combined ending fund balances of $189,853,157, a decrease of $16,152,691 in comparison with the prior year. Revenues decreased by approximately $5 million, as a result of the economic downturn affecting property taxes and assessed values. The majority of the decrease was due to the dissolution of the Redevelopment Agency resulting in an extraordinary loss from the transfer of the assets and liabilities of the former RDA.

- At the end of the fiscal year, the general fund reported an ending fund balance of $42,168,827, of which $3,739,439 was nonspendable, $1,000 was restricted, $13,706,385 was committed, and $24,722,003 was assigned as shown on page 29.

- The County's total long-term liabilities are $201,825,623, a decrease of $232,532,857 in comparison with the prior year. The decrease resulted primarily from the transfer of the former RDA's debt to the Successor Agency, which is now categorized as a private purpose trust fund in the Fiduciary section of the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 19-23 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, debt service, and capital projects). Information is presented separately in the governmental funds balance sheet and the statement of revenues, expenditures, and changes in fund balances for the general fund, 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 27-32 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 33-39 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 41-45 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 47-115 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 Debt Service Funds, Fiduciary Funds and certain special revenue funds, namely the Public Finance Authority, Geological Hazard Abatement Districts, and Health Realignment Funds. A budgetary comparison schedule has been provided for the General Fund and Redevelopment Agency special revenue fund to demonstrate compliance with these budgets. These can be found on pages 121-130 of this report.

Combining Statements and Schedules

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	$ 314,671,370	$ 300,225,543	$ 13,723,821	$ 13,548,601	$ 328,395,191	$ 313,774,144
Capital assets	503,433,421	505,882,169	25,767,490	26,364,793	529,200,911	532,246,962
Total assets	818,104,791	806,107,712	39,491,311	39,913,394	857,596,102	846,021,106
Liabilities:						
Current and other liabilities	136,860,615	108,352,956	899,157	1,103,870	$ 137,759,772	$ 109,456,826
Long-term liabilities	195,450,978	426,266,307	6,374,645	8,076,051	201,825,623	434,342,358
Total liabilities	332,311,593	534,619,263	7,273,802	9,179,921	339,585,395	543,799,184
Net Assets:						
Invested in capital assets, net of related debt	455,726,517	215,171,886	25,441,909	24,677,253	481,168,426	239,849,139
Restricted	96,979,978	117,712,872	256,081	253,114	97,236,059	117,965,986
Unrestricted	(66,913,297)	(61,396,309)	6,519,519	5,803,105	(60,393,778)	(55,593,204)
Total net assets	$ 485,793,198	$ 271,488,449	$ 32,217,509	$ 30,733,472	$ 518,010,707	$ 302,221,921

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the County, assets exceed liabilities by $518,010,707 at the close of the 2011-2012 fiscal year.

The portion of the County's net assets invested in capital assets, net of related debt, $481,168,426 (92.9%), reflects its investment in capital assets (e.g., land, building and structures, and equipment), less any debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets, $97,236,059 (18.8%), represents resources that are subject to external restrictions on how they may be used.

The County's net assets invested in capital assets, net of related debt, and the net assets subject to external restrictions exceed the County's total net assets by $60,393,778. This is primarily due to a decrease in capital asset related debt that transferred from the former Redevelopment Agency to the successor agency private purpose trust fund. The increase in Invested in capital assets, net of related debt resulted in a corresponding increase in negative Unrestricted Net Assets.

Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for services	$ 80,758,934	$ 75,346,424	$ 13,313,017	$ 12,805,164	$ 94,071,951	$ 88,151,588
Operating grants and contributions	207,264,093	199,688,794	572,873	289,233	207,836,966	199,978,027
Capital grants and contributions	8,015,684	11,298,311	345,142	1,096,766	8,360,826	12,395,077
General Revenues:						
Property taxes	97,715,702	109,836,678	25,155	24,503	97,740,857	109,861,181
Other taxes	16,043,928	15,264,684	-	-	16,043,928	15,264,684
Investment earnings	2,740,937	2,826,951	45,512	12,433	2,786,449	2,839,384
Miscellaneous	52,099,146	6,032,832	704,517	883,630	52,803,663	6,916,462
Gain (Loss) on sale of assets	1,004,899	(6,104)	1,955	-	1,006,854	(6,104)
Total revenues	465,643,323	420,288,570	15,008,171	15,111,729	480,651,494	435,400,299
Expenses:						
General government	27,417,095	39,206,170	-	-	$ 27,417,095	$ 39,206,170
Public protection	124,721,303	125,064,701	-	-	124,721,303	125,064,701
Public ways and facilities	32,192,222	36,694,245	-	-	32,192,222	36,694,245
Health and sanitation	113,241,653	107,497,459	-	-	113,241,653	107,497,459
Public assistance	105,834,823	101,990,442	-	-	105,834,823	101,990,442
Education	5,032,815	5,193,942	-	-	5,032,815	5,193,942
Recreation and cultural services	6,669,621	6,385,534	-	-	6,669,621	6,385,534
Interest on long-term debt	10,262,013	17,143,980	-	-	10,262,013	17,143,980
County Disposal Sites CSA	-	-	10,506,363	14,791,931	10,506,363	14,791,931
Boulder Creek CSA	-	-	294,996	298,788	294,996	298,788
Rolling Woods CSA	-	-	13,783	11,888	13,783	11,888
Septic Tank Maintenance CSA	-	-	943,587	1,050,368	943,587	1,050,368
Freedom County Sanitation District	-	-	857,006	825,336	857,006	825,336
Davenport Sanitation District	-	-	531,693	477,265	531,693	477,265
Place Del Mer CSA	-	-	37,481	69,680	37,481	69,680
Sand Dollar Beach CSA	-	-	264,900	315,430	264,900	315,430
Trestle Beach CSA	-	-	40,637	43,389	40,637	43,389
Summit West CSA	-	-	145	144	145	144
Graham Hill CSA	-	-	33,543	26,598	33,543	26,598
Total expenses	425,371,545	439,176,473	13,524,134	17,910,817	438,895,679	457,087,290
Revenues over/(under) expenditures	40,271,778	(18,887,903)	1,484,037	(2,799,088)	41,755,815	(21,686,991)
Extraordinary Gain(Loss) on RDA Dissolution	174,032,971	-	-	-	174,032,971	-
Change in net assets	214,304,749	(18,887,903)	1,484,037	(2,799,088)	215,788,786	(21,686,991)
Net assets, beginning of year	271,488,449	290,376,352	30,733,472	33,532,560	302,221,921	323,908,912
Net assets, end of year	$ 485,793,198	$ 271,488,449	$ 32,217,509	$ 30,733,472	$ 518,010,707	$ 302,221,921

Analysis of Change in Net Assets

The County's net assets increased by $215,788,786 during the current fiscal year. These increases are explained in the government and business-type activity discussion below.

- ***Governmental activities*** increased the County's net assets by $214,304,749, accounting for 99.3% of the total increase in net assets of the County. This increase resulted from an extraordinary gain that was recognized upon the dissolution of the Redevelopment Agency. There was also an increase in capital contributions under miscellaneous revenue of $46 million resulting from transfers made by the Successor Agency to the Housing Fund.

- ***Business-type activities*** increased by $1,484,037, only 0.7% of the total increase in net assets of the County. Expenditures decreased, particularly in CSA 9C, the County Disposal Site fund. Expenditures were $5 million less than the prior year due primarily to a decrease in the post-closure liability and other project expenses.

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, 2012, the County's governmental funds reported combined ending fund balances of $189,853,157, a decrease of $16,152,691 in comparison with the prior year. The components of total fund balance are as follows (see Note 20 – Fund Balances).

- Nonspendable fund balance, $53,622,372, 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 1,548,647, (2) advances and loans of $50,384,590, and (3) assets held for resale of $1,689,135.
- Restricted fund balance, $97,824,874, 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 $21,435,023, (2) debt service of $3,168,008, and (3) amounts restricted for capital asset acquisition of $73,221,843.
- Committed fund balance, $13,706,385, 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 $4,206,520, and General Government, Public Protection, Health and Sanitation and Public Assistance of $2,248,776 in total.
- Assigned fund balance of $24,722,003 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 $9,240,372, (3) liabilities of $851,881, and (4) human services of $400,000.
- Unassigned fund balance of negative $22,477 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 $414,707,575 in fiscal year 2011-2012, which represents a decrease of $4,801,353, or 1.1% from fiscal year 2010–2011. Expenditures for governmental functions totaling $416,592,098 decreased by $42,594,958, or 9.3%, from fiscal year 2010–2011. In the fiscal year 2011-2012, expenditures for governmental functions exceeded revenues by $1,884,523. Other financing sources including interfund transfers exceeded other financing uses by $57,597,478. An extraordinary loss on the dissolution of the Redevelopment Agency was recorded in the amount of -$71,865,646.

The general fund is the primary operating fund of the County. At June 30, 2012, the general fund's total fund balance was $42,168,827 of which $3,739,439 was nonspendable, and $38,429,388 was spendable. The spendable fund balance consists of $1,000 in restricted fund balance, $13,706,385 in committed fund balance, $24,722,003 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 12.2% of total General Fund expenditures while spendable fund balance is 11.1% of total General Fund expenditures.

The Housing Fund is a major fund of the County. At June 30, 2012, the nonspendable fund balance amount was $49,882,993, a 100% increase over the prior year, due to the transfer of loans receivable and deposits from the Redevelopment Successor Agency to this Housing function. The spendable (restricted) fund balance amount was $1,155,859, a decrease of $1,171,736 from the prior year. This decrease is mainly attributed to increases in housing loans and assistance to the public.

The Capital Projects Fund is also a major fund of the County. The total fund balance of $65,378,757 was spendable (restricted) at June 30, 2012, a decrease of $5,915,766 from the prior year. The decrease was due to a reduction of transfers in from the former Redevelopment Agency to cover related expenditures.

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

	2012	% of Total	2011	% of Total	Change
Taxes and assessments	$ 113,759,630	27.43	$ 125,101,363	29.82	$ (11,341,733)
Licenses and permits	10,355,966	2.50	9,046,275	2.16	1,309,691
Fines and forfeitures	4,736,919	1.14	5,200,302	1.24	(463,383)
Use of money and property	2,635,573	0.64	2,718,241	0.65	(82,668)
Intergovernmental	215,279,777	51.91	210,987,105	50.29	4,292,672
Charge for services	65,666,049	15.83	61,114,774	14.57	4,551,275
Other revenues	2,273,661	0.55	5,340,868	1.27	(3,067,207)
Total	$ 414,707,575	100%	$ 419,508,928	100%	$ (4,801,353)

The changes are due to a decrease in property tax revenues of approximately $11.3 million. This was offset by an increase in intergovernmental revenues of $4.3 million and an increase in charges for services of $4.5 million. Property values declined overall in the County in 2011-2012, due to the general economic downturn. Increases in intergovernmental contributions are from the realignment of State revenues from Assembly Bill 118 in Social Services for the 2011-2012 fiscal year, and increases in federal funding for health and mental health. The greatest increase in charges for services was in clinic and health service charges.

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

Expenditures Classified by Function
Governmental Funds

	2012	% of Total	2011	% of Total	Change
General government	$ 26,747,368	6.42	$ 29,083,881	6.33	$ (2,336,513)
Public protection	118,671,033	28.49	117,531,350	25.59	1,139,683
Public ways and facilities	32,073,605	7.70	37,534,316	8.17	(5,460,711)
Health and sanitation	107,809,876	25.88	104,190,892	22.69	3,618,984
Public assistance	101,203,719	24.29	99,119,969	21.59	2,083,750
Education	4,810,199	1.15	4,973,576	1.08	(163,377)
Recreation and culture	7,004,272	1.68	6,928,115	1.51	76,157
Capital outlay	-	0.00	35,416,922	7.71	(35,416,922)
Debt service - bond redemption	7,790,000	1.87	7,603,331	1.66	186,669
Debt service - issue cost	-	0.00	1,127,368	0.25	(1,127,368)
Debt service - interest and fiscal charges	10,482,026	2.52	15,677,335	3.41	(5,195,309)
Total	$ 416,592,098	100%	$ 459,187,055	100%	$ (42,594,957)

Overall expenditures decreased by $42.6 million, primarily due to a decrease in Capital Outlay for special projects. Debt service and redevelopment expenses decreased because of the transfer of long term debt and project expenses to the Redevelopment Successor Agency, a private purpose trust fund.

Other financing sources and uses are presented below, including changes from the prior year. There were several issues of long-term debt for the fiscal year 2011-2012. Bonds issued over the current year were the 2011 Certificates of Participation for $5,605,000, and the 2012 refunding of the 2002A Lease Revenue bond for $1,884,565 (County portion).

Other Financing Sources/(Uses)
Governmental Funds

	2012	% of Total	2011	% of Total	Change
Proceeds of long-term debt	$ 7,489,565	13.00	$ 35,410,000	104.34	$ (27,920,435)
Bond Premium/Discount	(23,157)	(0.04)	-	-	(23,157)
Inception of Capital Lease	80,266	0.14	123,484	0.36	(43,218)
Original issue costs	(247,884)	(0.43)	(914,269)	(2.69)	666,385
Payment to Refunding Escrow Agent	(1,399,253)	(2.43)	-	-	(1,399,253)
Sale of Capital Assets	1,138,814	1.98	-	-	1,138,814
Gain/(Loss) on land held for resale	(137,065)	(0.24)	(9,056)	(0.03)	(128,009)
Gain on Conversion of Receivables	5,024,265	8.72	-	-	5,024,265
Transfers in	37,590,848	65.26	145,035,363	427.37	(107,444,515)
Transfers out	(37,620,328)	(65.32)	(145,708,594)	(429.35)	108,088,266
Contributed Capital	45,701,407	79.35	-	-	45,701,407
Total	$ 57,597,478	100%	$ 33,936,928	100%	$ 23,660,550

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	
	General Fund	Housing Fund	Capital Projects Fund	Special Revenue Fund	Total
Revenues	$ 360,451,306	$ 761,060	$ 1,942,672	$ 51,552,537	$ 414,707,575
Expenditures	(346,547,151)	(2,207,524)	(9,865,752)	(57,971,671)	(416,592,098)
Net other financing sources/(uses)	(11,102,298)	50,157,661	2,007,314	16,534,801	57,597,478
Extrordinary Loss on Dissolution of RDA	-	-	-	(71,865,646)	(71,865,646)
Net Change in Fund Balances	2,801,857	48,711,197	(5,915,766)	(61,749,979)	(16,152,691)
Fund balances, beginning (restated)	39,366,970	2,327,595	71,294,523	93,016,760	206,005,848
Fund balances, ending	$ 42,168,827	$ 51,038,792	$ 65,378,757	$ 31,266,781	$ 189,853,157

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The County Disposal Sites CSA 9C had total net assets of $17,241,668 at June 30, 2012, of which $1,240,375 was unrestricted.

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

	Major Funds		
	County Disposal Sites CSA 9C	Nonmajor Funds	Total
Operating revenues	$ 10,745,918	$ 4,189,631	$ 14,935,549
Operating expenses	(9,875,817)	(2,921,262)	(12,797,079)
Net operating income	870,101	1,268,369	2,138,470
Net non-operating revenues/(expenses)	41,027	31,595	72,622
Change in net assets	$ 911,128	$ 1,299,964	$ 2,211,092

Total enterprise fund net assets increased by $2,211,092. Operating Revenues of $14,935,549 increased by $1,257,902 over the prior fiscal year due to an increase in customer charges, and from a reclassification of revenue from non-operating to operating compared to the prior year. Expenditures of $12,797,079 decreased by $4,436,700 over the prior year partially due to a decrease in the long term post-closure liability in CSA 9C.

Internal Service fund net assets decreased by $5,667,592 over the prior fiscal year. This was mostly due to losses in the Liability and Property Insurance internal service fund where expenditures and reserves for claims exceeded revenues by $5.6 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

After the adoption of the 2011–2012 fiscal year budget, the original General Fund budget was increased by $5,809,550 during the year, not including transfers out, primarily due to additional financial resources made available from the State and Federal Agencies for Probation, Public Assistance and Health and Sanitation. Actual expenditures in the General Fund were $20,339,827 less than the original budget, including transfers out.

The 2011–2012 total expenditures were $6,674,523, or 1.96%, greater than the prior fiscal year, not including transfers. This was largely due to the recording of a property tax liability from a recent state-wide court case in the amount of $1 million, increased spending in Public Protection due to additional funding from public safety realignment, and an increase of $3.6 million in spending in Health Services. General Fund actual revenues were $10,911,478 lower than the original budget. The majority of this was due to a difference of $23.9 million from the original budget originating from Transfers In, offset by $4.6 million increase in revenue in Aid from other Governments and a $7.1 million increase in Charges for Services over original budget.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2012 totaled $529,200,911 (net of accumulated depreciation of $358,512,679). These capital assets include land, construction in progress, infrastructure, buildings and structures, and equipment. The decrease in the County's capital assets for the 2011–2012 fiscal year was $3,046,051, or 5.72%.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the 2011-2012 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	
	2012	2011	2012	2011	2012	2011
Land	$ 59,319,954	$ 60,559,432	$ 1,858,849	$ 1,858,849	$ 61,178,803	$ 62,418,281
Construction in progress	36,060,149	35,769,328	136,993	2,916,942	36,197,142	38,686,270
Infrastructure	567,500,776	551,953,342	-	-	567,500,776	551,953,342
Buildings and structures	127,648,142	126,365,588	42,586,352	38,462,684	170,234,494	164,828,272
Equipment	42,349,698	42,020,361	10,252,677	10,330,945	52,602,375	52,351,306
Accumulated depreciation	(329,445,298)	(310,785,882)	(29,067,381)	(27,204,627)	(358,512,679)	(337,990,509)
Total	$ 503,433,421	$ 505,882,169	$ 25,767,490	$ 26,364,793	$ 529,200,911	$ 532,246,962

Capital Assets decreased in Governmental Activities by $2.45 million over the prior fiscal year due to increases in depreciation expense of $18.7 million offset by an increase in infrastructure expenditures of $15.5 million. Business-type capital assets decreased by $597,303 primarily due to increases in accumulated depreciation.

Additional information on the County's capital assets can be found in Note No. 7 on pages 78-80 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	
	2012	2011	2012	2011	2012	2011
Tax allocation bonds	$ -	$ 247,995,462	$ -	$ -	$ -	$ 247,995,462
Refunding certificates of participation	25,959,378	27,334,247	-	-	25,959,378	27,334,247
Lease revenue bonds	6,670,000	6,885,000	-	-	6,670,000	6,885,000
Lease revenue refunding bonds	1,866,100	1,404,002	-	-	1,866,100	1,404,002
Certificates of participation	33,024,107	29,109,706	-	-	33,024,107	29,109,706
Revenue bonds	655,000	1,060,000	-	-	655,000	1,060,000
Mandated payment	2,175,220	-	-	-	2,175,220	-
Loans payable	33,175	63,357	569,941	608,219	603,116	671,576
Capital leases	5,365,598	5,566,602	-	-	5,365,598	5,566,602
Total	$ 75,748,578	$ 319,418,376	$ 569,941	$ 608,219	$ 76,318,519	$ 320,026,595

For the governmental activities, the County had total long-term debt outstanding of $75,748,578 as compared to $319,418,376 the prior year (excluding compensated absences and estimated claims), a decrease of $243,669,798. During the year, there was new debt issued in the net amount of $9,738,826, and debt retired or reclassified in the amount of $253,408,624. The former redevelopment agency tax allocation bonds were transferred out to the Successor Agency private purpose fund in the amount of $247,995,242.

For the business-type activities, the County had total long-term debt outstanding of $569,941 as compared to $608,219 in the prior year (excluding post-closure liability), a decrease of $38,278, which represented the amount of retirement of debt for the year.

The County's total debt for all primary government activities decreased by $243,708,076 or 76.2%, during the current fiscal year (excluding compensated absences, estimated claims, and post-closure liability).

The component unit, Santa Cruz Sanitation District, had total long-term debt outstanding of $23,817,079 as compared to $26,361,365 in the prior year. This amount was comprised of $5,475,000 of Waste Water Revenue Refunding Bonds, $25,605 of unamortized bond premium, $540,000 of Limited Obligation Refunding Improvement Bonds, $17,701,985 of Loans Payable and $74,489 of Pollution Remediation Obligation. During the year, retirement of debt amounted to $2,567,775.

Additional information on the County's long-term debt can be found in Note No. 10 on pages 84-93 of this report.

REQUEST FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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County of Santa Cruz
Statement of Net Assets
June 30, 2012

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS				
Cash and investments	$ 219,309,042	$ 8,347,375	$ 227,656,417	$ 27,900,302
Restricted cash	10,595,294	5,752,837	16,348,131	1,443,622
Loans receivable	49,602,933	192,610	49,795,543	-
Receivables, net	28,029,747	774,876	28,804,623	-
Due from other funds	-	-	-	8,202
Deposits with others	520,000	-	520,000	-
Inventory	654,474	92,416	746,890	13,686
Prepaid items	1,514,914	-	1,514,914	-
Land held for resale	1,689,135	-	1,689,135	-
Notes receivable	-	-	-	55,077
Deferred charges	1,319,538	-	1,319,538	83,218
Internal balances	1,436,293	(1,436,293)	-	-
Capital assets:				
Nondepreciable assets	95,380,103	1,995,842	97,375,945	26,868,374
Depreciable assets, net	408,053,318	23,771,648	431,824,966	87,831,408
Total assets	818,104,791	39,491,311	857,596,102	144,203,889
LIABILITIES				
Payables	21,206,241	859,873	22,066,114	928,967
Accrued interest payable	1,042,782	-	1,042,782	394,921
Tax and revenue anticipation notes payable	33,658,167	-	33,658,167	-
Unearned revenue	42,276,323	-	42,276,323	-
Compensated absences:				
Due within one year	16,908,635	-	16,908,635	-
Due in more than one year	8,970,605	-	8,970,605	-
Estimated claims:				
Due within one year	16,809,896	-	16,809,896	-
Due in more than one year	27,477,456	-	27,477,456	-
Other long-term liabilities:				
Due within one year	4,958,571	39,284	4,997,855	2,453,203
Due in more than one year	70,790,007	6,374,645	77,164,652	21,289,387
Pollution remediation obligation	-	-	-	74,489
OPEB Liability	88,212,910	-	88,212,910	-
Total liabilities	332,311,593	7,273,802	339,585,395	25,140,967
NET ASSETS				
Invested in capital assets, net of related debt	455,726,517	25,441,909	481,168,426	90,957,192
Restricted for:				
Debt service	3,168,008	-	3,168,008	1,443,622
Capital asset acquisition	73,221,843	-	73,221,843	-
Public safety	5,493,140	-	5,493,140	-
Health and public assistance	917,081	-	917,081	-
Public ways and facilities	14,179,906	-	14,179,906	-
Other	-	256,081	256,081	-
Unrestricted	(66,913,297)	6,519,519	(60,393,778)	26,662,108
Total net assets	$ 485,793,198	$ 32,217,509	$ 518,010,707	$ 119,062,922

See accompanying Notes to Basic Financial Statements.

County of Santa Cruz
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues: Fees, Fines & Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Total
Primary government:					
Governmental activities:					
General government	$ 27,417,095	$ 17,694,683	$ 2,749,312	$ 654,328	$ 21,098,323
Public protection	124,721,303	20,623,171	35,548,722	980,958	57,152,851
Public ways and facilities	32,192,222	6,681,760	7,838,256	5,808,075	20,328,091
Health and sanitation	113,241,653	32,727,732	86,235,822	314,483	119,278,037
Public assistance	105,834,823	301,240	74,601,012	257,840	75,160,092
Education	5,032,815	-	101,384	-	101,384
Recreation and cultural services	6,669,621	2,730,348	3,931	-	2,734,279
Debt Service	10,262,013	-	185,654	-	185,654
Total governmental activities	425,371,545	80,758,934	207,264,093	8,015,684	296,038,711
Business-type activities:					
County Disposal Sites CSA 9C	10,506,363	9,939,241	102,160	-	10,041,401
Boulder Creek CSA 7	294,996	427,195	-	-	427,195
Rolling Woods CSA 10	13,783	11,942	-	-	11,942
Septic Tank Maintenance CSA 12	943,587	916,150	-	-	916,150
Freedom County Sanitation District	857,006	1,061,374	-	-	1,061,374
Davenport Sanitation District	531,693	420,238	470,713	345,142	1,236,093
Place de Mer CSA 2	37,481	82,964	-	-	82,964
Sand Dollar Beach CSA 5	264,900	309,389	-	-	309,389
Trestle Beach CSA 20	40,637	56,632	-	-	56,632
Summit West CSA 54	145	-	-	-	-
Graham Hill CSA 57	33,543	87,892	-	-	87,892
Total business-type activities	13,524,134	13,313,017	572,873	345,142	14,231,032
Total primary government	$ 438,895,679	$ 94,071,951	$ 207,836,966	$ 8,360,826	$ 310,269,743
Component unit:					
Santa Cruz County Sanitation District	$ 17,687,071	$ 20,610,749	$ 2,078,449	$ 48,514	$ 22,737,712

General Revenues:

Taxes:

Property taxes

Property transfer fees

Sales and use taxes

Transient occupancy taxes

Other taxes

Total taxes

Interest and investment earnings

Miscellaneous

Gain on sale of assets

Total general revenues

Change in net assets before extraordinary item

Extraordinary Item

Change in net assets

Net assets - beginning of year

Net assets - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-Type Activities	Total	Component Unit
$ (6,318,772)	$ -	$ (6,318,772)	
(67,568,452)	-	(67,568,452)	
(11,864,131)	-	(11,864,131)	
6,036,384	-	6,036,384	
(30,674,731)	-	(30,674,731)	
(4,931,431)	-	(4,931,431)	
(3,935,342)	-	(3,935,342)	
(10,076,359)	-	(10,076,359)	
(129,332,834)	-	(129,332,834)	
-	(464,962)	(464,962)	
-	132,199	132,199	
-	(1,841)	(1,841)	
-	(27,437)	(27,437)	
-	204,368	204,368	
-	704,400	704,400	
-	45,483	45,483	
-	44,489	44,489	
-	15,995	15,995	
-	(145)	(145)	
-	54,349	54,349	
-	706,898	706,898	
$ (129,332,834)	$ 706,898	$ (128,625,936)	
			$ 5,050,641
97,715,702	25,155	97,740,857	89,946
1,528,127	-	1,528,127	-
8,378,174	-	8,378,174	-
4,604,773	-	4,604,773	-
1,532,854	-	1,532,854	-
113,759,630	25,155	113,784,785	89,946
2,740,937	45,512	2,786,449	169,058
52,099,146	704,517	52,803,663	-
1,004,899	1,955	1,006,854	13,088
169,604,612	777,139	170,381,751	272,092
40,271,778	1,484,037	41,755,815	5,322,733
174,032,971	-	174,032,971	-
214,304,749	1,484,037	215,788,786	5,322,733
271,488,449	30,733,472	302,221,921	113,740,189
$ 485,793,198	$ 32,217,509	$ 518,010,707	$ 119,062,922

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FUND FINANCIAL STATEMENTS

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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 rehabiliation 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.

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

THE GREAT SEAL OF THE COUNTY OF
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County of Santa Cruz
Balance Sheet
Governmental Funds
June 30, 2012

	Major Funds				
	General Fund	Housing Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 105,370,800	$ 1,225,391	$ 65,117,622	$ 21,097,890	$ 192,811,703
Restricted cash and investments	-	-	-	10,595,294	10,595,294
Receivables, net	26,693,872	5,385	788,113	222,103	27,709,473
Due from other funds	26,451	-	15,000	4,721,449	4,762,900
Loans receivable	-	49,602,933	-	-	49,602,933
Deposits with others	90,000	280,000	-	-	370,000
Inventory	25,481	-	-	-	25,481
Prepaids	1,474,186	-	-	-	1,474,186
Land held for resale	1,689,135	-	-	-	1,689,135
Advances to other funds	-	-	-	1,247,102	1,247,102
Total assets	$ 135,369,925	$ 51,113,709	$ 65,920,735	$ 37,883,838	$ 290,288,207
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	$ 17,636,876	$ 74,917	$ 526,978	$ 1,492,980	$ 19,731,751
Tax and revenue anticipation notes payable	33,658,167	-	-	-	33,658,167
Due to other funds	-	-	15,000	4,753,809	4,768,809
Deferred revenue	41,906,055	-	-	370,268	42,276,323
Total liabilities	93,201,098	74,917	541,978	6,617,057	100,435,050
Fund Balances:					
Nonspendable	3,739,439	49,882,933	-	-	53,622,372
Restricted	1,000	1,155,859	65,378,757	31,289,258	97,824,874
Committed	13,706,385	-	-	-	13,706,385
Assigned	24,722,003	-	-	-	24,722,003
Unassigned	-	-	-	(22,477)	(22,477)
Total fund balances	42,168,827	51,038,792	65,378,757	31,266,781	189,853,157
Total liabilities and fund balances	$ 135,369,925	$ 51,113,709	$ 65,920,735	$ 37,883,838	$ 290,288,207

See accompanying Notes to Basic Financial Statements.

County of Santa Cruz

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets

June 30, 2012

Total Fund Balances - Total Governmental Funds		$ 189,853,157
Amounts reported for Governmental Activities in the Statement of Net Assets were different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. (Net of $4,855,922 of internal service fund capital assets)		498,577,499
Bond issuance costs from issuing debt are reported in the governmental funds when the debt is first issued. However, these amounts are deferred and subject to capitalization and amortization in the Government-Wide Financial Statements (Statement of Activities).		1,319,538
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Assets:		
Internal service funds included in governmental activities		(17,248,263)
Transfer of internal service funds to business-type activities		(295,803)
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	(25,959,378)	
Lease revenue bonds	(6,670,000)	
Lease revenue refunding bonds, including premium	(1,866,100)	
Certificates of participation, including premium	(33,024,107)	
Revenue bonds	(655,000)	
McGaffigan Mill Road Association	(33,175)	
Scotts Valley Writ of Mandate	(2,175,220)	
OPEB Liability	(88,212,910)	
Compensated absences	(21,437,389)	
Capital leases	(5,336,869)	(185,370,148)
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.		(1,042,782)
Net Assets of Governmental Activities		$ 485,793,198

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, 2012

	Major Funds				
	General Fund	Housing Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	$ 88,406,635	$ -	$ -	$ 25,352,995	$ 113,759,630
Licenses and permits	10,355,966	-	-	-	10,355,966
Fines, forfeits and penalties	4,660,530	-	35,326	41,063	4,736,919
Use of money and property	1,720,668	12,108	751,235	151,562	2,635,573
Aid from other governments	198,723,877	551,750	822,896	15,181,254	215,279,777
Charges for services	54,524,658	187,324	235,618	10,718,449	65,666,049
Other	2,058,972	9,878	97,597	107,214	2,273,661
Total revenues	360,451,306	761,060	1,942,672	51,552,537	414,707,575
EXPENDITURES:					
Current:					
General government	26,597,298	-	-	150,070	26,747,368
Public protection	106,679,270	-	-	11,991,763	118,671,033
Public ways and facilities	190,609	-	9,865,752	22,017,244	32,073,605
Health and sanitation	107,809,876	-	-	-	107,809,876
Public assistance	98,996,195	2,207,524	-	-	101,203,719
Education	108,666	-	-	4,701,533	4,810,199
Recreation and culture	5,800,735	-	-	1,203,537	7,004,272
Debt service:					
Principal	-	-	-	7,790,000	7,790,000
Interest and fiscal charges	364,502	-	-	10,117,524	10,482,026
Total expenditures	346,547,151	2,207,524	9,865,752	57,971,671	416,592,098
REVENUES OVER (UNDER) EXPENDITURES	13,904,155	(1,446,464)	(7,923,080)	(6,419,134)	(1,884,523)
OTHER FINANCING SOURCES (USES):					
Proceeds of long-term debt	-	-	-	7,489,565	7,489,565
Bond premium/discount	-	-	-	(23,157)	(23,157)
Inception of capital lease	80,266	-	-	-	80,266
Costs of issuance	-	-	-	(247,884)	(247,884)
Payment to bond ref escrow agent	-	-	-	(1,399,253)	(1,399,253)
Sale of capital assets	5,157	-	1,124,058	9,599	1,138,814
(Loss) on land held for resale	(137,065)	-	-	-	(137,065)
Gain on conversion of receivables	-	-	-	5,024,265	5,024,265
Transfers in	2,569,154	4,456,254	7,460,680	23,104,760	37,590,848
Transfers out	(13,619,810)	-	(6,577,424)	(17,423,094)	(37,620,328)
Contributed capital	-	45,701,407	-	-	45,701,407
Total other financing sources (uses)	(11,102,298)	50,157,661	2,007,314	16,534,801	57,597,478
Change in Fund Balance Before Extraordinary Item	2,801,857	48,711,197	(5,915,766)	10,115,667	55,712,955
Extraordinary Item	-	-	-	(71,865,646)	(71,865,646)
Net change in fund balances	2,801,857	48,711,197	(5,915,766)	(61,749,979)	(16,152,691)
FUND BALANCES:					
Beginning of year	39,366,970	2,327,595	71,294,523	93,016,760	206,005,848
End of year	$ 42,168,827	$ 51,038,792	$ 65,378,757	$ 31,266,781	$ 189,853,157

See accompanying Notes to Basic Financial Statements.

County of Santa Cruz

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets

For the year ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds		$ (16,152,691)
Amounts reported for governmental activities in the Statement of Activities were different because:		
Governmental funds reported acquisition of capital assets as part of capital outlay expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense:		
Expenditures for general capital assets, infrastructure, and other related capital assets	18,715,605	
Retirement of capital assets	(1,464,302)	
Less current year depreciation	(19,147,549)	(1,896,246)
Issuance of long-term debt provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets. Also, governmental funds report the effect of issuance costs, premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:		
Certificates of participation issued	(5,600,308)	
Lease revenue refunding bonds issued	(1,866,100)	
Inception of capital lease	(83,168)	
Other long-term debt issued - Scotts Valley Writ of Mandate	(2,175,220)	(9,724,796)
Repayment of debt principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets:		
Redevelopment Agency Bonds	4,115,000	
Refunding certificates of participation	1,375,000	
Certificates of participation	1,680,000	
Lease revenue bonds	215,000	
Lease revenue refunding bonds	1,364,112	
Revenue bonds	405,000	
McGaffigan Mill Road HOA	30,182	
Capital leases	290,088	9,474,382
Some expenses reported in the Governmental-Wide Statement of Activities and Changes in Net Assets do not require the use of current financial resources. Therefore, they are not reported as expenditures in governmental funds:		
Amortization of bond premium/discount	28,469	
Amortization of bond issuance costs	(229,220)	
Change in accrued interest payable	(1,263,618)	
Change in compensated absences	(458,525)	(1,922,894)
OPEB obligation costs do not require current resources, so it is not reported on the governmental funds		(6,431,086)
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.		(5,667,592)
Reverse of prior year transfer of internal service funds to business-type activities		1,022,858
Transfer of internal service funds to business-type activities		(295,803)
Change in Net Assets of Governmental Activities before Extraordinary Item		(31,593,868)
Change in Extraordinary Item **(Refer to Redevelopment Successor Agency Note 1 on pg 113 for reconciliation)**		245,898,617
Change in Net Assets of Governmental Activities		$ 214,304,749

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.

THE GREAT SEAL OF THE COUNTY OF
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SINE PRAEJUDICIO
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County of Santa Cruz
Statement of Net Assets
Proprietary Funds
June 30, 2012

	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	$ 2,748,419	$ 5,598,956	$ 8,347,375	$ 26,497,339
Restricted cash	5,709,363	43,474	5,752,837	-
Receivables	627,524	147,352	774,876	320,275
Due from other funds	-	-	-	568,098
Deposits with others	-	-	-	150,000
Inventory	92,416	-	92,416	628,993
Prepaid items	-	-	-	40,728
Total current assets	9,177,722	5,789,782	14,967,504	28,205,433
Noncurrent assets:				
Loans receivable	-	192,610	192,610	-
Capital assets:				
Non-depreciable:				
Land	1,858,848	-	1,858,848	97,087
Construction in progress	-	136,994	136,994	1,247,396
Depreciable:				
Buildings and structures	25,730,812	16,855,541	42,586,353	2,942,054
Equipment	10,092,471	159,511	10,251,982	23,997,919
Accumulated depreciation	(21,882,442)	(7,184,245)	(29,066,687)	(23,428,534)
Capital assets, net	15,799,689	9,967,801	25,767,490	4,855,922
Total noncurrent assets	15,799,689	10,160,411	25,960,100	4,855,922
Total assets	24,977,411	15,950,193	40,927,604	33,061,355
LIABILITIES				
Current liabilities:				
Payables	644,654	215,219	859,873	1,466,288
Due to other funds	-	484,994	484,994	85,398
Advances from other funds	1,247,102	-	1,247,102	-
Current portion of long-term liabilities	-	39,284	39,284	28,729
Claims liability	-	-	-	16,809,896
Compensated absences, due within one year	-	-	-	2,777,873
Total current liabilities	1,891,756	739,497	2,631,253	21,168,184
Noncurrent liabilities:				
Long-term liabilities	-	530,658	530,658	-
Claims liability	-	-	-	27,477,456
Closure and postclosure care costs liability	5,843,987	-	5,843,987	-
Compensated absences, due in more than one year	-	-	-	1,663,978
Total noncurrent liabilities	5,843,987	530,658	6,374,645	29,141,434
Total liabilities	7,735,743	1,270,155	9,005,898	50,309,618
NET ASSETS				
Invested in capital assets, net of related debt	15,799,689	9,642,220	25,441,909	4,827,193
Restricted for:				
Debt Service	201,604	54,477	256,081	-
Unrestricted	1,240,375	4,983,341	6,223,716	(22,075,456)
Total net assets	17,241,668	14,680,038	31,921,706	(17,248,263)
Total liabilities and Net Assets	$ 24,977,411	$ 15,950,193	$ 40,927,604	$ 33,061,355

Net Assets of Business-type Activities	$ 31,921,706
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	295,803
Net Assets of Business-type Activities per Government-Wide Financial Statements	$ 32,217,509

See accompanying Notes to Basic Financial Statements.

County of Santa Cruz
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES:				
Charges for services	$ 9,939,241	$ 3,373,776	$ 13,313,017	$ 61,418,882
Aid from other governments	102,160	815,855	918,015	-
Other revenues	704,517	-	704,517	285,438
Total operating revenues	10,745,918	4,189,631	14,935,549	61,704,320
OPERATING EXPENSES:				
Salaries and employee benefits	-	-	-	33,756,225
Services and supplies	8,333,975	2,522,082	10,856,057	13,784,708
Insurance and compensation claims	-	-	-	18,500,250
Depreciation and amortization	1,541,842	399,180	1,941,022	1,368,871
Other	-	-	-	122,650
Total operating expenses	9,875,817	2,921,262	12,797,079	67,532,704
OPERATING INCOME (LOSS)	870,101	1,268,369	2,138,470	(5,828,384)
NONOPERATING REVENUES (EXPENSES):				
Gain/(loss) on disposal of capital assets	1,955	-	1,955	3,150
Interest and investment income	39,072	22,679	61,751	105,364
Interest expense		(16,239)	(16,239)	-
Property taxes	-	25,155	25,155	-
Total nonoperating revenues	41,027	31,595	72,622	108,514
INCOME (LOSS) BEFORE OPERATING TRANSFERS	911,128	1,299,964	2,211,092	(5,719,870)
OPERATING TRANSFERS:				
Capital contributions	-	-	-	22,798
Transfers in	-	-	-	29,480
Total operating transfers	-	-	-	52,278
Net income (loss)	911,128	1,299,964	2,211,092	(5,667,592)
NET ASSETS:				
Beginning of year	16,330,540	13,380,074	29,710,614	(11,580,671)
End of year	$ 17,241,668	$ 14,680,038	$ 31,921,706	$ (17,248,263)

Net Income of Business-type Activities	$ 2,211,092
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(727,055)
Net Income of Business-type Activities per Government-Wide Financial Statements	$ 1,484,037

See accompanying Notes to Basic Financial Statements.

THE GREAT SEAL OF THE COUNTY OF
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County of Santa Cruz
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	$ 10,642,842	$ 3,385,931	$ 14,028,773	$ 30,333,158
Receipts from other governments	102,160	815,855	918,015	-
Receipts from interfund services provided	-	-	-	31,320,652
Payments to suppliers for goods and services	(3,947,649)	(1,604,291)	(5,551,940)	(25,079,094)
Payments to employees for services	-	-	-	(34,740,148)
Payments to interfund services used	(5,998,078)	(933,242)	(6,931,320)	-
Other receipts/(payments)	-	-	-	(28,797)
Net cash provided by operating activities	799,275	1,664,253	2,463,528	1,805,771
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	115,611		115,611	315,427
Transfers to other funds	(197,902)	(285,948)	(483,850)	-
Principal paid on other long-term liabilities	-	(11,319)	(11,319)	-
Interest paid on other long-term liabilities	-	(6,648)	(6,648)	-
Property taxes	-	25,369	25,369	-
Subsidies from other governmental agencies	158,928	126,326	285,254	-
Net cash provided (used) by noncapital financing activities	76,637	(152,220)	(75,583)	315,427
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital contributions	-	-	-	22,798
Proceeds from sale of capital assets	1,956	-	1,956	20,462
Purchase of capital assets	(1,126)	(1,481,779)	(1,482,905)	(731,656)
Principal paid on long-term debt	(200,000)	(26,959)	(226,959)	(6,552)
Interest paid on long-term debt	(46,826)	(9,591)	(56,417)	(1,939)
Loan proceeds	-	-	-	77,196
Loan repayments	-	-	-	(179,642)
Net cash (used) by capital and related financing activities	(245,996)	(1,518,329)	(1,764,325)	(799,333)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends received	39,072	22,679	61,751	106,994
Net cash provided (used) by investing activities	39,072	22,679	61,751	106,994
Net increase in cash and cash equivalents	668,988	16,383	685,371	1,428,859
CASH AND CASH EQUIVALENTS:				
Beginning of year	7,788,794	5,626,047	13,414,841	25,068,480
End of year	$ 8,457,782	$ 5,642,430	$ 14,100,212	$ 26,497,339

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, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY:				
Operating activities:				
Operating income (loss)	$ 870,101	$ 1,268,369	$ 2,138,470	$ (5,828,384)
Adjustments to reconcile operating income (loss) to net cash (used) by operating activities:				
Depreciation	1,541,842	399,180	1,941,022	1,368,871
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	(918)	12,156	11,238	(58,509)
Inventory	10,564	-	10,564	(113,434)
Prepaid items	-	-	-	(15,015)
Increase (decrease) in:				
Payables	(42,480)	(15,452)	(57,932)	6,284,711
Due to other funds	82,288	-	82,288	-
Closure and postclosure care liability	(1,662,122)	-	(1,662,122)	-
Compensated absences	-	-	-	167,531
Net cash provided by operating activities	$ 799,275	$ 1,664,253	$ 2,463,528	$ 1,805,771

(Concluded)

See accompanying Notes to Basic Financial Statements.

THE GREAT SEAL OF THE COUNTY OF
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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.

THE GREAT SEAL OF THE COUNTY OF
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County of Santa Cruz
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Agency Funds	Investment Trust Fund	Private Purpose Trust Fund	Total
ASSETS				
Cash and investments	$ 34,646,699	$ 248,393,802	$ 15,168,191	$ 298,208,692
Restricted cash with fiscal agents	-	-	12,956,267	12,956,267
Receivables	15,845,537	-	-	15,845,537
Deferred bond issuance costs	-	-	3,824,455	3,824,455
Capital assets, net	-	-	15,087	15,087
Total assets	$ 50,492,236	248,393,802	31,964,000	$ 330,850,038
LIABILITIES				
Accounts payable	$ 6,738,258	$ -	$ 192,918	$ 6,931,176
Interest payable	-	-	4,703,499	4,703,499
Compensated absences	-	-	52,296	52,296
Due to other governmental units	22,827,695	-	-	22,827,695
Agency funds held for others	20,926,283	-	-	20,926,283
Long-term debt	-	-	243,909,943	243,909,943
Total liabilities	$ 50,492,236	-	248,858,656	$ 299,350,892
NET ASSETS	$ -	$ 248,393,802	$ (216,894,656)	$ 31,499,146

See accompanying Notes to Basic Financial Statements.

THE GREAT SEAL OF THE COUNTY OF
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County of Santa Cruz
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended and Five Months Ended June 30, 2012

	Year Ended June 30, 2012 Investment Trust Fund	Five Months Ended June 30, 2012 Private Purpose Trust Fund	Total
ADDITIONS / REVENUES:			
ADDITIONS:			
Contribution from investment pool	$ 1,181,153,901	$ -	$ 1,181,153,901
Use of money and property	2,771,639	-	2,771,639
Total Additions	1,183,925,540	-	1,183,925,540
REVENUES:			
Interest earnings	-	17,966	17,966
Tax increment received	-	8,388,548	8,388,548
Total Revenues	-	8,406,514	8,406,514
Total Additions / Revenues	1,183,925,540	8,406,514	1,192,332,054
DEDUCTIONS / EXPENDITURES:			
Deductions:			
Distributions from investment pool	1,206,226,614	-	1,206,226,614
Total Deductions	1,206,226,614	-	1,206,226,614
Expenditures:			
Public ways and facilities	-	(413,741)	(413,741)
Interest and fiscal charges on long term debt	-	5,980,534	5,980,534
Total Expenditures	-	5,566,793	5,566,793
Total Deductions / Expenditures	1,206,226,614	5,566,793	1,211,793,407
ADDITIONS / REVENUES OVER (UNDER) DEDUCTIONS / EXPENDITURES	(22,301,074)	2,839,721	(19,461,353)
OTHER FINANCING SOURCES (USES):			
Transfers in from escrow account	-	1	1
Capital contributed to Housing Fund	-	(45,701,407)	(45,701,407)
Total other financing sources (uses)	-	(45,701,406)	(45,701,406)
EXTRAORDINARY ITEM	-	(174,032,971)	(174,032,971)
Net Increase (Decrease) in Net Assets	(22,301,074)	(216,894,656)	(239,195,730)
Net Assets held in trust - beginning of year	270,694,876	-	270,694,876
Net Assets held in trust - end of year	$ 248,393,802	$ (216,894,656)	$ 31,499,146

See accompanying Notes to Basic Financial Statements.

THE GREAT SEAL OF THE COUNTY OF
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NOTES TO BASIC FINANCIAL STATEMENTS

THE GREAT SEAL OF THE COUNTY OF
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County of Santa Cruz
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For the year ended June 30, 2012

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THE GREAT SEAL OF THE COUNTY OF
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SINE PRAEJUDICIO
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity, Continued

Blended Component Units, Continued

Santa Cruz County Redevelopment Agency

The Santa Cruz County Redevelopment Agency (Agency) was established by the Board for the purpose of financing improvement projects in the Live Oak/Soquel areas. The Agency is governed by the Board. The Board establishes the Agency's work program and adopts the Agency's budget. Administrative services are provided by the Agency. Pursuant to the provisions of the Redevelopment Restructuring Act, the Santa Cruz County Redevelopment Successor Agency (Successor Agency) was created, and all of the assets, liabilities and obligations of the former RDA were transferred to the Successor Agency on February 1, 2012, as explained further on page 113 in Note 1 of Notes to the Private Purpose Trust Fund.

Santa Cruz County Public Financing Authority

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

Discretely Presented Component Unit

Santa Cruz County Sanitation District

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

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

- Library
- Fire
- Off Highway, Road and Transportation
- Public Financing Authority
- Fish and Game
- Park Dedication and State Park Bonds
- Health Services
- Santa Cruz County Flood Control and Water Conservation Zone 7

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

Districts Governed by the Board of Supervisors

Public Protection

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

Health and Sanitation

- Pasatiempo Rolling Woods Sewer District

Recreation and Culture

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

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

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, liabilities, fund balance, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purpose of which they are to be spent and means by which spending activities are controlled.

New Accounting Pronouncements

Government Accounting Standards Board Statement No. 60

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.* This statement 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. Common examples of SCAs include long-term arrangements in which a government engages a company or another government to operate a major capital asset in return for the right to collect fees from users of the capital asset. Application of this Statement is effective for the County's fiscal year ending June 30, 2013.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. GASB 61 is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, to better meet the needs of users and address reporting entity issues that have come to light since these statements were issued in 1991 and 1999, respectively. This Statement 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. Application of this Statement is effective for the County's fiscal year ending June 30, 2013.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board ("FASB") Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure

This Statement will improve 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. Application of this Statement is effective for the County's fiscal year ending June 30, 2013.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The requirements of this Statement are effective for the County's fiscal year ending June 30, 2013.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government–Wide Financial Statements

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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

Governmental Fund Financial Statements

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

The County reports the following major governmental funds:

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

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.

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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

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

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

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

Proprietary Fund Financial Statements

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

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

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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

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

Fiduciary Fund Financial Statements

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

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

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

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, liabilities, and activities of the County of Santa Cruz Redevelopment Agency Successor Agency.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash, Cash Equivalents and Investments, Continued

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."

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.*"

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets, Continued

Fund Financial Statements

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

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

G. Land Held for Resale

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

H. Long-Term Debt

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

I. Compensated Absences

Government-Wide Financial Statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Compensated Absences, Continued

Fund Financial Statements

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

J. Claims Payable

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

K. Unearned and Deferred Revenue

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

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

L. Net Assets and Fund Balances

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Net Assets 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Net Assets 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, 2012, the County's Reserve for Working Capital fund balance was $6,000,000.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Net Assets 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, 2012, the County's Reserve for Economic Uncertainty fund balance was $4,206,520.

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, 2012, the County's Reserve for Natural Disasters fund balance was $1,251,089.

M. Property Tax Levy, Collection and Maximum Rates

The State of California Constitution, Article XIIIA 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 XIIIA 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

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

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

N. Use of Estimates

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

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, 2012, was distributed on the second business day during July 2012, and is shown as part of receivables on the financial statements.

The following is a summary of cash and investments at June 30, 2012:

	Government-Wide Statement of Net Assets			
	Primary Governments			Component Unit
	Governmental Activities	Business-Type Activities	Total	Santa Cruz County Sanitation District
Cash and Investments	$ 219,309,042	$ 8,347,375	$ 227,656,417	$ 27,900,302
Restricted Cash and Investments	10,595,294	5,752,837	16,348,131	1,443,622
Total Cash and Investments	$ 229,904,336	$ 14,100,212	$ 244,004,548	$ 29,343,924

	Fiduciary Funds			
	Agency Funds	Investment Trust Fund	Private Purpose Trust Fund	County Total
Cash and Investments	$ 34,646,699	$ 248,393,802	$ 15,168,191	$ 553,765,411
Restricted Cash and Investments	-	-	12,956,267	$ 30,748,020
Total Cash and Investments	$ 34,646,699	$ 248,393,802	$ 28,124,458	$ 584,513,431

	Cash and Investments	Restricted Cash and Investments	Total
Primary Government and Fiduciary Funds:			
Cash on hand or imprest cash	$ 1,637,894	$ -	$ 1,637,894
Cash deposits in treasury pool	10,618,033	-	10,618,033
Investments in treasury pool	513,609,182	-	513,609,182
Restricted investments in other pools	-	23,551,561	23,551,561
Restricted cash deposits in treasury pool:			
Davenport County Sanitation District	-	43,474	43,474
County Disposal Sites CSA 9C	-	5,709,363	5,709,363
Total	525,865,109	29,304,398	555,169,507
Component Unit:			
Investments in treasury pool	27,900,302	473,685	28,373,987
Restricted investments in other banks	-	969,937	969,937
Total	27,900,302	1,443,622	29,343,924
Total cash and investments	$ 553,765,411	$ 30,748,020	$ 584,513,431

2. CASH AND INVESTMENTS, Continued

At June 30, 2012, 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	$ 48,980	$ 1,588,914	$ 1,637,894
Deposits	10,618,033	-	10,618,033
Investments	519,362,019	23,551,561	542,913,580
Total Primary Government	530,029,032	25,140,475	555,169,507
Component Unit:			
Investments	28,373,987	969,937	29,343,924
Total Component Unit	28,373,987	969,937	29,343,924
Total reporting entity	$ 558,403,019	$ 26,110,412	$ 584,513,431

The carrying amounts of the County's cash deposits were $10,618,033 at June 30, 2012. Bank balances at June 30, 2012, were $14,278,117, 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.

2. CASH AND INVESTMENTS, Continued

A. Investments

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

Authorized Investment Types	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local agency bonds	5 years	100%	None
U.S. Treasury obligations	5 years	100%	None
U.S. Government Agency obligations	5 years	100%	None
State of California obligations	5 years	100%	None
Banker's acceptances	180 days	40%	30%
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%	None
Medium-term notes	5 years	30%	None
Mutual funds/money market mutual funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	$50 million	None
Joint Powers Authority investment funds	None	25%	None

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

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

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, 2012, the County had the following investment maturities:

		Investment Maturities (In Years)				
Investment Type	Fair Value	Less than 1	1 to 2	2 to 3	3 to 4	4 or more
U.S. Treasury Securities	$ 221,189,254	$ 110,324,184	$ 69,079,494	$ 41,785,576	$ -	$ -
Federal Agency Securities	228,417,869	88,164,229	64,151,032	76,102,608	-	-
Corporate Bonds and Notes	55,797,680	45,717,972	10,079,708	-	-	-
Medium-term Notes	16,000,000	16,000,000	-	-	-	-
Money Market Mutual Funds	14,595,294	14,595,294	-	-	-	-
Local Agency Investment Fund (LAIF)	25,032,275	25,032,275	-	-	-	-
Investment Agreements	969,937	-	-	-	-	969,937
Certificates of Deposit	43,474	43,474	-	-	-	-
Total investments	$ 562,045,783	$ 299,877,428	$ 143,310,234	$ 117,888,184	$ -	$ 969,937

C. *Concentration of Credit Risk*

At June 30, 2012, in accordance with State law and the County's Investment Policy, the County did not have 5% or more of its net investment in commercial paper, corporate bonds or medium term notes of a single organization, nor did it have 10% or more of its net investment in any one money market mutual fund. Investments in obligations of the U.S. government, U.S. government agencies, or government-sponsored enterprises are exempt from these limitations.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County Investment Pool's fair value at June 30, 2012.

Investments Type	S & P	Moody's	% of Portfolio
U.S. Treasury Securities	AAA	Aaa	39.34%
Federal Agency Securities	AAA	Aaa	40.56%
Corporate Bonds and Notes	AAA/AA-	Aaa/Aa1/A1	10.02%
Medium-term notes - Teeter note	Unrated	Unrated	2.85%
Money market mutual funds	AAAm	Aaa	2.60%
Local Agency Investment Fund (LAIF)	Unrated	Unrated	4.45%
Investment agreements	AAA	Aa3	0.17%
Certificates of deposit	AA-	Aa1	0.01%
Total			100.00%

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, 2012, 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, 2012, the County had $25,032,275 invested in LAIF, which had invested 0.51% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to .71% in the previous year. LAIF provided a fair value factor of 1.001219643 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.

3. RESTRICTED CASH AND INVESTMENTS

Cash and investments at June 30, 2012, that are restricted by legal or contractual requirements are comprised of the following:

Governmental Activities	
Non-major Governmental Funds:	
Used for debt service	$ 10,595,294
Business-Type Activities	
County Disposal Site CSA 9C:	
Used for landfill deposits	5,709,363
Davenport County Sanitation District:	
Used for debt service and bond reserves	43,474
Subtotal	5,752,837
Component Unit	
Santa Cruz County Sanitation District:	
Used for debt service	1,443,622
Fiduciary Funds	
Redevelopment Agency Successor Agency	
Used for debt service	12,956,267
Total restricted cash and investments	$ 30,748,020

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	$ 29,804,429	$ 5,385	$ 788,113	$ 222,103	$ 320,275	$ 31,140,305
Taxes	1,197,152	-	-	-	-	1,197,152
Gross receivables	31,001,581	5,385	788,113	222,103	320,275	32,337,457
Less: allowance for uncollectibles	(4,307,709)	-	-	-	-	(4,307,709)
Net receivables	$ 26,693,872	$ 5,385	$ 788,113	$ 222,103	$ 320,275	$ 28,029,748

	County Disposal Sites CSA	Non-major Funds	Total Business-Type Activities
Business-Type Activities:			
Accounts receivable	$ 627,524	$ 147,352	$ 774,876

5. INTERFUND TRANSACTIONS

A. Government-Wide Financial Statements

Long-Term Internal Balances

At June 30, 2012, the County had the following long-term internal balances:

	Internal Balances Receivables
	Governmental Activities
Internal Balances Payable	
Business-Type Activities	$ 1,436,293

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

B. Fund Financial and Proprietary Fund Statements

Due to/from

The County had the following due to/from other funds as of June 30, 2012:

Due to Other Funds	Due from Other Funds					
	General Fund	Capital Projects Fund	Non major Governmental Funds	Internal Service Funds	Component Unit	**Total**
Capital Projects Fund	$ -	$ 15,000	$ -	$ -	$ -	$ 15,000
Non major Governmental Funds	26,451	-	4,721,449	5,909	-	4,753,809
Non major Enterprise Funds	-	-	-	484,993	-	484,993
Internal Service Funds	-	-	-	77,196	8,202	85,398
Total	$ 26,451	$ 15,000	$ 4,721,449	$ 568,098	$ 8,202	$ 5,339,200

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.

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Long-Term Advances

The County had the following long-term advances as of June 30, 2012:

Advances from Other Funds	Advances to Other Funds: Public Financing Authority Fund
County Disposal Site CSA 9C Fund	$ 1,247,102

This balance consists of a long-term advance between the Public Financing Authority Fund and the County Disposal Site CSA 9C Fund of $1,247,102.

Transfers in/out

The County had the following transfers for the year ending June 30, 2012:

Transfers Out	Transfers In: General Fund	Housing Fund	Capital Projects Fund	Non-Major Governmental Funds	Internal Service Funds	Total
General Fund	$ -	$ 198,151	$ 7,054,648	$ 6,357,011	$ 10,000	$ 13,619,810
Capital Projects Fund	260,114	4,258,103	172,779	1,886,428	-	6,577,424
Non-Major Governmental Funds	2,309,040	-	233,253	14,861,321	19,480	17,423,094
Total	$ 2,569,154	$ 4,456,254	$ 7,460,680	$ 23,104,760	$ 29,480	$ 37,620,328

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

6. LOANS RECEIVABLE

A. Governmental Wide Financial Statements

The County had the following loans receivable as of June 30, 2012:

Housing Fund		
Aptos Cottages (Miller)	$	3,150,000
First Time Homebuyer Program		6,067,740
Golden Torch		1,296,240
Hand loans		1,315,103
Housing for Independent People		40,940
Marmo's		1,642,323
Mercy - McIntosh (Coach Loan)		348,665
Mercy - Rehab		95,237
McIntosh Coach Purchases		102,524
McIntosh Coach Purchase #12		98,000
McGregor		891,748
Mid-Peninsula the Farm, Inc		1,715,632
Minto		10,191,743
Mobile Home Change Out Program		5,464,980
Mobile Home Rehab Program		352,335
Mobile Home Rehab Program (Bonds)		23,069
Pacific Family-SCH		2,973,314
Pacific Family Coach Acquisitions		261,940
Pleasant Acres Permanent Financing		3,512,452
Pleasant Acres Coach Acquisitions		124,875
San Andreas		700,000
Sorrento Oaks		10,000
Vista Verde Family Housing		1,165,000
SERAF Loan		2,245,594
South County Housing Corp		5,721,263
St Stephens Predevelopment		92,216
Total Housing Fund	$	49,602,933

B. Business-Type Financial Statements

The County had the following loans receivable as of June 30, 2012:

Nonmajor business-type fund:		
Septic tank maintenance CSA 12	$	192,610
Total business-type loans receivable	$	192,610

7. CAPITAL ASSETS

A. *Government-Wide Financial Statements*

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

	Balance July 1, 2011	Additions	Retirements	Reclassifications	Balance June 30, 2012
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 60,559,432	$ -	$ (1,239,478)	$ -	$ 59,319,954
Construction-in-progress	35,769,328	792,572	(82,302)	(419,449)	36,060,149
Total capital assets, not being depreciated	96,328,760	792,572	(1,321,780)	(419,449)	95,380,103
Capital assets, being depreciated:					
Infrastructure	551,953,342	15,547,434	-	-	567,500,776
Buildings	126,365,588	1,299,759	(35,205)	18,000	127,648,142
Machinery and equipment	42,020,361	1,944,251	(2,016,363)	401,449	42,349,698
Total capital assets, being depreciated	720,339,291	18,791,444	(2,051,568)	419,449	737,498,616
Less accumulated depreciation for:					
Infrastructure	(209,153,379)	(13,570,121)	-	-	(222,723,500)
Buildings	(64,081,379)	(4,159,467)	35,205	-	(68,205,641)
Machinery and equipment	(37,551,124)	(2,805,222)	1,840,189	-	(38,516,157)
Total accumulated depreciation	(310,785,882)	(20,534,810)	1,875,394	-	(329,445,298)
Total capital assets, being depreciated, net	409,553,409	(1,743,366)	(176,174)	419,449	408,053,318
Governmental activities capital assets, net	$ 505,882,169	$ (950,794)	$ (1,497,954)	$ -	$ 503,433,421

Depreciation expense was charged to governmental functions as follows:

	Total
Governmental Activities:	
General government	$ 1,472,024
Public protection	2,449,039
Public ways and facilities	13,143,015
Health and sanitation	731,993
Public assistance	268,095
Education	218,098
Recreation and culture	865,285
Subtotal	19,147,549
Capital assets held by the County's internal services funds are charged to the various functions based on their usage of the assets	1,387,261
Total	$ 20,534,810

7. CAPITAL ASSETS, Continued

1. *Government-Wide Financial Statements, Continued*

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

	Balance July 1, 2011	Additions	Retirements	Reclassifications	Balance June 30, 2012
Business-Type activities:					
Capital assets, not being depreciated:					
Land	$ 1,858,849	$ -	$ -	$ -	$ 1,858,849
Construction-in-progress	2,916,942	1,346,747	-	(4,126,696)	136,993
Total capital assets, not being depreciated	4,775,791	1,346,747	-	(4,126,696)	1,995,842
Capital assets, being depreciated:					
Buildings	38,462,684	-	(3,028)	4,126,696	42,586,352
Machinery and equipment	10,330,945	-	(78,268)	-	10,252,677
Total capital assets, being depreciated	48,793,629	-	(81,296)	4,126,696	52,839,029
Less accumulated depreciation for:					
Buildings	(18,085,708)	(1,478,512)	151	-	(19,564,069)
Machinery and equipment	(9,118,919)	(438,920)	54,527	-	(9,503,312)
Total accumulated depreciation	(27,204,627)	(1,917,432)	54,678	-	(29,067,381)
Total capital assets, being depreciated, net	21,589,002	(1,917,432)	(26,618)	4,126,696	23,771,648
Business-Type activities capital assets, net	$ 26,364,793	$ (570,685)	$ (26,618)	$ -	$ 25,767,490

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

County Disposal Sites CSA 9C	$ 1,518,101
Boulder Creek CSA 7	74,001
Rolling Woods CSA 10	7,969
Freedom County Sanitation District	150,381
Davenport Sanitation District	126,113
Place de Mer CSA 2	5,542
Sand Dollar Beach CSA 5	33,968
Trestle Beach CSA 20	1,357
Total	$ 1,917,432

7. CAPITAL ASSETS, Continued

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

	Balance July 1, 2011	Additions	Retirements	Reclass	Balance June 30, 2012
Governmental Activities					
Capital assets, not being depreciated:					
Land	$ -	$ -	$ -	$ -	$ -
Construction in Process	21,906,095	6,097,587	-	(1,135,308)	26,868,374
Total capital assets, not being depreciated	21,906,095	6,097,587	-	(1,135,308)	26,868,374
Capital assets, being depreciated:					
Structures and Improvements					
Pumping station	39,153,144	190	-	331,343	39,484,677
Transmission systems	71,792,590	418,635	-	803,965	73,015,190
Sewage treatment plants	35,012,270	26,210	-	-	35,038,480
Mobile equipment	3,627,721	150,077	86,836	-	3,690,962
Other equipment	3,227,252	106,092	812,661	-	2,520,683
Total capital assets, being depreciated	152,812,977	701,205	899,497	1,135,308	153,749,993
Less accumulated depreciation for:					
Structures and Improvements					
Pumping station	18,383,272	852,244	-	-	19,235,516
Transmission systems	30,047,958	1,154,379	-	-	31,202,337
Sewage treatment plants	10,440,719	823,130	-	-	11,263,849
Mobile equipment	2,364,107	256,041	86,836	-	2,533,312
Other equipment	2,305,816	178,473	800,719	-	1,683,570
Total accumulated depreciation	63,541,872	3,264,267	887,555	-	65,918,584
Total capital assets, being depreciated, net	89,271,105	(2,563,062)	11,942	1,135,308	87,831,409
Total capital assets, net	$ 111,177,200	$ 3,534,525	$ 11,942	$ -	$ 114,699,783

Depreciation expense for the District at June 30, 2012, is $3,264,267.

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, 2012, was as follows:

Fiscal Year	Interest Rate	Beginning Balance	Additions	Deletions	Accrued Interest	Ending Balance
2011	2.0%	$ -	$ 50,000,000	$ (50,997,222)	$ 997,222	$ -
2012	2.0%	$ -	$ 48,854,000	$ (15,195,833)	$ -	$ 33,658,167

9. LEASES

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, 2012, were $1,363,076.

As of June 30, 2012, 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	Business-Type Activities
2013	$ 966,703	$ -
2014	901,870	-
2015	920,646	-
2016	815,094	-
2017	581,917	-
2018-2022	799,344	-
2023-2027	247,870	-
2028-2032	280,442	-
2033-2037	317,294	-
2038-2042	358,989	-
2043-2047	406,163	-
2048-2052	459,536	-
2053-2057	519,923	-
2057-2060	344,199	-
	$ 7,919,990	$ -

9. LEASES, Continued

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, 2012
Governmental Activities:		
Energy efficient infrastructure	4.42%	$ 5,132,739
Human Services Department-server	4.45%	31,924
Treasurer's check remittance-processor	4.24%	68,750
Copy machines	12.54%	103,456
Subtotal Governmental Activities:		5,336,869
Internal Service Fund Activities:		
Central duplicating-copy machine	6.70%	16,261
Public Works copy machines		12,468
Subtotal Internal Service Fund Activities:		28,729
Total capital lease obligations		$ 5,365,598

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

	Governmental Activities	Business-Type Activities
Equipment, computers, furniture, and vehicles	$ 452,799	$ 1,547,501
Structures and improvements	6,041,400	-
Total assets under capital lease	6,494,199	1,547,501
Less: accumulated depreciation	(1,139,433)	(1,362,082)
Net	$ 5,354,766	$ 185,419

9. LEASES, Continued

As of June 30, 2012, capital lease annual amortization is as follows:

Year Ending June 30,	Governmental Activities
2013	567,174
2014	550,705
2015	534,241
2016	500,838
2017	471,693
2018-2022	2,358,467
2023-2027	2,358,467
Total Requirements	7,341,585
Less: Interest	(1,975,987)
Present Value of Remaining Payments	$ 5,365,598

10. LONG-TERM DEBT

The following is a summary of long-term liabilities transactions for the year ended June 30, 2012:

	Balance July 1, 2011	Debt Issued	Debt Retired or Transferred Out	Balance June 30, 2012	Due in One Year	Due in More Than One Year
Governmental Activity Debt:						
PFA-1996 Refunding Certificates of Participation	$ 17,865,000	$ -	$ (735,000)	$ 17,130,000	$ 765,000	$ 16,365,000
PFA-2002 Refunding Certificates of Participation	2,135,000	-	(55,000)	2,080,000	60,000	2,020,000
2002 Unamortized bond premium	90,463	-	(4,208)	86,255	4,208	82,047
Subtotal	2,225,463	-	(59,208)	2,166,255	64,208	2,102,047
PFA-2005 Refunding Certificates of Participation	7,285,000	-	(585,000)	6,700,000	600,000	6,100,000
2005 Unamortized bond discount	(41,216)	-	4,339	(36,877)	(4,339)	(32,538)
Subtotal	7,243,784	-	(580,661)	6,663,123	595,661	6,067,462
PFA-2001B Lease Revenue Bonds	6,885,000	-	(215,000)	6,670,000	220,000	6,450,000
PFA-2002A Lease Revenue Refunding Bonds	1,364,112	-	(1,364,112)	-	-	-
2002A Unamortized bond premium	39,890	-	(39,890)	-	-	-
Subtotal	1,404,002	-	(1,404,002)	-	-	-
PFA-1995B Revenue Bonds	785,000	-	(380,000)	405,000	405,000	-
PFA-1999 Local Agency Revenue Bonds	275,000	-	(25,000)	250,000	25,000	225,000
PFA-2004 Certificates of Participation	17,290,000	-	(1,025,000)	16,265,000	1,060,000	15,205,000
2004 Unamortized bond premium	17,795	-	(1,369)	16,426	1,369	15,057
Subtotal	17,307,795	-	(1,026,369)	16,281,426	1,061,369	15,220,057
2006 Certificates of Participation	7,750,000	-	(340,000)	7,410,000	355,000	7,055,000
2006 Unamortized bond discount	(53,293)	-	2,090	(51,203)	(2,090)	(49,113)
Subtotal	7,696,707	-	(337,910)	7,358,797	352,910	7,005,887
PFA-2008 Certificates of Participation	4,020,000	-	(315,000)	3,705,000	325,000	3,380,000
2008 Unamortized bond premium	85,204	-	(6,816)	78,388	6,816	71,572
Subtotal	4,105,204	-	(321,816)	3,783,388	331,816	3,451,572
PFA-2011 Certificates of Participation	-	5,605,000	-	5,605,000	-	5,605,000
2011 Unamortized bond discount	-	(4,692)	188	(4,504)	(188)	(4,316)
Subtotal	-	5,600,308	188	5,600,496	(188)	5,600,684
PFA-2012 Lease Revenue Refunding Bond, Series A	-	1,884,565		1,884,565	54,660	1,829,905
2012 Unamortized bond discount	-	(18,465)		(18,465)	(839)	(17,626)
Subtotal	-	1,866,100	-	1,866,100	53,821	1,812,279
McGaffigan Mill Road HOA	63,357	-	(30,182)	33,175	32,518	657
City of Scotts Valley Writ of Mandate	-	2,175,220	-	2,175,220	725,073	1,450,147
Redevelopment Agency						
Bonds Payable retired	248,675,000	-	(4,115,000)			
Bonds Payable transferred out on dissolution	-	-	(244,560,000)	-	-	-
Unamortized Bond Discount retired	(1,239,900)	-	35,041			
Unamortized Bond Discount transferred out on dissolution	-	-	1,204,859	-	-	-
Unamortized Bond Premium retired	560,362	-	(17,844)			
Unamortized Bond Premium transferred out on dissolution	-	-	(542,518)	-	-	-
Subtotal	247,995,462	-	(247,995,462)	-	-	-
OPEB Liability	81,781,824	6,431,086	-	88,212,910	-	88,212,910
Compensated absences	21,030,087	15,159,947	(14,752,645)	21,437,389	14,130,762	7,306,627
Capital leases	5,543,789	83,168	(290,088)	5,336,869	316,141	5,020,728
Total governmental activity	$ 422,207,474	$ 31,315,829	$ (268,153,155)	$ 185,370,148	$ 19,079,091	$ 166,291,057

10. LONG-TERM DEBT, Continued

	Balance July 1, 2011	Debt Issued	Debt Retired	Balance June 30, 2012	Due in One Year	Due in More Than One Year
Governmental Activity Debt, Continued:						
Internal Service Funds						
Compensated absences	$ 4,274,320	$ 2,812,222	$ (2,644,691)	$ 4,441,851	$ 2,777,873	$ 1,663,978
Estimated claims	36,861,428	7,425,924	-	44,287,352	16,809,896	27,477,456
Capital leases	22,813	14,030	(8,114)	28,729	10,242	18,487
Total Internal Service Funds	$ 41,158,561	$ 10,252,176	$ (2,652,805)	$ 48,757,932	$ 19,598,011	$ 29,159,921
Total Government-Wide Activities						
Compensated absences	$ 25,304,407	$ 17,972,169	$ (17,397,336)	$ 25,879,240	$ 16,908,635	$ 8,970,605
Estimated claims	36,861,428	7,425,924	-	44,287,352	16,809,896	27,477,456
Other long-term liabilities	319,418,376	9,738,826	(253,408,624)	75,748,578	4,958,571	70,790,007
OPEB liability	81,781,824	6,431,086	-	88,212,910	-	88,212,910
Total Government-Wide Activities	$ 463,366,035	$ 41,568,005	$ (270,805,960)	$ 234,128,080	$ 38,677,102	$ 195,450,978
Business-Type Activities						
Enterprise Funds						
Loans payable						
Septic Tank Maintenance CSA 12	$ 255,681	$ -	$ (11,319)	$ 244,362	$ 11,614	$ 232,748
Davenport Sanitation	352,538	-	(26,958)	325,580	27,670	297,910
Total Loans Payable	608,219	-	(38,277)	569,942	39,284	530,658
Postclosure Liability						
Enterprise Fund - County Disposal Sites CSA 9	7,506,110	-	(1,662,123)	5,843,987	-	5,843,987
Total Business-Type Activities	$ 8,114,329	$ -	$ (1,700,400)	$ 6,413,929	$ 39,284	$ 6,374,645
Component Unit - Santa Cruz County Sanitation District						
2005 Wastewater Revenue Refunding Bonds	$ 6,205,000	$ -	$ (730,000)	$ 5,475,000	$ 765,000	$ 4,710,000
2005 Unamortized bond premium	27,840	-	(2,235)	25,605	2,235	23,370
2004 Limited Obligation STET Improvement Bonds	605,000	-	(65,000)	540,000	65,000	475,000
2009 State Water Resource Control Board Loan	8,116,120		(484,348)	7,631,772	298,762	7,333,010
Loans payable	11,356,405	-	(1,286,192)	10,070,213	1,322,206	8,748,007
Total Component Unit	$ 26,310,365	$ -	$ (2,567,775)	$ 23,742,590	$ 2,453,203	$ 21,289,387

10. LONG-TERM DEBT, Continued

Descriptions of the long-term liabilities at June 30, 2012, are as follows:

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2012
Governmental Activities:					
Public Financing Authority					
Refunding Certificates of Participation					
1996 Issue (financed construction of the County Emeline Avenue Health Services building and an infirmary in the County Medium Security Detenion 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	$ 13,230,000
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	17,130,000
2002 Issue (refinanced road improvements, a detention facility, a library, equipment, purchase of parkland and construction of a transfer station and financed an animal services authority facility)					
Collateral: Polo Grounds Park Transfer Station					
Serial certificates	8/1/03-8/1/22	4.00-5.15%	$50,000-$730,000	$ 4,380,000	820,000
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	86,255
				Total 2002 Issue	2,166,255
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 Facility/Rountree Facility					
Serial certificates	8/1/05-8/1/20	2.75-4.25%	$500,000-$910,000	$ 10,580,000	6,700,000
Unamortized bond discount				(67,249)	(36,877)
				Total 2005 Issue	6,663,123
				Total Refunding Certificates of Participation	25,910,000
				Net Premiums/(Discounts)	49,378
				Total including Premiums (Discounts)	$ 25,959,378
Lease Revenue Bonds					
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 Facility/Rountree Facility					
Serial bonds	8/1/02-8/1/26	2.10-4.625%	$200,000-$760,000	$ 9,675,000	$ 4,445,000
Term bonds	2/1/27-8/1/31	4.75%	$405,000-$485,000	2,225,000	2,225,000
				Total 2001 Issue	$ 6,670,000
Lease Revenue Refunding Bonds					
2002 Series A (financed construction and equipment costs for the Santa Cruz County Consolidated Emergency Communication Center)					
Serial bonds	6/15/04-6/15/12	2.00-3.50%	$76,000-$295,000	$ 1,449,665	$ -
Term bonds	6/15/13-6/15/24	5.25%	$81,000-$140,214	1,288,063	-
Unamortized bond discount				65,966	-
				Total 2002 Issue	-
2012 Series A (refinanced construction and equipment costs for the Santa Cruz County Consolidated Emergency Communication Center)					
Serial bonds	6/15/13-6/15/30	2.00-4.75%	$115,000-$225,000	$ 1,402,135	$ 1,402,135
Term bonds	6/15/31-6/15/34	5.00%		482,430	482,430
Unamortized bond discount				18,465	(18,465)
				Total 2012 Issue	1,866,100

10. LONG-TERM DEBT, Continued

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2012
Governmental Activities, Continued:					
Public Financing Authority, Continued					
Revenue Bonds					
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	405,000
				Total 1995 Issue	$ 405,000
Local Agency Revenue Bonds					
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	$ 250,000
Certificates of Participation					
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	$ 16,265,000
Unamortized bond premium				27,378	16,426
				Total 2004 Issue	16,281,426
2006 Series Issue (financed improvements to Watsonville Courthouse and Buena Vista Landfill)					
Collateral: Water Street Facility/Rountree Facility					
Serial certificates	8/1/07-8/1/28	3.50-4.50%	$180,000-$410,000	$ 6,225,000	4,635,000
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)	(51,203)
				Total 2006 Issue	7,358,797
2008 Series Issue (finance purchase of computer software systems for various County departments)					
Collateral: Water Street Facility/Rountree Facility					
Serial certificates	8/1/09-8/1/23	3.00-4.30%	$215,000-$405,000	$ 4,625,000	3,705,000
Unamortized bond premium				102,244	78,388
				Total 2008 Issue	3,783,388
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)	(4,504)
				Total 2011 Issue	5,600,496
				Total Certificates of Participation	32,985,000
				Net Premiums/(Discounts)	39,107
				Total including Premiums (Discounts)	$ 33,024,107

10. LONG-TERM DEBT, Continued

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2011
Governmental Activities, Continued:					
Capital leases					
Energy efficient infrastructure	2008-2027	4.42%	$176,000-$456,505	$ 5,989,594	$ 5,132,739
Human Services Department - server	2008-2013	4.45%	$8,159-$23,765	110,563	31,924
Treasurer's - check remittance processor	2011-2016	4.24%	$4,033-$18,806	89,348	68,750
Copy Machines	2011-2015	12.54%	$7,009-$10,191	131,194	115,924
Central duplicating - copy machine	2011-2015	6.70%	$1,324-$7,645	28,058	16,261
				Total leases	5,365,598
			Total Governmental Activities		**$ 75,748,578**
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	$ 94,557
California Technology, Trade & Commerce Agency (fund sanitation system improvements)	2/28/95-7/1/25	2.50%	$3,550-$4,817	310,691	161,959
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	69,063
Enterprise Fund - Septic Tank Maintenance CSA 12					
California State Water Resources Control Board	4/23/2010-4/23/2029	2.60%	$10,753-$17,512	277,467	244,362
				Total Loans	569,941
Landfill post closure					5,843,987
			Total Business-Type Activities		**$ 6,413,928**

10. LONG-TERM DEBT, Continued

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Payments	Original Issue	Outstanding at June 30, 2012
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	$ 5,475,000
Unamortized bond premium				41,252	25,605
					5,500,605
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	540,000
Loans payable - City of Santa Cruz (construct treatment plant expansion)	2000-2019	2.80%	$928,354-$1,564,248	24,374,832	10,070,213
2009 State Water Resources Control Board Loan	2013-2032	2.50%	$630,445-$959,296	8,116,120	7,631,772
Total Component Unit					$ 23,742,590

A. Governmental Activities

At June 30, 2012, annual debt service requirements of governmental activities to maturity are as follows:

Public Financing Authority

	Refunding Certificates of Participation		Lease Revenue Refunding Bonds		Certificates of Participation	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2013	1,425,000	1,288,740	54,660	81,912	1,740,000	1,520,197
2014	1,510,000	1,222,225	61,789	74,518	1,965,000	1,373,060
2015	1,585,000	1,150,665	61,789	73,282	2,035,000	1,295,858
2016	1,670,000	1,073,843	64,166	71,969	2,110,000	1,214,018
2017	1,760,000	991,944	66,542	70,365	2,185,000	1,125,073
2018-2022	9,365,000	3,551,491	356,474	321,018	10,475,000	4,279,932
2023-2027	7,765,000	1,353,596	430,147	249,126	6,115,000	2,017,451
2028-2032	675,000	132,956	534,712	144,099	2,820,000	1,181,031
2033-2037	155,000	4,069	254,286	19,250	3,540,000	440,594
Total	$ 25,910,000	$ 10,769,529	$ 1,884,565	$ 1,105,539	$ 32,985,000	$ 14,447,214

10. LONG-TERM DEBT, Continued

A. Governmental Activities, Continued

Public Financing Authority, Continued

	Lease Revenue Bonds		Revenue Bonds		Local Agency Revenue Bonds	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2013	220,000	300,026	405,000	13,163	25,000	12,999
2014	230,000	290,966	-	-	30,000	11,520
2015	240,000	281,331	-	-	30,000	9,893
2016	250,000	271,161	-	-	30,000	8,250
2017	260,000	260,321	-	-	30,000	6,600
2018-2022	1,485,000	1,112,361	-	-	105,000	8,663
2023-2027	1,760,000	739,569	-	-	-	-
2028-2032	2,225,000	273,719	-	-	-	-
2033-2037	-	-	-	-	-	-
Total	$ 6,670,000	$ 3,529,454	$ 405,000	$ 13,163	$ 250,000	$ 57,925

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

Defeasance of Bonds

On May 15, 2012, the County of Santa Cruz Public Financing Authority issued $3,965,000 2012 Lease Revenue Bonds, Series A, with interest rates ranging from 2% to 5%. The proceeds of the Bonds were used to (i) currently refund $2,870,000 of the outstanding 2002A Lease Revenue Refunding Bonds, (ii) terminate an existing lease, (iii) purchase equipment, (iv) fund a reserve account for the Bonds and (v) pay the costs incurred in connection with the issuance of the Bonds. The redemption discount in the amount of $38,849 is being amortized as a deferred credit over the remaining life of the current debt.

As a result of the advance current refunding and raising of additional capital, the County Public Financing Authority increased its total debt service payments by $2,573,506.89, of which $421,991 is allocable to the current refunding, resulting in an economic loss and gain on refunding of $15,837.92 and $205,582 respectively.

10. LONG-TERM DEBT, Continued

McGaffigan Mill Road Association

Year Ending June 30,	Principal	Interest
2013	32,519	1,381
2014	656	4
Total	$ 33,175	$ 1,385

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 $33,175.

A. Business-Type Activities

At June 30, 2012, annual debt service requirements for loans payable of business-type activities to maturity are as follows:

	Loans Payable	
Year Ending June 30,	Principal	Interest
2013	39,284	14,890
2014	40,316	13,857
2015	41,375	12,798
2016	42,463	11,711
2017	43,579	10,595
2018-2022	216,073	35,439
2023-2027	112,272	12,018
2028-2029	34,580	1,354
Total	$ 569,942	$ 112,662

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

10. LONG-TERM DEBT, Continued

C. Component Unit

At June 30, 2012, 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
2013	$ 765,000	$ 229,231	$ 65,000	$ 25,030	$ 1,620,968	$ 472,760
2014	800,000	196,800	70,000	21,990	1,665,459	428,269
2015	840,000	160,000	75,000	18,599	1,711,173	382,555
2016	890,000	125,400	75,000	14,980	1,758,144	335,584
2017	940,000	84,100	80,000	11,122	1,806,406	287,321
2018-2022	1,240,000	69,750	175,000	9,276	4,855,207	671,028
2023-2027	-	-	-	-	2,010,233	437,548
2028-2032	-	-	-	-	2,274,395	173,387
Total	$ 5,475,000	$ 865,281	$ 540,000	$ 100,997	$ 17,701,985	$ 3,188,452

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.

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, 2012, the District has received a total of $7,631,772 in loan disbursements 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, 2012, is $400,422,114. 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.

10. LONG-TERM DEBT, Continued

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 2002A Lease Revenue Refunding Bonds

The revenues of the Santa Cruz Regional 911 (Regional 911) were pledged to repay $5,760,000 in lease revenue refunding bonds issued in January 2003. The Regional 911 was formed in a Joint Powers Authority Agreement with the cities of Santa Cruz, Watsonville, and Capitola and the County of Santa Cruz. Proceeds from the bonds provided funds to refinance an existing lease and to fund equipment purchases. The bonds 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 2024 and are expected to require less than 12 percent of revenues. The total principal and interest remaining to be paid on the bonds is $3,717,476. Principal and interest paid for the current year and total customer revenues were $307,874 and $4,986,107 respectively. The Bonds were refunded on May 15, 2012.

PFA 2012A Lease Revenue Refunding Bonds

The Santa Cruz County Public Financing Authority 2012 Lease Revenue Bonds, Series A were issued to (i) refinance an existing lease, (ii) terminate an existing lease, (iii) purchase equipment, (iv) fund a reserve account for the Bonds and (v) pay the costs incurred in connection with the issuance of the Bonds. The Bonds are payable from the revenues pledged under the Indenture of Trust, consisting primarily of lease payments to be made by the Regional 911 to the Santa Cruz County Public Financing Authority as rental for certain facilities pursuant to a Lease Agreement. The lease payments are paid from use payments paid to the Regional 911 by the cities of Santa Cruz, Watsonville, and Capitola and the County of Santa Cruz.

PFA 1995 Series B Revenue Bond

The County has pledged future revenues of the Flood Control Zone No. 7 District to repay $4.35 million in revenue bonds issued in August 1995. Proceeds from the bonds provided financing for improvements relating to flood control facilities and levees within Flood Control Zone No. 7. The bonds are payable solely from service charges to be levied against property in the Flood Control Zone No. 7 District and are payable through 2012. Annual principal and interest payments on the bonds are expected to require less than 35 percent of revenues. The total principal and interest remaining to be paid on the bonds is $418,163. Principal and interest paid for the current year and total customer revenues were $418,675 and $1,631,794, respectively.

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, 2012, a liability for closure and postclosure maintenance in the amount of $5,843,987 is reflected in the County Disposal Sites Enterprise Fund based upon landfill capacity used to date. As of June 30, 2012, 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 $4,649,863 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2012. 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, 2012, cash of $5,709,363 is held for this purpose, reported as restricted assets on the Statement of Net Assets. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users.

Postclosure maintenance for both the Buena Vista and closed Ben Lomond Landfills are provided for through a "Pledge of Revenue." The Board adopted resolutions pledging future County Disposal Sites CSA 9C'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.

13. DEFICIT NET ASSETS AND FUND BALANCES

Individual nonmajor special revenue fund and proprietary fund deficit net assets at June 30, 2012, are as follows:

Nonmajor Special Revenue Funds:	
Library	$ 22,477
Internal Service Funds:	
Central Duplicating	74,200
Public Works	139,746
Self Insurance – Property & Liability	4,429,791
Self-Insurance – Workers' Compensation	21,570,549

The Library Fund had deficit net assets of $22,477, a reduction of $14,876 from a $37,353 net deficit at June 30, 2011. 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 Central Duplicating Fund had deficit net assets of $74,200, a reduction of $102,293 in the net deficit at June 30, 2011, of $176,493. Each fiscal year, rates are calculated and any deficit balance from the prior year is reflected in the subsequent years' calculation.

The Public Works Internal Service Fund had deficit net assets of $136,746 that resulted from current year losses. Each fiscal year, the division overhead rates are adjusted and any deficit balance from the prior year is reflected in the subsequent year's calculation.

The Property and Liability Fund and Workers' Compensation Fund had deficit net assets of $4,429,791 and $21,570,549 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.

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 is required to contribute for fiscal year 2011-2012 at an actuarially determined rate of 13.776% for miscellaneous employees, 17.046 % for safety employees, and 28.749% 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 $33,261,121, $31,074,807, and $33,336,277, respectively. These were equal to the County's required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included; (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.30% to 14.20% for miscellaneous employees, 3.30% to 14.20% for safety employees and 3.30% to 14.20% for sheriff safety employees depending on age, service, and type of employment, and (c) 2.75% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75%. 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.

THREE-YEAR TREND INFORMATION FOR PERS

	County Miscellaneous			County Safety		
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	25,237,024	100%	$ -	3,602,833	100%	$ -
6/30/2011	23,622,349	100%	-	3,349,540	100%	-
6/30/2012	24,723,167	100%	-	3,863,194	100%	-

	County Safety Sheriff			County Totals		
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	4,496,419	100%	$ -	33,336,277	100%	$ -
6/30/2011	4,102,918	100%	-	31,074,807	100%	-
6/30/2012	4,674,760	100%	-	33,261,121	100%	-

14. DEFINED BENEFIT PENSION PLAN, Continued

C. Annual Pension Costs, Continued

The County contributes to the California CalPERS, under an agent multiple – employer public employee defined benefit pension plan. The amounts reflected herein represent the County's portion as reported by CalPERS.

County Miscellaneous

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
2011	$ 721,534,770	$ 875,808,856	$ 154,274,086	82.4%	$ 139,029,180	111.0%

County Safety

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
2011	$ 114,873,164	$ 133,199,435	$ 18,326,271	86.2%	$ 14,825,926	123.6%

County Safety Sheriff

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
2011	$ 81,994,903	$ 108,356,979	$ 26,362,076	75.7%	$ 12,207,567	215.9%

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, County contributes fixed dollar amounts that vary by coverage [($327.21 (single), $388.41 (2-party) and $454.49 (family) for 2012]. 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 2012, the County contributed $4,822,914 to the Plan.

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:

		Total
Annual required contribution	$	11,254,000
Interest on net OPEB obligation		3,574,000
Amortiazation of net OPEB obligation		(3,574,000)
Annual OPEB cost (expense)		11,254,000
Contributions made		(4,822,914)
Increase in net OPEB obligation		6,431,086
Net OPEB obligation - beginning of year		81,781,824
Net OPEB obligation - end of year	$	88,212,910

The County's annual OPEB costs, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	20,173,502	3,998,945	19.8%	61,044,534
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

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.

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 level percentage of projected payroll on a closed basis. The remaining amortization as of June 30, 2012, was 28 years.

OTHER POSTEMPLOYMENT OBLIGATIONS

SCHEDULE OF FUNDING PROGRESS

The table below shows the analysis of the actuarial value of assets as a percentage of the actuarial accrual liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30, 2012. 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, 2012, the Plan's assets of $107,505,330 are not recorded in the County's financial statements as they are deposited with a third party administrator independent of the County.

17. COMMITMENTS AND CONTINGENCIES

As of June 30, 2012, 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 $2,560,883 and $57,942,059, 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.

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.

18. RISK MANAGEMENT, Continued

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, 2012, 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, 2012, and two prior years for all Self-Insurance Internal Service Funds combined is as follows:

	2012	2011	2010
Unpaid claims and claim adjustment expenses, beginning of the fiscal year	$ 36,861,428	$ 35,296,149	$ 35,296,149
Incurred claims and claim adjustment expenses	23,928,174	13,092,624	11,735,027
Claim payments	(16,502,250)	(11,527,345)	(11,735,027)
Unpaid claims and claim adjustment expenses, end of the fiscal year	$ 44,287,352	$ 36,861,428	$ 35,296,149

At June 30, 2012, the Self-Insurance Funds held a total of $21,398,242 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, 2012, the estimated future liabilities were $31,765,000. As permitted by State and Federal guidelines, the Workers' Compensation program is funded on a pay-as-you-go basis. The funding is closely monitored to ensure that claims are paid when due or required by law.

B. Dental and Medical

On September 30, 1994, the County discontinued its medical self-insurance program. On January 5, 1991, the County established a self-insurance program to provide dental benefits. At June 30, 2012, the County had an estimated future liability of $123,798 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.

18. RISK MANAGEMENT, Continued

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, 2012, the County had estimated future liabilities totaling $12,307,088 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, 2012, 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.

19. POLLUTION REMEDIATION OBLIGATIONS, Continued

At June 30, 2012, the County identified the following sites, within the Santa Cruz County Sanitation District (District), which met one of the above obligating events:

Lode Street Underground Storage Tank Site

The site was the former location of the District's East Cliff Pump Station underground storage tank (UST). The UST was removed in April 1997. However, levels of hydrocarbons were detected at the site above acceptable levels. The District contracted with a consultant for a corrective action plan, which has been fully implemented. On June 17, 2011, the California Regional Water Quality Control Board closed this site with no further action required. Thus, as of June 30, 2012, the District estimates that there will be no future costs for the clean-up of this site.

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, 2012, 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, 2012, is approximately $74,489.

At June 30, 2012, the District has recorded a pollution remediation obligation in the amount of $74,489 on the Government-Wide Statement of Net Assets and allocated the total amount to General Government on the Government-Wide Statement of Activities and Changes in Net Assets.

20. 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, 2012, is as follows:

	General Fund	Housing Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventory, prepaids and imprest cash	$ 1,548,647	$ -	$ -	$ -	$ 1,548,647
Advances and loans	501,657	49,882,933	-	-	50,384,590
Assets held for resale	1,689,135	-	-	-	1,689,135
Total nonspendable fund balance	3,739,439	49,882,933	-	-	53,622,372
Restricted for:					
Purpose of fund	-	1,155,859	-	20,279,164	21,435,023
Debt service	1,000		-	3,167,008	3,168,008
Capital asset acquisition	-	-	65,378,757	7,843,086	73,221,843
Total restricted fund balance	1,000	1,155,859	65,378,757	31,289,258	97,824,874
Committed to:					
Natural Disasters	1,251,089	-	-	-	1,251,089
Working Capital	6,000,000	-	-	-	6,000,000
Economic Uncertainty	4,206,520	-	-	-	4,206,520
General Government	658,716	-	-	-	658,716
Public Protection	1,009,754	-	-	-	1,009,754
Health and Sanitation	92,777	-	-	-	92,777
Public Assistance	487,529	-	-	-	487,529
Total committed fund balance	13,706,385	-	-	-	13,706,385
Assigned to:					
Federally qualified health program	14,229,750	-	-	-	14,229,750
Eliminate projected budgetary deficit in subsequent year's budget	9,240,372	-	-	-	9,240,372
Liabilities	851,881	-	-	-	851,881
Human services	400,000	-	-	-	400,000
Total assigned fund balance	24,722,003	-	-	-	24,722,003
Unassigned Fund Balance	-	-	-	(22,477)	(22,477)
Total fund balances	$ 42,168,827	$ 51,038,792	$ 65,378,757	$ 31,266,781	$ 189,853,157

21. SUBSEQUENT EVENTS

On July 3, 2012, 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, 2013, and is collateralized by fiscal year 2011-2012 unrestricted revenues.

In June 2006, the City of Scotts Valley (the City) filed suit against the County of Santa Cruz and the County Auditor-Controller regarding the allocation of property taxes. Specifically, the City claimed the County Auditor-Controller did not properly apply Revenue and Taxation Code section 98, which entitles cities to a certain percentage of the property taxes paid by their residents under the Tax Equity Allocation (TEA) provisions of the Code. The case involved three substantive areas of dispute in the TEA calculations: the impacts of the Educational Revenue Augmentation Fund (ERAF) II, ERAF III and the City's redevelopment agency. On May 18, 2009, the Superior court of San Mateo decided against the County and in favor of the City on all three areas. The County appealed the decision, and on October 26, 2011, the Court of Appeals decided in the County's favor on the ERAF II argument, and against the County in the ERAF III and redevelopment agency arguments. The financial impact of this decision is that the County would be required to pay $2,175,220 to the City over a three year period. The first payment of $725,073.33 was made on September 4, 2012, with equal payments due on September 4, 2013, and 2014. This total amount is included as a liability on the Government-Wide Financial Statements.

On November 19, 2012, the Supreme Court of the State of California issued its decision in the case of the City of Alhambra et al. v County of Los Angeles et al. This case involves the calculation of property tax administration fees (PTAF) charged by the counties to the districts and cities for administration of the property tax system. Property tax administration fees are charged to all taxing entities based on property tax revenue received. In 2004, two different budgetary measures were enacted to divert property tax revenues to fund State budget gaps. The California State legislature shifted revenues from local sales and use taxes for bond repayment. The lost sales and use tax revenue was replaced by property tax revenue. This revenue shift became known as the "*triple flip*". Also in 2004, the State legislature significantly reduced vehicle license fee revenues which were a significant source of revenue for counties. The legislature diverted property tax revenues to replace this lost income, which became known as the "*VLF swap*". In calculating the PTAF, most counties, including Santa Cruz County, added the VLF swap and the triple flip revenues as in lieu property tax revenue. This increased the administration fees to the cities, as only the cities and counties received these revenues. At the Trial Court level in June 2009, the court-appointed referee concluded that the County of Los Angeles' calculation of PTAF starting in 2006-07 conformed to Section 97.75 of California's Revenue and Taxation Code. The Court of Appeal reversed the judgment in July 2010, and remanded for further proceedings, holding that the County of Los Angeles method of calculating PTAF was unlawful. The Supreme Court affirmed the Court of Appeals decision in favor of the cities, stating that triple flip and VLF swap revenue was exempt from property tax administration fee calculation. This will result in a liability payable to the four cities in the County of Santa Cruz of approximately $1,048,000. This liability is recorded as a current payable.

22. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had expenditures that exceeded appropriations:

Account with excess expenditure	Excess amount
Housing Fund	
Loss on forgiveness of debt	$ 1,667,863

Expenditures in excess of appropriations are explained as follows:

Housing Fund – Loss on forgiveness of debt – This loan was originally budgeted and expended in the former county Redevelopment Agency. Upon enactment of Assembly Bill x1 26, dissolution of redevelopment agencies, all housing assets, including loans, were transferred to the Housing Fund after January 31, 2012. This loan was subsequently forgiven.

23. EXTRAORDINARY ITEM

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 (Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the County of Santa Cruz that previously had reported a redevelopment agency within the reporting entity of the County as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the County or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 10, 2012 the County Board of Supervisors elected to become the Successor Agency for the former Redevelopment Agency (RDA) in accordance with the Bill as part of County Resolution No. 5-2012.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

23. EXTRAORDINARY ITEM, Continued

The bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former RDA due to the County are valid enforceable obligations payable by the Successor Agency trust under the requirements of the Bill. The county's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonable possible that a legal determination may be made at a later date by the appropriate judicial authority that would resolve this issue unfavorably to the County.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the RDA continued to be reported in the governmental fund of the County. After the date of dissolution, the assets and activities of the dissolved RDA are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the County.

The transfer of the assets and liabilities of the former RDA as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the County to fiduciary funds was reported as an extraordinary gain in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund financial statements as an extraordinary loss.

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary loss recognized in the governmental funds was not the same amount as the extraordinary gain that was recognized in the fiduciary fund financial statements.

23. EXTRAORDINARY ITEM, Continued

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is recognized as follows:

Extraordinary Item - Debt Service fund		$ (20,014,154)
Extraordinary Item - Redevelopment Agency		(51,851,492)
Total Extraordinary Item:		(71,865,646)
Statement of Revenues, Expenditures and Changes in Fund Balances and the		
CAPITAL ASSETS		
Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the governmental funds.	(16,309)	
LONG TERM ASSETS AND LIABILITIES		
Bond issuance costs from issuing debt were expenditures in the governmental funds. However, they were deferred and subject to capitalization and amortization in the Government-Wide Financial Statements.	(3,913,330)	
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported in the governmental funds:	5,879,374	
Bonds payable, net of unamortized loss of defeasance, premium and discount:	243,897,659	
Compensated absences:	51,223	
Change in extraordinary item		245,898,617
Extraordinary Item - Santa Cruz County Redevelopment Successor Agency		$ 174,032,971

23. EXTRAORDINARY ITEM, Continued

The following is a summary of long-term liabilities transactions for the five (5) months ended June 30, 2012:

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2012
Successor Agency Tax Allocation Bonds					
2000 Issue Subordinate Tax Allocation Refunding Bonds					
Serial bonds	9/1/01-9/1/22	4.25-5.25%	$490,000-$1,280,000	$ 17,855,000	$ 11,120,000
2000 Issue Series A Subordinate Tax Allocation Bonds					
Serial bonds	9/1/02-9/1/22	5-5.25%	$140,000-$2,035,000	6,525,000	4,795,000
Term bonds	9/1/23-9/1/27	5.25%	$2,150,000-$2,660,000	11,990,000	11,990,000
Term bonds	9/1/28-9/1/30	5.375%	$2,810,000-$3,125,000	8,900,000	8,900,000
2003 Tax Allocation Refunding Bonds					
Serial bonds	9/1/04-9/1/24	2.00-5.00%	$1,665,000-$3,500,000	48,435,000	33,780,000
Unamortized bond discount				(194,382)	(113,389)
2005 Issue Series A Subordinate Tax Allocation Bonds					
Serial bonds	9/1/25-9/1/27	4.5-4.625%	$2,140,000-$2,325,000	6,690,000	6,690,000
Term bonds	9/1/28-9/1/29	4.625%	$2,425,000-$2,530,000	4,955,000	4,955,000
Term bonds	9/1/30-9/1/32	5.00%	$2,650,000-$6,380,000	15,105,000	15,105,000
Term bonds	9/1/33-9/1/35	5.00%	$6,695,000-$7,385,000	21,110,000	21,110,000
Unamortized bond premium				468,371	374,697
2005 Taxable Series B Subordinate Tax Allocation Bonds					
Term bonds	9/1/06-9/1/15	5.00%	$205,000-$430,000	2,695,000	1,135,000
Term bonds	9/1/16-9/1/20	5.50%	$325,000-$405,000	1,820,000	1,820,000
Term bonds	9/1/21-9/1/25	5.60%	$195,000-$685,000	1,815,000	1,815,000
Term bonds	9/1/26-9/1/35	5.65%	$735,000-$2,350,000	14,670,000	14,670,000
Unamortized bond discount				(45,159)	(36,128)
2007 Taxable Housing Tax Allocation Refunding Bonds					
Term bonds	9/1/07-9/1/17	5.208%	$70,000-$165,000	1,080,000	605,000
Term bonds	9/1/18-9/1/30	5.495%	$120,000-$1,250,000	9,675,000	9,675,000
2007 Series A Tax Allocation Refunding Bonds					
Serial bonds	09/1/08-09/1/22	4-5.25%	$375,000-$640,000	7,370,000	5,785,000
Unamortized bond premium				224,669	155,073
2009 Issue Series A Tax Allocation Bonds					
Serial bonds	09/1/10-09/1/20	3.25-6.125%	$380,000-$605,000	5,205,000	4,435,000
Term bonds	09/1/21-09/1/29	6.625%	$635,000-$3,640,000	13,030,000	13,030,000
Term bonds	09/1/30-09/1/36	7.00%	$3,875,000-$10,000,000	37,735,000	37,735,000
Unamortized bond discount				(180,815)	(158,192)
2010 Housing Tax Allocation Bonds					
Serial bonds	9/1/11-9/1/25	2.950-6.93%	$150,000-$595,000	3,075,000	3,075,000
Term bonds	9/1/26-9/1/36	7.40%	$620,000-$4,325,000	15,425,000	15,425,000
Unamortized bond discount				(462,750)	(444,239)
2011 Series A Tax Allocation Bonds					
Serial bonds	9/1/11-9/1/18	3.099-7.00%	$430,000-$580,000	3,440,000	3,440,000
Term bonds	9/1/19-9/1/21	8.000%	$620,000-$720,000	2,010,000	2,010,000
Term bonds	9/1/22-9/1/27	9.000%	$780,000-$1,200,000	5,865,000	5,865,000
Unamortized bond discount				(247,945)	(232,448)
2011 Series A Tax Allocation Bonds					
Serial bonds	9/1/11-9/1/18	3.099-7.00%	$85,000-$115,000	675,000	675,000
Term bonds	9/1/19-9/1/21	8.000%	$125,000-$145,000	400,000	400,000
Term bonds	9/1/22-9/1/27	9.000%	$160,000-$235,000	1,175,000	1,175,000
Term bonds	9/1/28-9/1/31	9.000%	$255,000-$330,000	1,170,000	1,170,000
Term bonds	9/1/32-9/1/36	9.250%	$360,000-$520,000	2,175,000	2,175,000
Unamortized bond discount				(203,574)	(195,431)
Total Successor Agency Bonds					243,909,943
				Net Premiums/(Discounts)	(650,057)
				Outstanding Balance	$ 244,560,000

23. EXTRAORDINARY ITEM, Continued

2000 Subordinate Tax Allocation Refunding Bonds

In August, 2000, the former Redevelopment Agency issued the 2000 Subordinate Tax Allocation Refunding Bonds (Live Oak/Soquel Community Improvement Project Area) in the original amount of $17,885,000. Interest from 4.25% to 5.25% is paid semi-annually and principal payments are made at September 1st. Payments are secured by the pledge of tax revenues. As of June 30, 2012, the total principal balance was $11,120,000. Principal and interest paid for the current period were $280,733.

2000 Series A Subordinate Tax Allocation Bonds

In December, 2000, the former Redevelopment Agency issued Subordinate Tax Allocation Bonds, 2000 Series A (Live Oak/Soquel Community Improvement Project Area) in the original amount of $27,415,000. Interest from 5.0% to 5.375% is paid semi-annually and principal payments are made at September 1st. Payments are secured by the pledge of tax revenues. As of June 30, 2012, the total principal balance was $25,685,000. Principal and interest paid for the current period were $679,794.

2003 Tax Allocation Refunding Bonds

On August 28, 2003, the former Redevelopment Agency issued 2003 Tax Allocation Refunding Bonds (Live Oak/Soquel Community Improvement Project Area) in the original amount of $48,435,000. Interest from 2.00% to 5.00% is paid semi-annually and principal payments are made at September 1st. Payments are secured by the pledge of tax revenues. As of June 30, 2012, the total principal balance was $33,780,000 and the unamortized bond discount was $113,388. Principal and interest paid for the current period were $765,906.

2005 Series A Subordinate Tax Allocation Bonds

On November 17, 2005, the former Redevelopment Agency issued Subordinate Tax Allocation Bonds, 2005 Series A (Live Oak/Soquel Community Improvement Project Area) in the original amount of $47,860,000. Interest from 4.5% to 5.0% is paid semi-annually and principal payments are made at September 1st. Payments are secured by the pledge of tax revenues. As of June 30, 2012, the total principal balance was $47,860,000 and the unamortized bond premium was $374,697. Principal and interest paid for the current period were $1,173,328.

23. EXTRAORDINARY ITEM, Continued

2005 Series B Subordinate Tax Allocation Bonds

On November 17, 2005, the former Redevelopment Agency issued Subordinate Tax Allocation Bonds, 2005 Taxable Series B (Live Oak/Soquel Community Improvement Project Area) in the original amount of $21,000,000. Interest from 5.0% to 5.650% is paid semi-annually and principal payments are made at September 1st. Payments are secured by the pledge of tax revenues. As of June 30, 2012, the total principal balance was $19,440,000 and the unamortized bond discount was $36,128. Principal and interest paid for the current period were $543,673.

2007 Taxable Subordinate Tax Allocation Refunding Bonds

On May 8, 2007, the former Redevelopment Agency issued Subordinate Tax Allocation Refunding Bonds, 2007 Taxable (Live Oak/Soquel Community Improvement Project Area) in the original amount of $10,755,000. Interest from 5.208% to 5.495% is paid semi-annually and principal payments are made at September 1st. Payments are secured by the pledge of tax revenues. As of June 30, 2012, the total principal balance was $10,280,000. Principal and interest paid for the current period were $281,577.

2007 Series A Tax Allocation Refunding Bonds

On November 7, 2007, the former Redevelopment Agency issued Tax Allocation Refunding Bonds, 2007 Series A (Live Oak/Soquel Community Improvement Project Area) in the original amount of $7,370,000. Interest from 4.00% to 5.25% is paid semi-annually and principal payments are made at September 1st. Payments are secured by the pledge of tax revenues. As of June 30, 2012, the total principal balance was $5,785,000 and the unamortized bond premium was $155,073. Principal and interest paid for the current period were $122,044.

2009 Series A Tax Allocation Bonds

On February 12, 2009, the former Redevelopment Agency issued Tax Allocation Bonds, 2009 Series A (Live Oak/Soquel Community Improvement Project Area) in the original amount of $55,970,000. Interest from 3.25% to 7.00% is paid semi-annually and principal payments are made at September 1st. Payments are secured by the pledge of tax revenues. As of June 30, 2012, the total principal balance was $55,200,000 and the unamortized bond discount was $158,192. Principal and interest paid for the current period were $1,868,204.

23. EXTRAORDINARY ITEM, Continued

2010 Taxable Housing Tax Allocation Bonds

On July 22, 2010, the former Redevelopment Agency issued Tax Allocation Bonds, 2010 Taxable Housing Tax Allocation Bonds (Live Oak/Soquel Community Improvement Project Area) in the original amount of $18,500,000. Interest from 2.95% to 7.40% is paid semi-annually and principal payments are made at September 1st. Payments are secured by the pledge of tax revenues. As of June 30, 2012, the total principal balance was $18,500,000 and the unamortized bond discount was $444,239. Principal and interest paid for the current period were $659,203.

2011 Series A Taxable Tax Allocation Bonds

On March 9, 2011, the former Redevelopment Agency issued Tax Allocation Bonds, 2011 Series A Taxable Tax Allocation Bonds in the original amount of $11,315,000. Interest from 3.10% to 9.00% is paid semi-annually and principal payments are made at September 1st. Payments are secured by the pledge of tax revenues. As of June 30, 2012, the total principal balance was $11,315,000 and the unamortized bond discount was $232,448. Principal and interest paid for the current period were $439,909.

2011 Series B Taxable Housing Tax Allocation Bonds

On March 9, 2011, the former Redevelopment Agency issued Tax Allocation Bonds, 2011 Series B Taxable Housing Tax Allocation Bonds in the original amount of $5,595,000. Interest from 3.10% to 9.25% is paid semi-annually and principal payments are made at September 1st. Payments are secured by the pledge of tax revenues. As of June 30, 2012, the total principal balance was $5,595,000 and the unamortized bond discount was $195,431. Principal and interest paid for the current period were $240,881.

23. EXTRAORDINARY ITEM, Continued

The debt service requirement to maturity for all debts combined, including interest, is as follows:

Year Ending June 30,	Principal	Interest	Total
2013	4,955,000	14,009,805	18,964,805
2014	5,150,000	13,799,365	18,949,365
2015	5,365,000	13,569,386	18,934,386
2016	5,610,000	13,318,170	18,928,170
2017	5,870,000	13,043,046	18,913,046
2018-2022	34,125,000	60,275,947	94,400,947
2023-2027	44,110,000	49,469,756	93,579,756
2028-2032	60,805,000	34,180,656	94,985,656
2033-2037	78,570,000	12,810,298	91,380,298
Total	$ 244,560,000	$ 224,476,429	$ 469,036,429
Unamortized Premiums	529,772		
Unamortized Discounts	(1,179,829)		
Total	$ 243,909,943		

Pledges of future revenues

The Agency has pledged to the repayment of the 2000 Subordinate Refunding Bonds, the 2000 Series A Subordinate Bonds, the 2003 Refunding Bonds, the 2005 Series A Bonds, the 2005 Series B Subordinate Bonds, the 2007 Taxable Subordinate Refunding Bonds, the 2007 Series A Refunding Bonds, the 2009 Series A Bonds, the 2010 Taxable Housing Bonds, the 2011 Series A Taxable Bonds, and the 2011 Series B Taxable Housing Bonds (the "Bonds") Tax Revenues of the Agency's Live Oak/Soquel Community Improvement Project Area pursuant to the various applicable Indentures of Trust, through the final maturity of the Bonds on March 1, 2037, or early retirement of the Bonds, whichever occurs first. Tax Revenues consist of tax increment revenues allocated to the Agency with respect to the Live Oak/Soquel Community Improvement Project Area pursuant to Section 34183 of the California Health & Safety Code. Annual principal and interest payments on the bonds are expected to require 93 percent of tax revenues. The total principal and interest remaining to be paid on the Bonds is $469,036,429.

23. EXTRAORDINARY ITEM, Continued

At June 30, 2012, the total tax revenues for the current period were $8,371,878, and the total debt service payment was $7,055,250. During the 5 month period ended June 30, 2012, bond debt service payments required 84.27% of the total tax increment revenues. The ratio of tax revenues to the bonds debt service payments due during the 5 month period ended June 30, 2012 was 1.19 (119%).

THE GREAT SEAL OF THE COUNTY OF
1850
SINE PRAEJUDICIO
SANTA CRUZ

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

THE GREAT SEAL OF THE COUNTY OF
1850
SINE PRAEJUDICIO
SANTA CRUZ

BUDGETARY PRINCIPLES

General Budget Policies

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

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

1. Prior to July 1, the County Administrative Officer submits to the Board a proposed program budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. In addition, the Auditor-Controller submits a proposed budget containing the line items of revenue and appropriations based upon the County Administrative Office budget proposal.

2. On or before August 20, public hearings are conducted to obtain public comments. Such hearings shall be concluded within 10 calendar days.

3. On or before October 2, the budget is legally enacted through passage of a resolution.

4. On or before November 1, the Auditor-Controller publishes a final budget as recommended by the County Administrative Officer and adopted by the Board of Supervisors.

5. Budget units are expenditure classifications which identify accounting or cost centers necessary or desirable for control of the County financial operation.

6. The County uses formal budgetary integration as a management control device during the year for the primary government and all blended component units, except the Public Financing Authority and certain Special Revenue Funds, which do not annually adopt a budget.

7. Budgets are adopted on a basis consistent with GAAP except for the following different classifications:

   - Interfund transfers are reported as revenues or expenditures for budgetary purposes, however, for GAAP purpose are reported as other financing sources, or uses.

   - Proceeds from the sale of assets and the issuance of new debt are reported as revenues for budgetary purposes, however, for GAAP purposes they are reported as other financing sources.

8. Budgetary control is maintained at the character level, except for capital assets and other charges which are controlled by line item. Character levels are appropriation totals for salaries and employee benefits, and services and supplies. The Board approves all transfers of budgeted appropriation amounts between budget units within any fund or between expenditures outside of budgetary control limits. Unencumbered appropriations at year-end lapse into fund balance. See the following paragraph for encumbered appropriations at year-end.

BUDGETARY PRINCIPLES, Continued

General Budget Policies, Continued

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary accounting in the General and Special Revenue Funds. Encumbrances outstanding at year-end are reported as committments 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, 2012

Budgetary Comparison Schedule, General Fund

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
FUND BALANCE, BEGINNING	$ 39,366,970	$ 39,366,970	$ 39,366,970	$ -
RESOURCE(INFLOWS)				
Taxes	87,948,052	87,948,052	88,406,635	458,583
Licenses	9,275,727	9,390,727	10,355,965	965,238
Fines, forfeitures and penalties	4,505,169	4,683,105	4,660,530	(22,575)
Revenue from use of money and property	1,591,167	1,591,167	1,720,668	129,501
Aid from other governmental agencies	194,135,567	200,562,505	198,723,877	(1,838,628)
Charges for current services	47,379,896	53,053,295	54,524,658	1,471,363
Other revenues	2,730,803	2,953,597	2,058,973	(894,624)
Sale of capital assets	-	-	5,157	5,157
Inception of capital leases	-	-	80,266	80,266
Transfers in	26,450,980	27,205,223	2,569,154	(24,636,069)
Amount Available for Appropriation	374,017,361	387,387,671	363,105,883	(24,281,788)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General Government:				
Board of Supervisors				
Salaries and employee benefits	2,188,964	2,188,964	2,134,517	54,447
Services and supplies	100,320	96,603	76,513	20,090
Total	2,289,284	2,285,567	2,211,030	74,537
Administrative Office				
Salaries and employee benefits	2,503,308	2,503,308	2,042,818	460,490
Services and supplies	1,496,069	1,466,986	422,752	1,044,234
Other charges	210,342	210,342	210,342	-
Intrafund transfers	(1,460,710)	(1,460,710)	(1,459,943)	(767)
Total	2,749,009	2,719,926	1,215,969	1,503,957
Auditor-Controller				
Salaries and employee benefits	2,598,753	2,613,698	2,606,628	7,070
Services and supplies	2,373,537	1,875,746	1,813,648	62,098
Other charges	124,476	128,776	115,752	13,024
Intrafund transfers	(1,519,328)	(1,524,328)	(1,593,708)	69,380
Appropriations for contingencies	-	-	1,048,119	(1,048,119)
Total	3,577,438	3,093,892	3,990,439	(896,547)

(Continued)

Budgetary Comparison Schedule, General Fund, Continued

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
General Government, Continued:				
Treasurer - Tax Collector				
Salaries and employee benefits	$ 1,326,510	$ 1,326,510	$ 1,259,708	$ 66,802
Services and supplies	520,349	565,886	528,662	37,224
Intrafund transfers	630	630	630	-
Total	1,847,489	1,893,026	1,789,000	104,026
Assessor				
Salaries and employee benefits	2,600,005	2,615,205	2,610,046	5,159
Services and supplies	419,581	533,746	508,025	25,721
Other charges	251,970	260,370	260,366	4
Intrafund transfers	(280,693)	(280,693)	(319,096)	38,403
Total	2,990,863	3,128,628	3,059,341	69,287
Purchasing				
Salaries and employee benefits	290,004	302,504	300,817	1,687
Services and supplies	130,230	124,572	116,049	8,523
Intrafund transfers	(71,344)	(71,344)	(71,344)	-
Total	348,890	355,732	345,522	10,210
County Counsel				
Salaries and employee benefits	2,641,139	2,641,139	2,588,052	53,087
Services and supplies	224,972	219,720	162,895	56,825
Intrafund transfers	(1,232,282)	(1,232,282)	(1,242,301)	10,019
Appropriations for contingencies	-	2,259	-	2,259
Total	1,633,829	1,630,836	1,508,646	122,190
Personnel				
Salaries and employee benefits	2,557,124	2,557,124	2,251,052	306,072
Services and supplies	2,661,679	2,478,441	2,374,586	103,855
Intrafund transfers	(674,809)	(674,809)	(674,809)	-
Total	4,543,994	4,360,756	3,950,829	409,927
County Clerk/Elections				
Salaries and employee benefits	1,672,671	1,681,321	1,626,901	54,420
Services and supplies	1,531,938	1,559,247	1,069,012	490,235
Other charges	-	1,563	1,563	-
Capital assets	8,000	18,060	16,113	1,947
Total	3,212,609	3,260,191	2,713,589	546,602

(Continued)

Budgetary Comparison Schedule, General Fund, Continued

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
General Government, Continued:				
Communications				
Salaries and employee benefits	$ 558,320	$ 579,320	$ 568,063	$ 11,257
Services and supplies	1,987,724	1,882,319	1,797,943	84,376
Other charges	-	147,759	147,759	-
Capital Assets	2,028	14,528	-	14,528
Intrafund transfers	(550,229)	(550,229)	(515,863)	(34,366)
Total	1,997,843	2,073,697	1,997,902	75,795
General Services				
Salaries and employee benefits	3,924,399	3,907,099	3,861,746	45,353
Services and supplies	3,364,845	3,400,116	3,332,703	67,413
Other charges	471,693	471,693	471,693	-
Interfund transfers	(4,408,768)	(4,408,768)	(4,262,876)	(145,892)
Appropriations for contingencies	-	1,738	-	1,738
Total	3,352,169	3,371,878	3,403,266	(31,388)
Real Property Management				
Services and supplies	70,364	81,876	75,825	6,051
Other charges	10	10	-	10
Total	70,374	81,886	75,825	6,061
Surveyor				
Services and supplies	517,638	517,638	389,376	128,262
Interfund transfers	-	-	(7,842)	7,842
Total	517,638	517,638	381,534	136,104
DPW Engineering				
Services and supplies	151,654	151,654	102,022	49,632
Total	151,654	151,654	102,022	49,632
Central Stores				
Salaries and employee benefits	156,249	161,049	159,848	1,201
Services and supplies	48,490	48,496	47,465	1,031
Intrafund transfers	(217,990)	(217,990)	(217,864)	(126)
Total	(13,251)	(8,445)	(10,551)	2,106
Total General Government	29,269,832	28,916,862	26,734,363	2,182,499

(Continued)

Budgetary Comparison Schedule, General Fund, Continued

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Protection:				
Courts				
Services and supplies	$ 22,000	$ 22,000	$ 20,572	$ 1,428
Other charges	1,970,315	2,284,288	2,253,739	30,549
Total	1,992,315	2,306,288	2,274,311	31,977
Grand Jury				
Services and supplies	49,984	64,293	64,291	2
Total	49,984	64,293	64,291	2
Child Support				
Salaries and employee benefits	5,935,625	5,935,625	5,571,278	364,347
Services and supplies	689,937	786,437	731,684	54,753
Other charges	212,642	212,642	212,642	-
Capital assets	-	28,500	26,625	1,875
Total	6,838,204	6,963,204	6,542,229	420,975
District Attorney				
Salaries and employee benefits	10,504,291	10,504,291	10,503,895	396
Services and supplies	1,098,096	1,138,151	1,123,396	14,755
Other charges	196,581	368,086	332,294	35,792
Intrafund transfers	(193,209)	(193,209)	(168,612)	(24,597)
Total	11,605,759	11,817,319	11,790,973	26,346
Public Defender				
Services and supplies	8,815,858	8,815,858	8,624,651	191,207
Total	8,815,858	8,815,858	8,624,651	191,207
Sheriff-Coroner				
Salaries and employee benefits	19,784,484	19,784,484	19,765,316	19,168
Services and supplies	5,105,888	5,049,326	4,382,558	666,768
Other charges	42,827	42,827	42,615	212
Capital assets	269,191	296,581	291,655	4,926
Intrafund transfers	-	18,824	-	18,824
Total	25,202,390	25,192,042	24,482,144	709,898
Jail and Rehabilitation Center				
Salaries and employee benefits	20,643,035	20,996,243	20,114,660	881,583
Services and supplies	3,753,506	3,860,834	3,724,515	136,319
Other charges	30,000	31,691	31,689	2
Capital assets	70,517	102,284	77,946	24,338
Total	24,497,058	24,991,052	23,948,810	1,042,242

(Continued)

Budgetary Comparison Schedule, General Fund, Continued

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Protection, Continued:				
Probation Department				
Salaries and employee benefits	$ 10,957,741	$ 11,691,579	$ 10,748,112	$ 943,467
Services and supplies	3,592,580	4,158,607	3,348,142	810,465
Other charges	33,771	36,587	27,043	9,544
Capital assets	20,946	55,146	29,064	26,082
Intrafund transfers	(101,852)	(101,852)	-	(101,852)
Appropriations for contingencies	-	109,553	-	109,553
Total	14,503,186	15,949,620	14,152,361	1,797,259
State Correctional Schools				
Services and supplies	5,740	5,740	-	5,740
Other charges	15,000	15,000	(106)	15,106
Total	20,740	20,740	(106)	20,846
Agricultural Commissioner/ Weights and Measures				
Salaries and employee benefits	1,722,899	1,717,795	1,635,361	82,434
Services and supplies	307,994	314,470	289,681	24,789
Other charges	-	1,429	1,429	-
Capital assets	-	8,922	8,922	-
Intrafund transfers	(123,492)	(123,492)	(123,492)	-
Appropriations for contingencies	-	2,829	-	2,829
Total	1,907,401	1,921,953	1,811,901	110,052
Public Works - Other Construction Inspection				
Services and supplies	45,000	80,000	68,195	11,805
Total	45,000	80,000	68,195	11,805
Recorder				
Salaries and employee benefits	806,702	809,202	808,876	326
Services and supplies	765,246	759,999	587,201	172,798
Capital assets	60,000	60,000	54,905	5,095
Intrafund transfers	62,488	62,488	62,488	-
Appropriations for contingencies	-	1,333	-	1,333
Total	1,694,436	1,693,022	1,513,470	179,552

(Continued)

Budgetary Comparison Schedule, General Fund, Continued

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Protection, Continued:				
County Emergency Office				
Salaries and employee benefits	$ 146,261	$ 146,261	$ 144,504	$ 1,757
Services and supplies	316,814	317,048	297,544	19,504
Total	463,075	463,309	442,048	21,261
Local Agency Formation Commission				
Other charges	95,733	95,733	95,733	-
Total	95,733	95,733	95,733	-
Planning Department				
Salaries and employee benefits	6,999,279	7,114,279	6,952,360	161,919
Services and supplies	1,705,810	1,712,502	1,554,935	157,567
Other charges	2,399,179	2,399,179	1,284,358	1,114,821
Capital assets	-	8,978	8,978	-
Intrafund transfers	(2,250)	(134,501)	(133,730)	(771)
Appropriations for contingencies	-	1,259	-	1,259
Total	11,102,018	11,101,696	9,666,901	1,434,795
Animal Services				
Other charges	1,168,288	1,168,288	1,168,288	-
Total	1,168,288	1,168,288	1,168,288	-
Association of Monterey Bay Area Govts.				
Other charges	33,070	33,070	33,070	-
Total	33,070	33,070	33,070	-
Total Public Protection	110,034,515	112,677,487	106,679,270	5,998,217
Public Ways and Facilities:				
Public Ways - DPW				
Services and supplies	213,137	213,137	190,609	22,528
Total	213,137	213,137	190,609	22,528
Total Public Ways and Facilities	213,137	213,137	190,609	22,528

(Continued)

Budgetary Comparison Schedule, General Fund, Continued

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Health and Sanitation:				
Health Services Agency				
Salaries and employee benefits	$ 56,818,908	$ 56,488,521	$ 53,276,652	$ 3,211,869
Services and supplies	42,288,295	47,018,853	42,236,465	4,782,388
Other charges	27,730,892	24,576,244	22,864,763	1,711,481
Capital assets	960,501	1,106,941	579,043	527,898
Intrafund transfers	(13,426,852)	(13,476,852)	(12,132,835)	(1,344,017)
Appropriations for contingencies	-	11,477	-	11,477
Total	114,371,744	115,725,184	106,824,088	8,901,096
Mosquito Abatement				
Salaries and employee benefits	764,231	764,231	714,271	49,960
Services and supplies	485,141	485,141	241,497	243,644
Other charges	1,200	1,200	-	1,200
Capital assets	21,212	21,212	-	21,212
Total	1,271,784	1,271,784	955,768	316,016
Air Pollution				
Other charges	31,711	31,711	30,020	1,691
Total	31,711	31,711	30,020	1,691
Total Health and Sanitation	115,675,239	117,028,679	107,809,876	9,218,803
Public Assistance:				
Human Services Department				
Salaries and employee benefits	39,850,171	40,120,112	39,628,745	491,367
Services and supplies	12,100,895	13,424,682	12,341,783	1,082,899
Other charges	12,309,179	12,072,041	11,440,458	631,583
Capital assets	25,306	360,695	290,229	70,466
Intrafund transfers	(572,443)	(572,443)	(550,019)	(22,424)
Appropriations for contingencies	-	35,794	-	35,794
Total	63,713,108	65,440,881	63,151,196	2,289,685
Community Programs				
Other charges	3,009,548	3,009,548	3,009,545	3
Total	3,009,548	3,009,548	3,009,545	3

(Continued)

Budgetary Comparison Schedule, General Fund, Continued

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Public Assistance, Continued:				
Categorical Aids				
Other charges	$ 31,221,204	$ 31,259,384	$ 31,081,234	$ 178,150
Total	31,221,204	31,259,384	31,081,234	178,150
General Assistance				
Services and supplies	1,351	1,351	1,036	315
Other charges	321,876	541,876	456,948	84,928
Total	323,227	543,227	457,984	85,243
Burial of Indegents				
Services and supplies	49,129	49,129	28,055	21,074
Total	49,129	49,129	28,055	21,074
Family Relations				
Services and supplies	943,608	891,365	449,320	442,045
Other charges	506,019	555,198	399,524	155,674
Appropriations for contingencies	-	3,064	-	3,064
Total	1,449,627	1,449,627	848,844	600,783
Wards of Court				
Services and supplies	10,000	31,000	4,935	26,065
Other charges	183,500	191,500	151,327	40,173
Total	193,500	222,500	156,262	66,238
Veterans Service Officer				
Salaries and employee benefits	255,065	255,065	252,915	2,150
Services and supplies	20,855	20,855	10,160	10,695
Other charges	6,286	6,286	-	6,286
Total	282,206	282,206	263,075	19,131
Total Public Assistance	100,241,549	102,256,502	98,996,195	3,260,307

(Continued)

Budgetary Comparison Schedule, General Fund, Continued

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
CHARGES TO APPROPRIATIONS (OUTFLOWS), Continued				
Education:				
Agricultural Extension Services				
Salaries and employee benefits	$ 84,609	$ 84,609	$ 80,108	$ 4,501
Services and supplies	38,404	38,407	28,558	9,849
Total	123,013	123,016	108,666	14,350
Total Education	123,013	123,016	108,666	14,350
Recreation and Culture:				
Recreation and Cultural Services				
Salaries and employee benefits	3,680,079	3,835,475	3,728,840	106,635
Services and supplies	1,994,624	1,991,350	1,863,120	128,230
Other charges	294,210	294,210	262,206	32,004
Intrafund transfers	(39,731)	(39,731)	(53,431)	13,700
Total	5,929,182	6,081,304	5,800,735	280,569
Total Recreation and Culture	5,929,182	6,081,304	5,800,735	280,569
Debt Service:				
Debt Service				
Services and supplies	132,850	131,880	107,235	24,645
Other charges	543,645	543,645	543,644	1
Intrafund transfers	(283,393)	(283,393)	(286,377)	2,984
Total	393,102	392,132	364,502	27,630
Total Debt Service	393,102	392,132	364,502	27,630
Total Charges to Appropriations (Outflows)	361,879,569	367,689,119	346,684,216	21,004,903

(Continued)

Budgetary Comparison Schedule, General Fund, Continued

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Transfers Out:				
Auditor-Controller	$ 10,669	$ 10,669	$ 10,669	$ -
General Services	18,000	18,000	-	18,000
Sheriff-Coroner	-	10,000	-	10,000
Probation Department	10,000	25,000	10,000	15,000
Health Services Agency	12,550,060	19,350,060	-	19,350,060
Debt Service	6,175,555	6,176,525	13,599,141	(7,422,616)
Total transfers out	18,764,284	25,590,254	13,619,810	11,970,444
Total Charges to Appropriations (Outflows)	380,643,853	393,279,373	360,304,026	32,975,347
Net change in fund balances	(6,626,492)	(5,891,702)	2,801,857	8,693,559
FUND BALANCE, ENDING	$ 32,740,478	$ 33,475,268	$ 42,168,827	$ 8,693,559

(Concluded)

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	$ 363,105,883
Differences - budget to GAAP:	
Inception of capital leases are not revenues for financial reporting purposes	(80,266)
Sales of capital assets are not revenues for financial reporting purposes	(5,157)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(2,569,154)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	$ 360,451,306
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	$ 360,304,026
Differences - budget to GAAP:	
Losses on land held for resale are not expenses for financial reporting purposes	(137,065)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(13,619,810)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	$ 346,547,151

County of Santa Cruz
Budgetary Comparison Schedule
Housing Fund
For the year ended June 30, 2012

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
FUND BALANCE, BEGINNING	$ 2,327,595	$ 2,327,595	$ 2,327,595	$ -
RESOURCES(INFLOWS)				
Use of money and property	12,450	12,450	12,108	(342)
Aid from other governments	2,246,365	2,407,849	551,750	(1,856,099)
Charges for current services	140,836	172,201	187,324	15,123
Other revenue	2,500	2,500	9,878	7,378
Transfers in	-	-	4,456,254	4,456,254
Contributed Capital	-	-	45,701,407	45,701,407
Amounts available for appropriation	2,402,151	2,595,000	50,918,721	48,323,721
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	697,299	732,529	526,961	205,568
Other charges	2,184,388	2,342,007	12,700	2,329,307
Loss on forgiveness of debt	-	-	1,667,863	(1,667,863)
Capital assets	-	280,000	-	280,000
Total charges to appropriations	2,881,687	3,354,536	2,207,524	1,147,012
FUND BALANCE, ENDING	$ 1,848,059	$ 1,568,059	$ 51,038,792	$ 49,470,733

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	$ 50,918,721
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(50,157,661)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	$ 761,060

Uses/Outflows of Resources:

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

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	$ 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

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	$ 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%

Sheriff Safety Employees

Actuarial Actuarial Valuation Date*	(A) Actuarial 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

THE GREAT SEAL OF THE COUNTY OF
1850
SINE PRAEJUDICIO
SANTA CRUZ

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

THE GREAT SEAL OF THE COUNTY OF
1850
SINE PRAEJUDICIO
SANTA CRUZ

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.

THE GREAT SEAL OF THE COUNTY OF
1850
SINE PRAEJUDICIO
SANTA CRUZ

County of Santa Cruz
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	$ 21,097,890	$ -	$ 21,097,890
Restricted cash and investments	10,595,294	-	10,595,294
Receivables	222,103	-	222,103
Due from other funds	4,721,449	-	4,721,449
Advances to other funds	1,247,102	-	1,247,102
Total assets	$ 37,883,838	$ -	$ 37,883,838
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 1,492,980	$ -	$ 1,492,980
Due to other funds	4,753,809	-	4,753,809
Deferred revenue	370,268	-	370,268
Total liabilities	6,617,057	-	6,617,057
Fund Balances:			
Restricted	31,289,258	-	31,289,258
Unassigned	(22,477)	-	(22,477)
Total fund balances	31,266,781	-	31,266,781
Total liabilities and fund balances	$ 37,883,838	$ -	$ 37,883,838

County of Santa Cruz
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2012

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES:			
Taxes	$ 25,352,995	$ -	$ 25,352,995
Fines, forfeits and penalties	41,063	-	41,063
Use of money and property	150,590	972	151,562
Aid from other governments	15,181,254	-	15,181,254
Charges for services	10,718,449	-	10,718,449
Other	107,214	-	107,214
Total revenues	51,551,565	972	51,552,537
EXPENDITURES:			
Current:			
General government	150,070	-	150,070
Public protection	11,991,763	-	11,991,763
Public ways and facilities	22,017,244	-	22,017,244
Education	4,701,533	-	4,701,533
Recreation and culture	1,203,537	-	1,203,537
Debt service:			
Principal	3,675,000	4,115,000	7,790,000
Interest and fiscal charges	3,009,057	7,108,467	10,117,524
Total expenditures	46,748,204	11,223,467	57,971,671
REVENUES OVER (UNDER) EXPENDITURES	4,803,361	(11,222,495)	(6,419,134)
OTHER FINANCING SOURCES (USES):			
Bond proceeds	7,489,565	-	7,489,565
Bond Premium/Discount	(23,157)	-	(23,157)
Costs of Issuance	(247,884)	-	(247,884)
Payment to Bond ref escrow agent	(1,399,253)	-	(1,399,253)
Sale of capital asset	9,599	-	9,599
Gain on conversion of receivables	5,024,265	-	5,024,265
Transfers in	9,766,496	13,338,264	23,104,760
Transfers out	(17,423,094)	-	(17,423,094)
Total other financing sources (uses)	3,196,537	13,338,264	16,534,801
Change in fund balance before Extraordinary Item	7,999,898	2,115,769	10,115,667
EXTRAORDINARY ITEM	(51,851,492)	(20,014,154)	(71,865,646)
Net change in fund balances	(43,851,594)	(17,898,385)	(61,749,979)
FUND BALANCES:			
Beginning of year	75,118,375	17,898,385	93,016,760
End of year	$ 31,266,781	$ -	$ 31,266,781

County of Santa Cruz
Budgetary Comparison Schedule
Capital Project Funds
For the year ended June 30, 2012

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
FUND BALANCE, BEGINNING	$ 71,294,523	$ 71,294,523	$ 71,294,523	$ -
RESOURCES(INFLOWS)				
Fines, forfeits and penalties	-	-	35,326	35,326
Use of money and property	382,700	400,032	751,235	351,203
Aid from other governmental agencies	-	-	822,896	822,896
Charges for services	-	3,117,913	235,618	(2,882,295)
Other revenue	183,740	5,254,648	1,221,655	(4,032,993)
Transfers in	-	6,983,740	7,460,680	476,940
Amounts available for appropriation	566,440	15,756,333	10,527,410	(5,228,923)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	2,475,894	3,007,413	2,641,105	366,308
Capital assets	66,909,908	77,367,110	6,951,226	70,415,884
Other charges	-	2,970,922	273,420	2,697,502
Transfers out	983,828	2,217,967	6,577,425	(4,359,458)
Total charges to appropriations	70,369,630	85,563,412	16,443,176	69,120,236
FUND BALANCE, ENDING	$ 1,491,333	$ 1,487,444	$ 65,378,757	$ 63,891,313

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	$ 10,527,410
Differences - budget to GAAP:	
Sales of capital assets are not expenses for financial reporting purposes	(1,124,058)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(7,460,680)
Total revenues as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	$ 1,942,672
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 16,443,176
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(6,577,425)
Total expenditures as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	$ 9,865,751

THE GREAT SEAL OF THE COUNTY OF
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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, 2012

	Special Revenue			
	Library	Fire	Off Highway Road and Transportation	Public Financing Authority
ASSETS				
Cash and investments	$ -	$ 2,408,580	$ 3,815,935	$ -
Restricted cash and investments	-	-	-	10,595,294
Receivables	-	-	-	-
Due from other funds	-	-	4,676,152	-
Advances to other funds	-	-	-	1,247,102
Total assets	$ -	$ 2,408,580	$ 8,492,087	$ 11,842,396
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ -	$ 546,868	$ 690,619	$ -
Due to other funds	22,477	-	4,676,152	9,883
Deferred revenue (credit)	-	-	370,268	-
Total liabilities	22,477	546,868	5,737,039	9,883
Fund Balances:				
Restricted	-	1,861,712	2,755,048	11,832,513
Unassigned	(22,477)	-	-	-
Total fund balances	(22,477)	1,861,712	2,755,048	11,832,513
Total liabilities and fund balances	$ -	$ 2,408,580	$ 8,492,087	$ 11,842,396

Special Revenue					
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
$ 16,303	$ 1,654,714	$ 862,841	$ 786,660	$ 2,680,548	$ 54,240
-	-	-	-	-	-
-	37,487	-	-	166,844	-
-	-	-	-	45,297	-
-	-	-	-	-	-
$ 16,303	$ 1,692,201	$ 862,841	$ 786,660	$ 2,892,689	$ 54,240
$ -	$ -	$ -	$ 44,755	$ 159,424	$ -
-	-	-	-	45,297	-
-	-	-	-	-	-
-	-	-	44,755	204,721	-
16,303	1,692,201	862,841	741,905	2,687,968	54,240
-	-	-	-	-	-
16,303	1,692,201	862,841	741,905	2,687,968	54,240
$ 16,303	$ 1,692,201	$ 862,841	$ 786,660	$ 2,892,689	$ 54,240

(Continued)

County of Santa Cruz
Combining Balance Sheet
Nonmajor Special Revenue Funds, Continued
June 30, 2012

	Special Revenue				
	Recreation and Culture	Public Ways and Facilities	Geologic Hazard Abatement Districts	Redevelopment Agency	Total Nonmajor Special Revenue Funds
ASSETS					
Cash and investments	$ 1,781,746	$ 6,851,071	$ 185,252	$ -	$ 21,097,890
Restricted cash and investments	-	-	-	-	10,595,294
Receivables	-	17,772	-	-	222,103
Due from other funds	-	-	-	-	4,721,449
Advances to other funds	-	-	-	-	1,247,102
Total assets	$ 1,781,746	$ 6,868,843	$ 185,252	$ -	$ 37,883,838
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 2,218	$ 49,096	$ -	$ -	$ 1,492,980
Due to other funds	-	-	-	-	4,753,809
Deferred revenue (credit)	-	-	-	-	370,268
Total liabilities	2,218	49,096	-	-	6,617,057
Fund Balances:					
Restricted	1,779,528	6,819,747	185,252	-	31,289,258
Unassigned	-	-	-	-	(22,477)
Total fund balances	1,779,528	6,819,747	185,252	-	31,266,781
Total liabilities and fund balances	$ 1,781,746	$ 6,868,843	$ 185,252	$ -	$ 37,883,838

(Concluded)

THE GREAT SEAL OF THE COUNTY OF
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County of Santa Cruz
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2012

	Special Revenue			
	Library	Fire	Off Highway Road and Transportation	Public Financing Authority
REVENUES:				
Taxes	$ 4,620,580	$ 1,660,768	$ -	$ -
Fines, forfeits and penalties	-	-	-	-
Use of money and property	-	13,113	21,220	883
Aid from other governments	101,384	14,817	13,547,079	344,582
Charges for services	-	996,003	1,227,013	-
Other	-	7,200	118,278	-
Total revenues	4,721,964	2,691,901	14,913,590	345,465
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public protection	-	2,807,614	-	-
Public ways and facilities	-	-	14,897,757	-
Education	4,701,533	-	-	-
Recreation and culture	-	-	-	-
Debt service:				
Principal	-	-	-	3,675,000
Interest	-	-	-	3,009,057
Total expenditures	4,701,533	2,807,614	14,897,757	6,684,057
REVENUES OVER (UNDER) EXPENDITURES	20,431	(115,713)	15,833	(6,338,592)
OTHER FINANCING SOURCES (USES):				
Sale of Capital Asset	-	-	-	-
Bond Proceeds	-	-	-	7,489,565
Bond Premium/Discount	-	-	-	(23,157)
Cost of Issuance	-	-	-	(247,884)
Payment to Bond ref escrow agent	-	-	-	(1,399,253)
Gain on the conversion of receivable	-	-	-	-
Transfers in	-	-	-	6,346,342
Transfers out	(5,555)	-	-	(245,746)
Total other financing sources (uses)	(5,555)	-	-	11,919,867
Change in fund balance before Extraordinary Item	14,876	(115,713)	15,833	5,581,275
EXTRAORDINARY ITEM	-	-	-	-
Net change in fund balances	14,876	(115,713)	15,833	5,581,275
FUND BALANCES:				
Beginning of year	(37,353)	1,977,425	2,739,215	6,251,238
End of year	$ (22,477)	$ 1,861,712	$ 2,755,048	$ 11,832,513

Special Revenue						
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
$ -	$ -	$ -	$ -	$ 5,689,410	$ -	$ 914,150
7,854	-	-	-	1,211	-	-
146	12,422	4,172	3,320	18,169	182	9,096
-	-	-	456,078	616,188	-	3,931
-	140,583	-	1,631,794	1,055,957	-	338,758
-	-	-	-	-	-	1,135
8,000	153,005	4,172	2,091,192	7,380,935	182	1,267,070
-	150,070	-	-	-	-	-
19,450	-	-	1,848,360	7,363,895	(47,556)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	50,903	-	-	-	-	1,152,634
-	-	-	-	-	-	-
-	-	-	-	-	-	-
19,450	200,973	-	1,848,360	7,363,895	(47,556)	1,152,634
(11,450)	(47,968)	4,172	242,832	17,040	47,738	114,436
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	721	-	-	-	-	10,669
-	(721)	-	(407,340)	(800,000)	-	(136,460)
-	-	-	(407,340)	(800,000)	-	(125,791)
(11,450)	(47,968)	4,172	(164,508)	(782,960)	47,738	(11,355)
-	-	-	-	-	-	-
(11,450)	(47,968)	4,172	(164,508)	(782,960)	47,738	(11,355)
27,753	1,740,169	858,669	906,413	3,470,928	6,502	1,790,883
$ 16,303	$ 1,692,201	$ 862,841	$ 741,905	$ 2,687,968	$ 54,240	$ 1,779,528

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, 2012

	Special Revenue			
	Public Ways and Facilities	Geologic Hazard Abatement Districts	Redevelopment Agency	Total Nonmajor Special Revenue Funds
REVENUES:				
Taxes	$ 617,158	$ -	$ 11,850,929	$ 25,352,995
Fines, forfeits and penalties	-	-	31,998	41,063
Use of money and property	29,827	895	37,145	150,590
Aid from other governments	76,454	-	20,741	15,181,254
Charges for services	5,328,341	-	-	10,718,449
Other	-	-	(19,399)	107,214
Total revenues	6,051,780	895	11,921,414	51,551,565
EXPENDITURES:				
Current:				
General government	-	-	-	150,070
Public protection	-	-	-	11,991,763
Public ways and facilities	4,552,491	-	2,566,996	22,017,244
Education	-	-	-	4,701,533
Recreation and culture	-	-	-	1,203,537
Debt service:				
Principal	-	-	-	3,675,000
Interest and fiscal charges	-	-	-	3,009,057
Total expenditures	4,552,491	-	2,566,996	46,748,204
REVENUES OVER (UNDER) EXPENDITURES	1,499,289	895	9,354,418	4,803,361
OTHER FINANCING SOURCES (USES):				
Sale of Capital Asset	-	-	9,599	9,599
Bond Proceeds	-	-	-	7,489,565
Bond Premium/Discount	-	-	-	(23,157)
Cost of Issuance	-	-	-	(247,884)
Bond Refunding costs	-	-	-	(1,399,253)
Gain on the conversion of receivable	-	-	5,024,265	5,024,265
Transfers in	-	-	3,408,764	9,766,496
Transfers out	(955,712)	-	(14,871,560)	(17,423,094)
Total other financing sources (uses)	(955,712)	-	(6,428,932)	3,196,537
Change in fund balance before Extraordinary Item	543,577	895	2,925,486	7,999,898
EXTRAORDINARY ITEM	-	-	(51,851,492)	(51,851,492)
Net change in fund balances	543,577	895	(48,926,006)	(43,851,594)
FUND BALANCES:				
Beginning of year	6,276,170	184,357	48,926,006	75,118,375
End of year	$ 6,819,747	$ 185,252	$ -	$ 31,266,781

THE GREAT SEAL OF THE COUNTY OF
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County of Santa Cruz
Budgetary Comparison Schedule
Library Special Revenue Fund
For the year ended June 30, 2012

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
FUND BALANCE, BEGINNING	$ (37,353)	$ (37,353)	$ (37,353)	$ -
RESOURCES(INFLOWS)				
Taxes	4,659,551	4,659,551	4,620,580	(38,971)
Aid from other governmental agencies	108,371	108,371	101,384	(6,987)
Amounts available for appropriation	4,767,922	4,767,922	4,721,964	(45,958)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	4,681,646	4,681,646	4,658,165	23,481
Other Charges	43,368	43,368	43,368	-
Transfers out	5,555	5,555	5,555	-
Total charges to appropriations	4,730,569	4,730,569	4,707,088	23,481
FUND BALANCE, ENDING	$ -	$ -	$ (22,477)	$ (22,477)

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	$ 4,707,088
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	$ 4,701,533

County of Santa Cruz
Budgetary Comparison Schedule
Fire Special Revenue Fund
For the year ended June 30, 2012

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
FUND BALANCE, BEGINNING	$ 1,977,425	$ 1,977,425	$ 1,977,425	$ -
RESOURCES(INFLOWS)				
Taxes	1,621,431	1,621,431	1,660,768	39,337
Use of money and property	17,001	17,001	13,113	(3,888)
Aid from other governmental agencies	116,997	124,094	14,817	(109,277)
Charges for current services	1,013,407	1,013,407	996,003	(17,404)
Other revenue	7,200	7,200	7,200	-
Amounts available for appropriation	2,776,036	2,783,133	2,691,901	(91,232)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Salaries and employee benefits	153,863	153,863	93,612	60,251
Services and supplies	3,091,270	3,098,367	2,384,496	713,871
Other charges	127,263	127,263	122,794	4,469
Capital assets	248,644	248,644	206,712	41,932
Transfers out	200,000	200,000	-	200,000
Total charges to appropriations	3,821,040	3,828,137	2,807,614	1,020,523
FUND BALANCE, ENDING	$ 932,421	$ 932,421	$ 1,861,712	$ 929,291

County of Santa Cruz
Budgetary Comparison Schedule
Off Highways Road and Transportation Special Revenue Fund
For the year ended June 30, 2012

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
FUND BALANCE, BEGINNING	$ 2,739,215	$ 2,739,215	$ 2,739,215	$ -
RESOURCES(INFLOWS)				
Use of money and property	7,000	7,000	21,220	14,220
Aid from other governmental agencies	25,948,308	26,058,740	13,547,079	(12,511,661)
Charges for current services	4,941,552	4,968,252	1,227,013	(3,741,239)
Other revenue	5,000	5,000	118,278	113,278
Amounts available for appropriation	30,901,860	31,038,992	14,913,590	(16,125,402)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	33,575,648	33,712,780	14,897,757	18,815,023
Total charges to appropriations	33,575,648	33,712,780	14,897,757	18,815,023
FUND BALANCE, ENDING	$ 65,427	$ 65,427	$ 2,755,048	$ 2,689,621

County of Santa Cruz
Budgetary Comparison Schedule
Fish and Game Special Revenue Fund
For the year ended June 30, 2012

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
FUND BALANCE, BEGINNING	$ 27,753	$ 27,753	$ 27,753	$ -
RESOURCES(INFLOWS)				
Fines, forfeitures and penalties	4,000	7,700	7,854	154
Use of money and property	200	200	146	(54)
Amounts available for appropriation	4,200	7,900	8,000	100
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Other charges	10,000	19,450	19,450	-
Appropriations for contingencies	2,000	-	-	-
Total charges to appropriations	12,000	19,450	19,450	-
FUND BALANCE, ENDING	$ 19,953	$ 16,203	$ 16,303	$ 100

County of Santa Cruz
Budgetary Comparison Schedule
Park Dedication and State Park Bonds Special Revenue Fund
For the year ended June 30, 2012

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
FUND BALANCE, BEGINNING	$ 1,740,169	$ 1,740,169	$ 1,740,169	$ -
RESOURCES(INFLOWS)				
Use of money and property	2,475	2,475	12,422	9,947
Charges for current services	66,496	219,996	140,583	(79,413)
Transfers In	-	-	721	721
Amounts available for appropriation	68,971	222,471	153,726	(68,745)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	6,468	6,468	6,468	-
Other charges	101,103	254,603	119,778	134,825
Capital assets	1,530,345	1,555,322	74,727	1,480,595
Transfers out	-	721	721	-
Appropriations for contingencies	-	500	-	500
Total charges to appropriations	1,637,916	1,817,614	201,694	1,615,920
FUND BALANCE, ENDING	$ 171,224	$ 145,026	$ 1,692,201	$ 1,547,175
			-	

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	$ 153,726
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(721)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	$ 153,005
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	$ 201,694
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(721)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	$ 200,973

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, 2012

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
FUND BALANCE, BEGINNING	$ 906,413	$ 906,413	$ 906,413	$ -
RESOURCES(INFLOWS)				
Use of money and property	3,000	3,000	3,320	320
Aid from other governmental agencies	4,775,000	11,305,697	456,078	(10,849,619)
Charges for current services	1,627,122	1,627,122	1,631,794	4,672
Amounts available for appropriation	6,405,122	12,935,819	2,091,192	(10,844,627)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	1,161,404	1,161,404	1,015,736	145,668
Capital assets	5,594,175	12,038,522	832,624	11,205,898
Transfers out	409,957	409,957	407,340	2,617
Appropriations for contingencies	146,000	232,350	-	232,350
Total charges to appropriations	7,311,536	13,842,233	2,255,700	11,586,533
FUND BALANCE, ENDING	$ (1)	$ (1)	$ 741,905	$ 741,906

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	$ 2,255,700
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(407,340)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	$ 1,848,360

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, 2012

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
FUND BALANCE, BEGINNING	$ 3,470,928	$ 3,470,928	$ 3,470,928	$ -
RESOURCES(INFLOWS)				
Taxes	5,727,861	5,727,861	5,687,944	(39,917)
Licenses, permits, and franchises	-	-	1,466	1,466
Fines, forfeitures, and assessments	-	-	1,211	1,211
Use of money and property	18,288	18,288	18,169	(119)
Aid from other governmental agencies	1,125,805	1,131,813	616,188	(515,625)
Charges for current services	928,541	928,541	1,055,957	127,416
Other revenue	-	27,500	-	(27,500)
Amounts available for appropriation	7,800,495	7,834,003	7,380,935	(453,068)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Salaries and employee benefits	54,550	54,550	46,822	7,728
Services and supplies	7,257,568	7,049,306	5,703,186	1,346,120
Other charges	872,831	872,831	872,831	-
Capital assets	1,498,300	1,740,580	741,056	999,524
Transfers out	800,000	800,000	800,000	-
Appropriations for contingencies	164,390	163,880	-	163,880
Total charges to appropriations	10,647,639	10,681,147	8,163,895	2,517,252
FUND BALANCE, ENDING	$ 623,784	$ 623,784	$ 2,687,968	$ 2,064,184

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

Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	$ 8,163,895
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(800,000)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	$ 7,363,895

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, 2012

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
FUND BALANCE, BEGINNING	$ 6,502	$ 6,502	$ 6,502	$ -
RESOURCES(INFLOWS)				
Use of money and property	35	35	182	147
Amounts available for appropriation	35	35	182	147
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	6,483	6,483	(47,556)	54,039
Total charges to appropriations	6,483	6,483	(47,556)	54,039
FUND BALANCE, ENDING	$ 54	$ 54	$ 54,240	$ 54,186

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, 2012

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
FUND BALANCE, BEGINNING	$ 1,790,883	$ 1,790,883	$ 1,790,883	$ -
RESOURCES(INFLOWS)				
Taxes	935,047	935,047	914,150	(20,897)
Use of money and property	9,402	9,402	9,096	(306)
Aid from other governmental agencies	4,400	4,400	3,931	(469)
Charges for current services	322,197	322,197	338,758	16,561
Other revenue	1,200	1,200	1,135	(65)
Transfers in	10,670	10,670	10,669	(1)
Amounts available for appropriation	1,282,916	1,282,916	1,277,739	(5,177)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	1,030,262	1,039,797	901,880	137,917
Other charges	400,954	400,954	250,754	150,200
Transfers out	135,997	136,462	136,460	2
Total charges to appropriations	1,567,213	1,577,213	1,289,094	288,119
FUND BALANCE, ENDING	$ 1,506,586	$ 1,496,586	$ 1,779,528	$ 282,942

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

Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 1,277,739
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(10,669)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	$ 1,267,070
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	$ 1,289,094
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(136,460)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	$ 1,152,634

County of Santa Cruz

Budgetary Comparison Schedule

Districts Governed by the Board of Supervisors - Public Ways and Facilities Special Revenue Fun

For the year ended June 30, 2012

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
FUND BALANCE, BEGINNING	$ 6,276,170	$ 6,276,170	$ 6,276,170	$ -
RESOURCES(INFLOWS)				
Taxes	612,148	612,148	617,158	5,010
Use of money and property	46,527	46,527	29,827	(16,700)
Aid from other governmental agencies	1,239,912	1,253,005	76,454	(1,176,551)
Charges for current services	5,326,850	5,326,850	5,328,341	1,491
Other revenues	2,000	2,000	-	(2,000)
Amounts available for appropriation	7,227,437	7,240,530	6,051,780	(1,188,750)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Services and supplies	7,237,301	7,137,143	4,272,914	2,864,229
Other charges	66,250	66,250	62,224	4,026
Capital assets	1,374,170	1,444,170	217,353	1,226,817
Transfers out	1,271,784	1,271,784	955,712	316,072
Appropriations for contingencies	90,500	97,751	-	97,751
Total charges to appropriations	10,040,005	10,017,098	5,508,203	4,508,895
FUND BALANCE, ENDING	$ 3,463,602	$ 3,499,602	$ 6,819,747	$ 3,320,145

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	$ 5,508,203
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(955,712)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	$ 4,552,491

County of Santa Cruz

Budgetary Comparison Schedule

Districts Governed by the Board of Supervisors - Redevelopment Agency

For the period ended January 31, 2012

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
FUND BALANCE, BEGINNING	$ 48,926,006	$ 48,926,006	$ 48,926,006	$ -
RESOURCES(INFLOWS)				
Taxes	22,141,306	22,141,306	11,850,929	(10,290,377)
Fines, forfeits and penalties	-	-	31,998	31,998
Use of money and property	202,514	202,514	37,145	(165,369)
Aid from other governmental agencies	-	-	20,741	20,741
Other revenues	11,431	11,431	5,014,465	5,003,034
Transfers in	3,548,015	5,741,920	3,408,764	(2,333,156)
Amounts available for appropriation	25,903,266	28,097,171	20,364,042	(7,733,129)
CHARGES TO APPROPRIATIONS(OUTFLOWS)				
Salaries and employee benefits	466,836	466,836	358,496	108,340
Services and supplies	1,115,434	1,651,559	1,155,260	496,299
Other charges	11,207,208	15,196,643	1,043,641	14,153,002
Interest expense	10,219,685	10,219,685	-	10,219,685
Long term debt principal payments	3,118,631	3,118,631	-	3,118,631
Sale of capital asset	-	-	9,599	(9,599)
Transfers out	970,389	1,506,514	14,871,560	(13,365,046)
Extraordinary Loss on dissolution	-	-	51,851,492	(51,851,492)
Total charges to appropriations	27,098,183	32,159,868	69,290,048	(37,130,180)
FUND BALANCE, ENDING	$ 47,731,089	$ 44,863,309	$ -	$ (44,863,309)

County of Santa Cruz

Budgetary Comparison Schedule, Continued

Districts Governed by the Board of Supervisors - Redevelopment Agency

For the period ended January 31, 2012

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	$	20,364,042
Differences - budget to GAAP:		
Sales of capital assets are not revenues for financial reporting purposes		(9,599)
Gain on the conversion of debt are not inflows of budgetary resources		(5,024,265)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes		(3,408,764)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	$	11,921,414
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "charges to appropriation" from the budgetary comparison schedule	$	69,290,048
Differences - budget to GAAP:		
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		(14,871,560)
Extraordinary loss on dissolution		(51,851,492)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	$	2,566,996

THE GREAT SEAL OF THE COUNTY OF
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NONMAJOR ENTERPRISE FUNDS

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

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

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

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

County of Santa Cruz
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2012

	Boulder Creek CSA 7	Rolling Woods CSA 10	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District
ASSETS					
Current assets:					
Cash and investments	$ 340,703	$ 49,900	$ 1,238,490	$ 2,997,117	$ -
Restricted cash	-	-	-	-	43,474
Receivables	-	-	1,509	-	145,843
Total current assets	340,703	49,900	1,239,999	2,997,117	189,317
Noncurrent assets:					
Loans Receivable	-	-	192,610	-	-
Capital assets:					
Nondepreciable					
Construction in progress	-	-	-	136,994	-
Depreciable:					
Buildings and structures	1,903,676	321,381	-	6,918,272	6,606,034
Equipment	83,079	-	45,518	-	17,345
Accumulated depreciation	(1,294,759)	(208,750)	(45,518)	(3,578,540)	(1,723,623)
Capital assets, net	691,996	112,631	-	3,476,726	4,899,756
Total Noncurrent assets	691,996	112,631	192,610	3,476,726	4,899,756
Total assets	1,032,699	162,531	1,432,609	6,473,843	5,089,073
LIABILITIES AND NET ASSETS					
Liabilities:					
Current Liabilities:					
Payables	416	-	81,178	124,498	7,664
Due to other funds	-	-	-	2,056	482,938
Current portion of long-term liabilities	-	-	11,614	-	27,670
Total current liabilities	416	-	92,792	126,554	518,272
Noncurrent Liabilities:					
Long-term liabilities	-	-	232,748	-	297,910
Total noncurrent liabilities	-	-	232,748	-	297,910
Total liabilities	416	-	325,540	126,554	816,182
Net Assets:					
Invested in capital assets, net of related debt	691,996	112,631	-	3,476,725	4,574,176
Restricted for:					
Debt service	-	-	-	-	54,477
Unrestricted	340,287	49,900	1,107,069	2,870,564	(355,762)
Total net assets	1,032,283	162,531	1,107,069	6,347,289	4,272,891
Total liabilities and net assets	$ 1,032,699	$ 162,531	$ 1,432,609	$ 6,473,843	$ 5,089,073

Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20	Summit West CSA 54	Graham Hill CSA 57	Total
$ 270,369	$ 112,976	$ 53,460	$ 2,870	$ 533,071	$ 5,598,956
-	-	-	-	-	43,474
-	-	-	-	-	147,352
270,369	112,976	53,460	2,870	533,071	5,789,782
-	-	-	-	-	192,610
-	-	-	-	-	136,994
188,209	917,969	-	-	-	16,855,541
-	-	13,569	-	-	159,511
(92,117)	(230,761)	(10,177)	-	-	(7,184,245)
96,092	687,208	3,392	-	-	9,967,801
96,092	687,208	3,392	-	-	10,160,411
366,461	800,184	56,852	2,870	533,071	15,950,193
-	316	1,147	-	-	215,219
-	-	-	-	-	484,994
-	-	-	-	-	39,284
-	316	1,147	-	-	739,497
-	-	-	-	-	530,658
-	-	-	-	-	530,658
-	316	1,147	-	-	1,270,155
96,092	687,208	3,392	-	-	9,642,220
-	-	-	-	-	54,477
270,369	112,660	52,313	2,870	533,071	4,983,341
366,461	799,868	55,705	2,870	533,071	14,680,038
$ 366,461	$ 800,184	$ 56,852	$ 2,870	$ 533,071	$ 15,950,193

County of Santa Cruz
Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Enterprise Funds
For the year ended June 30, 2012

	Boulder Creek CSA 7	Rolling Woods CSA 10	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District
OPERATING REVENUES:					
Charges for services	$ 427,195	$ 11,942	$ 916,150	$ 1,061,374	$ 420,238
Aid from other governments	-	-	-	-	815,855
Total operating revenues	427,195	11,942	916,150	1,061,374	1,236,093
OPERATING EXPENSES:					
Services and supplies	207,932	5,467	943,587	664,894	382,969
Depreciation and amortization	73,850	7,969	-	150,381	126,113
Total operating expenses	281,782	13,436	943,587	815,275	509,082
OPERATING INCOME (LOSS)	145,413	(1,494)	(27,437)	246,099	727,011
NONOPERATING REVENUES (EXPENSES):					
Interest and investment income	842	215	7,318	14,296	(3,986)
Interest expense	-	-	(6,648)	-	(9,591)
Property taxes	-	-	-	-	25,155
Total nonoperating revenues (expenses)	842	215	670	14,296	11,578
NET INCOME (LOSS)	146,255	(1,279)	(26,767)	260,395	738,589
NET ASSETS:					
Beginning of the year	886,028	163,810	1,133,836	6,086,894	3,534,302
End of the year	$ 1,032,283	$ 162,531	$ 1,107,069	$ 6,347,289	$ 4,272,891

Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20	Summit West CSA 54	Graham Hill CSA 57	Total
$ 82,964	$ 309,389	$ 56,632	$ -	$ 87,892	$ 3,373,776
-	-	-	-	-	815,855
82,964	309,389	56,632	-	87,892	4,189,631
30,031	218,594	36,933	136	31,539	2,522,082
5,542	33,968	1,357	-	-	399,180
35,573	252,562	38,290	136	31,539	2,921,262
47,391	56,827	18,342	(136)	56,353	1,268,369
1,115	299	172	14	2,394	22,679
-	-	-	-	-	(16,239)
-	-	-	-	-	25,155
1,115	299	172	14	2,394	31,595
48,506	57,126	18,514	(122)	58,747	1,299,964
317,955	742,742	37,191	2,992	474,324	13,380,074
$ 366,461	$ 799,868	$ 55,705	$ 2,870	$ 533,071	$ 14,680,038

County of Santa Cruz
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the year ended June 30, 2012

	Boulder Creek CSA 7	Rolling Woods CSA 10	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	$ 427,195	$ 11,942	$ 928,305	$ 1,061,374	$ 420,238
Receipts from other governments	-	-	-	-	815,855
Payments to suppliers for goods and services	(75,306)	(2,029)	(954,429)	(410,420)	(75,539)
Payments for interfund services used	(141,455)	(3,438)	-	(262,994)	(294,181)
Net cash provided (used) by operating activities	210,434	6,475	(26,124)	387,960	866,373
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Property taxes	-	-	-	-	25,369
Subsidy from other governmenal agencies	-	-	-	-	126,326
Principal paid on other long-term debt	-	-	(11,319)	-	-
Interest paid on other long-term debt	-	-	(6,648)	-	-
Transfers to other funds	-	-	-	-	(285,948)
Net cash provided (used) by noncapital financing activities	-	-	(17,967)	-	(134,253)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of capital assets	(139,210)	-	-	(512,254)	(702,587)
Principal paid on long-term liabilities	-	-	-	-	(26,959)
Interest paid on long-term liabilities	-	-	-	-	(9,591)
Net cash provided (used) by capital and related financing activities	(139,210)	-	-	(512,254)	(739,137)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest and dividends received	842	215	7,318	14,296	(3,986)
Net cash provided (used) by investing activities	842	215	7,318	14,296	(3,986)
Net increase (decrease) in cash cash and cash equivalents	72,066	6,690	(36,773)	(109,998)	(11,003)
Cash and cash equivalents at beginning of year	268,637	43,210	1,275,263	3,107,115	54,477
Cash and cash equivalents at end of year	$ 340,703	$ 49,900	$ 1,238,490	$ 2,997,117	$ 43,474

Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20	Summit West CSA 54	Graham Hill CSA 57	Total
$ 82,964	$ 309,389	$ 56,632	$ -	$ 87,892	$ 3,385,931
-	-	-	-	-	815,855
(9,089)	(67,168)	(8,076)	-	(2,235)	(1,604,291)
(20,942)	(152,430)	(28,362)	(136)	(29,304)	(933,242)
52,933	89,791	20,194	(136)	56,353	1,664,253
-	-	-	-	-	25,369
-	-	-	-	-	126,326
-	-	-	-	-	(11,319)
-	-	-	-	-	(6,648)
-	-	-	-	-	(285,948)
-	-	-	-	-	(152,220)
-	(127,728)	-	-	-	(1,481,779)
-	-	-	-	-	(26,959)
-	-	-	-	-	(9,591)
-	(127,728)	-	-	-	(1,518,329)
1,115	299	172	14	2,394	22,679
1,115	299	172	14	2,394	22,679
54,048	(37,638)	20,366	(122)	58,747	16,383
216,321	150,614	33,094	2,992	474,324	5,626,047
$ 270,369	$ 112,976	$ 53,460	$ 2,870	$ 533,071	$ 5,642,430

(Continued)

County of Santa Cruz
Combining Statement of Cash Flows, Continued
Nonmajor Enterprise Funds
For the year ended June 30, 2012

	Boulder Creek CSA 7	Rolling Woods CSA 10	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport Sanitation District
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ 145,413	$ (1,494)	$ (27,437)	$ 246,099	$ 727,011
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	73,850	7,969	-	150,381	126,113
Changes in assets and liabilities:					
(Increase) decrease in:					
Receivables	-	-	12,156	-	-
(Increase) decrease in:					
Payables	(8,829)	-	(10,843)	(8,520)	13,249
Total adjustments	65,021	7,969	1,313	141,861	139,362
Net cash provided (used) by operating activities	$ 210,434	$ 6,475	$ (26,124)	$ 387,960	$ 866,373

Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20	Summit West CSA 54	Graham Hill CSA 57	Total
$ 47,391	$ 56,827	$ 18,342	$ (136)	$ 56,353	$ 1,268,369
5,542	33,968	1,357	-	-	399,180
-	-	-	-	-	12,156
-	(1,004)	495	-	-	(15,452)
5,542	32,964	1,852	-	-	395,884
$ 52,933	$ 89,791	$ 20,194	$ (136)	$ 56,353	$ 1,664,253

(Concluded)

THE GREAT SEAL OF THE COUNTY OF
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INTERNAL SERVICE FUNDS

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

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

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

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

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

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

County of Santa Cruz
Combining Statement of Net Assets
Internal Service Funds
June 30, 2012

	Central Duplicating	Information Services	Public Works	Service Center
ASSETS				
Current assets:				
Cash and investments	$ -	$ 2,916,164	$ 1,433,414	$ 749,519
Receivables	-	-	237,191	30,534
Due from other funds	-	83,105	484,993	-
Deposits with others	-	-	-	-
Inventory	-	-	606,624	22,369
Prepaid items	40,728	-	-	-
Total current assets	40,728	2,999,269	2,762,222	802,422
Capital assets:				
Land	-	-	62,914	34,173
Construction in progress	-	1,247,396	-	-
Buildings and structures	-	-	2,468,611	473,443
Equipment	370,439	7,799,092	8,032,304	7,740,847
Accumulated depreciation	(346,053)	(6,862,036)	(9,356,184)	(6,809,024)
Total capital assets, net	24,386	2,184,452	1,207,645	1,439,439
Total assets	65,114	5,183,721	3,969,867	2,241,861
LIABILITIES AND NET ASSETS				
Liabilities:				
Current Liabilities:				
Payables	36,607	143,820	732,850	194,753
Due to other funds	77,196	-	8,202	-
Claims liability	-	-	-	-
Capital leases	16,261	-	12,468	-
Compensated absences, due due within one year	5,074	427,678	2,135,912	27,967
Total current liabilities	135,138	571,498	2,889,432	222,720
Noncurrent Liabilities:				
Claims liability	-	-	-	-
Compensated absences, due in more than one year	4,176	407,828	1,220,182	25,247
Total noncurrent liabilities	4,176	407,828	1,220,182	25,247
Total liabilities	139,314	979,326	4,109,614	247,967
Net Assets:				
Invested in capital assets, net of related debt	8,125	2,184,452	1,195,177	1,439,439
Unrestricted	(82,325)	2,019,943	(1,334,924)	554,455
Total net assets	(74,200)	4,204,395	(139,747)	1,993,894
Total liabilities and net assets	$ 65,114	$ 5,183,721	$ 3,969,867	$ 2,241,861

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
$ 513,766	$ 1,436,732	$ 7,923,975	$ 10,332,703	$ 343,102	$ 847,964	$ 26,497,339
-	52,550	-	-	-	-	320,275
-	-	-	-	-	-	568,098
-	-	-	150,000	-	-	150,000
-	-	-	-	-	-	628,993
-	-	-	-	-	-	40,728
513,766	1,489,282	7,923,975	10,482,703	343,102	847,964	28,205,433
-	-	-	-	-	-	97,087
-	-	-	-	-	-	1,247,396
-	-	-	-	-	-	2,942,054
55,237	-	-	-	-	-	23,997,919
(55,237)	-	-	-	-	-	(23,428,534)
-	-	-	-	-	-	4,855,922
513,766	1,489,282	7,923,975	10,482,703	343,102	847,964	33,061,355
16,128	12	46,678	288,252	7,188	-	1,466,288
-	-	-	-	-	-	85,398
-	27,745	4,676,693	12,070,700	-	34,757	16,809,896
-	-	-	-	-	-	28,729
129,231	-	-	-	52,011	-	2,777,873
145,359	27,757	4,723,371	12,358,952	59,199	34,757	21,168,184
-	96,053	7,630,395	19,694,300	-	56,709	27,477,456
6,545	-	-	-	-	-	1,663,978
6,545	96,053	7,630,395	19,694,300	-	56,709	29,141,434
151,904	123,810	12,353,766	32,053,252	59,199	91,466	50,309,618
-	-	-	-	-	-	4,827,193
361,862	1,365,472	(4,429,791)	(21,570,549)	283,903	756,498	(22,075,456)
361,862	1,365,472	(4,429,791)	(21,570,549)	283,903	756,498	(17,248,263)
$ 513,766	$ 1,489,282	$ 7,923,975	$ 10,482,703	$ 343,102	$ 847,964	$ 33,061,355

County of Santa Cruz
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2012

	Central Duplicating	Information Services	Public Works	Service Center
OPERATING REVENUES:				
Charges for services	$ 656,271	$ 9,664,173	$ 32,471,531	$ 2,731,873
Other revenues	-	15,140	227,688	24,406
Total operating revenues	656,271	9,679,313	32,699,219	2,756,279
OPERATING EXPENSES:				
Salaries and employee benefits	166,088	5,814,272	26,155,831	456,292
Services and supplies	366,156	3,131,151	5,680,200	1,136,389
Insurance and compensation claims	-	70,500	1,903,500	24,000
Other	10,001	-	-	112,649
Depreciation and amortization	10,103	375,870	429,022	553,876
Total operating expenses	552,348	9,391,793	34,168,553	2,283,206
OPERATING INCOME (LOSS)	103,923	287,520	(1,469,334)	473,073
NONOPERATING REVENUES (EXPENSES):				
Gain/(loss) on disposal of capital assets	-	(240)	277	3,113
Interest and investment income	(1,630)	-	-	-
Total nonoperating revenues (expenses)	(1,630)	(240)	277	3,113
INCOME (LOSS) BEFORE OPERATING TRANSFERS	102,293	287,280	(1,469,057)	476,186
OPERATING TRANSFERS:				
Capital Contributions	-	-	22,798	-
Transfers in	-	19,480	-	10,000
Total operating transfers	-	19,480	22,798	10,000
NET INCOME (LOSS)	102,293	306,760	(1,446,259)	486,186
NET ASSETS:				
Beginning of the year	(176,493)	3,897,635	1,306,512	1,507,708
End of the year	$ (74,200)	$ 4,204,395	$ (139,747)	$ 1,993,894

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
$ 1,500,000	$ 2,506,613	$ 5,000,000	$ 5,309,228	$ 879,193	$ 700,000	$ 61,418,882
-	-	-	18,204	-	-	285,438
1,500,000	2,506,613	5,000,000	5,327,432	879,193	700,000	61,704,320
833,166	-	-	-	330,576	-	33,756,225
1,056,895	30,346	899,533	894,840	577,920	11,278	13,784,708
19,000	2,243,320	9,729,995	4,052,771	-	457,164	18,500,250
-	-	-	-	-	-	122,650
-	-	-	-	-	-	1,368,871
1,909,061	2,273,666	10,629,528	4,947,611	908,496	468,442	67,532,704
(409,061)	232,947	(5,629,528)	379,821	(29,303)	231,558	(5,828,384)
-	-	-	-	-	-	3,150
4,852	6,416	35,297	53,862	2,019	4,548	105,364
4,852	6,416	35,297	53,862	2,019	4,548	108,514
(404,209)	239,363	(5,594,231)	433,683	(27,284)	236,106	(5,719,870)
-	-	-	-	-	-	22,798
-	-	-	-	-	-	29,480
-	-	-	-	-	-	52,278
(404,209)	239,363	(5,594,231)	433,683	(27,284)	236,106	(5,667,592)
766,071	1,126,109	1,164,440	(22,004,232)	311,187	520,392	(11,580,671)
$ 361,862	$ 1,365,472	$ (4,429,791)	$ (21,570,549)	$ 283,903	$ 756,498	$ (17,248,263)

County of Santa Cruz
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2012

	Central Duplicating	Information Services	Public Works	Service Center
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	$ 656,271	$ 9,783,978	$ 1,200,793	$ 2,726,235
Receipts from interfund services provided	-	-	31,320,652	-
Payments to suppliers for goods and services	(349,366)	(3,206,081)	(7,599,690)	(1,204,697)
Payments to employees for services	(177,393)	(6,035,647)	(26,965,239)	(460,923)
Other receipts/(payments)	(10,001)	-	-	-
Net cash provided (used) by operating activities	119,511	542,250	(2,043,484)	1,060,615
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	-	19,480	285,947	10,000
Net cash provided (used) by noncapital financing activities	-	19,480	285,947	10,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital contributions	-	-	22,798	-
Proceeds from sale of capital assets	-	-	277	20,216
Purchase of capital assets	(8,883)	(242,921)	(92,330)	(387,522)
Principal paid on long-term debt	(6,552)	-	-	-
Interest paid on long-term debt	(1,630)	-	-	-
Loan proceeds	77,196	-	-	-
Loan repayment	(179,642)	-	-	-
Net cash provided (used) by capital and related financing activities	(119,511)	(242,921)	(69,255)	(367,306)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends received	-	-	-	-
Net cash provided (used) by investing activities	-	-	-	-
Net increase (decrease) in cash cash and cash equivalents	-	318,809	(1,826,792)	703,309
Cash and cash equivalents at beginning of year	-	2,597,355	3,260,206	46,210
Cash and cash equivalents at end of year	$ -	$ 2,916,164	$ 1,433,414	$ 749,519

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
$ 1,500,000	$ 2,559,460	$ 5,000,000	$ 5,327,228	$ 879,193	$ 700,000	$ 30,333,158
-	-	-	-	-	-	31,320,652
(1,059,081)	(2,283,796)	(3,222,378)	(5,010,359)	(579,170)	(564,476)	(25,079,094)
(771,373)	-	-	-	(329,573)		(34,740,148)
(19,000)	-	-	204	-	-	(28,797)
(349,454)	275,664	1,777,622	317,073	(29,550)	135,524	1,805,771
-	-	-	-	-	-	315,427
-	-	-	-	-	-	315,427
-	-	-	-	-	-	22,798
-	(31)	-	-	-	-	20,462
-	-	-	-	-	-	(731,656)
-	-	-	-	-	-	(6,552)
(309)	-	-	-	-	-	(1,939)
-	-	-	-	-	-	77,196
-	-	-	-	-	-	(179,642)
(309)	(31)	-	-	-	-	(799,333)
4,852	6,416	35,297	53,862	2,019	4,548	106,994
4,852	6,416	35,297	53,862	2,019	4,548	106,994
(344,911)	282,049	1,812,919	370,935	(27,531)	140,072	1,428,859
858,677	1,154,683	6,111,056	9,961,768	370,633	707,892	25,068,480
$ 513,766	$ 1,436,732	$ 7,923,975	$ 10,332,703	$ 343,102	$ 847,964	$ 26,497,339

(Continued)

County of Santa Cruz
Combining Statement of Cash Flows, Continued
Internal Service Funds
For the year ended June 30, 2012

	Central Duplicating	Information Services	Public Works	Service Center
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ 103,923	$ 287,520	$ (1,469,334)	$ 473,073
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	10,103	375,870	429,022	553,876
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	-	104,664	(185,976)	(30,044)
Inventory	-	-	(113,272)	(162)
Prepaid items	(15,015)	-	-	-
(Increase) decrease in:				
Payables	31,806	(4,430)	(784,787)	68,503
Accrued salaries and benefits	(11,755)	(204,976)	-	(14,870)
Compensated absences	449	(16,398)	80,863	10,239
Total adjustments	15,588	254,730	(574,150)	587,542
Net cash provided (used) by operating activities	$ 119,511	$ 542,250	$ (2,043,484)	$ 1,060,615

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
$ (409,061)	$ 232,947	$ (5,629,528)	$ 379,821	$ (29,303)	$ 231,558	$ (5,828,384)
-	-	-	-	-	-	1,368,871
-	52,847	-	-	-	-	(58,509)
-	-	-	-	-	-	(113,434)
-	-	-	-	-	-	(15,015)
(2,186)	(10,130)	7,407,150	(62,748)	(1,250)	(96,034)	6,545,894
(17,284)	-	-	-	(12,298)	-	(261,183)
79,077	-	-	-	13,301	-	167,531
59,607	42,717	7,407,150	(62,748)	(247)	(96,034)	7,634,155
$ (349,454)	$ 275,664	$ 1,777,622	$ 317,073	$ (29,550)	$ 135,524	$ 1,805,771

(Concluded)

THE GREAT SEAL OF THE COUNTY OF
1850
SINE PRAEJUDICIO
SANTA CRUZ

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 Turst Fund is used to report the assets, liabilities and activities of the Santa Cruz County Redevelopment ***Successor Agency.***

THE GREAT SEAL OF THE COUNTY OF
1850
SINE PRAEJUDICIO
SANTA CRUZ

County of Santa Cruz
Combining Balance Sheet
All Agency Funds
June 30, 2012

	Inter-governmental Agency	Payroll	Property Tax Collection	Total
ASSETS				
Cash and investments	$ 20,734,644	$ 6,735,692	$ 7,176,363	$ 34,646,699
Receivables	191,639	-	15,653,898	15,845,537
Total assets	$ 20,926,283	$ 6,735,692	$ 22,830,261	$ 50,492,236
LIABILITIES				
Accounts payable	$ -	$ 6,735,692	$ 2,566	$ 6,738,258
Due to other governmental units	-	-	22,827,695	22,827,695
Agency funds held for others	20,926,283	-	-	20,926,283
Total liabilities	$ 20,926,283	$ 6,735,692	$ 22,830,261	$ 50,492,236

County of Santa Cruz
Combining Statement of Changes in Net Assets
Agency Funds
For the year ended June 30, 2012

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Intergovernmental Agency				
Assets:				
Cash and investments	$ 18,780,301	$ 225,613,770	$ 223,659,427	$ 20,734,644
Receivables	1,084,257	2,578,523	3,471,141	191,639
Total assets	$ 19,864,558	$ 228,192,293	$ 227,130,568	$ 20,926,283
Liabilities:				
Accounts payable	$ -	$ 45,486,485	$ 45,486,485	$ -
Agency funds held for others	19,864,558	356,820,512	355,758,787	20,926,283
Total liabilities	$ 19,864,558	$ 402,306,997	$ 401,245,272	$ 20,926,283
Payroll				
Assets:				
Cash and investments	$ 930,807	$ 284,618,102	$ 278,813,217	$ 6,735,692
Total assets	$ 930,807	$ 284,618,102	$ 278,813,217	$ 6,735,692
Liabilities:				
Accounts payable	930,807	609,568,108	603,763,223	6,735,692
Total liabilities	$ 930,807	$ 609,568,108	$ 603,763,223	$ 6,735,692
Property Tax Collection				
Assets:				
Cash and investments	$ 8,280,014	$ 882,821,580	$ 883,925,231	$ 7,176,363
Receivables	15,882,256	411,651,546	411,879,904	15,653,898
Total assets	$ 24,162,270	$ 1,294,473,126	$ 1,295,805,135	$ 22,830,261
Liabilities:				
Accounts payable	$ 1,926	$ 21,874,625	$ 21,873,985	$ 2,566
Due to other governmental units	24,160,344	1,303,176,321	1,304,508,970	22,827,695
Total liabilities	$ 24,162,270	$ 1,325,050,946	$ 1,326,382,955	$ 22,830,261
Total Agency Funds				
Assets:				
Cash and investments	$ 27,991,122	$ 1,393,053,452	$ 1,386,397,875	$ 34,646,699
Receivables	16,966,513	414,230,069	415,351,045	15,845,537
Total assets	$ 44,957,635	$ 1,807,283,521	$ 1,801,748,920	$ 50,492,236
Liabilities:				
Accounts payable	$ 932,733	$ 676,929,218	$ 671,123,693	$ 6,738,258
Due to other governmental units	24,160,344	1,303,176,321	1,304,508,970	22,827,695
Agency funds held for others	19,864,558	356,820,512	355,758,787	20,926,283
Total liabilities	$ 44,957,635	$ 2,336,926,051	$ 2,331,391,450	$ 50,492,236

Santa Cruz County Redevelopment Successor Agency
Statement of Net Assets
Private Purpose Trust Fund
June 30, 2012

	Santa Cruz County Redevelopment Successor Agency
ASSETS	
Current Assets:	
Cash and investments	$ 15,168,191
Restricted cash with fiscal agents	47,570
Total current assets:	15,215,761
Noncurrent Assets:	
Restricted cash with fiscal agents	12,908,697
Deferred bond issuance costs	3,824,455
Capital assets, net	15,087
Total noncurrent assets:	16,748,239
Total assets	$ 31,964,000
LIABILITIES	
Current Liabilities:	
Accounts payable - claims	$ 190,263
Accounts payable - payroll	2,655
Interest payable	4,703,499
Compensated absences - due within one year	43,665
Long-term debt - due within one year	4,925,519
Total current liabilities:	9,865,601
Long-term Liabilities:	
Compensated absences - due in more than one year	8,631
Long-term debt - due in more than one year	238,984,424
Total long-term liabilities:	238,993,055
Total liabilities	$ 248,858,656
NET ASSETS	
Net assets held in trust	$ (216,894,656)

Santa Cruz County Redevelopment Successor Agency

Statement of Changes in Net Assets

Private Purpose Trust Funds

For the Period February 1, 2012 through June 30, 2012

	Santa Cruz County Redevelopment Successor Agency
REVENUES:	
Interest earnings	$ 17,966
Tax increment received	8,388,548
Total Revenues	8,406,514
EXPENDITURES:	
Public ways and facilities	(413,741)
Interest and fiscal charges on long term debt	5,980,534
Total Expenditures	5,566,793
REVENUES OVER (UNDER) EXPENDITURES	2,839,721
OTHER FINANCING SOURCES (USES):	
Transfers in from escrow account	1
Capital contributed to Housing Fund	(45,701,407)
Total other financing sources (uses)	(45,701,406)
Extraordinary Item	(174,032,971)
Net Increase (Decrease) in Net Assets	(216,894,656)
Net Assets held in trust - beginning	-
Net Assets held in trust - ending	$ (216,894,656)

Santa Cruz County Redevelopment Successor Agency

Reconciliation of Extraordinary Loss on Dissolution of Redevelopment Agency to Extraordinary Gain on Dissolution of Redevelopment Agency

Extraordinary Item - Debt Service fund		$ (20,014,154)
Extraordinary Item - Redevelopment Agency		(51,851,492)
Total Extraordinary Item:		(71,865,646)

The difference between the extraordinary loss recognized on the County of Santa Cruz Statement of Revenues, Expenditures and Changes in Fund Balances and the extraordinary gain recognized on County of Santa Cruz Statement of Activities and Changes in Net Assets is as follows:

CAPITAL ASSETS		
Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the governmental funds.	(16,309)	
LONG TERM ASSETS AND LIABILITIES		
Bond issuance costs from issuing debt were expenditures in the governmental funds. However, they were deferred and subject to capitalization and amortization in the Government-Wide Financial Statements.	(3,913,330)	
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported in the governmental funds:	5,879,374	
Bonds payable, net of unamortized loss of defeasance, premium and discount:	243,897,659	
Compensated absences:	51,223	
Change in extraordinary item		245,898,617
Extraordinary Item - Santa Cruz County Redevelopment Successor Agency		$ 174,032,971

THE GREAT SEAL OF THE COUNTY OF
1850
SINE PRAEJUDICIO
SANTA CRUZ

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.

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Financial Trends

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time. 196 - 198

Revenue Capacity

These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax. 199 - 204

Debt Capacity

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. 205 - 208

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place. 209 - 213

Operating Information

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. 214 - 218

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

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Invested in capital assets, net of related debt	$ 455,726	$ 215,172	$ 212,557	$ 242,858	$ 327,708	$ 332,526	$ 263,521	$ 244,386	$ 46,942	$ 43,069
Restricted	96,980	117,713	40,865	31,660	55,167	39,024	96,829	103,442	16,192	19,585
Unrestricted	(66,913)	(61,396)	36,955	32,147	(21,529)	6,532	3,703	13,017	2,545	1,040
Total governmental activities net assets	$ 485,793	$ 271,489	$ 290,377	$ 306,665	$ 361,346	$ 378,082	$ 364,053	$ 360,845	$ 65,679	$ 63,694
Business-type activities										
Invested in capital assets, net of related debt	$ 25,442	$ 24,677	$ 26,662	$ 26,327	$ 27,280	$ 23,266	$ 23,032	$ 22,869	$ 21,425	$ 20,301
Restricted	256	253	317	83	187	250	261	255	308	277
Unrestricted	6,520	5,803	6,553	7,433	6,797	12,628	12,972	13,041	14,013	19,032
Total business-type activities net assets	$ 32,218	$ 30,733	$ 33,532	$ 33,843	$ 34,264	$ 36,144	$ 36,265	$ 36,165	$ 35,746	$ 39,610
Total primary government										
Invested in capital assets, net of related debt	$ 481,168	$ 239,849	$ 239,219	$ 269,185	$ 354,988	$ 355,792	$ 286,553	$ 267,255	$ 68,367	$ 63,370
Restricted	97,236	117,966	41,182	31,743	55,354	39,274	97,090	103,697	16,500	19,862
Unrestricted	(60,393)	(55,593)	43,508	39,580	(14,732)	19,160	16,675	26,058	16,558	20,072
Total primary government net assets	$ 518,011	$ 302,222	$ 323,909	$ 340,508	$ 395,610	$ 414,226	$ 400,318	$ 397,010	$ 101,425	$ 103,304

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Government activities:										
General government	$ 27,417	$ 39,206	$ 30,407	$ 37,098	$ 48,765	$ 29,116	$ 25,887	$ 27,948	$ 25,066	$ 23,335
Public protection	124,721	125,065	122,743	146,283	117,001	113,608	112,832	104,329	115,996	106,223
Public ways and facilities	32,192	36,694	45,826	32,859	47,209	26,840	39,017	7,589	41,230	31,030
Health and sanitation	113,242	107,497	105,239	111,310	112,560	105,039	97,340	33,103	81,903	75,039
Public assistance	105,835	101,990	108,121	110,208	101,454	98,679	97,378	84,028	83,910	86,609
Education	5,033	5,194	5,140	5,153	5,209	4,714	4,502	85,081	3,926	3,470
Recreation and culture	6,670	6,386	6,617	8,499	8,558	7,399	6,662	3,977	7,949	8,125
Interest on long tern debt	10,262	17,144	15,782	13,098	13,211	16,026	12,205	8,986	8,453	8,742
Total government activities expenses	425,372	439,176	439,875	464,508	453,967	401,421	395,823	355,041	368,433	342,573
Business-type activities:										
County Disposal Site CSA 9C	$ 10,506	$ 14,792	$ 12,283	$ 14,317	$ 16,088	$ 13,540	$ 13,022	$ 11,831	12,381	12,260
Boulder Creek CSA 7	295	299	298	417	438	299	353	317	327	396
Rolling Woods CSA 10	14	12	44	93	78	62	62	57	46	63
Septic Tank Maintenance CSA 12	944	1,050	951	1,148	966	875	718	997	793	718
Freedom County Sanitation CSA	857	825	551	891	609	602	533	280	551	530
Davenport County Sanitation District CSA	532	477	701	550	420	410	432	501	401	379
Place de Mer CSA 2	37	70	32	52	39	64	50	68	36	65
Sand Dollar Beach CSA 5	265	315	252	254	314	216	220	181	148	212
Trestle Beach CSA 20	41	43	71	61	73	40	45	30	26	33
Summit West CSA 54	-	1	1	1	31	4	4	4	4	4
Graham Hill CSA 57	33	27	27	27	13	20	18	6	7	7
Total business-type activities expense	13,524	17,911	15,211	17,811	19,069	16,131	15,457	14,272	14,720	14,667
Total primary government expenses	$ 438,896	$ 457,087	$ 455,086	$ 482,319	$ 473,036	$ 417,552	$ 411,280	$ 369,313	$ 383,153	$ 357,240
Program Revenues										
Governmental activities:										
Charges for services										
General government	$ 17,695	$ 18,305	$ 17,083	$ 18,494	$ 16,953	$ 16,467	$ 16,797	$ 23,169	$ 4,499	$ 3,719
Health, sanitation & public assistance	33,029	27,635	24,754	27,137	23,675	25,324	22,307	16,727	32,130	28,255
Public protection	20,623	20,954	20,961	22,364	24,795	23,792	23,328	23,428	20,050	18,136
Public ways & facilities, and recreation	9,412	8,453	8,555	8,633	7,672	7,933	5,939	7,664	7,318	7,173
Operating grants and contributions	207,264	199,689	209,932	187,859	208,047	196,695	192,287	175,187	184,464	188,239
Capital grants and contributions	8,016	11,298	8,673	7,885	3,542	7,508	5,632	6,828	-	-
Total governmental activities program revenues	296,039	286,334	289,958	272,372	284,684	277,719	266,290	253,003	248,461	245,522
Business-type activities:										
Charges for services	13,313	13,058	13,166	13,350	13,237	13,299	13,223	12,723	12,185	10,923
Operating grants and contributions	573	289	964	338	123	127	101	258	320	389
Capital grants and contributions	345	1,097	15	50	25	8	4	20	2	9
Total business-type activities program revenues	14,231	14,444	14,145	13,738	13,385	13,434	13,328	13,001	12,507	11,321
Total primary government program revenues	$ 310,270	$ 300,778	$ 304,103	$ 286,110	$ 298,069	$ 291,153	$ 279,618	$ 266,004	$ 260,968	$ 256,843
Net (expense)/revenue										
Governmental activities	$ (129,333)	$ (152,843)	$ (149,917)	$ (192,136)	$ (169,283)	$ (123,702)	$ (129,533)	$ (102,038)	$ (119,972)	$ (97,051)
Business-type activities	707	(3,467)	(1,066)	(4,073)	(5,685)	(2,697)	(2,129)	(1,271)	(2,213)	(3,346)
Total primary government net expense	$ (128,626)	$ (156,310)	$ (150,983)	$ (196,209)	$ (174,968)	$ (126,399)	$ (131,662)	$ (103,309)	$ (122,185)	$ (100,397)

County of Santa Cruz

Government-Wide Changes in Net Assets, Continued

Last Ten Fiscal Years

(accrual basis of accounting)

(Reported in Thousands)

	Fiscal Year									
	2012	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
General Revenue and Other Changes in Net Assets										
Governmental activities:										
Property taxes	$ 97,716	$ 109,837	$ 111,224	$ 115,179	$ 111,745	$ 104,814	$ 95,746	$ 82,709	$ 64,881	$ 58,190
Other taxes	16,044	15,265	12,978	13,951	15,622	15,133	14,443	14,796	14,212	13,070
Use of money and property	2,741	2,827	3,373	5,805	11,858	14,628	11,655	6,040	3,673	5,424
Miscellaneous	52,099	6,033	4,606	2,546	13,402	3,155	11,576	8,388	10,953	9,776
Gain (Loss) on sale of assets	1,005	(6)	101	37	(79)	-	-	-	-	-
Total governmental activities	169,605	133,956	132,282	137,518	152,548	137,730	133,420	111,933	93,719	86,460
Business-type activities:										
Property taxes	25	25	24	25	-	-	-	-	-	-
Use of money and property	45	12	13	174	756	1,064	859	511	293	517
Miscellaneous	705	631	760	1,068	3,048	1,513	1,370	1,179	642	513
Gain (Loss) on sale of assets	2	0	3	-	-	-	-	-	-	-
Total business-type activities	777	668	800	1,267	3,804	2,577	2,229	1,690	935	1,030
Total primary government	$ 170,382	$ 134,624	$ 133,082	$ 138,785	$ 156,352	$ 140,307	$ 135,649	$ 113,623	$ 94,654	$ 87,490
Extraordinary Item:										
Dissolution of Redevelopment Agency	$ 174,033	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Change in Net Assets										
Governmental activities	$ 214,305	$ (18,887)	$ (17,635)	$ (54,618)	$ (16,735)	$ 14,028	$ 3,887	$ 9,895	$ (26,253)	$ (10,591)
Business-type activities	1,484	(2,799)	(266)	(2,806)	(1,881)	(120)	100	419	(1,278)	(2,316)
Total primary government	$ 215,789	$ (21,686)	$ (17,901)	$ (57,424)	$ (18,616)	$ 13,908	$ 3,987	$ 10,314	$ (27,531)	$ (12,907)

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

Fiscal Year	Current Property Taxes	Prior Property Taxes[1]	Delinquent Penalties and Costs	Sales and Use Tax	Occupancy Tax	Property Transfer Tax	Utility Tax	Other Taxes	Total Tax Revenues
2003	31,496	3	2,995	3,038	3,245	1,821	181	135	42,914
2004	34,412	52	4,328	1,850	3,375	2,770	265	120	47,172
2005	51,892	28	3,036	7,218	3,806	3,213	N/A[2]	69	69,262
2006	61,118	49	2,904	7,865	3,732	2,243	N/A[2]	72	77,983
2007	66,783	117	2,741	7,961	3,931	1,481	N/A[2]	72	83,086
2008	70,879	187	3,595	8,904	4,622	1,464	N/A[2]	74	89,725
2009	72,032	224	5,291	8,038	3,887	1,532	N/A[2]	74	91,078
2010	69,970	89	4,671	7,212	3,511	1,630	N/A[2]	74	87,157
2011	69,606	118	5,156	7,892	4,101	1,709	N/A[2]	72	88,654
2012	69,497	77	4,249	8,378	4,605	1,528	N/A[2]	72	88,406

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

[2] Utility tax was repealed in 2005

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

	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
General Fund							
Reserved	$ 2,919	$ 2,151	$ 3,893	$ 5,433	$ 2,151	$ 3,266	$ 3,626
Unreserved	14,674	25,008	37,115	30,688	26,807	19,137	28,068
Total general fund	$ 17,593	$ 27,159	$ 41,008	$ 36,121	$ 28,958	$ 22,403	$ 31,694
All other governmental funds							
Reserved	$ 59,340	$ 38,930	$ 44,736	$ 36,209	$ 40,215	$ 46,242	$ 40,039
Unreserved, reported in:							
Special revenue funds	146,538	121,946	123,244	131,835	67,317	76,479	82,853
Capital project funds	3,181	10,273	1,369	5,277	6,226	8,123	10,060
Total all other governmental funds	$ 209,059	$ 171,149	$ 169,349	$ 173,321	$ 113,758	$ 130,844	$ 132,952

	Fiscal Year		
	2012	2011	2010
General Fund[1]			
Nonspendable	$ 3,739	$ 4,118	$ 1,525
Restricted	1	-	-
Committed	13,706	12,847	11,748
Assigned	24,722	22,231	15,430
Unassigned	-	171	-
Total general fund	$ 42,168	$ 39,367	$ 28,703
All other governmental funds			
Nonspendable	$ 49,883	$ -	$ -
Restricted	97,824	166,676	183,044
Unassigned	(22)	(37)	-
Total all other governmental funds	$ 147,685	$ 166,639	$ 183,044

[1] In FY 2010-11 the County implemented GASB 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned. FY 2009-10 fund balances have been recharacterized to comply with GASB 54 in order to facilitate year-to-year comparisons.

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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Taxes	$ 113,760	$ 125,101	$ 123,718	$ 129,130	$ 127,367	$ 119,947	$ 110,189	$ 97,506	$ 79,092	$ 71,261
Licenses and permits	10,356	9,046	9,247	9,177	10,085	10,183	9,481	10,072	9,013	7,776
Fines, forfeitures and penalties	4,737	5,200	5,231	5,088	4,911	5,673	6,440	12,784	5,199	4,312
Use of money and property	2,635	2,718	3,197	5,451	11,082	13,929	11,109	5,802	3,673	5,424
Aid from other governmental agencies	215,280	210,987	219,090	195,758	211,572	204,203	198,214	182,007	184,745	187,135
Charges for services	65,666	61,115	56,845	62,364	58,100	58,091	54,653	47,738	49,786	45,194
Other revenues	2,274	5,341	4,617	4,815	14,617	3,150	9,417	8,347	11,308	10,203
Total revenues	414,708	419,508	421,945	411,783	437,734	415,177	399,503	364,256	342,816	331,305
Expenditures										
Current										
General government	26,747	29,084	26,198	29,994	33,490	28,024	24,086	25,718	23,639	20,886
Public protection	118,671	117,531	118,848	126,014	123,435	112,395	111,868	104,108	105,350	101,845
Public ways and facilities	32,074	37,534	53,095	45,023	37,736	41,335	39,119	7,440	26,519	28,944
Health and sanitation	107,810	104,191	102,048	103,920	109,152	104,326	95,717	42,176	83,238	73,562
Public assistance	101,204	99,120	100,294	101,562	102,976	97,981	95,987	83,982	85,585	85,112
Education	4,810	4,974	4,921	5,420	5,040	4,711	4,502	84,639	4,017	3,421
Recreation and culture	7,004	6,928	7,345	7,876	9,189	7,789	7,377	3,971	7,918	7,917
Capital outlay	-	35,417	769	3,380	10,671	10,299	3,451	3,825	5,417	10,681
Debt service										
Principal	7,790	7,603	6,958	6,836	7,344	7,126	6,339	7,136	4,512	-
Bond redemption	-	-	-	771	-	-	-	335	-	5,330
Bond issue costs	-	1,127	-	181	263	738	1,998	-	2,117	-
Interest and fiscal charges	10,482	15,677	15,742	12,360	13,343	14,652	10,842	9,292	8,697	9,254
Total expenditures	416,592	459,186	436,218	443,337	452,639	429,376	401,286	372,622	357,009	346,952
Excess of Revenues Over (Under) Expenditures	(1,884)	(39,678)	(14,273)	(31,554)	(14,905)	(14,199)	(1,783)	(8,366)	(14,193)	(15,647)
Other Financing Sources (Uses)										
Sale of capital assets	1,139	-	57	(33)	1,255	-	-	-	5	3
Gain/(Loss) on land held for resale	(137)	(9)	-	-	(34)	-	-	-	-	-
Debt issue cost	(248)	-	-	-	-	-	-	-	-	(267)
Escrow Transfers In	-	29,876	-	49,411	-	-	-	-	-	-
Escrow Transfers Out	-	(29,876)	-	-	-	-	-	-	-	-
Proceeds from long-term debt	7,490	-	-	-	-	-	68,860	-	23,000	-
Bonds issued	45,701	35,410	-	-	-	9,000	-	-	-	-
Bond premium/discount	(23)	(914)	-	-	225	(63)	423	(67)	(167)	192
Gain on conversion of receivables	5,024	-	-		-	-	-	-	-	-
Proceeds from refunding bonds	-	-	-	60,492	7,370	10,755	-	10,580	48,435	8,378
Payment to bond refunding escrow agent	(1,399)	-	-	-	(8,012)	(10,366)	-	(11,590)	(46,392)	(5,726)
Transfers in	24,252	145,035	29,843	29,760	31,921	27,593	88,914	20,241	37,819	42,697
Transfers out	(24,282)	(145,709)	(30,551)	(79,777)	(32,043)	(27,795)	(89,008)	(20,241)	(60,019)	(42,697)
Inception of capital lease	80	123	-	110	94	5,990	-	-	109	-
Total other financing sources (uses)	57,597	33,936	(651)	59,963	776	15,114	69,189	(1,077)	2,790	2,580
Extraordinary Loss on Dissolution of Redevelopment Agency	(71,866)	-	-	-	-	-	-	-	-	-
Net change in Fund Balance	$ (16,153)	$ (5,742)	$ (14,924)	$ 28,409	$ (14,129)	$ 915	$ 67,406	$ (9,443)	$ (11,403)	$ (13,067)
Debt service as a percentage of noncapital expenditures	4.59%	5.76%	5.57%	4.66%	4.85%	5.56%	4.48%	4.76%	3.85%	2.72%

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

Fiscal Year Ended June 30	Total Secured Tax Levy for Fiscal Year[1]	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years[2]	Total Collections to Date	
		Amount	Percentage of Levy		Total Tax Collections	Percentage of Levy
2003	264,657	259,841	98.2%	5,079	264,920	100.0%
2004	286,021	281,778	98.5%	4,160	285,938	100.0%
2005	309,733	305,178	98.5%	4,459	309,637	100.0%
2006	340,053	333,817	98.2%	5,962	339,779	99.9%
2007	361,430	352,091	97.4%	8,890	360,981	99.9%
2008	387,834	373,296	96.3%	13,708	387,004	99.8%
2009	402,589	387,153	96.2%	13,360	400,513	99.5%
2010	395,628	383,707	97.0%	9,465	393,172	99.4%
2011	394,498	385,099	97.6%	4,426	389,525	98.7%
2012	395,546	388,135	98.1%	0	388,135	98.1%

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

[2] Amounts reported for the fiscal years ended prior to and including June 30, 2004, include penalties and costs. Amounts reported for the fiscal years ended subsequent to and including June 30, 2005, exclude penalties and costs.

County of Santa Cruz

Assessed Value of Taxable Property [1]

Last Ten Fiscal Years

(Reported in Thousands)

Fiscal Year Beginning July 1,	Secured	Unsecured	Total	Total Direct Tax Rate
2003	23,387,410	785,326	24,172,736	1.00%
2004	25,106,093	748,200	25,854,293	1.00%
2005	27,584,028	792,922	28,376,950	1.00%
2006	30,238,488	811,727	31,050,215	1.00%
2007	32,504,394	843,037	33,347,431	1.00%
2008	33,586,675	861,576	34,448,251	1.00%
2009	32,531,717	865,265	33,396,982	1.00%
2010	32,390,765	801,371	33,192,136	1.00%
2011	32,332,271	767,714	33,099,985	1.00%
2012	32,033,769	767,064	32,800,833	1.00%

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

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

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

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Capital leases	$ 5,337	$ 5,544	$ 5,673	$ 5,942	$ 6,051	$ 6,000	$ 53	$ 337	$ 671	$ 928
Refunding Certificates of Participation	25,959	27,334	28,634	29,889	31,086	32,921	34,686	36,541	27,177	28,286
Lease Revenue Bonds	6,670	6,885	7,090	7,290	7,840	8,375	9,135	9,875	10,595	11,300
Lease Revenue Refunding Bonds	1,866	1,404	1,535	1,667	1,797	1,918	2,037	2,153	15,064	16,459
Revenue Bonds	405	785	1,145	1,480	1,800	2,100	2,385	2,655	2,910	3,150
Local Agency Revenue Bonds	250	275	295	320	360	445	520	585	655	720
Certificates of Participation	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	2,175	-	-	-	-	-	-	-	-	-
McGaffigan Mill Road HOA	33	63	91	-	-	-	-	-	-	-
CA Health Facilities Financing Authority (CHFFA)	-	-	-	510	711	898	1,072	1,233	1,382	1,522
CA Transportation Finance Bank	-	-	-	600	600	-	-	-	-	-
Local Assessment Bonds	-	-	-	-	-	-	-	-	40	75
RDA Tax Allocation Bonds	-	247,995	217,472	220,938	168,549	172,144	174,677	108,147	110,816	109,050
RDA CERTS Loans Payable	-	-	-	-	-	-	-	352	679	986
Internal Service Funds	29	22	-	-	329	653	1,171	1,699	2,208	1,042
Business-type activities										
Loans Payable	570	608	646	404	448	2,860	1,188	1,817	2,374	2,041
Capital leases	-	-	-	178	605	-	-	-	-	-
Component Unit	23,743	26,310	20,213	22,027	23,788	25,487	27,140	28,697	30,393	31,867
Total Primary government	$ 100,061	$ 346,335	$ 313,540	$ 323,557	$ 272,786	$ 281,717	$ 275,979	$ 216,532	$ 227,991	$ 207,426
Percentage of personal income[1,3]	0.80%	2.89%	2.44%	2.52%	2.27%	2.57%	2.57%	2.16%	2.29%	2.06%
Per capita[2,3]	$ 381	$ 1,332	$ 1,222	$ 1,277	$ 1,084	$ 1,121	$ 1,094	$ 856	$ 896	$ 810

[1] Percentage of personal income is calculated from personal income data for the preceding calendar year (e.g. percentage of personal income for Fiscal Year 2011 is based on 2010 calendar year personal income data). Personal income data is provided by the Bureau of Economic Analysis.

[2] Per capita data is calculated from per capita income data for the preceding calendar year (e.g. per capita for Fiscal Year 2012 is based on 2011 calendar year per capita income data). Per capita income data is provided by the Bureau of Economic Analysis.

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

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

Fiscal year	Assessed Value[1]	Legal Debt Limit[2]	Total Net Applicable Debt	Legal Debt Margin	Legal Debt Margin/Debt Limit
2003	$ 23,387,410,251	$ 292,342,628	$ -	$ 292,342,628	100%
2004	25,106,093,420	313,826,168	-	313,826,168	100%
2005	27,584,028,124	344,800,352	-	344,800,352	100%
2006	30,238,488,053	377,981,101	-	377,981,101	100%
2007	32,504,394,093	406,304,926	-	406,304,926	100%
2008	33,586,675,030	419,833,438	-	419,833,438	100%
2009	32,531,716,741	406,646,459	-	406,646,459	100%
2010	32,390,764,838	404,884,560	-	404,884,560	100%
2011	32,332,270,918	404,153,386	-	404,153,386	100%
2012	32,033,769,082	400,422,114	-	400,422,114	100%

[1] Total Assessed Value includes exempt property.

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

County of Santa Cruz
Statement of Direct and Overlapping Debt
June 30, 2012

2011-2012 Total Net Assessed Valuation	$ 33,145,951,621
Redevelopment Incremental Valuation	8,808,913,244
Adjusted Net Assessed Valuation	$ 24,337,038,377

	Percentage Applicable (1)	Net Debt Outstanding
Overlapping Tax and Assessment and General Obligation Debt		
SCHOOL DISTRICTS		
Live Oak Elementary	100%	$ 17,363,788
Santa Cruz City Elementary	100%	21,534,118
Soquel Union Elementary	100%	11,950,000
Santa Cruz City High	100%	43,589,846
Bonny Doon Elementary	100%	460,000
Scotts Valley Unified	100%	16,785,000
San Lorenzo Valley Unified	100%	27,292,146
Pajaro Valley Unified	100%	50,889,288
Cabrillo College	100%	156,041,516
SPECIAL DISTRICTS		
Zayante Fire	100%	205,000
Lompico Water	100%	361,000
Rolling Woods Water	100%	1,180,000
Rolling Woods Sewer Improvements	100%	805,000
North Polo Drive Sewer Extension	100%	180,000
Felton Community Facilities - District No. 1	100%	9,720,000
Total Overlapping Tax and Assessment and General Obligation Debt		358,356,702
Direct Debt		
Santa Cruz County (2)	100%	75,748
Total Direct Debt		75,748
Total Combined Overlapping and Direct Debt		$ 358,432,450
Ratio to 2011-2012 Assessed Valuation		
Total Overlapping Tax and Assessment and General Obligation Debt	1.08%	
Ratio to Adjusted Assessed Valuation		
Total Direct Debt	0.00%	
Total Combined Direct Debt and Overlapping Debt	1.47%	

NOTES:

(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 Sanitation District.

County of Santa Cruz
Outstanding Debt of the Public Financing Authority
June 30, 2012
(Reported in Thousands)

YEAR OF ISSUANCE	PRINCIPAL	INTEREST	TOTAL
Debt [1]			
1995B	$ 405	$ 13	$ 418
1996	17,130	8,124	25,254
1999	250	58	308
2001B	6,670	3,529	10,199
2002	2,080	1,329	3,409
2004	16,265	5,400	21,665
2005	6,700	1,316	8,016
2006	7,410	4,248	11,658
2008	3,705	822	4,527
2011	5,605	3,977	9,582
2012A	1,885	1,106	2,991
Total debt outstanding for the Public Financing Authority	$ 68,105	$ 29,922	$ 98,027

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

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

County of Santa Cruz
General Information
Last Ten Fiscal Years

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

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

STATISTICS

Fiscal Year	Population (1) (In thousands)	Budget Requirements (2) (In thousands)	Budget Per Capita	Current Property Taxes (In thousands)	Taxes Per Capita
2003	260	$ 374,714	$ 1,441	$ 31,496	$ 121
2004	260	371,187	1,428	34,412	132
2005	260	368,492	1,417	51,892	200
2006	262	398,859	1,522	61,118	233
2007	264	434,371	1,645	66,783	253
2008	267	441,194	1,652	70,879	265
2009	269	441,726	1,642	72,032	268
2010	272	411,120	1,511	69,970	257
2011	264	422,464	1,600	69,606	264
2012	266	432,514	1,626	69,497	261

Fiscal Year	Assessed Valuation (In thousands)	Per Capita Income (3)	Personal Income (3) (In thousands)	School Enrollment (4)	Unemployment Rate (5)
2003	$ 23,387,410	$ 39,404	$ 10,089,210	67,896	7.4%
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	46,064	11,977,023	68,543	12.6
2012	32,033,769	47,409	12,462,841	69,336	12.1

SOURCES

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

(2) Santa Cruz County Final Budget.

(3) U.S. Bureau of Economic Analysis (BEA). Figures are for the preceding calendar year (e.g., Fiscal Year 2012 is 2011 calendar year data). Some prior period numbers were revised by the BEA and have been restated here.

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

(5) Data reflects the annual average rate for the calendar year (e.g., Fiscal Year 2011 was revised by the EDD and has been restated here., Fiscal Year 2012 is annual average for 2011 calendar year) as calculated by the California Employment Development Department. Calender year 2011 revised by the EDD and has been restated here.

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

	New Dwelling Units			Valuation of New Units (in thousands)			Deposits
Calendar Year	Single Family	Multiple Family	Total Units	Residential	Non-Residential	Total Values	Amount (In thousands)
2002	404	518	922	178,623	30,097	208,720	3,627,402
2003	654	548	1,202	238,334	36,602	274,936	3,853,001
2004	739	65	804	216,038	37,611	253,649	3,970,008
2005	669	225	894	208,121	49,300	257,421	4,112,131
2006	432	28	460	139,416	51,658	191,074	4,165,185
2007	236	342	578	165,997	62,612	228,609	4,238,971
2008	194	63	257	100,176	66,206	166,382	4,108,322
2009	107	2	109	54,300	50,809	105,109	4,224,669
2010	92	23	115	61,446	40,841	102,287	4,172,547
2011	79	111	190	58,010	97,775	155,785	4,235,090

2012 calendar year new construction and property value data and fiscal year deposit data is not available.

SOURCES FOR PROPERTY VALUATION AND NEW DWELLING UNIT INFORMATION:
California Department of Finance - Financial and Economic Research Unit

SOURCES FOR DEPOSIT INFORMATION:
Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report

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

	Debt Service Funds		Enterprise Funds[1]	
Year ended June 30,	Special Assessment Billed	Special Assessment Collected	Special Assessment Billed	Special Assessment Collected
2003	$ 108,902	$ 95,479	$ 189,469	$ 187,323
2004	80,523	88,249	186,878	186,878
2005	36,663	36,663	154,503	154,479
2006	36,701	36,693	154,044	157,688
2007	131,731	131,731	157,990	157,028
2008	132,072	132,072	114,938	114,938
2009	129,337	128,488	92,315	92,307
2010	206,325	203,641	90,075	90,139
2011	201,300	201,300	92,629	92,653
2012	199,146	223,739	89,947	89,946

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.

[1] Some prior period numbers have been restated.

County of Santa Cruz
Principal Taxpayers
Current and Ten Years Ago

Taxpayer	Type of Business	Assessed Value 2011-2012	Percentage of Total Assessed Valuation 2011-2012[1]
Pacific Gas & Electric Company	Gas & Electric Utility	$ 216,140,226	0.65 %
Macerich Partnership L P	Commercial Real Estate	75,108,137	0.23
Santa Cruz Seaside Company	Amusement Park	62,543,482	0.19
Pacific Bell Telephone Co.	Telephone Utility	59,547,074	0.18
Watsonville Hospital Corporation	Hospital	57,905,619	0.18
George Ow, Jr. et al	Real Estate	46,001,956	0.14
Safeway Inc	Food Retailer	45,640,395	0.14
S C Beach Hotel Partners LLC	Hotel	43,727,854	0.13
Cypress Point RE Investors LLC	Apartment Complex	42,382,155	0.13
Green Valley Corporation	Construction & Development	41,707,106	0.13
Totals		$690,704,004	2.09 %

Taxpayer	Type of Business	Assessed Value 2002-2003	Percentage of Total Assessed Valuation 2002-2003[2]
Pacific Gas & Electric Company	Gas & Electric Utility	$ 123,120,320	0.55 %
SBC California	Telephone Utility	85,845,164	0.38
Lone Star	Cement Manufacturer	75,977,058	0.34
Santa Cruz Seaside Company	Amusement Park	63,203,216	0.28
Macerich Partnership L P	Commercial Real Estate	59,061,052	0.26
Watsonville Hospital Corporation	Hospital	55,148,210	0.24
Enterprise Way Associates	Software Producer	51,860,920	0.23
Seagate Technology	Electronic Manufacturer	44,983,287	0.20
Sequoia Equities-Cypress Point	Rental Real Estate	43,383,694	0.19
Silicon Systems Inc.	Electron Systems	38,286,914	0.17
Totals		$640,869,835	2.84 %

Note: Principal taxpayer data for fiscal year 2011-2012 is derived from the 2011 tax roll, which was billed and collected during 2012.
Data for fiscal year 2002-2003 is derived from the 2002 tax roll, which was billed and collected during 2003.

[1] Percentage of total assessed valuation for 2011-2012 is calculated from the total net assessed valuation of $33,145,951,621.

[2] Percentage of total assessed valuation for 2002-2003 is calculated from the total net assessed valuation of $22,601,390,846.

County of Santa Cruz
Principal Employers
Current and Five Years Ago

Employer	Product/Service	Number of Employees 2011-2012[1]	Percentage of Total Employment 2011-2012[2]
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
Seagate Technology	Disc Drives	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

Employer[3]	Product/Service[3]	Number of Employees 2007-2008[3]	Percentage of Total Employment 2007-2008[3]
University of California at Santa Cruz	Education	5,000-9,999	5.11 %
Pajaro Valley Unified School District	Education	1,000-4,999	2.04
County of Santa Cruz	County Services	1,000-4,999	2.04
Dominican Hospital	Hospital	1,000-4,999	2.04
Santa Cruz Beach Boardwalk	Amusement/Recreation	1,000-4,999	2.04
Cabrillo College	Education	500-999	0.51
Santa Cruz City School District	Education	500-999	0.51
City of Santa Cruz	City Services	500-999	0.51
Seagate Technology	Disc Drives	500-999	0.51
Watsonville Hospital	Hospital	500-999	0.51
West Marine	Retail	500-999	0.51
City of Watsonville	City Services	500-999	0.51

[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 143,000 as reported by the EDD for June 2012.

[3] Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2008.

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

Function	Fiscal Year 2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Public Assistance										
Human Services Department										
Adult Protective Services										
Referrals received	525 [2]	547 [1]	542	585	610	585	664	618	574	548
Investigations completed	358 [2]	352 [1]	320	416	468	432	370	390	361	369
Family and Children's Services										
Annual referrals (families)	3,081 [2]	2,870 [1]	2,624	3,096	3,093	2,979	3,100	3,348	3,062	2,956
Finalized adoptions	47 [2]	41 [1]	32	42	41	43	41	41	31	35
Monthly average number of licensed foster homes	110 [2]	105 [1]	100	109	124	123	113	109	108	107
Benefit Services										
Average number of Medi-Cal recipients	31,922 [2]	30,786 [1]	28,998	27,487	26,655	25,427	24,135	21,723	20,990	18,940
Public Ways and Facilities										
Public Works										
Roads										
Miles of road maintained	600	600	600	600	600	600	600	600	600	600
Potholes repaired	4,500	3,552	2,500	2,500	3,500 [3]	5,500 [3]	5,500 [3]	5,500 [3]	5,500 [3]	5,500
Minor culverts maintained	2,261	1,010	2,000	2,000	2,000	2,200	2,262	2,261	2,260	2,258
Bridges and major culverts maintained	160	160	160	160	160	159	159	159	159	159
Traffic signs replaced/repaired	1,516	1,850	1,029	1,400	1,475	2,200	2,425	2,400	2,350	2,300
Miles of street swept	1,555	1,465	4,000	4,500	5,000	5,000	4,550	5,000	4,900	4,800
Sanitation										
Miles of pipe maintained	230	230	230	222	222	222	222	222	222	220
Maintenance call responses	168	182	238	216	272	501	381	127	122	120
Landfill										
Waste generated (tons)	138,448	139,365	153,873	164,717	183,993	229,877	230,000	201,000	205,971	211,693
Waste disposed (tons)	61,503	71,470	71,701	76,203	77,745	99,423	87,400	86,430	94,745	103,730
Recreation and Cultural Services										
Parks, Open Space and Cultural Services										
Facility bookings	6,114	5,545	5,942	5,772	6,114	7,389	7,238	7,096	6,677	6,414
Recreation registrations	6,165	6,273	5,518	5,888	4,982	4,898	4,777	4,343	7,228	7,353
Swim admissions	77,022	76,334	90,771	86,834	82,800	78,126	76,746	77,522	74,676	68,086

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 2012-2013 Proposed Budget.

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

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

Function	Fiscal Year 2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Public Protection										
Agricultural Commissioner										
High risk quarantine inspections	1,900 [2]	1,669 [1]	1,900	2,800	2,640	2,894	2,686	2,600	2,300	2,700
District Attorney										
Criminal Prosecution										
Felony filings	1,717 [2]	2,169 [1]	2,457	2,155	2,128	2,210	2,251	2,551	2,314	2,040
Juvenile filings	984 [2]	503 [1]	594	731	1,046	813	714	1,046	1,262	681
Consumer Affairs										
Number of calls received	2,065 [2]	2,410 [1]	2,622	2,880	2,960	3,008	3,165	3,046	3,012 [3]	7,767
Number of written complaints received	256 [2]	302 [1]	462	288	440	375	228	206	195	244
Planning										
Building permits issued	2,800 [2]	2,787	2,463	2,611	3,162	3,651	3,894	3,616	3,588	3,549
Building permit inspection sites visited	8,400 [2]	7,620	7,093	9,353	10,061	11,862	12,157	12,247	11,420	11,101
Code compliance cases resolved	250 [2]	228	400	574	1,192	871	907	1,025	1,064	1,196
Probation[5]										
Juvenile division referrals	n/a [5]	1,613	1,649	2,323	2,378	2,411	2,222	2,671	2,353	2,694
Juvenile division petitions filed	n/a [5]	851	880	1,166	1,148	1,260	1,216	1,236	1,293	1,472
Juvenile court investigations	n/a [5]	110	116	178	183	218	249	284	232	226
Public Defender										
Total cases	10,518 [2]	10,311 [1]	10,805 [1]	12,385	12,455	12,642	12,604	12,290	13,864	14,496
Sheriff/Coroner (Investigation Division)4										
Felony cases cleared	n/a	n/a	n/a	n/a	n/a	n/a	n/a	675	741	719
Misdemeanor cases cleared	n/a	n/a	n/a	n/a	n/a	n/a	n/a	336	365	395
Detention										
Main jail bookings	10,699	12,274	12,716	13,576	12,941	13,479	13,109	12,721	12,834	13,200
Weights and Measures										
Establishments visited	1,120 [2]	1,139 [1]	1,500	1,742	1,836	2,093	2,175	2,051	1,951	1,660
Special District										
Mosquito Abatement/Vector Control CSA #53										
Mosquito inspections	4,500 [6]	4,500 [2]	5,515 [2]	5,515	4,396	4,462	4,547	3,052	3,112	1,950

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 2012-2013 Proposed Budget.

[3] Consumer Affairs Coordinator reduced to half time.

[4] Data is presented on a calendar year basis.

[5] Calendar year data is not yet available.

[6] Data is not yet available.

County of Santa Cruz
Budgeted Positions
Last Ten Fiscal Years

DEPARTMENT/FUNCTION	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
COUNTY ADMINISTRATIVE OFFICE	14.30	13.30	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
CLERK OF THE BOARD	5.00	5.00	-	-	-	-	-	-	-	-
AG COMMISSIONER[1]	17.26	17.00	18.00	20.00	21.00	22.00	22.00	19.75	19.70	19.60
MOSQUITO ABATEMENT	3.00	3.71	4.00	4.00	8.00	8.00	9.00	9.00	8.00	8.00
WEIGHTS & MEASURES[1]	3.00	2.00	2.00	-	-	-	-	-	-	-
PEST DETECTION	2.48	-	-	-	-	-	-	-	-	-
AG EXTENSION	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.75	1.00	1.00
ASSESSOR	38.00	38.00	38.00	38.00	38.00	38.00	37.50	35.50	33.50	33.25
AUDITOR-CONTROLLER	30.00	29.00	29.00	29.00	29.50	29.50	29.50	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	15.00	16.00	12.00	13.00	13.00	13.00	11.00	11.00	11.00	11.00
ELECTIONS	7.00	7.50	11.00	10.00	12.00	14.00	14.00	14.00	14.00	14.00
COUNTY COUNSEL	21.50	20.00	19.00	19.50	19.50	19.50	19.00	18.50	18.50	18.50
DISTRICT ATTORNEY	94.00	87.50	84.50	81.50	85.50	91.50	92.50	92.50	90.50	89.50
CHILD SUPPORT SERVICES	92.75	85.75	70.50	68.50	68.50	69.50	66.50	66.50	65.50	62.00
EMERGENCY SERVICES	4.00	3.25	3.00	1.75	1.75	2.00	3.75	2.00	2.00	2.00
COMMUNICATIONS	7.00	7.00	6.00	6.00	-	-	-	-	-	-
FIRE MARSHALL	1.00	1.00	1.00	1.00	1.55	2.30	-	-	-	-
GENERAL SERVICES	10.00	9.00	9.00	11.00	11.00	11.00	9.00	9.00	9.00	8.80
FACILITIES MAINTENANCE	40.00	39.00	36.00	37.00	38.00	47.75	47.00	47.00	44.00	44.00
PURCHASING	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00
CENTRAL STORES/DUP	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
SERVICE CENTER	7.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.00	5.00
HEALTH SERVICES	579.25	571.70	546.60	577.60	647.75	661.05	526.55	486.50	498.25	522.00
HUMAN SERVICES	521.10	440.10	432.60	481.10	511.10	527.60	463.00	445.50	434.50	435.50
PUBLIC GUARDIAN[2]	17.00	14.00	9.00	-	-	-	-	-	-	-
WORKFORCE INVESTMENT ADMIN	7.00	5.00	-	-	-	-	-	-	-	-
VETERANS SERVICES	5.00	3.00	3.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00
IHSS PUBLIC AUTHORITY	5.00	4.00	-	-	-	-	-	-	-	-
INFORMATION SVCS/TELEPHONE	81.50	78.50	73.25	71.25	78.25	78.25	76.25	65.00	65.00	64.00
INFORMATION SVCS/COMM. TECH.	-	-	-	-	6.00	6.00	6.00	6.00	6.00	6.00
PARKS OPEN SPACE AND CULTURAL SVC	67.75	63.50	53.55	53.05	53.75	57.00	56.00	47.50	42.10	29.80
PERSONNEL	24.50	23.50	22.50	22.50	23.50	27.50	27.50	25.50	24.50	24.25
RISK MANAGEMENT	10.75	10.75	10.75	9.75	10.75	10.75	10.75	12.00	11.00	11.00
PLANNING	93.75	90.50	98.50	99.25	99.25	100.00	100.00	87.25	75.60	63.25
PROBATION	108.00	86.50	86.00	88.00	90.00	101.00	94.00	81.00	77.00	77.50
JUVENILE HALL	31.00	29.00	33.00	32.00	31.00	31.00	31.00	30.50	30.50	30.50
PUBLIC WORKS	308.00	303.00	298.00	296.00	303.50	300.50	290.00	274.00	272.50	272.50
RDA	15.00	16.00	11.00	13.00	13.00	14.00	14.00	22.00	22.00	1.00
SHERIFF-CORONER	177.50	175.50	169.00	170.50	172.75	177.25	176.25	173.75	170.75	171.00
CORRECTIONS	137.00	137.00	136.00	138.00	144.00	148.00	168.00	165.25	155.00	156.50
COURT SECURITY	22.00	22.00	22.00	23.00	24.00	26.00	26.00	26.00	25.00	24.00
TREASURER	19.50	14.50	15.50	15.75	16.25	16.25	16.75	14.75	13.50	13.50
TOTAL	2,668.89	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

[1] Weights and Measures was incorporated-into the Ag Commissioner

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

County of Santa Cruz
Schedule of Insurance in Effect
June 30, 2012

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)	$ 600,000,000
	Earthquake Limits (portion of limits are shared)	390,000,000
	Deductible	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	15,000,000
	Deductible	2,500
Non-owned aircraft	National Union Fire Insurance Company	
	Includes passengers' bodily injury, terrorism and property damage combined each occurrence	5,000,000
	Medical Expense/Passenger Deductible	5,000
Excess Workers' Compensation Employer's Liability	CSAC-EIA	
	Workers' Compensation	Statutory Limits
	Employer's Liability	
	$500,000 Self-Insured Retention Deductible (per occurrence)	
	Workers' Compensation and Employer's Liability	
Medical Malpractice and General Liability	CSAC-EIA	
	Comprehensive hospital professional and general liability for HSA staff and operations and Jail Medical Unit	21,500,000
	Deductible	10,000
Fine Arts	Travelers	125,000
	Deductible	500
Excess Liability (GLII)	CSAC-Excess Insurance Authority	
	Excess Liability Insurance	25,000,000
	$1,000,000 Self-Insured Retention to $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.	3,000,000
	Includes property insurance for County owned fire stations including contents, business interruption, money & securities, boiler & machinery	
	Deductible	1,000
	Equipment Deductible	100
	Host Liquor Liability (included in GL)	
	Auto Liability	1,000,000
	Sublimits: Uninsured/Underinsured	60,000
Pollution Program	CSAC-EIA	
	Pollution Program (per occurrence)	10,000,000
	Self-Insured Retention Deductible	250,000

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Function										
Public protection - Sheriff										
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	2	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	225	223	223	223	223	223	223	223	223	223
Sites	59	57	57	57	57	55	56	55	55	54
Athletic fields	17	17	17	17	17	17	17	17	17	17
Swimming pools	4	4	4	4	2	2	2	2	2	2
Public ways and facilities										
Roads										
Pavement (miles)	600	600	600	600	600	600	600	600	600	599
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	1,010	2,000	2,000	2,000	2,200	2,262	2,261	2,260	2,258
Bridges and major culverts	160	160	160	160	160	159	159	159	159	159
Sanitation										
Pipe (miles)	230	230	230	222	222	222	222	222	222	220
Pump stations/treatment plants	62	62	62	62	62	62	62	62	62	59
General government and support services										
Administrative and other facilities[1]	11	10	10	10	10	10	10	10	10	10

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

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

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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 the basic financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Santa Cruz (County), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management, the Board of Supervisors, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Marcum LLP
Certified Public Accountants
Irvine, California
December 21, 2012

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 AGREEMENT**S.

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

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

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

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

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

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 nonfidudary component units. There are two basic government-wide financial statements: the statement of net assets and the statement of net activities. Both basic governmental financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 far 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.

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).

County of Santa Cruz

Santa Cruz, California

Single Audit Report

For the year ended June 30, 2012

County of Santa Cruz
Single Audit Report
For the year ended June 30, 2012

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MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' 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 the basic financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Santa Cruz (County), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management, the Board of Supervisors, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Marcum LLP
Irvine, California
December 21, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited County of Santa Cruz's (County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2012. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Audit Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, detected and corrected, on a timely basis.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County as of and for the year ended June 30, 2012 and have issued our report thereon dated December 21, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the audit committee, management, Board of Supervisors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Marcum LLP

Marcum LLP
Irvine, California
March 15, 2013, except for the schedule of expenditures
of federal awards, which is as of December 21, 2012

County of Santa Cruz
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2012

Program Name / Federal Grantor	CFDA Number	Agency or Pass Through Number	Program Expenditures
U.S. Department of Agriculture			
SNAP Cluster			
Passed through the California Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program:			
CalFRESH Employment and Training	10.561	--	$ 49,675
CalFRESH & Staff Development	10.561	--	4,483,564
Total SNAP Cluster			4,533,239
Passed through the California Department of Education			
National School Lunch Program	10.555	44-3447-90003419-01	33,009
Total U.S. Department of Agriculture			4,566,248
U.S. Department of Defense			
Direct Programs:			
Research and Technology Development	12.910	--	12,942
Total U.S. Department of Defense			12,942
U.S. Department of Housing and Urban Development			
Direct Programs:			
Supportive Housing Program	14.235	CA01SB50801	353,994
Passed through the California Department of Public Health			
Housing Opportunities For Persons With AIDS	14.241	07-65539	140,322
Passed through the California Department of Housing and Community Development:			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.228	11-DRI-7557	28,585
Community Development Block Grants/Entitlement Grants	14.228	09-STBG-6422	617,831
Community Development Block Grants/Entitlement Grants	14.228	10-STBG-6737	105,963
Total CFDA #14.228 Cluster			752,379
Home Investment Partnerships Program	14.239	09-HOME-6274	300,230
ARRA - Homelessness Prevention & Rapid Re-Housing Program	14.257	09-HPRP-6143	501,688
Total U.S. Department of Housing and Urban Development			2,048,613

County of Santa Cruz
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2012

Program Name / Federal Grantor	CFDA Number	Agency or Pass Through Number	Program Expenditures
U.S. Department of Justice			
Direct Programs:			
Federal Asset Forfeiture Trust Fund	16.unknown	--	79,305
Criminal Alien Assistance Program	16.066	--	179,056
Edward Byrne Memorial Formula Grant - Cannabis Eradication	16.579	S7A4107044	60,000
Bullet Proof Vests Partnership Program	16.607	07040631	1,597
Southwest Border Prosecution Initiatives	16.755	--	4,773
Second Chance Act Prisoner Reentry Initiative	16.812	2010-CZ-BX-0106	627,736
Recovery Act Bryne Memorial Competitive Grant Program	16.808	2009-SC-B9-0049	257,836
Recovery Act Bryne Memorial Competitive Grant Program	16.808	2009-IJ-CX-0208	41,615
Total CFDA #16.808			299,451
Passed through the California Emergency Management Agency			
Crime Victim Assistance	16.575	VW11300440	92,705
Crime Victim Assistance	16.575	UV11020440	98,265
Total CFDA #16.575			190,970
JAG Program Cluster			
Direct Program:			
Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2367	25,758
Passed through the California Emergency Management Agency			
Byrne Memorial Justice Assistance Grant Program	16.738	DC11220440	17,408
Byrne Memorial Justice Assistance Grant Program	16.738	DI10010440	130,049
Recovery Act - Byrne Memorial Justice Assistance Grants/Units of Local Gov.	16.804	ZA09010440	191,587
Recovery Act - Byrne Memorial Justice Assistance Grants/Units of Local Gov.	16.804	ZP09010440	113,268
Total JAG Program Cluster			478,070
Passed through the California Department of Corrections and Rehabilitation			
Juvenile Accountability Block Grants	16.523	CSA 122-11	27,707
Juvenile Accountability Block Grants	16.523	CSA 210-11	56,171
Total CFDA #16.523			83,878
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	CSA 340-10	63,300
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	CSA 340-11	50,274
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	CSA 375-11	217,373
Total CFDA #16.540			330,947
Total U.S. Department of Justice			2,335,783

County of Santa Cruz
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2012

Program Name / Federal Grantor	CFDA Number	Agency or Pass Through Number	Program Expenditures
U.S. Department of Labor			
WIA Cluster			
Passed through the California Department of Employment Development			
WIA Adult Program - Title I - A Adult Formula	17.258	--	660,975
WIA Adult Program - ARRA Adult 15%	17.258	--	8,504
WIA Youth Activities	17.259	--	975,067
WIA Dislocated Workers - Title I-D Dislocated Worker Formula	17.278	--	712,129
WIA Dislocated Workers - Title I Rapid Response for RA&PGM - Business Retention	17.278	--	182,052
WIA Dislocated Workers - ARRA Additional Assist	17.278	--	842,732
Total WIA Cluster			3,381,459
Workforce Investment Act National Emergency Grants	17.277	--	91,259
Workforce Investment Act National Emergency Grants - Tsunami	17.277	--	1,398,100
Total CFDA #17.277			1,489,359
Total U.S. Department of Labor			$ 4,870,818
U.S. Department of Transportation			
Highway Planning and Construction Cluster			
Passed through the California Department of Transportation			
Highway Planning and Construction - ARRA	20.205	ESPL-5936 (081)	8,469
Highway Planning and Construction	20.205	ER-4446-(002)	2,296
Highway Planning and Construction	20.205	ER-4446-(003)	107,311
Highway Planning and Construction	20.205	ER-4446-(004)	735
Highway Planning and Construction	20.205	ER-4446-(005)	46,289
Highway Planning and Construction	20.205	BPMPL-5936-(070)	1,464
Highway Planning and Construction	20.205	BPMPL-5936-(103)	7,730
Highway Planning and Construction	20.205	BPMPL-5936-(104)	1,014
Highway Planning and Construction	20.205	BPMPL-5936-(105)	1,352
Highway Planning and Construction	20.205	BPMPL-5936-(106)	1,577
Highway Planning and Construction	20.205	BPMPL-5936-(107)	338
Highway Planning and Construction	20.205	BRLO-5936(061)	60,190
Highway Planning and Construction	20.205	BRLO-5936(086)	248,894
Highway Planning and Construction	20.205	BRLO-5936(089)	152,307
Highway Planning and Construction	20.205	BRLO-5936(091)	110,330
Highway Planning and Construction	20.205	BRLO-5936(092)	7,226
Highway Planning and Construction	20.205	BRLO-5936(094)	20,457
Highway Planning and Construction	20.205	BRLO-5936(096)	27,727
Highway Planning and Construction	20.205	HSIPL-5936(098)	2,136
Highway Planning and Construction	20.205	HSIPL-5936(099)	1,050
Total Highway Planning and Construction Cluster			808,892
Total U.S. Department of Transportation			808,892

County of Santa Cruz
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2012

Program Name / Federal Grantor	CFDA Number	Agency or Pass Through Number	Program Expenditures
U.S. Environmental Protection Agency			
Passed through the State Water Resource Control Board			
Capitalization Grants for Clean Water State Revolving Funds - ARRA	66.458	08-318-550	48,514
Passed through the California Department of Public Health			
Capitalization Grants for Drinking Water State Revolving Funds - ARRA	66.468	4400571-0141	195,500
Total U.S. Environmental Protection Agency			244,014
U.S. Department of Energy			
Passed through the California Energy Commission			
Energy Efficiency & Conservation Block Grant - ARRA	81.128	CBG-09-003	654,328
Total U.S. Department of Energy			654,328
U.S. Department of Education			
Special Education Cluster			
Pass through California Department of Education, Santa Cruz County Office of Education			
Special Education - Grants to States (IDEA, Part B)	84.027	--	800,700
Total Special Education Cluster			800,700
Passed through Santa Cruz County Office of Education			
Safe and Drug Free Schools and Communities - National Programs	84.184	Q184A090005	37,000
Total U.S. Department of Education			837,700
U.S. Election Assistance Commission			
Passed through California Secretary of State			
Help America Vote Act Requirements	90.401	07G30131	116,085
US Election Assistance Commission Research Grants	90.403	EAC110150F	17,887
Total U.S. Election Assistance Commission			133,972
U.S. Department of Health and Human Services			
Direct Programs:			
ARRA - Grants to Health Center Programs	93.703	C81CS13753RP	314,483
Consolidated Health Centers	93.224	3-H80CS00048	1,505,269
Substance Abuse and Mental Health Services - Projects of Regional Significance	93.243	--	342,273
Substance Abuse and Mental Health Services - Projects of Regional Significance	93.243	--	374,781
Total CFDA #93.243			717,054
Drug Free Communities Support Program Grants	93.276	--	91,792
Early Intervention Services with Respect to HIV Disease	93.918	H76HA00153	495,835

County of Santa Cruz
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2012

Program Name / Federal Grantor	CFDA Number	Agency or Pass Through Number	Program Expenditures
U.S. Department of Health and Human Services, continued			
Passed through California Department of Social Services			
Refugee and Entrant Assistance - State Administered Programs	93.566	--	1,339
Adoption Opportunities	93.652	--	382,743
Foster Care - Title IV-E - Social Services Assistance	93.658	--	1,723,683
Foster Care - Title IV-E - AB2129	93.658	--	2,026
Foster Care - Title IV-E - Staff Development Child Welfare Services	93.658	--	690,954
Foster Care - Title IV-E - Family Preservation	93.658	--	113,234
Foster Care - Title IV-E - Foster Family Licensing	93.658	--	67,913
Foster Care - Title IV-E - Options for Recovery	93.658	--	99,708
Foster Care - Title IV-E - Foster Care - Administration	93.658	--	164,503
Foster Care - Title IV-E - Kinship & Foster Care Emergency Fund	93.658	--	4,697
Foster Care - Title IV-E - Probation Portion - Pass Through	93.658	--	1,428,045
Foster Care - Title IV-E - Group Home Monthly Visits - Pass Through	93.658	--	25,882
Foster Care - Title IV-E - Probation	93.658	--	1,372,112
Foster Care - Title IV-E - Outcome Improvement Project	93.658	--	75,267
Foster Care - Title IV-E - EA - FC Emergency Assistance	93.658	--	407,283
Foster Care - Title IV-E - SACWIS-CWS	93.658	--	26,212
Total CFDA #93.658			6,201,519
Adoption Assistance - Assistance	93.659	--	2,549,312
Adoption Assistance - Social Services	93.659	--	413,118
Adoption Assistance - Other Public Assistance	93.659	--	94,300
Total CFDA #93.659			3,056,730
Social Services Block Grant - Child Welfare Services - Title XX	93.667	--	157,986
CBCAP-Community Based Child Abuse Prevention	93.590	--	17,611
Promoting Safe and Stable Families - PSSF & Staff Development	93.556	--	138,154
Promoting Safe and Stable Families - PSSF Case Worker Visits	93.556	--	15,544
Total CFDA #93.556			153,698
Stephanie Tubbs Jones Child Welfare Services Program	93.645	--	161,948
Chafee Foster Care Independence Program	93.674	--	70,672

County of Santa Cruz
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2012

Program Name / Federal Grantor	CFDA Number	Agency or Pass Through Number	Program Expenditures
U.S. Department of Health and Human Services, continued			
Passed through the California Department of Social Services, continued			
TANF Cluster			
ARRA - Emergency Contingency Fund for TANF State Program	93.714	--	711
Temporary Assistance for Needy Families State Programs - Assistance	93.558	--	5,123,600
Temporary Assistance for Needy Families State Programs - Program and Staff Development	93.558	--	8,140,557
Temporary Assistance for Needy Families State Programs - Child Care	93.558	--	3,001,624
Temporary Assistance for Needy Families State Programs - EA - ER, ESC, CR	93.558	--	1,819,233
Temporary Assistance for Needy Families State Programs - CALWIN	93.558	--	494,804
Total TANF Cluster			18,580,529
Passed through the California Department of Child Support Services			
Child Support Enforcement	93.563	--	4,504,055
Child Support Enforcement - San Benito County	93.563	--	1,265,562
Total CFDA #93.563			5,769,617
Passed through the California Department of Alcohol and Drug Programs			
Enhance the Safety of Children Affected by Substance Abuse	93.087	90CU0019/04	531,289
Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	93.959	10-NNA44	1,825,694
Medicaid Cluster			
Passed through the California Department of Health Services			
Medical Assistance Program - CWS Title XIX & Staff Development	93.778	--	3,102,289
Medical Assistance Program - Adult Protective Services	93.778	--	440,748
Medical Assistance Program - In Home Support Services - Title XIX & Staff Development	93.778	--	1,719,816
Medical Assistance Program - MEDI CAL 50% & Staff Development	93.778	--	5,613,716
Medical Assistance Program - Public Authority	93.778	--	859,241
Passed through the California Department of Mental Health Services			
Medical Assistance Program - Medicaid/Medical Administrative Costs	93.778	--	110,639
Medicaid Assistance Program	93.778	--	1,602,241
Medical Assistance Program - MediCal Administrative Activities	93.778	--	569,796
Total Medicaid Cluster			14,018,486

County of Santa Cruz
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2012

Program Name / Federal Grantor	CFDA Number	Agency or Pass Through Number	Program Expenditures
US Department of Health and Human Services, continued			
Passed through the California Department of Health Services, continued			
Maternal and Child Health Services Block Grant - Adolescent Family Life Planning	93.994	2010-44	82,212
Maternal and Child Health Services Block Grant to States	93.994	2010-44	273,052
Total CFDA #93.994			355,264
Immunization Cluster			
Immunization Grants	93.268	10-95404	96,858
Total Immunization Cluster			96,858
Preparedness and Response to Bioterrorism	93.283	EPO CDC 07-44	492,618
Passed through the California Department of Mental Health			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	1946001347j5	41,800
Peer Run Crisis Respite Services for Seriously Mentally Ill	93.150	1H79SM060152-01	728,691
Children's Health Insurance Program	93.767	--	16,586
Block Grant for Community Mental Health Services (SAMHSA)	93.958	1946001347j5	116,070
Passed through the California Secretary of State			
HAVA Polling Place Accessibility Training	93.617	11G26141	24,209
Total U.S. Department of Health and Human Services			55,926,390
U.S. Department of Homeland Security			
Direct Programs:			
Staffing for Adequate Fire and Emergency Response	97.083	--	26,164
Passed through the Governor's Office of Homeland Security			
State Domestic Preparedness Equipment Support Program			
Homeland Security Grant Program FY2008	97.067	2008-0006	252,083
Homeland Security Grant Program FY2009	97.067	2009-0019	162,680
Total CFDA #97.067			414,763
Homeland Security Grant Program FY2007	97.073	2007-0008	5,103
Homeland Security Grant Program FY2010	97.073	2010-0085	256,860
Homeland Security Grant Program FY2011	97.073	2011-0077	80,080
Total CFDA #97.073			342,043

County of Santa Cruz
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2012

Program Name / Federal Grantor	CFDA Number	Agency or Pass Through Number	Program Expenditures
U.S. Department of Homeland Security, continued			
Passed through the California Emergency Management Agency			
Public Assistance Grants			
Disaster Grants - Public Assistance	97.036	087-00000	98,701
Emergency Mgmt Performance Grant FY2011	97.042	--	99,969
Passed through the California Emergency Management Agency			
Interoperable Emergency Communications Grant	97.055	--	59,499
Total U.S. Department of Homeland Security			1,041,139
Total Expenditures of Federal Awards			$ 73,480,839

See accompany notes to the Schedule of Expenditure of Federal Awards

1. 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 (Board). The Board is responsible for the legislative and executive control of the County. The County provides various services on a countywide basis including law and justice, education, detention, social, health, hospital, fire protection, road construction, road maintenance, transportation, park and recreation facilities, elections and records, communications, planning, zoning, and tax collection.

The financial reporting entity consists of: (1) the County, (2) organizations for which the County is financially accountable; and (3) organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The following entities are component units of the County:

Blended Component Units

Santa Cruz Flood Control and Water Conservation District – Zone 7

Santa Cruz County Redevelopment Agency

Santa Cruz County Public Financing Authority

Discretely Presented Component Unit

Santa Cruz County Sanitation District

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Funds received under the various grant programs have been recorded within the general, special revenue, and enterprise funds of the County. The County utilizes the modified accrual method of accounting for the general fund and special revenue funds. The accrual basis of accounting is used for the enterprise funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

B. Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all Federal financial assistance programs of the County. Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through from the State of California is included in the Schedule.

The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the County.

3. SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the County provided federal awards to subrecipients as follows:

Federal CFDA Number	Program Title	Amount Provided to Subrecipients
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	46,375
93.150	Projects for Assistance in Transition from Homelessness (PATH)	41,800
93.563	Child Support Enforcement - San Benito County	1,265,562
93.958	Block Grant for Community Mental Health Services (SAMHSA)	69,400
93.959	Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	1,481,975
	Total	$ 2,905,112

4. PASS-THROUGH ENTITIES' IDENTIFYING NUMBERS

When federal awards were received from a pass-through entity, the Schedule shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the County determined that no identifying number is assigned for the program or the County was unable to obtain an identifying number from the pass-through entity.

County of Santa Cruz
Schedule of Findings and Questioned Costs
For the year ended June 30, 2012

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unqualified Opinion*

Internal control over financial reporting:

Material weakness (es) identified? _____ Yes __X__ No

Significant deficiency (ies) identified not considered to be material weaknesses? _____ Yes __X__ None Reported

Non-compliance material to financial statements noted? _____ Yes __X__ No

Federal Awards Programs

Internal control over major awards programs:

Material weakness (es) identified? _____ Yes __X__ No

Significant deficiency (ies) identified not considered to be material weaknesses? _____ Yes __X__ None Reported

Type of auditor's report issued on compliance for major award programs: *Unqualified Opinion*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? _____ Yes __X__ No

Identification of major federal programs:

CFDA Number	Major Program	Expenditures
14.257	ARRA - Homelessness Prevention & Rapid Re-Housing Program	$ 501,688
16.738	Byrne Memorial Justice Assistance Grant Program	25,758
16.738	Byrne Memorial Justice Assistance Grant Program	17,408
16.738	Byrne Memorial Justice Assistance Grant Program	130,049
16.804	Recovery Act - Byrne Memorial Justice Assistance Grants/Units of Local Gov.	191,587
16.804	Recovery Act - Byrne Memorial Justice Assistance Grants/Units of Local Gov.	113,268
	JAG Cluster Total	478,070
17.258	WIA Adult Program - Title I - A Adult Formula	660,975
17.258	WIA Adult Program - ARRA Adult 15%	8,504
17.259	WIA Youth Activities	975,067
17.278	WIA Dislocated Workers - ARRA Additional Assist	842,732
17.278	WIA Dislocated Workers - Title I-D Dislocated Worker Formula	712,129
17.278	WIA Dislocated Workers - Title I Rapid Response for RA&PGM - Business Retention	182,052
	WIA Cluster Total	$ 3,381,459

County of Santa Cruz
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2012

CFDA Number	Major Program	Expenditures
20.205	Highway Planning and Construction - ARRA	8,469
20.205	Highway Planning & Construction	800,423
	Highway Planning and Construction Cluster Total	808,892
81.128	Energy Efficiency & Conservation Block Grant - ARRA	654,328
93.558	Temporary Assistance for Needy Families State Programs	18,579,818
93.714	ARRA - Emergency Contingency Fund for TANF State Program	711
	TANF Cluster Total	18,580,529
93.703	ARRA - Grants to Health Center Programs	314,483
	Total Major Program Expenditures	$ 24,719,449
	Total Federal Award Expenditures	$ 73,480,839

Dollar threshold used to distinguish between Type A and Type B programs: $ 2,204,425

Auditee qualifies as low-risk auditee? X Yes ____ No

B. CURRENT YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT

No findings or questioned costs were noted on the County's financial statements audit for the year ended June 30, 2012.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

No findings or questioned costs were noted on the County's major programs for the year ended June 30, 2012.

D. SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

No findings or questioned costs were noted on the County's major programs for the year ended June 30, 2011.