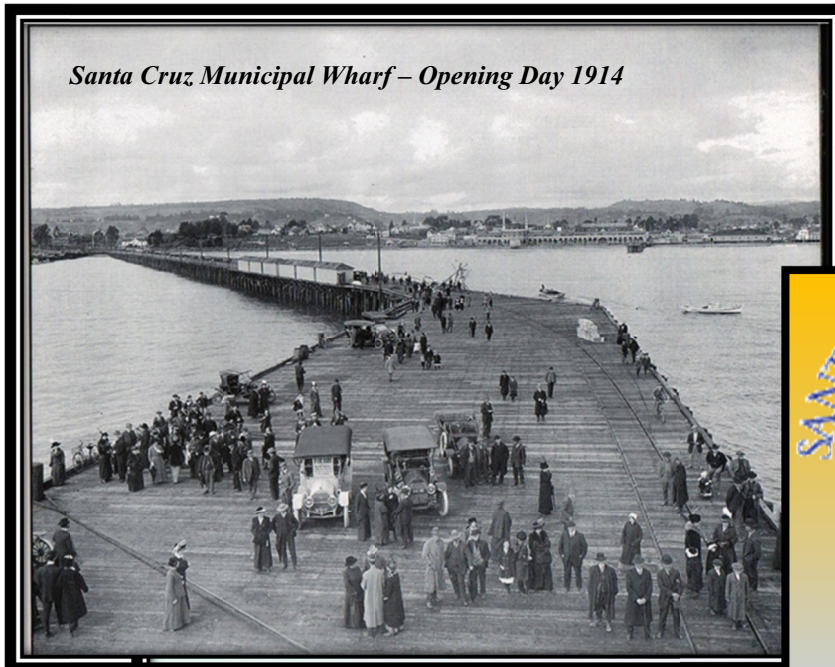


City of Santa Cruz, California



Santa Cruz Municipal Wharf – 2014

Picture by Dave Rosener

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014

City of Santa Cruz

State of California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

Prepared by

**Marcus Pimentel
Cheryl Fyfe**

**Elizabeth Cabell
Natalia Duarte
Amy Schmidt**

**Raymond Chin
Nicholas Gong
Kim Wigley**

**Tracy Cole
Ralph Reader**

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City of Santa Cruz
Comprehensive Annual Financial Report
For the year ended June 30, 2014

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F I N A N C E D E P A R T M E N T

809 Center Street, Room 101, Santa Cruz, CA 95060 831 420-5052 www.cityofsantacruz.com

December 17, 2014

To the Honorable Mayor, Members of the City Council and Citizens of the City of Santa Cruz, California:

Comprehensive Annual Financial Report

In accordance with the City Charter, the Comprehensive Annual Financial Report of the City of Santa Cruz for the fiscal year ended June 30, 2014 is submitted for your information and review. Various financing covenants and regulations associated with restricted funding sources also require the City of Santa Cruz, California (City) to publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants. Pursuant to the requirements noted above, we hereby issue the Comprehensive Annual Financial Report of the City of Santa Cruz, California for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of the City of Santa Cruz. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Santa Cruz has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Santa Cruz's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Santa Cruz's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in material respects.

Lance, Soll, and Lunghard, LLP, a firm of licensed certified public accountants, has audited the City of Santa Cruz's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Santa Cruz for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved 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; and evaluating the overall financial presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Santa Cruz's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Santa Cruz was part of a broader, federally mandated "Single Audit" designed to meet the needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Santa Cruz's separately issued Single Audit Report.

GAAP require 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 MD&A and should be read in conjunction with it. The City of Santa Cruz's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Santa Cruz, incorporated in 1866, is located on the northern part of the Monterey Bay approximately 74 miles south of San Francisco and 30 miles from San Jose. The City of Santa Cruz was first founded in 1769 by the Spanish explorer Don Gaspar de Portola, who, along with Father Junipero Serra, began land based settlement in the area. Santa Cruz is the county seat for the County of Santa Cruz, and is a charter city which operates under the provisions of a voter-approved charter. The City has an area of 12 square miles and an estimated population of 63,440 as of January, 2014. Santa Cruz is the home to the University of California, Santa Cruz (UCSC) which first opened in 1965 with 650 students. It now has a current enrollment of nearly 17,300 undergraduate and graduate students, local alumni of 13,000, and is the City's largest employer, with over 7,600 employees. The main campus covers over 2,000 acres overlooking the Monterey Bay National Marine Sanctuary. The City is also home to the historical Santa Cruz Beach-Boardwalk and the Santa Cruz Warriors' basketball team. Major industries include tourism, manufacturing, and technology.

Like other charter cities in California, the City of Santa Cruz has limited ability to set tax rates. The State Constitution (Prop 13) establishes a maximum rate for property tax and limits the growth of assessed value. Prop 13 sets the limit for increases of the property tax rate to 2% per year, but upon sale, full value becomes the assessed value. The property tax collected is allocated among the jurisdictions in the City's tax rate areas based on criteria established by the state legislature.

The rates and tax base of two of the City's other general revenues, sales and use tax and motor vehicle in lieu fees (VLF), are also controlled by the Legislature.

Changes to existing local taxes and any new taxes require voter approval. Taxes used for general purposes are subject to approval by a simple majority of voters while taxes levied for specific purposes require a two-thirds majority of voters. Assessments must be approved by a majority vote of property owners with voting rights apportioned based on the amount of the assessment. Property related fees require public majority protest procedures and property related fees for services other than water, wastewater, and refuse must also be approved by a majority of property owners or 2/3 of the electorate. In addition, fees for facilities and services are subject to requirements that they not be set at levels that exceed the reasonable costs of providing services. As a result, fund balances generated by differences between fee revenue and related expense are retained and designated for services and facilities that benefit fee payers.

The City of Santa Cruz has operated under the council-manager form of government since its incorporation in 1866. Policy-making and legislative authority are vested in a seven member governing council consisting of the Mayor and six Council Members. The City Council is responsible, among other things, for passing

ordinances, adopting the budget, approving nominees to commissions, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council Members serve four-year staggered terms, with either three or four Council Members elected every two years. The Mayor is selected by a majority of the City Council and serves a one year term. Council Members are elected at large and all are subject to two consecutive term limits.

The City of Santa Cruz provides a broad range of services including police and fire protection, construction and maintenance of streets, parks, flood control and other infrastructure, a wharf facility, recreational and cultural activities including a performing arts center and human services programs. It also operates municipal utilities for water, wastewater, storm water, and refuse in addition to enterprise operations for parking facilities and a golf course. The water utility provides approximately 3 billion gallons of water per day. Service extends beyond the municipal boundaries and has a total service population of approximately 94,000.

Many major public services delivered within the City's boundaries, including education and public transportation, are provided by other agencies. The City of Santa Cruz is not financially accountable for the operations of the franchisees or these government agencies.

As required by the City Charter, an annual budget is adopted by the City Council no later than the first regular meeting in July for the fiscal year beginning July first. As part of the budget process, all City departments submit budget requests for the next fiscal year. These requests are reviewed, and a final City Manager recommended budget showing estimated revenues and expenditures of the City is prepared. This proposed budget is transmitted to the City Council and made available to the public for review. Study sessions and a public hearing are conducted before final adoption of the budget by the City Council.

The City Manager is authorized to approve appropriation transfers within any department; however, any new appropriation or appropriation transfer between funds or departments requires approval by the City Council. Several supplemental appropriations were necessary during the year and are reflected in the budget amounts in the financial statements. Expenditures may not legally exceed appropriations at the department level.

The Council reviews budget results at the mid-year review and at budget adoption. The ongoing review and long range planning focus for financial management provide numerous opportunities to identify and respond to changes in revenues and expenditures and in community priorities.

Factors Affecting Financial Condition

We believe that the information presented in the financial statements is best understood when it is considered from the broader perspective of the context within which the City of Santa Cruz operates.

Economic Conditions and Outlook

The City's General Fund fiscal year 2015 budget was adopted with a \$.6 million or .7% structural deficit, with the expectation to draw from reserves. Sales tax revenues are expected to increase by 4.8% and property tax receipts are expected to increase by 4.9% in fiscal year 2015. As the economy continues to improve, the City expects to experience moderate increases in total tax revenues in fiscal year 2015 and future years.

In November, 2008, Measure E, the Clean River, Beaches and Ocean special parcel tax, passed by a 9.6% margin above the 2/3 required majority vote. The purpose of this tax is to generate funding for water quality programs to prevent pollution from reaching waterways, beaches and the Monterey Bay National Marine Sanctuary. The City receives revenues of over \$0.6 million annually.

In November, 2010, the City voters approved Measure H, increasing the Utility Users Tax for the city from 7.0% to 8.5%. City residents approved a Utility Users Tax rate increase which was implemented mid fiscal year 2011. Combined with an increase in municipal services rates, the Utility Users Tax revenue increased \$1.1 million in fiscal year 2012, remained flat in fiscal year 2013 and increased slightly in fiscal year 2014.

In July 2011, as part of the Legislature's enactment of the State's fiscal year 2012 Budget, ABX1 26 and ABX1 27 were adopted which govern the future of California redevelopment agencies. ABX1 26 immediately limited the ability of California redevelopment agencies to operate and completely dissolved all redevelopment agencies effective October 1, 2011. However, ABX1 27 allowed California redevelopment agencies to avoid dissolution by having sponsoring jurisdictions pass a continuation ordinance opting into an alternative voluntary redevelopment program requiring specified substantial annual contributions to the state and other taxing entities. The City Council at its July 12, 2011 meeting adopted an emergency continuation ordinance providing for the participation by the Agency in the alternative voluntary redevelopment program provided under ABX1 27. On July 18, 2011, the California Redevelopment Association and the League of California Cities filed a petition asking the California Supreme Court to overturn ABX1 26 and ABX1 27 as a violation of the Constitution. On August 11, 2011, the California Supreme Court issued a partial stay on the effectiveness of ABX1 26 and ABX1 27 until the Court can rule on the constitutionality of the two bills. In December of 2011, the court upheld ABX1 26 and overturned ABX1 27, resulting in the complete dissolution of all redevelopment agencies effective January 31, 2012.

In November 2012, Measure Q, the City of Santa Cruz Transient Occupancy Tax (TOT) measure, passed by 82.23%, increasing the City's Transient Occupancy Tax rate from 10% to 11%. TOT revenues increased by \$0.8 million in fiscal year 2013 and by over \$1.5 million in fiscal year 2014. In addition, the City continues to aggressively pursue the construction of major chain hotels with expectations to increase the hotel tax base.

In November 2014, Measure L, the Santa Cruz City Cannabis Business Tax, passed by 82.21%, increasing the City's business tax for sale of cannabis (medical marijuana) from 7% (current business tax rate for non-cannabis businesses) to 10%. This tax will become effective in January 2015 and will be used solely for essential, primary support services such as Police, Fire, Public Works, Parks & Recreation, and community programs. It is expected to increase revenues \$66 thousand in fiscal year 2015 and \$93 thousand in fiscal year 2016.

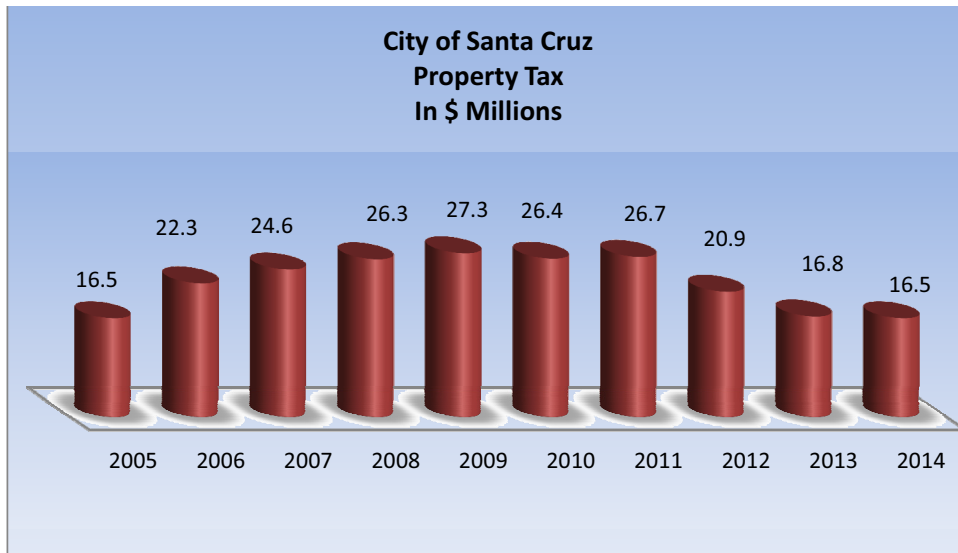
The City continues to evaluate its financial future and the City's goal is to find a structural equilibrium between available resources and service requirements. The City is also dedicated to increasing local revenues with more economic development and incentive programs to improve the quality of local motels and hotels. However, City management realizes that increases in expenditures will escalate faster than revenues and continues to plan for long-term structural adjustments.

Historical Trend Information

Property Tax

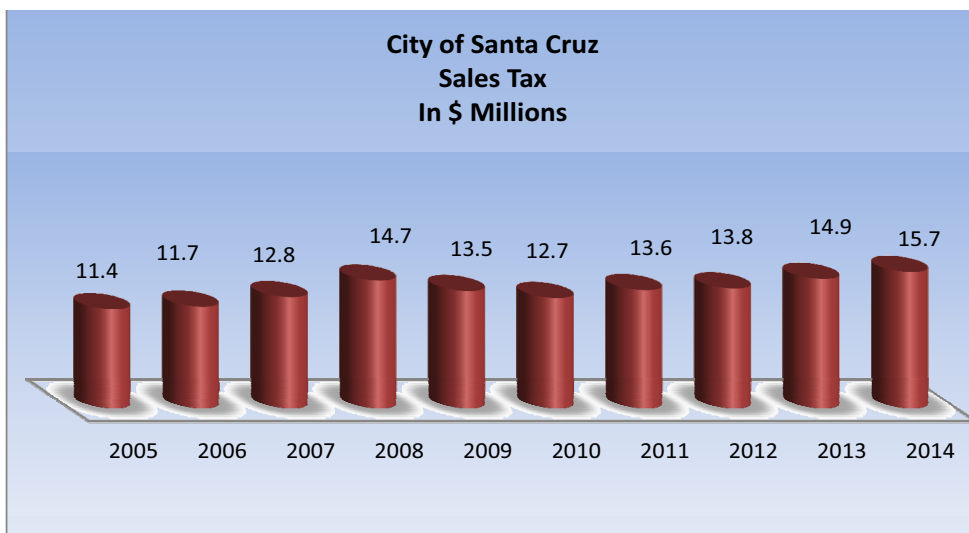
As illustrated in the following chart, the historical trend for property tax has been positive (with only a slight decline in fiscal year 2010) until the dissolution and redistribution of property tax of the former Santa Cruz Redevelopment Agency on February 1, 2012. Although the City received an additional \$2.0 million from this redistribution in fiscal year 2013 (offset by a decrease of \$6.4 in Redevelopment tax increment), the City only received \$1.4 million in redistribution funds fiscal year 2014, a decrease of \$.6 million. In fiscal

year 2014, Property Tax revenue decreased by \$.3 million when compared to the previous fiscal year. This includes a decrease in the County's property tax admin fee costs in the amount of \$.4 million, a decrease in former Redevelopment property tax redistribution revenues in the amount of \$.6 million, and an increase in other property tax revenues in the amount of \$.7 million. The City's property tax revenues are expected to increase by \$1.1 million in fiscal year 2015.



Sales & Use Tax, Local Transactions and Use Tax and Supplemental Property Tax In-Lieu of Sales Tax

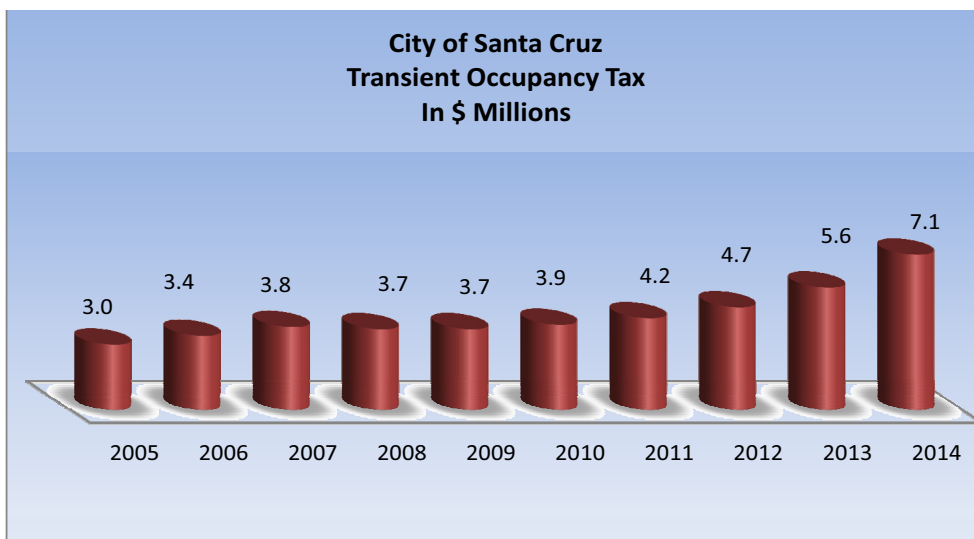
The City has a well-diversified economy and sales tax base. Sales Tax receipts increased in fiscal year 2014 by \$0.8 million or 5.3%. The City is expecting revenues to increase by 4.4% in fiscal year 2015, and then continue moderate increases in fiscal year 2016 and future years.



Transient Occupancy Tax

After remaining flat from fiscal year 2008 to fiscal year 2009 due to the national economy and planned renovations on a major shoreline hotel, the Dream Inn, Transient Occupancy Tax (TOT) annual revenues have continued to grow each year to an annual increase of \$3.4 million (91.9%). This is primarily due to additional hotels and a voter-approved TOT rate increase from 10% to 11% (effective July 1, 2013). TOT

fiscal year 2014 receipts increased by \$1.5 million (26.8%) compared to the previous fiscal year, and future increases are expected as the City continues to aggressively attract higher quality hotels.

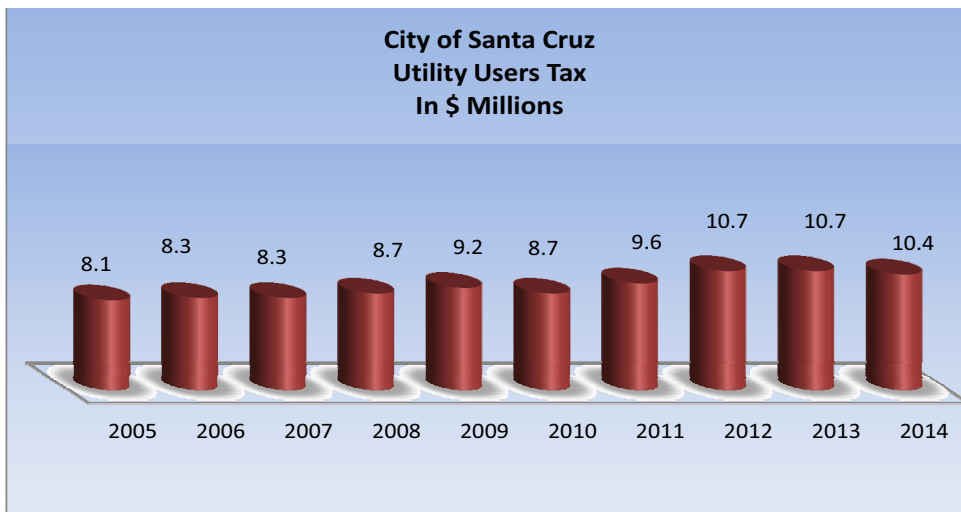


Utility Users Tax

The utility users’ tax is the third largest revenue source for the City, coming after property tax and sales tax. The utility users’ tax is comprised of a tax on eight utilities: electric, wired telecom, wireless telecom, natural gas, cable, water, wastewater, and refuse (the last three being municipal utilities).

Modest increases over the last few years can be attributed to a number of factors. There have been declines in electric and wired telecom while wireless telecom, gas, and cable have increased. The most significant factor for the rise in overall revenues points to the water, wastewater, and refuse municipal utilities and the increase of tax revenues due to recent customer rate increases.

The rate for the tax was 7.0%, and had not been changed since October 1991. In November 2010, the City residents voted 63.67% to 33.74% in favor of increasing the Utility Users Tax to 8.5%. The new tax was only in place for the latter part of fiscal year 2011, but receipts exceeded expectations. Utility Users Tax increased by \$1.1 million, or 11.4% in fiscal year 2012, remained flat in fiscal year 2013 and decreased slightly by \$0.3 million or 2.8% in fiscal year 2014. Moderate revenue increases are expected in fiscal year 2015 and in future years.



Risk management

The City of Santa Cruz uses a program of self-insurance for workers' compensation and general liability claims, and employs a professional risk manager, supplemented by a professional claim administration firm, to minimize losses. The City is self-insured for workers' compensation up to \$500,000 per occurrence. Santa Cruz participates in a multi-agency joint powers authority to provide excess insurance coverage for liability coverage. The joint powers authority and the City rely on estimates prepared by professional actuaries to set aside funds adequate to meet potential future losses. Excess coverage purchased through the joint powers authority covers claims in excess of \$1,000,000 for general liability claims. The Risk Management internal service fund had a net position at June 30, 2014, of \$7.1 million.

Health care costs

The City contracts with CalPERS for employee health care coverage. Under this program, employer average overall plan premiums increase every year—sometimes as high as 10%. The City continues to explore alternative health care coverage options to offset the rising costs.

State budget

The focus of the fiscal year 2015 state budget is still to reduce the Wall of Debt and to shore up the teacher pension system. The system is currently 67 percent funded and barring state action would run out of money in 33 years. The budget introduced a system of shared responsibility between the state, school districts and teachers which would eliminate the unfunded liability by 2046. The fiscal year 2014 budget act reduces the states debt by \$10 billion through the pay down of deferral payments to schools, paying off the Economic Recovery Bonds and the repayment of special fund loans and state mandated claims that have been owed to local governments since 2004.

The introduction to the State's fiscal year 2015 May Revision budget maintains that the principle of paying down debt, reducing long-term liabilities, and proposals to shore up the teacher pension system may pose major risks that may threaten the State's fiscal stability, along with the uncertainties regarding the costs of the federal Affordable Care Act.

City services are and have been impacted by the State's financial condition due to the State's ability to change and limit the City's resources. As part of the Legislature's enactment of the State's fiscal year 2012 Budget, ABX1 26 and ABX1 27 were adopted which governed the future of California redevelopment agencies. Following a lawsuit, the California Supreme Court upheld ABX1 26 and overturned ABX1 27. The City of Santa Cruz Redevelopment Agency was dissolved by the state as of January 31, 2012 and all assets and liabilities were transferred to the Low and Moderate Income Housing Successor Fund and the Redevelopment Successor Agency Trust Fund as prescribed by law. The City elected to be the Successor for both of these agencies.

Citing that redevelopment agencies costs the state more than \$2 billion annually in lost school property taxes, The Governor maintained that their dissolution promised to return funds to cities, counties, special districts, and schools to invest in core services. The dissolution of the Redevelopment Agency means that economic development has become the full responsibility of the City's General Fund, and although the City has received a small share of the redistribution of redevelopment property tax, it is unknown at this time whether the additional revenues can accomplish the City's future economic development plans. In response, the City has established a fund dedicated to identifying and utilizing funds that can be used for economic development. The City is continues to evaluate the new role of economic development within the City and alternative funding resources.

Cash management and policies

The City's investment policy states that not more than 25% of the portfolio shall be invested in any one entity or any one instrument to protect the City from concentration of credit risk, with the following exceptions: U.S. Treasury Obligations and the external investment pool, State of California – Local Agency Investment Fund (LAIF). In addition, purchases of mutual funds must not exceed 20% of the value of the portfolio. Purchases in a single mutual fund may not exceed 10% of the value of the portfolio. The City is in compliance with these provisions of the investment policy.

As of June 30, 2014, the City had \$37.8 million invested in LAIF accounts, \$73.9 million in U.S. Agencies, \$1.1 million in Municipal Bonds, and \$1.0 million in other investments.

Major Initiatives

As mentioned earlier, the City of Santa Cruz operates four municipal utilities, including water, wastewater, storm water, and refuse collection/landfill operations. The Water Department has embarked upon an ambitious program of capital improvements that will span the next four to five years and will cost approximately \$50 to \$100 million, to be financed partially through the issuance of new debt. Major distribution and supply projects are planned, with the possibility of a desalination plant.

In fiscal year 2012, the City entered into a 7-year agreement with a Warriors Sports franchise to loan \$4.1 million for the construction of a sports stadium for the Warriors D-league basketball team. The team finished second in their division their first two seasons in Santa Cruz and have started out the 2014-2015 season in first place in the Western division, leading the way for discussions of constructing a permanent arena.

With the upturn of the economy the City has plans to evaluate and improve the condition of its infrastructure, including major renovations to the Municipal Wharf (now 100 years old), the Civic Auditorium, and possibly a new downtown library.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Santa Cruz for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the seventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to Assistant Finance Director Cheryl Fyfe and Division Manager Raymond Chin, Senior Accountants Kim Wigley and Elizabeth Cabell, and our Accountants - Tracy Cole, Ralph Reader, Amy Schmidt, and Nicholas Gong, who aided in the compilation of this document. I also want to thank the other Division Managers Patty Haymond and Laura Nolan and the rest of the Finance Department staff - Debra Allen, Susie Anderson, Joseph Balasabas, Declan Conroy, Natalia Duarte, Zayne Fassio, Danielle Grindy, Maralise Howze, Malissa Kaping, Summer Lange, Jillian Morales, Mirtha Padilla, Denise Reid, Erin Sullivan, Vanessa Varner-Ervin and Shari Cole,

who assisted with all the transactions and postings that led to the preparation of this report. I also want to thank the partners and staff of our auditors for their assistance and support. Credit must also be given to the Mayor, City Council Members, and City Manager for their unfailing leadership and support.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Marcus Pimentel", written in a cursive style.

Marcus Pimentel
Director of Finance

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Santa Cruz
California**

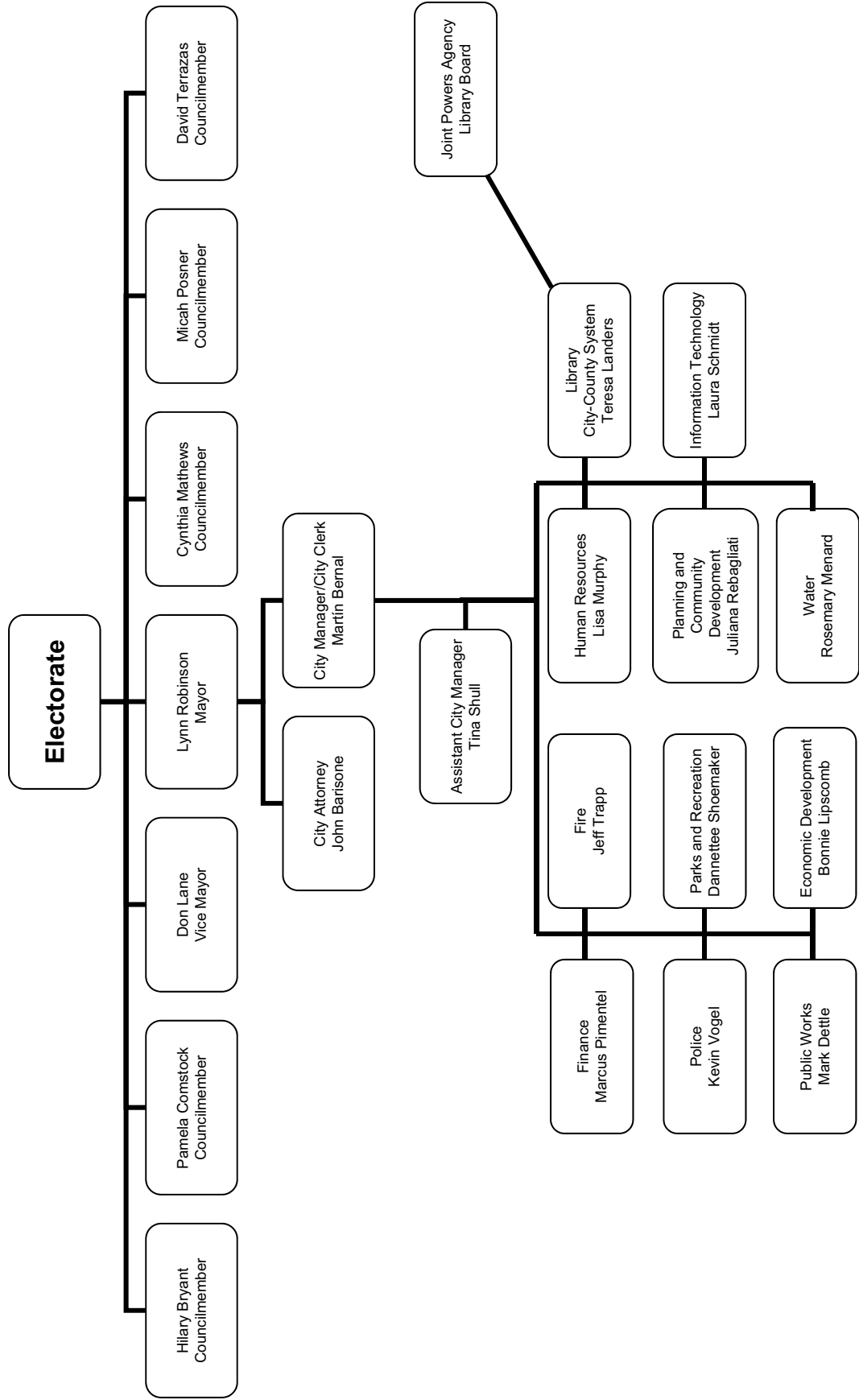
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



City of Santa Cruz Organization Chart



**DIRECTORY OF CITY OFFICIALS
CITY OF SANTA CRUZ**

Mayor Lynn Robinson

Vice Mayor Don Lane

Councilmember Hilary Bryant

Councilmember Cynthia Mathews

Councilmember Pamela Comstock

Councilmember Micah Posner

Councilmember David Terrazas

City Manager, Martin Bernal

Assistant City Manager.....Tina Shull
Chief of Fire.....Jeff Trapp
Chief of Police.....Kevin Vogel
City AttorneyJohn G. Barisone
Director of Finance.....Marcus Pimentel
Director of Human ResourcesLisa Murphy
Director of Information Technology.....Laura Schmidt
Director of LibrariesTeresa Landers
Director of Parks and Recreation.....Dannettee E. Shoemaker
Director of Planning and Community Development.....Juliana Rebagliati
Director of Public Works.....Mark Dettle
Director of Economic Development.....Bonnie Lipscomb
Director of Water Department.....Rosemary Menard

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Santa Cruz
Santa Cruz, California

Report on Financial Statements

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 City of Santa Cruz, California, (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



To the Honorable Mayor and Members of City Council
of the City of Santa Cruz
Santa Cruz, California

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Cruz, California, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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



To the Honorable Mayor and Members of City Council
of the City of Santa Cruz
Santa Cruz, California

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lance, Soll & Lughard, LLP

Brea, California
December 17, 2014

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Management's Discussion and Analysis

As management of the City of Santa Cruz, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Santa Cruz for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i of this report. All amounts, unless otherwise indicated, are expressed in millions of dollars.

Financial Highlights - Primary Government

- **Government-Wide Highlights:**

The government-wide statement of net position for the City's governmental and business-type activities shows that as of June 30, 2014, total assets and deferred outflows of resources exceeded its liabilities at the close of the fiscal year by \$454.1. Of this amount, \$66.4 represents unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors. In addition, the City's restricted net position totals of \$28.0 may be used for the City's ongoing obligations related to programs with external restrictions. The remaining \$359.7 represents the City's net investment in capital assets, less any related outstanding debt used to acquire those assets.

The City's net position increased by \$.3 (.1%) during fiscal year 2014 due to an increase of \$1.1 (.5%) in the City's governmental activities and a \$0.8 (.3%) decrease in the City's business-type activities) from fiscal year 2014. The increase of \$1.1 in the City's governmental activities was primarily due to an increase in operating and capital grants, transient occupancy taxes, and investment earnings.

- **Fund Highlights:**

Governmental Funds - Governmental funds include the general, special revenue, capital improvement, and debt service funds. At the close of the fiscal year 2014, the City reported a combined ending fund balance of \$55.7, an increase of \$.3 (.5%) in comparison with the prior fiscal year. A negative \$.7 of this amount represents the deficit *unassigned fund balance* that is not available for appropriation, and includes \$.7 in the General Fund, and a negative \$1.4 in the General Capital Improvement Fund.

General Fund - At the close of fiscal year 2014, the City's General Fund reported a total fund balance of \$29.4, a decrease of \$5.3 (15.3%) in comparison with the prior fiscal year. Approximately \$.7 (2.4%) of this amount represents *unassigned fund balance* and is available for appropriation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements which are comprised of four components:

- Government-wide Financial Statements
- Fund Financial Statements

- Notes to the Financial Statements
- Required Supplementary Information

In addition, this report also contains other supplementary information.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. They are comprised of the *statement of net position* and *statement of activities and changes in net position*.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between the total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the above government-wide financial statements distinguish functions of the City 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 City include general government, public safety, parks and recreation, library, public works, transit, community and economic development, and social services. The business-type activities of the City include the four municipal utilities: water, wastewater, storm water, and refuse and landfill operation; the self-supporting parking enterprises, and the general fund subsidized golf course.

Blended Component Units - Component units are legally separate entities that meet certain criteria and would be misleading if their data were not included in this report. This report includes two separate legal entities in this category—the Santa Cruz Public Improvement Financing Corporation and the Santa Cruz Public Financing Authority. All component units in this report are blended with the primary government because the governing boards are substantively the same as the primary government, and the component units serve the primary government exclusively.

The government-wide financial statements can be found on pages 24-27 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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 City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The fund financial statements provide detail information about each of the City's most significant funds, called *major funds*. The concept of major funds, and the determination of which are major funds, was established by Governmental Accounting Standards Board (GASB) 34 and replaces the concept of combining like funds and presenting them in total. Instead, each *major fund* is presented individually, with all *nonmajor funds* summarized and presented in a single column. Individual fund data on the nonmajor funds is presented in the form of combining statements and schedules in the Supplementary Information section of this report on pages 117-134.

Governmental Funds - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since 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. Readers will then be able to better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City has twelve governmental funds, of which three are considered major funds for presentation purposes. The City's three major funds, the General Fund, the General Capital Improvement Fund, and the RDA Successor Agency - LMIH are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the other nine governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 32-35 of this report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 118-121 of this report.

Proprietary Funds - The City maintains two different types of proprietary funds - *enterprise funds* and *internal service funds*. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the four municipal utilities: water, wastewater, storm water, and refuse and landfill operation; the self-supporting parking enterprises, and the general fund subsidized golf course. *Internal service funds* are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet and equipment operation and maintenance and the risk management activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City has nine enterprise funds which provide the same type of information as the government-wide financial statements, only in more detail. The fund financial statements for the enterprise funds provide separate information for the four municipal utilities: water, wastewater, storm water, and refuse and landfill operations; also the self-supporting parking enterprise, and a general

fund subsidized golf course. The basic enterprise fund financial statements can be found on pages 38-47 of this report. Conversely, the three internal service funds are combined into a single aggregated column in the enterprise fund statements. Individual fund data for the internal service funds is provided in the form of *combining statements* on pages 136-138 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Fiduciary funds represent private-purpose trust funds and agency funds. Private-purpose trust funds are used to account for resources legally held in trust for special purposes, such as the Redevelopment Successor Agency Trust fund (created from the dissolution of the City's former Redevelopment Agency); and the Library Services trust funds: McCaskill Trust for Local History, the McCaskill Trust for Visually Impaired, the Finkeldey Trust for Musical Literature, the Whalen Estate - Felton Branch Trust, the Robert Leet Corday Estate Trust, the Morley Estate - La Selva Branch Trust, the Hale - Scotts Valley Branch Trust, and the Anna Gruber Living Trust. The Library services trust funds are presented in total on Private Purpose Trust funds balance sheet and income statements of this report.

Agency funds are custodial in nature (assets equal liabilities), do not involve measurement of results of operations and use of the accrual basis of accounting. Agency funds include activities of the Library Joint Powers Authority, Trust Deposit Holding, Payroll Payables, and Special Assessments. The basic fiduciary fund financial statements can be found on pages 50-51 of this report.

Notes to the Financial Statements

The notes 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 financial statements can be found on pages 55-106 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post employment benefits to its employees, as well as providing a budgetary comparison schedule for the General Fund and the RDA Successor Agency - LMIH. In addition, pension and other postemployment healthcare schedules present the City's progress toward funding its obligations to provide future pension and other postemployment healthcare benefits for its active and retired employees. Required supplementary information can be found on pages 110-114 of this report.

Supplementary Information

The *supplementary information* section of this report includes additional budgetary schedules for the General Fund, with revenues presented in greater detail and expenditures presented by department, the General Capital Improvement Fund, the combining statements (referred to earlier in connection with nonmajor governmental funds), the internal service funds, and the fiduciary funds are presented immediately following the required supplementary information in the supplementary information

section of this report. The supplementary information section can be found on pages 118-134 of this report.

Government-Wide Financial Analysis

Analysis of Net Position

As noted earlier, the City's net position may serve as a useful indicator of a government's financial health or financial position. As of June 30, 2014, the City's total assets and deferred outflows of resources exceed total liabilities by \$454.1. This was an increase of \$0.3 (0.07%) in comparison to the prior fiscal year. The following is a condensed summary of the City's net position for governmental and business-type activities:

City of Santa Cruz's Net Position

June 30, 2014

(amounts expressed in \$ millions)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current assets	\$ 64.3	\$ 61.7	\$ 64.8	\$ 69.0	\$ 129.1	\$ 130.7
Noncurrent assets	17.6	17.1	7.3	10.0	24.9	27.1
Capital assets	184.7	185.5	236.2	234.5	420.9	420.0
Total assets	266.6	264.3	308.3	313.5	574.9	577.8
Deferred outflows of resources:						
Loss on refundings of debt	0.1	0.1	1.3	1.1	1.4	1.2
Current liabilities	14.3	11.8	10.8	10.6	25.1	22.4
Noncurrent liabilities	46.9	48.2	50.2	54.6	97.1	102.8
Total liabilities	61.2	60.0	61.0	65.2	122.2	125.2
Net position						
Net investment in capital assets	168.7	168.7	191.0	184.2	359.7	352.9
Restricted	28.0	26.5	-	-	28.0	26.5
Unrestricted	8.8	9.2	57.6	65.2	66.4	74.4
Total net position	\$ 205.5	\$ 204.4	\$ 248.6	\$ 249.4	\$ 454.1	\$ 453.8

At June 30, 2014, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

By far the largest portion of the City's net position, \$359.7 (79.2%), reflects its net investment in capital assets (e.g., land, streets, bridges, water and sewer lines, buildings, machinery and equipment, less any related outstanding debt used to acquire those assets that is still outstanding). The City uses these capital assets to provide services to citizens, and consequently, these assets were not available for future spending. Although the City'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. Additional information on the City's capital assets can be found in the Notes to the Financial Statements on pages 77-80.

A portion of the City's net position, \$28.0 (6.2%), represents resources in the governmental activities that were subject to external restrictions on their use. Of the total net position at June 30, 2014, \$66.4 (14.6%) represents *unrestricted net position* (\$8.8 for governmental activities and \$57.6 for business-type activities) and may be used to meet the government's ongoing obligations to citizens and creditors.

Changes in Net Position

During fiscal year 2014, the City's total net position increased by \$0.3, reflecting a \$1.1 increase in the governmental activities offset by a \$0.8 decrease in the business-type activities. Notable changes in the statement of net position between June 30, 2014 and June 30, 2013 included:

- The City's total current and other assets (not including capital assets) decreased by \$3.8 (2.4%) compared to the prior fiscal year due to an increase of \$3.1 (4.0%) in the governmental activities offset by a decrease of \$6.9 (8.7%) in the business type activities. The increase in the governmental activities is primarily due to an increase in cash and investments in the amount of \$.8, grants receivable in the amount of \$1.2, and Deposits in the amount of \$0.6. The increase in Deposits is due to an increase in the City's deposit with ACCEL (Authority for California Cities Excess Liability), in the risk internal service fund. The decrease in current and other assets in the business-type activities was mainly due to a decrease in cash and cash investments in the amount of \$3.9. The decrease is primarily due to an operational loss of \$1.8 and cash (non-financing) purchases of capital assets.
- Capital assets (net of accumulated depreciation) increased by \$.9 (.2%) compared to the prior fiscal year, due to a decrease of \$.8 (.4%) in the governmental activities offset by an increase of \$1.7 (.7%) in the business-type activities. Capital asset additions in the governmental activities included land improvements for a new park, buildings improvements, and the retirement of equipment along with the sale of a building. Capital asset additions in the business-type activities were primarily for infrastructure improvements in the both the Water and Wastewater funds.
- Total long-term liabilities decreased by \$5.7 to \$97.1 at June 30, 2014, due to a decrease in the governmental activities in the amount of \$1.3 (2.7%) and a decrease of \$4.4 (8.1%) in the business-type activities. In the governmental funds, the decrease was due to payments of scheduled debt service in the amount of \$2.3; offset by the increase of other post-employment benefits in the amount of \$1.0. In the business-type activities the decrease was due to scheduled debt service payments and refinancing for a net amount of \$5.0, offset by an increase in landfill closure and post closures costs of \$.3 and other post-employment benefits of \$.3.

Analysis of activities: The following table indicates the changes in net position for governmental and business-type activities:

**City of Santa Cruz Statement of Activities
and Changes in Net Position
Fiscal Year Ending June 30, 2014**
(amounts expressed in millions)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 20.8	\$ 22.1	\$ 65.2	\$ 63.7	\$ 86.0	\$ 85.8
Operating grants and contributions	4.3	2.8	1.2	1.0	5.5	3.8
Capital grants and contributions	6.6	3.5	0.5	0.3	7.1	3.8
Total program revenues	<u>31.7</u>	<u>28.4</u>	<u>66.9</u>	<u>65.0</u>	<u>98.6</u>	<u>93.4</u>
General revenues:						
Property taxes	16.4	16.7	0.1	-	16.5	16.7
Sales and use taxes	15.7	14.9	-	-	15.7	14.9
Franchise taxes	2.9	3.0	-	-	2.9	3.0
Transient occupancy taxes	7.1	5.6	-	-	7.1	5.6
Utility users taxes	10.4	10.7	-	-	10.4	10.7
Admissions taxes	2.3	2.3	-	-	2.3	2.3
Other taxes	2.8	2.8	-	-	2.8	2.8
Total taxes	<u>57.6</u>	<u>56.0</u>	<u>0.1</u>	<u>-</u>	<u>57.7</u>	<u>56.0</u>
Unrestricted investment earnings	0.6	0.5	0.7	0.5	1.3	1.0
Gain (loss) on sale of assets	0.2	0.2	0.1	-	0.3	0.2
Total revenues	<u>90.1</u>	<u>85.1</u>	<u>67.8</u>	<u>65.5</u>	<u>157.9</u>	<u>150.6</u>
Expenses:						
General government	16.1	16.5	-	-	16.1	16.5
Public safety	37.6	34.9	-	-	37.6	34.9
Parks and recreation	14.0	11.5	-	-	14.0	11.5
Library	1.4	1.6	-	-	1.4	1.6
Public works	12.2	12.0	-	-	12.2	12.0
Transit	0.7	0.6	-	-	0.7	0.6
Community and economic development	3.2	2.1	-	-	3.2	2.1
Social services	1.5	1.4	-	-	1.5	1.4
Interest and charges on long term debt	2.0	1.8	-	-	2.0	1.8
Water	-	-	27.0	23.1	27.0	23.1
Wastewater	-	-	18.4	18.7	18.4	18.7
Refuse	-	-	15.7	16.6	15.7	16.6
Parking	-	-	4.2	3.7	4.2	3.7
Storm Water	-	-	1.5	1.4	1.5	1.4
Golf course	-	-	2.1	2.0	2.1	2.0
Total expenses	<u>88.7</u>	<u>82.4</u>	<u>68.9</u>	<u>65.5</u>	<u>157.6</u>	<u>147.9</u>
Increase (decrease) in net assets before transfers and extraordinary items	1.4	2.7	(1.1)	-	0.3	2.7
Transfers	(0.3)	(0.4)	0.3	0.4	-	-
Change in net position	1.1	2.3	(0.8)	0.4	0.3	2.7
Net position, beginning of year (as previously reported)	204.4	203.5	249.4	250.1	453.8	453.6
Prior period adjustments	-	(1.4)	-	(1.1)	-	(2.5)
Net position, beginning of year (as restated)	<u>204.4</u>	<u>202.1</u>	<u>249.4</u>	<u>249.0</u>	<u>453.8</u>	<u>451.1</u>
Net position - end of year	<u>\$ 205.5</u>	<u>\$ 204.4</u>	<u>\$ 248.6</u>	<u>\$ 249.4</u>	<u>\$ 454.1</u>	<u>\$ 453.8</u>

Governmental Activities

The net position for the City's governmental activities increased in fiscal year 2014 by \$1.1. A comparison of the cost of services by function for the City's governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities. For the second fiscal year, the City experienced a decrease in Property tax revenues. This fiscal year's decrease of \$.3 was due to a decrease of \$.6 in tax increment from the City's dissolved Redevelopment Agency, offset by an increase in Property tax revenue in the General Fund of \$.3.

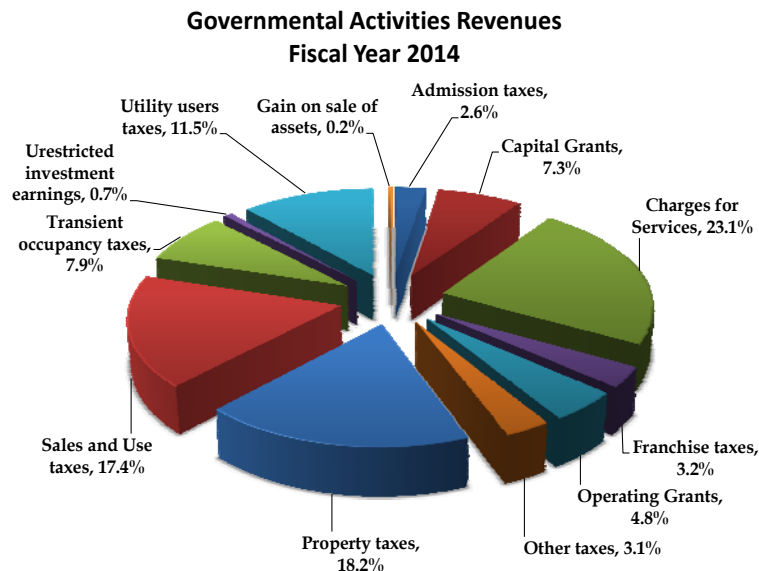
Governmental Activities			
Changes in Expenses, Revenues, and Transfers			
Fiscal Year Ending June 30, 2014			
(amounts expressed in millions)			
	2014	2013	Net Change
Expenses net of program revenues:			
General government	\$ 6.7	\$ 5.6	\$ 1.1
Public safety	35.0	32.2	2.8
Parks and recreation	9.5	8.0	1.5
Library	0.8	1.0	(0.2)
Public works	0.1	5.0	(4.9)
Transit	-	-	-
Community and economic development	1.4	(1.0)	2.4
Social services	1.5	1.4	0.1
Interest and fiscal charges on long-term debt	2.0	1.8	0.2
Total expenses net of program revenues - governmental activities	<u>57.0</u>	<u>54.0</u>	<u>3.0</u>
General revenues and transfers:			
General revenues:			
Property taxes	16.4	16.7	(0.3)
Sales and use taxes	15.7	14.9	0.8
Franchise taxes	2.9	3.0	(0.1)
Transient occupancy taxes	7.1	5.6	1.5
Utility users taxes	10.4	10.7	(0.3)
Admission taxes	2.3	2.3	-
Other taxes	2.8	2.8	-
Total taxes	<u>57.6</u>	<u>56.0</u>	<u>1.6</u>
Unrestricted investment earnings	0.6	0.5	0.1
Gain on sale of assets	0.2	0.2	-
Transfers	<u>(0.3)</u>	<u>(0.4)</u>	<u>0.1</u>
Total general revenues and transfers	<u>58.1</u>	<u>56.3</u>	<u>1.8</u>
Prior period adjustment due to accounting change	<u>-</u>	<u>(1.4)</u>	<u>1.4</u>
Change in governmental activities net position	<u>\$ 1.1</u>	<u>\$ 0.9</u>	<u>\$ 0.2</u>

Governmental Revenues

Under GASB 34, program revenues are derived directly from programs or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues. Total program revenues from governmental activities were \$31.7 in fiscal year 2014, an increase of \$3.3 (11.6%) from the previous fiscal year. Governmental

program revenues are derived primarily from *charges for services*, which included licenses and permits, planning fees, developer fees, recreation charges, traffic and other fines and forfeitures, and several other revenues. Program revenues under the *operating grants and contributions* category included revenues restricted for specific purposes, such as gasoline taxes and other federal, state and local grants. Program revenues in the *capital grants and contributions* category also included federal, state and local grants, but were restricted specifically to be used for capital projects or acquisitions.

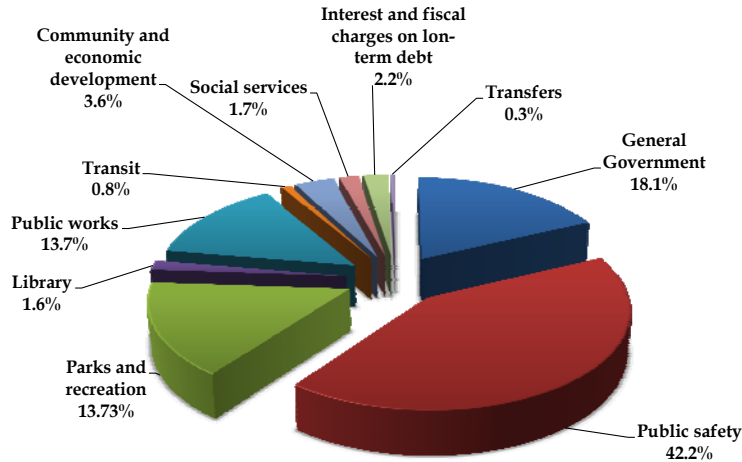
General revenues are all other revenues not categorized as program revenues, and include all taxes, unrestricted grants, contributions and investment earnings, material gains on sales of capital assets, and other miscellaneous revenues. Total general revenues from governmental activities were \$58.4 in fiscal year 2014. Taxes of \$57.6 comprised 98.6% of the City’s general revenues for fiscal year 2014. The largest single source of general revenues received during fiscal year 2014 was \$16.4 of property taxes, which were 28.1% of general revenues, followed by \$15.7 of sales and use taxes, which were 26.9% of general revenues. The following graph includes program and general revenues and shows the percentage of all governmental activities revenues by source:



Governmental Expenses

Total governmental activity expenses, including transfers, were \$89.0 in fiscal year 2014, which included \$86.7 in program expenses, \$2.0 in interest and fiscal charges on long-term debt, and \$0.3 in transfers to the City’s business-type activities. The largest expenses were incurred for public safety \$37.6, general government \$16.1, parks and recreation \$14.0, and public works \$12.2. These expenses did not include capital outlays, which were reflected in the City’s capital assets. The following graph shows the Governmental Activities expenses for fiscal year 2014, and shows the percentage of all governmental activities expenses by program:

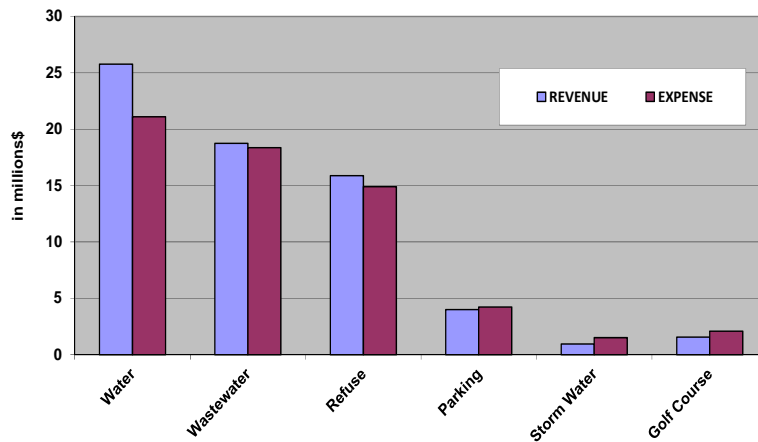
**Governmental Activities Expenses
Fiscal year 2014**



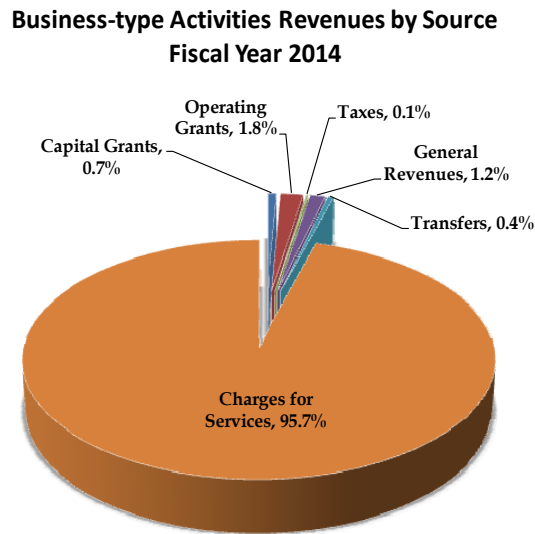
Business Type Activities

Net position for the City’s business-type activities at June 30, 2014 was \$248.6, a decrease of \$0.8 from the previous fiscal year. Total program revenues for business-type activities were \$66.9. The largest program revenues were charges for services of \$65.2, and other program revenues including capital and operating grants and contributions in the amount of \$1.7. Total expenses for the business-type activities were \$68.9 during fiscal year 2014. The following chart shows a comparison of fiscal year 2014 revenue and expenses for the City’s enterprise funds:

**Business-type Activities Revenue and Expense
Comparison for Fiscal Year 2014**



The following chart shows fiscal year 2014 revenues by source for the City’s Enterprise funds:



Financial Analysis of Individual Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City’s financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year 2014, the City’s governmental funds reported combined ending fund balances of \$55.7, an increase of \$.3 (.5%) in comparison with the prior year. Of this amount, \$.7 represents a deficit *unassigned fund balance*, which is not available for spending. Of the remaining fund balance \$7.6 is considered “non-spendable” because it represents the portion of the City’s assets for long-term receivables, advances and prepaid expenses, \$27.9 is considered “restricted” due to revenues collected for specific services, \$2.3 is committed by City Council resolution for capital improvement, and \$18.6 is assigned by City management for special purposes, including the City’s stabilization fund in the amount of \$14.6. More information concerning fund balances can be found in Note 15 on pages 99-101.

General Fund - Total fund balance of the General Fund on June 30, 2014 was \$29.4, a decrease of \$5.3 (15.3%) from the previous fiscal year. Approximately \$.7 (2.4%) of this amount was unassigned and available for spending at the government’s discretion. Of the remaining fund balance, \$7.6 was considered non-spendable, \$0.3 was restricted, \$2.3 was committed for capital improvement, and \$18.5 represented amounts assigned for special services. It should be noted that during fiscal year 2014, \$14.6 of the General Fund’s unassigned fund balance was transferred to assigned fund balance, the City’s stabilization fund, for purposes of providing for strategic and prioritized allocation of the City’s

General Fund. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance, the assigned, committed, restricted, non-spendable, and total fund balance to total fund expenditures. Unassigned and assigned fund balances in the General Fund of \$19.2 represented 25.5% of total General Fund expenditures of \$75.3 (not including other financing sources and uses of a negative \$7.5) while total governmental unassigned and assigned fund balances represented 23.8% of that same amount. The difference is primarily due to a negative unassigned fund balance of \$1.4 in the General Capital Improvement Fund.

RDA Successor Agency - LMIH – The Redevelopment Successor Agency – LMIH (Low & Moderate Income Housing) fund is used to account for housing assets transferred from the former Redevelopment Agency (due to the State of California's dissolution of redevelopment agencies) to the City as a housing successor.

At the end of fiscal year 2014, the total fund balance of the RDA Successor Agency – LMIH fund was \$11.1, an increase from the prior fiscal year of \$1. The entire fund balance of \$11.1 of the RDA Successor Agency – LMIH's fund balance is restricted, and there is no unassigned fund balance.

General Capital Improvement Fund – The General Capital Improvement fund is used to account for the City's capital improvements. A portion of the City's transient occupancy tax receipts, combined with other funding sources, such as grants, provides funding for capital projects of general benefit, such as storm drain improvements, or improvements to public buildings.

At the end of fiscal year 2014, the total fund balance of the General Capital Improvement Fund was a deficit of \$1.1, a positive increase from the prior fiscal year of \$4.5. This is primarily due to transfers from the General Fund for purposes clearing the fund's deficit fund balance. The unassigned deficit fund balance of \$1.4 includes a portion of fund balance in the amount of \$0.3 restricted for debt service payments. The primary reason for the fund's deficit fund balance was the result of moving forward with infrastructure and other projects that required immediate attention, such as the arterial streets and roads overlay projects, without current available resources. The City is currently in the process of issuing long-term debt to eliminate the remaining deficit and to provide funds for additional projects.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. They include both enterprise funds and internal service funds. For the government-wide financial statements, the internal service funds are consolidated with governmental activities, and the enterprise funds comprise the business-type activities.

At the end of fiscal year 2014, the net position of the enterprise funds was \$248.6, a decrease over the prior fiscal year of \$0.8 (0.3%). Operating expenses increased by \$3.4 compared to the prior fiscal year and included a \$1.4 increase in personnel services, a \$2.0 increase in services and supplies, and no increase in depreciation and amortization. The majority of the services and supplies increases was in the Water fund, and represented increased expenditures in maintenance and professional and technical services primarily in response to the 2014 drought. Operating revenues in the City's Enterprise funds increased by \$1.9 when compared to the prior fiscal year, primarily due to an increase of \$1.3 in the Wastewater fund and an increase of \$.6 in the Parking fund for charges for services.

Net position in the internal service funds in the amount of \$7.0 represented an increase of \$0.6 compared to the previous fiscal year. The increase was primarily due to additional reserves in the Risk Management fund.

General Fund Budgetary Highlights

The fiscal year 2014 final amended General Fund budget (not including other financing sources and uses) totaled \$79.6, and included amendments to the original budget, resulting in a \$.5 decrease in operating expenditure appropriations in comparison to the prior fiscal year. This amount represents a modest fluctuation in service needs and costs. Included in the City's final amended budget are non-lapsing encumbrances and projects re-appropriated from the prior fiscal year for various administrative and other projects. Estimated revenues (not including other financing sources and uses) totaled \$81.4, an increase of \$9.2 in comparison with the prior fiscal year. This amount primarily represents an increase in estimated tax revenues of \$7.8 and an increase in license, permits, and fees in the amount of \$1.5, offset by reductions in other revenue sources. Amendments to estimated revenues during fiscal year 2014 totaled \$6.9, and primarily represented intergovernmental revenues (grants) that were associated with some of the non-lapsing projects previously mentioned.

At June 30, 2014, actual operating expenditures in the City's General Fund totaled \$75.3, which was \$4.3 less than the final amended budget. Of this amount, \$0.7 represented non-lapsing encumbrances that were added as amendments to the City's fiscal year 2014 General Fund Budget. The remaining amount represented salary and services and supplies savings, primarily in the Planning department. The City's actual operating revenues totaled \$77.5 which was under estimated revenues by \$3.9. Of this amount, \$3.1 represents a decrease in tax revenues primarily due to the uncertainty of the redistribution of former Redevelopment Agency property tax, and other tax revenues falling short of expectations.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounted to \$421.0, net of accumulated depreciation of \$377.5. This investment in capital assets included land, land improvements, infrastructure, buildings, machinery and equipment, lease improvements, intangibles, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The total increase to the City's investment in capital assets for the current fiscal year, after restatements and deletions, was \$1.0. Additions, deletions and restatements consisted of a net increase to capital assets of \$16.4 offset by a net increase to accumulated depreciation of \$15.4.

City of Santa Cruz
Capital Assets
(net of depreciation)
(amounts expressed in \$ millions)

	Governmental Activities		Business-Type Activities		Total	
	June 30		June 30			
	2014	2013	2014	2013	2014	2013
Land	\$ 61.3	\$ 61.3	\$ 2.6	\$ 2.6	\$ 63.9	\$ 63.9
Construction in progress	10.0	5.6	27.3	35.9	37.3	41.5
Land improvements	4.3	4.2	2.6	2.9	6.9	7.1
Infrastructure	66.0	70.1	105.4	92.8	171.4	162.9
Buildings	37.8	39.2	88.0	91.2	125.8	130.4
Machinery and equipment	5.3	5.1	10.1	8.8	15.4	13.9
Lease improvements	-	-	-	-	-	-
Intangibles	0.1	-	0.2	0.3	0.3	0.3
Totals	\$ 184.8	\$ 185.5	\$ 236.2	\$ 234.5	\$ 421.0	\$ 420.0

Debt Administration

Long Term Debt - At June 30, 2014, the City had \$101.8 in long term debt outstanding compared to \$108.4 last fiscal year, which was a decrease of \$6.6 (6.1%). The bonds, notes, loans and leases payable associated with governmental activities decreased from \$37.0 to \$34.9 (5.7%). The bonds, notes, loans and leases payable associated with business-type activity debt was reduced from \$51.5 to \$46.5 (9.7%).

The largest debt obligation in the City's governmental funds is the Pension Obligation Bonds liability. As of June 30, 2014, the outstanding balance on the Pension Obligation Bonds was \$18.9. The largest debt obligation in the City's business type funds is the 2013 Wastewater Revenue Refunding Bonds debt which refinanced the 2005 Wastewater Revenue Bonds and a note payable to the State of California for the construction of secondary treatment improvements at the City's wastewater treatment plant. The City has a corresponding note receivable from the County of Santa Cruz for \$7.5. This note receivable relates to the County's obligation related to the construction of the treatment plant improvements. More information about this note receivable can be found in Note 3 on pages 71-72.

The chart below illustrates the changes in bonds, notes, loans and leases payable for the year ending June 30, 2014.

Bonds, Notes, Loans and Leases Payable
(amounts expressed in \$ millions)

	Governmental Activities		Business-Type Activities		Total	
	June 30		June 30			
	2014	2013	2014	2013	2014	2013
Revenue bonds payable	\$ 9.3	\$ 9.6	\$ 41.1	\$ 26.7	\$ 50.4	\$ 36.3
General obligation bonds	6.2	6.4	-	-	6.2	6.4
Pension obligation bonds	18.9	20.4	-	-	18.9	20.4
Notes payable	0.2	0.2	5.2	24.3	5.4	24.5
Capital lease obligations	0.3	0.4	0.2	0.5	0.5	0.9
Totals	\$ 34.9	\$ 37.0	\$ 46.5	\$ 51.5	\$ 81.4	\$ 88.5

The City of Santa Cruz also has significant liabilities for claims and judgments, compensated absences (accrued vacation pay), and landfill closure and post closure costs. The amounts and changes of these liabilities are shown below.

Claims and Judgments, Compensated Absences, and Landfill Closure Costs Payable

(amounts expressed in \$ millions)

	June 30		Increase (Decrease)	Percent Change	June 30, 2014	
	2014	2013			Due in less than one year	Due in more than one year
	Compensated absences	\$ 4.2			\$ 4.0	\$ 0.2
Claims and judgments	9.9	9.9	-	0.0%	2.8	\$ 7.1
Closure and post closure landfill costs	6.3	6.0	0.3	5.0%	-	\$ 6.3
Totals	\$ 20.4	\$ 19.9	\$ 0.5	2.5%	\$ 5.6	\$ 14.8

Additional information on the City of Santa Cruz’s long term debt can be found in Note 7 to the financial statements. Additional information on the City of Santa Cruz’s landfill closure and post closure costs can be found in Note 11 on page 96.

Economic Factors and Next Year’s Budgets and Rates

The City of Santa Cruz, and Santa Cruz County for that matter, is closely tied to the regional economy of the nine-county San Francisco Bay Area and to Silicon Valley in particular. Local private employers include a diverse array of manufacturing, business services, retail, hotel and food services, and biotechnology companies. In addition to the local private employers, the local economy also benefits from the University of California Santa Cruz. The University is a major employer, and has potential spin-off benefits from federal and state funded scientific research ventures including biomedical research, technology research, and adaptive optics.

The City has a balanced tax base of property, sales, and utility tax. Housing prices have shown a substantial increase in the fiscal year resulting in higher property tax values, and sales tax revenues increase as the economy continues to improve. The Transient Occupancy Tax rate is currently 11%, and the City continues to invite major name hotels into the area. The City has also recently approved an increase in utility service rates.

As with other California cities, Santa Cruz City is subject to the State’s past practice of balancing the annual budget using local resources. California’s revenue base is highly dependent on personal income tax which it sensitive to unemployment and fluctuations in stock and other asset prices. However, the City is aware that the State may still divert revenues from local government.

Requests for Information

This financial report is designed to provide a general overview of the City’s finances for all of its citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Santa Cruz, Finance Department, 877 Cedar Street, Suite 100, Santa Cruz, CA 95060.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Santa Cruz
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 49,651,570	\$ 55,192,256	\$ 104,843,826
Restricted cash and investments	863,981	978,768	1,842,749
Interest receivable	531,052	96,660	627,712
Taxes receivable	5,272,257	24,514	5,296,771
Accounts receivable - net	1,073,481	6,815,162	7,888,643
Grants receivable	2,373,394	-	2,373,394
Notes receivable	361,716	1,676,128	2,037,844
Intergovernmental receivable	1,302,215	-	1,302,215
Prepaid items	24,083	-	24,083
Inventories	119,818	-	119,818
Deposits	2,768,572	30,000	2,798,572
Total current assets	64,342,139	64,813,488	129,155,627
Noncurrent assets:			
Notes receivable	15,639,842	6,391,725	22,031,567
Loans receivable	2,813,960	-	2,813,960
Long-term internal balances	(869,531)	869,531	-
Capital assets:			
Land	61,318,574	2,598,691	63,917,265
Land improvements	9,842,763	4,850,841	14,693,604
Infrastructure	209,444,657	198,243,055	407,687,712
Buildings	53,765,811	168,335,455	222,101,266
Machinery and equipment	16,732,172	33,617,261	50,349,433
Lease improvements	483,846	70,000	553,846
Intangibles	880,905	882,699	1,763,604
Construction in progress	10,010,169	27,335,073	37,345,242
Total capital assets	362,478,897	435,933,075	798,411,972
Less accumulated depreciation	(177,798,838)	(199,720,324)	(377,519,162)
Total capital assets, net	184,680,059	236,212,751	420,892,810
Total noncurrent assets	202,264,330	243,474,007	445,738,337
Total assets	266,606,469	308,287,495	574,893,964
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding of debt	112,333	1,282,810	1,395,143

See accompanying Notes to Basic Financial Statements.

City of Santa Cruz
Statement of Net Position, Continued
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	6,056,984	4,434,598	10,491,582
Interest payable	192,370	452,807	645,177
Unearned revenue	569,579	20,886	590,465
Deposits payable	330,937	104,072	435,009
Claims and judgments payable	2,759,378	-	2,759,378
Compensated absences payable	2,053,591	742,050	2,795,641
Bonds, notes, loans and leases payable	2,298,820	5,093,169	7,391,989
Total current liabilities	14,261,659	10,847,582	25,109,241
Noncurrent liabilities:			
Claims and judgments payable	7,143,875	-	7,143,875
Compensated absences payable	1,026,795	371,027	1,397,822
Other post employment benefits	6,172,429	2,091,069	8,263,498
Bonds, notes, loans and leases payable	32,634,723	41,391,386	74,026,109
Landfill closure costs	-	6,250,581	6,250,581
Total noncurrent liabilities	46,977,822	50,104,063	97,081,885
Total liabilities	61,239,481	60,951,645	122,191,126
NET POSITION			
Net investment in capital assets	168,718,849	191,011,006	359,729,855
Restricted for:			
Capital projects	6,485,230	-	6,485,230
Debt service	1,985,425	-	1,985,425
Public safety	200,708	-	200,708
Parks and recreation	1,511,858	-	1,511,858
Community and economic development	17,741,181	-	17,741,181
Unrestricted	8,836,070	57,607,654	66,443,724
Total net position	\$ 205,479,321	\$ 248,618,660	\$ 454,097,981

See accompanying Notes to Basic Financial Statements.

City of Santa Cruz

Statement of Activities and Changes in Net Position

For the year ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 16,103,854	\$ 8,755,621	\$ 628,079	\$ -	\$ 9,383,700
Public safety	37,597,008	2,241,926	232,391	112,599	2,586,916
Parks and recreation	13,981,398	3,601,559	47,739	830,932	4,480,230
Library	1,354,687	631,305	-	-	631,305
Public works	12,182,288	5,088,698	1,517,219	5,562,378	12,168,295
Transit	686,510	-	686,510	-	686,510
Community and economic development	3,240,446	455,537	1,205,075	157,162	1,817,774
Social services	1,485,470	-	-	-	-
Interest and fiscal charges on long-term debt	2,042,943	-	-	-	-
Total governmental activities	88,674,604	20,774,646	4,317,013	6,663,071	31,754,730
Business-type activities:					
Water	27,020,304	25,327,920	-	440,849	25,768,769
Wastewater	18,349,702	17,676,130	1,068,318	-	18,744,448
Refuse	15,715,226	15,816,452	54,782	-	15,871,234
Parking	4,232,851	3,990,041	11,305	-	4,001,346
Storm water	1,512,850	857,649	83,746	-	941,395
Golf course	2,096,483	1,562,952	-	-	1,562,952
Total business-type activities	68,927,416	65,231,144	1,218,151	440,849	66,890,144
Total primary government	\$ 157,602,020	\$ 86,005,790	\$ 5,535,164	\$ 7,103,920	\$ 98,644,874

General Revenues:

Taxes:

Property taxes

Sales and use taxes

Franchise taxes

Transient occupancy taxes

Utility users taxes

Admission taxes

Other taxes

Total taxes

Unrestricted investment earnings

Gain/ (loss) on sale of assets

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (6,720,154)	\$ -	\$ (6,720,154)
(35,010,092)	-	(35,010,092)
(9,501,168)	-	(9,501,168)
(723,382)	-	(723,382)
(13,993)	-	(13,993)
-	-	-
(1,422,672)	-	(1,422,672)
(1,485,470)	-	(1,485,470)
(2,042,943)	-	(2,042,943)
(56,919,874)	-	(56,919,874)
-	(1,251,535)	(1,251,535)
-	394,746	394,746
-	156,008	156,008
-	(231,505)	(231,505)
-	(571,455)	(571,455)
-	(533,531)	(533,531)
-	(2,037,272)	(2,037,272)
(56,919,874)	(2,037,272)	(58,957,146)
16,376,027	105,316	16,481,343
15,679,768	-	15,679,768
2,875,933	-	2,875,933
7,096,947	-	7,096,947
10,465,335	-	10,465,335
2,274,117	-	2,274,117
2,782,903	-	2,782,903
57,551,030	105,316	57,656,346
603,037	710,529	1,313,566
171,972	81,942	253,914
(340,880)	340,880	-
57,985,159	1,238,667	59,223,826
1,065,285	(798,605)	266,680
204,414,036	249,417,265	453,831,301
\$ 205,479,321	\$ 248,618,660	\$ 454,097,981

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

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Governmental Fund Financial Statements

General Fund - This 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.

RDA Successor Agency Low & Moderate Incoming Housing - This fund used to account for housing assets transferred from the former Redevelopment Agency to the City as housing successor.

General Capital Improvement - This fund is used to account for capital improvements for which special projects funds have not been established. A portion of the City's transient occupancy tax receipts, combined with other funding sources, such as grants, provides funding for capital projects of general benefit, such as storm drain improvements, or improvements to public buildings.

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

City of Santa Cruz
Balance Sheet
Governmental Funds
June 30, 2014

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	RDA Successor Agency - LMIH	General Capital Improvement		
ASSETS					
Assets:					
Cash and investments	\$ 19,725,163	\$ 255,622	\$ 5,035,604	\$ 13,122,130	\$ 38,138,519
Interest receivable	45,661	444	-	467,303	513,408
Taxes receivable	5,252,533	-	-	19,724	5,272,257
Accounts receivable - net	897,470	62,684	5,686	100,848	1,066,688
Grants receivable	14,136	-	2,359,258	-	2,373,394
Intergovernmental Receivable	-	-	-	1,302,215	1,302,215
Prepaid items	7,825	-	-	-	7,825
Deposits	82,564	-	-	-	82,564
Restricted cash and investments	-	-	269,833	594,148	863,981
Notes receivable - net	5,107,450	10,819,108	-	75,000	16,001,558
Loans receivable - net	-	-	-	2,813,960	2,813,960
Advances to other funds	2,586,451	500,000	-	-	3,086,451
Total assets	\$ 33,719,253	\$ 11,637,858	\$ 7,670,381	\$ 18,495,328	\$ 71,522,820
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	\$ 3,829,160	\$ -	\$ 1,365,700	\$ 491,946	\$ 5,686,806
Due to other funds	-	-	869,531	-	869,531
Unearned revenue	11,279	-	232,452	325,848	569,579
Deposits payable	327,919	2,984	-	34	330,937
Advances from other funds	-	-	5,509,687	576,764	6,086,451
Total liabilities	4,168,358	2,984	7,977,370	1,394,592	13,543,304
Deferred inflows of resources:					
Unavailable revenue	121,491	579,656	785,719	771,581	2,258,447
Fund Balances:					
Non-spendable:					
Interfund advances	2,586,451	-	-	-	2,586,451
Noncurrent receivables	4,986,749	-	-	-	4,986,749
Prepaid items	7,825	-	-	-	7,825
Restricted:					
Clean rivers, oceans, and beaches	-	-	-	1,091,141	1,091,141
Debt service	-	-	269,833	1,715,592	1,985,425
Hardship grants	270,196	-	-	-	270,196
Housing programs	-	11,055,218	-	5,324,626	16,379,844
Parks and recreation	-	-	-	1,511,858	1,511,858
Police programs	-	-	-	200,708	200,708
Streets and roads	-	-	-	2,022,173	2,022,173
Traffic impact	-	-	-	4,463,057	4,463,057
Committed	2,342,099	-	-	-	2,342,099
Assigned	18,579,309	-	-	-	18,579,309
Unassigned	656,775	-	(1,362,541)	-	(705,766)
Total fund balances	29,429,404	11,055,218	(1,092,708)	16,329,155	55,721,069
Total liabilities, deferred inflows of resources and fund balances	\$ 33,719,253	\$ 11,637,858	\$ 7,670,381	\$ 18,495,328	\$ 71,522,820

See accompanying Notes to Basic Financial Statements.

City of Santa Cruz
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2014

Total Fund Balances - All Governmental Funds \$ 55,721,069

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

Capital assets used in governmental activities are not current financial resources. Therefore, they are not reported in the governmental funds. Except for the internal service funds reported below, the capital assets are adjusted as follows:

	Government- Wide Statement of Net Position	Internal Service Funds	
Non-depreciable	\$ 71,328,743	\$ -	71,328,743
Depreciable, net	113,351,316	(93,962)	113,257,354
Total capital assets	\$ 184,680,059	\$ (93,962)	184,586,097

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds.

(192,370)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and equipment management, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position.

Equipment Operations Fund		(122,684)
Risk Management Fund		7,150,403
Total internal service funds		7,027,719

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

2,258,447

Noncurrent liabilities were not due and payable in the current period. Therefore, they are not reported in the governmental funds. Except for the internal service funds reported above, the long-term liabilities are adjusted as follows.

	Government- Wide Statement of Net Position	Internal Service Funds	
Other post employment benefits - due in more than one year	\$ (6,172,429)	\$ 123,806	(6,048,623)
Compensated absences payable - due within one year	(2,053,591)	19,052	(2,034,539)
Compensated absences payable - due in more than one year	(1,026,795)	9,526	(1,017,269)
Bonds, notes, loans and leases payable - due within one year	(2,298,820)	-	(2,298,820)
Bonds, notes, loans and leases payable - due in more than one year	(32,634,723)	-	(32,634,723)
Total long-term liabilities	\$ (44,186,358)	\$ 152,384	\$ (44,033,974)

Losses related to refunding of debt are reported as other financing uses in the governmental funds. For the Statement of Net Position, these amounts are capitalized and amortized as a deferred outflow of resources over the remaining life of the debt.

112,333

Net Position of Governmental Activities \$ 205,479,321

City of Santa Cruz

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2014

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	RDA Successor Agency - LMIH	General Capital Improvement		
REVENUES:					
Taxes	\$ 56,196,870	\$ -	\$ -	\$ 1,354,159	\$ 57,551,029
Licenses and permits	846,682	-	-	-	846,682
Intergovernmental	989,769	-	3,075,726	5,701,019	9,766,514
Charges for services	12,214,540	22,500	-	42,207	12,279,247
Fines and forfeitures	1,985,697	-	-	-	1,985,697
Use of money and property	4,810,654	37,607	(1,257)	626,969	5,473,973
Other revenues	441,432	9,723	877,999	679,078	2,008,232
Total revenues	77,485,644	69,830	3,952,468	8,403,432	89,911,374
EXPENDITURES:					
General government	15,486,989	-	-	-	15,486,989
Public safety	36,483,663	-	-	229,590	36,713,253
Parks and recreation	10,874,354	-	-	-	10,874,354
Library	1,394,751	-	-	-	1,394,751
Public works	5,751,045	-	-	1,188,376	6,939,421
Transit	-	-	-	686,510	686,510
Community and economic development	1,344,484	12,873	-	1,022,497	2,379,854
Social services	1,336,857	-	-	148,613	1,485,470
Capital outlay	-	-	8,269,796	2,368,180	10,637,976
Debt service:					
Principal	1,611,357	-	150,000	373,715	2,135,072
Interest and fiscal charges	994,383	-	168,397	530,561	1,693,341
Total expenditures	75,277,883	12,873	8,588,193	6,548,042	90,426,991
REVENUES OVER (UNDER) EXPENDITURES	2,207,761	56,957	(4,635,725)	1,855,390	(515,617)
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of capital assets	75,720	-	-	755,819	831,539
Transfers in	225,979	-	9,141,381	81,494	9,448,854
Transfers out	(7,808,874)	-	(1,037)	(1,654,432)	(9,464,343)
Total other financing sources (uses)	(7,507,175)	-	9,140,344	(817,119)	816,050
Net change in fund balances	(5,299,414)	56,957	4,504,619	1,038,271	300,433
FUND BALANCES:					
Beginning of year	34,728,818	10,998,261	(5,597,327)	15,290,884	55,420,636
End of year	\$ 29,429,404	\$ 11,055,218	\$ (1,092,708)	\$ 16,329,155	\$ 55,721,069

See accompanying Notes to Basic Financial Statements.

City 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 Position For the year ended June 30, 2014

Net Change in Fund Balances - All Governmental Funds	\$	300,433
<p>Amounts reported for governmental activities in the Statement of Activities and Changes in Net Position were different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the governmental funds (not including Internal service funds) for the current period, which are reported below.</p>		
Capital assets	\$	6,756,244
Depreciation		<u>(6,851,065)</u>
		(94,821)
<p>Proceeds from sales of capital assets are reported as revenues in the governmental funds. However, only the gain/(loss) from the sales are reported on the Statement of Activities</p>		
Proceeds from the sale of capital assets		(831,539)
Gains on sale of capital assets		171,972
<p>Revenues that did not meet the criteria for accrual were recorded as unavailable revenues in the governmental funds. In the Government-Wide Financial Statements, these amounts were recorded as revenues. This amount represents the change in unavailable revenue from the prior year.</p>		
		(113,178)
<p>Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		(145,717)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
		2,136,891
<p>Other Post Employment Benefits (OPEB) are long term liabilities and are not presented on the Governmental Fund Statements.</p>		
		(944,263)
<p>Accrued but unpaid interest and fiscal charges on long-term debt is reported in the statement of activities, but does not require the use of current financial resources. Therefore, it is not reported as an expenditure in the governmental funds.</p>		
		(421)
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and equipment management, to individual funds. The net revenue of the internal service funds is reported with governmental activities.</p>		
		<u>585,928</u>
Change in Net Position of Governmental Activities	\$	<u>1,065,285</u>

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Proprietary Fund Financial Statements

Water - This fund accounts for the activities of the City's water utility, which provides water delivery services to the residents of the City and some residents of the County.

Wastewater - This fund accounts for the activities of the City's wastewater utility, which provides wastewater collection and treatment services to the residents of the City and some residents of the County.

Refuse - This fund accounts for the activities of the City's refuse utility, which provides refuse pick-up services, recycling services, and a sanitary landfill for residents of the City.

Parking - This fund accounts for the activities of the Downtown Parking District, which provides parking facilities in the downtown area.

Storm Water - This fund accounts for storm water utility fees on properties within the City limits. These fees provide funding for flood control improvements associated with the U.S. Army Corps of Engineers San Lorenzo River Flood Control project, storm water pollution prevention programs, and measures to comply with the U.S. Environmental Protection Agency Non-Point Pollution Discharge Emissions Standards Program (NPDES).

Golf Course - This fund accounts for the activities of the Delaveaga Golf Course, which provides recreational facilities to the public.

Internal Service Funds - These funds are used to provide goods and services by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

City of Santa Cruz
Statement of Net Position
Proprietary Funds
June 30, 2014

	Enterprise Funds			
	Water	Wastewater	Refuse	Parking
ASSETS				
Current assets:				
Cash and investments	\$ 19,045,494	\$ 12,586,027	\$ 18,229,917	\$ 2,553,384
Restricted cash and investments	93,634	-	453,468	431,666
Interest receivable	35,758	21,059	31,405	3,560
Taxes receivable	-	-	-	24,514
Accounts receivable - net	2,495,174	2,549,966	1,613,792	60,189
Due from other funds	2,019,283	-	-	-
Intergovernmental receivables - due within one year	-	1,652,143	-	-
Notes receivable - due within one year	23,985	-	-	-
Prepaid items	-	-	-	-
Inventories	-	-	-	-
Deposits	-	-	-	30,000
Total current assets	23,713,328	16,809,195	20,328,582	3,103,313
Noncurrent assets:				
Intergovernmental receivables - due in more than one year	-	5,880,814	-	-
Notes receivable - due in more than one year	510,911	-	-	-
Advances to other funds	-	-	-	-
Capital assets:				
Land	58,387	-	721,017	-
Land improvements	572,807	1,480,013	54,900	292,251
Infrastructure	98,093,532	55,618,233	19,497,676	1,298,864
Buildings	16,789,844	126,734,778	2,974,096	20,536,249
Lease improvements-buildings	-	70,000	-	-
Machinery and equipment	8,648,866	6,212,406	16,105,103	1,644,042
Intangibles	561,412	212,018	99,336	9,933
Construction in progress	24,513,311	378,821	111,945	75,031
Less accumulated depreciation	(51,530,314)	(97,370,307)	(26,855,190)	(10,960,844)
Total capital assets (net of accumulated depreciation)	97,707,845	93,335,962	12,708,883	12,895,526
Total noncurrent assets	98,218,756	99,216,776	12,708,883	12,895,526
Total assets	121,932,084	116,025,971	33,037,465	15,998,839
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding of debt	-	289,615	279,118	162,874

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental
Storm Water	Golf Course	Total	Activities
			Internal
			Service Funds
\$ 2,752,190	\$ 25,244	\$ 55,192,256	\$ 11,513,051
-	-	978,768	-
4,878	-	96,660	17,644
-	-	24,514	-
36,887	59,154	6,815,162	6,793
-	-	2,019,283	15,856
-	-	1,652,143	-
-	-	23,985	-
-	-	-	16,258
-	-	-	119,818
-	-	30,000	2,686,008
<u>2,793,955</u>	<u>84,398</u>	<u>66,832,771</u>	<u>14,375,428</u>
-	-	5,880,814	-
-	-	510,911	-
-	-	-	3,000,000
-	1,819,287	2,598,691	-
-	2,450,870	4,850,841	-
23,424,515	310,235	198,243,055	-
-	1,300,488	168,335,455	-
-	-	70,000	-
61,226	945,618	33,617,261	610,038
-	-	882,699	-
2,036,051	219,914	27,335,073	-
(10,028,890)	(2,974,779)	(199,720,324)	(516,076)
<u>15,492,902</u>	<u>4,071,633</u>	<u>236,212,751</u>	<u>93,962</u>
<u>15,492,902</u>	<u>4,071,633</u>	<u>242,604,476</u>	<u>3,093,962</u>
<u>18,286,857</u>	<u>4,156,031</u>	<u>309,437,247</u>	<u>17,469,390</u>
<u>343,440</u>	<u>207,763</u>	<u>1,282,810</u>	<u>-</u>

See accompanying Notes to Basic Financial Statements.

City of Santa Cruz
Statement of Net Position, Continued
Proprietary Funds
June 30, 2014

	Enterprise Funds			
	Water	Wastewater	Refuse	Parking
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	\$ 3,025,595	\$ 697,847	\$ 439,976	\$ 162,731
Interest payable	157,394	153,283	51,093	28,090
Due to other funds	-	-	1,086,643	-
Unearned revenue	-	-	16,203	-
Deposits payable	35,842	-	-	68,230
Claims and judgments payable	-	-	-	-
Compensated absences payable	305,769	165,160	190,481	51,209
Bonds, notes, loans and leases payable due in less than one year	380,580	3,342,600	727,439	286,230
Total current liabilities	3,905,180	4,358,890	2,511,835	596,490
Noncurrent liabilities:				
Claims and judgments payable	-	-	-	-
Other post employment benefits	766,129	459,103	638,609	145,332
Compensated absences payable	152,885	82,580	95,241	25,605
Bonds, notes, loans and leases payable due in more than one year	10,168,390	15,359,178	4,669,969	4,200,081
Landfill closure costs	-	-	6,250,581	-
Total noncurrent liabilities	11,087,404	15,900,861	11,654,400	4,371,018
Total liabilities	14,992,584	20,259,751	14,166,235	4,967,508
NET POSITION				
Net investment in capital assets	87,158,875	74,923,799	7,590,593	8,572,089
Unrestricted	19,780,625	21,132,036	11,559,755	2,622,116
Total net position	\$ 106,939,500	\$ 96,055,835	\$ 19,150,348	\$ 11,194,205

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental Activities Internal Service Funds
Storm Water	Golf Course	Total	
\$ 38,780	\$ 69,669	\$ 4,434,598	\$ 370,178
47,078	15,869	452,807	-
-	63,109	1,149,752	15,856
4,683	-	20,886	-
-	-	104,072	-
-	-	-	2,759,378
-	29,431	742,050	19,052
215,657	140,663	5,093,169	-
306,198	318,741	11,997,334	3,164,464
-	-	-	7,143,875
3,316	78,580	2,091,069	123,806
-	14,716	371,027	9,526
4,414,372	2,579,396	41,391,386	-
-	-	6,250,581	-
4,417,688	2,672,692	50,104,063	7,277,207
4,723,886	2,991,433	62,101,397	10,441,671
11,206,313	1,559,337	191,011,006	93,962
2,700,098	(186,976)	57,607,654	6,933,757
\$ 13,906,411	\$ 1,372,361	\$ 248,618,660	\$ 7,027,719

See accompanying Notes to Basic Financial Statements.

City of Santa Cruz
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2014

	Enterprise Funds			
	Water	Wastewater	Refuse	Parking
OPERATING REVENUES:				
Charges for services	\$ 24,801,342	17,672,062	\$ 15,668,280	\$ 3,806,451
Rental revenues	3,300	-	-	176,520
Other revenues	523,278	4,068	148,172	112,386
Total operating revenues	25,327,920	17,676,130	15,816,452	4,095,357
OPERATING EXPENSES:				
Personnel services	9,737,978	6,036,015	7,758,121	2,231,713
Services, supplies, and other charges	14,245,689	7,799,527	6,030,758	1,202,440
Depreciation and amortization	2,553,112	4,058,802	1,612,793	612,246
Total operating expenses	26,536,779	17,894,344	15,401,672	4,046,399
Operating income (loss)	(1,208,859)	(218,214)	414,780	48,958
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental	-	1,068,318	54,782	11,305
Investment earnings	186,680	322,462	166,310	17,073
Interest expense and fiscal charges	(484,120)	(272,610)	(287,703)	(175,529)
Debt issuance costs	595	(182,748)	(25,851)	(10,923)
Gain (loss) on sale of capital assets	9,131	28,416	44,312	-
Total nonoperating revenues (expenses)	(287,714)	963,838	(48,150)	(158,074)
Income (loss) before contributions and transfers	(1,496,573)	745,624	366,630	(109,116)
Capital contributions - other agencies	440,849	-	-	-
Transfers in	-	-	-	-
Transfers out	(33,906)	(28,587)	(38,292)	(2,904)
Total contributions and transfers	406,943	(28,587)	(38,292)	(2,904)
Change in net assets	(1,089,630)	717,037	328,338	(112,020)
NET POSITION:				
Beginning of year as reported	108,029,130	95,338,798	18,822,010	11,306,225
End of year	\$ 106,939,500	96,055,835	\$ 19,150,348	\$ 11,194,205

See accompanying Notes to Basic Financial Statements.

Enterprise funds			Governmental
Storm Water	Golf Course	Total	Activities Internal Service Funds
\$ 856,099	\$ 1,415,661	\$ 64,219,895	\$ 11,225,775
-	1,000	180,820	-
1,550	146,291	935,745	20,081
857,649	1,562,952	65,336,460	11,245,856
96,724	895,991	26,756,542	1,721,255
438,850	885,835	30,603,099	8,694,278
763,247	199,007	9,799,207	32,135
1,298,821	1,980,833	67,158,848	10,447,668
(441,172)	(417,881)	(1,822,388)	798,188
83,746	-	1,218,151	-
18,004	-	710,529	110,601
(192,166)	(101,644)	(1,513,772)	2,530
(21,863)	(14,006)	(254,796)	-
-	83	81,942	-
(112,279)	(115,567)	242,054	113,131
(553,451)	(533,448)	(1,580,334)	911,319
-	-	440,849	-
-	444,569	444,569	-
-	-	(103,689)	(325,391)
-	444,569	781,729	(325,391)
(553,451)	(88,879)	(798,605)	585,928
14,459,862	1,461,240	249,417,265	6,441,791
\$ 13,906,411	\$ 1,372,361	\$ 248,618,660	\$ 7,027,719

See accompanying Notes to Basic Financial Statements.

City of Santa Cruz
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2014

	Enterprise Funds			
	Water	Wastewater	Refuse	Parking
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 24,401,934	\$ 16,628,937	\$ 15,191,943	\$ 3,786,825
Cash received from interfund services provided	652,858	746,123	466,327	-
Cash payments to suppliers for goods and services	(9,546,799)	(5,675,365)	(2,291,573)	(886,568)
Cash payments to employees for services	(9,743,715)	(6,002,960)	(7,766,860)	(2,218,983)
Cash payments for interfund services used	(3,597,510)	(2,366,385)	(3,343,845)	(413,532)
Cash received from others	526,578	4,068	148,172	288,906
Net cash provided (used) by operating activities	2,693,346	3,334,418	2,404,164	556,648
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	-	-
Transfers out	(33,906)	(28,587)	(38,292)	(2,904)
Advances from other funds	-	-	(2,085,316)	-
Due from other funds	(218,588)	838,063	1,222,444	-
Due to other funds	-	-	403,414	-
Receipts from other governments	-	2,576,284	54,782	63,811
Net cash provided (used) by noncapital financing activities	(252,494)	3,385,760	(442,968)	60,907
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase and construction of capital assets	(8,708,073)	(1,859,803)	(244,831)	(205,694)
Principal paid on capital debt	(367,963)	(21,802,477)	(869,293)	(326,953)
Proceeds from issuance of debt	-	18,710,084	-	-
Interest paid on capital debt	(488,002)	(812,136)	(320,694)	(187,390)
Deferred outflows of resources from debt activity	-	(226,021)	34,161	11,703
Proceeds from sales of capital assets	9,131	28,416	44,312	-
Net cash provided (used) by capital and related financing activities	(9,554,907)	(5,961,937)	(1,356,345)	(708,334)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income received	192,027	542,987	160,491	18,444
Net cash provided (used) by investing activities	192,027	542,987	160,491	18,444
Net increase (decrease) in cash and cash equivalents	(6,922,028)	1,301,228	765,342	(72,335)
CASH AND CASH EQUIVALENTS:				
Beginning of year	26,061,156	11,284,799	17,918,043	3,057,385
End of year	\$ 19,139,128	\$ 12,586,027	\$ 18,683,385	\$ 2,985,050

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental
Storm Water	Golf Course	Total	Activities
			Internal
			Service Funds
\$ 865,987	\$ 1,450,664	\$ 62,326,290	\$ 8,760
-	-	1,865,308	11,225,775
(358,012)	(740,339)	(19,498,656)	(8,105,552)
(96,724)	(897,234)	(26,726,476)	(1,700,141)
(84,558)	(191,469)	(9,997,299)	(505,902)
1,550	147,291	1,116,565	(344,806)
328,243	(231,087)	9,085,732	578,134
-	444,569	444,569	-
-	-	(103,689)	(325,391)
-	(63,109)	(2,148,425)	-
-	-	1,841,919	67,438
-	37,459	440,873	(67,438)
83,745	-	2,778,622	-
83,745	418,919	3,253,869	(325,391)
-	(37,178)	(11,055,579)	-
(205,658)	(154,152)	(23,726,496)	-
-	-	18,710,084	-
(215,694)	(116,624)	(2,140,540)	-
22,520	14,006	(143,631)	-
-	83	81,942	2,531
(398,832)	(293,865)	(18,274,220)	2,531
17,135	-	931,084	109,415
17,135	-	931,084	109,415
30,291	(106,033)	(5,003,535)	364,689
2,721,899	131,277	61,174,559	11,148,362
\$ 2,752,190	\$ 25,244	\$ 56,171,024	11,513,051

(Continued)

See accompanying Notes to Basic Financial Statements.

City of Santa Cruz
Statement of Cash Flows, Continued
Proprietary Funds
For the year ended June 30, 2014

	Enterprise Funds			
	Water	Wastewater	Refuse	Parking
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (1,208,859)	\$ (218,214)	\$ 414,780	\$ 48,958
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	2,553,112	4,058,802	1,612,793	612,246
Estimated closure/postclosure costs	-	-	246,820	-
Changes in assets and liabilities:				
Accounts receivable	351,893	(297,002)	(18,407)	(23,530)
Prepaid items	-	-	-	-
Inventories	-	-	-	-
Notes and loans receivable	(101,934)	-	-	-
Accounts payable and other current liabilities	1,000,017	(307,370)	65,424	(120,382)
Unearned revenue	-	-	8,397	-
Deposits payable	3,491	-	-	3,904
Claims and judgments payable	-	-	-	-
Other post employment benefits	101,363	65,147	83,096	22,722
Compensated absences payable	(5,737)	33,055	(8,739)	12,730
Total adjustments	<u>3,902,205</u>	<u>3,552,632</u>	<u>1,989,384</u>	<u>507,690</u>
Net cash provided (used) by operating activities	<u>\$ 2,693,346</u>	<u>\$ 3,334,418</u>	<u>\$ 2,404,164</u>	<u>\$ 556,648</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Increase/(Decrease) in fair value of investments	\$ (32,910)	\$ (7,140)	\$ (6,169)	\$ (11,313)
Amortization of bond premiums	(595)	(341)	(8,310)	(780)

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental
Storm Water	Golf Course	Total	Activities Internal Service Funds
\$ (441,172)	\$ (417,881)	\$ (1,822,388)	\$ 798,188
763,247	199,007	9,799,207	32,135
-	-	246,820	-
39,199	35,003	87,156	8,760
-	-	-	(14,358)
-	-	-	7,805
-	-	(101,934)	-
(3,720)	(55,903)	578,066	89,377
(29,311)	-	(20,914)	-
-	-	7,395	(532,509)
-	-	-	167,622
-	9,930	282,258	18,852
-	(1,243)	30,066	2,262
<u>769,415</u>	<u>186,794</u>	<u>10,908,120</u>	<u>(220,054)</u>
<u>\$ 328,243</u>	<u>\$ (231,087)</u>	<u>\$ 9,085,732</u>	<u>\$ 578,134</u>
\$ (335)	\$ (409)	\$ (58,276)	\$ (4,906)
(658)	-	(10,684)	-

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Fiduciary Fund Financial Statements

Private - Purpose Trust Funds:

Private-purpose trust funds are used to report the trust arrangements under which the principal and income benefit the Library Joint Powers Authority and the Redevelopment Successor Agency Trust.

Agency Funds:

Agency funds are used to account for resources held by the City in a custodial capacity. These funds account for the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

City of Santa Cruz
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private- Purpose Trust Funds	Agency Funds
ASSETS		
Cash and investments	\$ 4,410,883	\$ 4,363,807
Restricted cash and equivalents	39,069,765	20,094
Receivables:		
Accounts receivable	-	463,900
Interest receivable	12,630	6,080
Grants receivable	7,600	-
Taxes receivable	-	633,128
Restricted investments	-	-
Notes receivable	442,930	-
Due from other governments	-	-
Capital assets, net of depreciation	10,655,144	-
Total assets	<u>54,598,952</u>	<u>\$ 5,487,009</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding of debt	1,667	\$ -
LIABILITIES		
Accounts payable and other current liabilities	37,906	1,658,228
Interest payable	539,959	-
Due to other governments	-	3,158,712
Deposits payable	384,878	482,294
Payable to bondholders	-	187,775
Bonds, notes, loans and leases payable		
due in less than one year	1,906,500	-
Total current liabilities	2,869,243	5,487,009
Noncurrent liabilities:		
Bonds, notes, loans and leases payable		
due in more than one year	33,862,872	-
Total noncurrent liabilities	33,862,872	-
Total liabilities	<u>36,732,115</u>	<u>\$ 5,487,009</u>
NET POSITION		
Held in trust for other programs	<u>\$ 17,868,504</u>	

See accompanying Notes to Basic Financial Statements.

City of Santa Cruz
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2014

	<u>Private- Purpose Trust Funds</u>
ADDITIONS:	
Donations	\$ 2,445
Taxes	3,712,089
Contributions for other governments	10,636
Use of money and property	<u>169,607</u>
Total additions	<u>3,894,777</u>
DEDUCTIONS:	
Library programs	27,190
Interest expense	2,186,865
Contractual services	<u>2,177,858</u>
Total deductions	<u>4,391,913</u>
Change in net position	(497,136)
NET POSITION:	
Beginning of year	<u>18,365,640</u>
End of year	<u><u>\$ 17,868,504</u></u>

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City of Santa Cruz
Index to Notes to the Basic Financial Statements
For the year ended June 30, 2014

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City of Santa Cruz
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For the year ended June 30, 2014

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City of Santa Cruz
Notes to Basic Financial Statements
For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Santa Cruz, California (City) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental agencies. 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 City's accounting policies are described below.

A. Reporting Entity

The City was incorporated as a town in 1866 under the laws of the State of California. It became a City in 1876. The City is a charter city administered under a council/manager form of government.

The financial statements present the City and its component units (legally separate entities for which the City is considered to be financially accountable). Component units include those entities for which the City may have governing authority or is in a relationship of financial benefit or burden. Component units also include entities that are fiscally dependent upon the City. The financial activities of these entities are integrally related to those of the City and, therefore, blended with those of the City. Blending involves combining component unit data with City data in the Government-Wide Financial Statements.

Based on the above criteria, the accompanying financial statements include the financial activities of the following entities as blended component units:

Santa Cruz Public Improvement Financing Corporation - The Santa Cruz Public Improvement Financing Corporation (Corporation) is a non-profit benefit corporation organized and operated under the laws of the State of California. The primary purpose of the Corporation is to serve as a financing vehicle for the City. The City Council is responsible for the operations of the Corporation. Separate financial statements are not prepared for the Corporation.

City of Santa Cruz Public Financing Authority - The City of Santa Cruz Public Financing Authority ("Authority") is a Joint Powers Authority formed February 14, 2006, between the former Redevelopment Agency and the City for the purpose of creating a public agency which could provide financial assistance to the former Redevelopment Agency and the City in connection with the construction of public capital improvements. Separate financial statements are not prepared for the Authority.

City of Santa Cruz
Notes to Basic Financial Statements
For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

Government - Wide Financial Statements

Government-Wide Financial Statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Certain indirect costs are included in the program expense reported for individual functions and activities.

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

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities and Changes in Net Position, 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/from other funds
- Advances to/from other funds
- Transfers in/out

City of Santa Cruz
Notes to Basic Financial Statements
For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

For its business-type activities, the City applies all applicable GASB pronouncements currently in effect, as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure that do not conflict with or contradict GASB pronouncements.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The City has presented all major funds that meet the applicable criteria. The City's major governmental funds include the General Fund, the General Capital Improvement Fund and the RDA Successor Agency - LMIH (Low & Moderate Income Housing) 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. The General Capital Improvement Fund is used to account for capital improvements for which special projects funds have not been established. A portion of the City's transient occupancy tax receipts, combined with other funding sources, such as grants, provides funding for capital projects of general benefit, such as storm drain improvements or improvements to public buildings. The RDA Successor Agency - LMIH (Low & Moderate Income Housing) fund is used to account for housing assets transferred from the former Redevelopment Agency (due to the State of California's dissolution of redevelopment agencies) to the City as a housing successor.

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 Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Generally, revenues are considered available if they are collected within 60 days after fiscal year end. If revenues are not subject to accrual, they are recorded when received in cash. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Unavailable revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues 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, these revenues are removed from the balance sheet and the revenues are recognized.

City of Santa Cruz
Notes to Basic Financial Statements
For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

An accompanying schedule is presented to reconcile and explain the differences in net position as presented in the Fund Financial Statements to the net position presented in the Government-Wide Financial Statements.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each proprietary fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements. Internal service funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government. Examples are Equipment Operations and Risk Management Funds.

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 Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

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

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City's fiduciary funds consist of private-purpose trust funds and agency funds. Private-purpose trust funds are used to account for resources legally held in trust for special purposes, such as the McCaskill Trusts for local history and the visually impaired; the Finkeldey Trust for musical literature; the Whalen Trust for the Felton Library Branch; the Robert Leet Corday Estates Trust for the Central Library Branch; the Morely Estate Trust for the La Selva Branch; the Hale Trust for the Scotts Valley Branch; and the Anna Gruber Living Trust. Additionally, the private purpose trust fund is used to account for the assets and liabilities of the former Redevelopment Agency and is allocated revenue to pay estimated installment payments of enforceable obligations until the obligations of the former Redevelopment Agency are paid in full and assets have been liquidated.

City of Santa Cruz
Notes to Basic Financial Statements
For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. Agency funds are accounted for using the accrual basis of accounting, and include funds for the Library Joint Powers Authority, developer deposits, payroll payables, and special assessment debt.

C. Use of Restricted/Unrestricted Net Position

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

Net position flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund balance flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

D. Cash, Cash Equivalents, and Investments

Cash and cash equivalents are considered to be amounts in demand deposits and short-term investments with original maturity of three months or less from the date of acquisition. For purposes of both the Balance Sheet and Statements of Cash Flows, cash and cash equivalents includes currency on hand and deposits in the City's cash and investment pool. These deposits have the same characteristics for the participating funds as demand deposit accounts, in that the funds may deposit additional cash at any time and also effectively withdraw cash at any time without prior notice or penalty. Cash and cash equivalents also include restricted cash and money market funds held by fiscal agents. The City's cash and investments are stated at fair value, which is based on a quoted market price. This includes all investments except the City's investment in the California Local Agency Investment Fund (LAIF). LAIF determines fair value on its investment

City of Santa Cruz
Notes to Basic Financial Statements
For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash, Cash Equivalents, and Investments, Continued

portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF at June 30, 2014, by multiplying its account balance by a fair value factor determined by LAIF (1.00029875). This fair value factor was calculated by dividing the total aggregate fair value for all LAIF participants by the total aggregate amortized cost.

E. Restricted Cash and Investments with Fiscal Agents

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects.

F. Prepaid Items

Certain payments applicable to future accounting periods are recorded as prepaid items. Prepaid items do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reported as nonspendable.

G. Inventories

Inventories consist of material and supplies which are stated at cost using the first-in, first-out method. Inventories are recognized as expenditures when consumed rather than when purchased.

H. Interfund Transactions

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

I. Capital Assets

Government-Wide Financial Statements

Capital assets are defined by the City as assets having an estimated useful life in excess of one year, and an initial, individual cost in excess of the capitalization thresholds described below:

Infrastructure	\$	25,000
Buildings and lease improvements		10,000
Land improvements		10,000
Machinery and equipment		5,000
Software (if qualified)		5,000

City of Santa Cruz
Notes to Basic Financial Statements
For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Capital Assets, Continued

All capital assets are valued at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Assets acquired under capital leases are capitalized in accordance with GAAP. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest accrued during capital assets construction, if any, is capitalized for the business-type activities and proprietary funds as part of the asset cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized. Capital assets are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements.

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

Land improvements	20 years
Buildings and lease improvements	15-50 years
Water tanks and water mains	30-50 years
Underground sewer lines	50 years
Other infrastructure	5-100 years
Machinery and equipment	5-20 years
Software (if qualified)	5 years

Assets are grouped by asset type into one of the following accounts: land; land improvements; infrastructure (e.g. roads, bridges, sidewalks, and similar items), buildings (and improvements); machinery and equipment; lease improvements; software; and construction in progress.

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. Estimated historical costs were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry-accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the estimated historical cost.

Fund Financial Statements

Capital assets are not presented in the governmental fund financial statements; consequently, capital assets are shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Interest Payable

In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred for governmental fund types and proprietary fund types.

In the Fund Financial Statements, only proprietary fund types recognize the interest payable when the liability is incurred.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and governmental balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the state of financial position and governmental balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of this item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: sales taxes and grant revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

L. Compensated Absences

The City has accumulated unpaid regular vacation leave (for all departments) which is accounted for in accordance with GAAP. The maximum accumulation of vacation leave is limited to the total number of hours accruable during two years. Employees are paid 100% of their accumulated vacation pay when they terminate their employment for any reason. Employees are allowed a partial payoff of accumulated sick leave up to a certain maximum amount.

M. Bond Premiums and Discounts

For governmental type activities, bond premiums and discounts are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Bond Premiums and Discounts, Continued

For business-type activities, bond premiums and discounts are deferred and amortized over the life of the bonds using a straight-line method.

N. Long-Term Debt

Government-Wide Financial Statements - Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities.

Fund Financial Statements - With the exception of compensated absences and advances from other funds, the governmental fund financial statements do not present long-term liabilities. Consequently, long-term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

O. Net Position

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

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

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

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

P. Fund Balances

In the Fund Financial Statements, governmental funds report nonspendable fund balances for amounts that are not available for appropriation and restricted fund balances for amounts that are legally restricted by outside parties for use for a specific purpose. In accordance with GASB Statement No. 54, fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in government funds. Fund balance is now classified into five categories: *nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.*

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

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. Fund Balances, Continued

Restricted – This category consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – This category consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council through approval of Resolutions. Formal action taken is with the passage of a simple majority vote at or prior to the last meeting for the applicable fiscal year. It also includes contractual obligations for which existing resources have been committed. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed previously to commit those amounts.

Assigned – This category consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Such intent should be expressed by the City Council or its designated officials, such as the City Manager or the Finance Director, to assign amounts to be used. Constraints imposed on the use of assigned amounts can be removed with no formal Council action.

Unassigned – This category represents amounts that have not been restricted, committed or assigned to specific purposes.

Q. Property Taxes

Assessed property values are determined annually by the County Assessor as of March 1, and become a lien on real property at July 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The County bills and collects property taxes and remits them to the City under the State-authorized method of apportioning taxes whereby all local agencies, including cities, receive from the county their respective shares of the amount of ad valorem taxes collected. Property tax revenues are recognized when levied, provided the measurement and availability criteria have been met.

R. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

2. CASH DEPOSITS AND INVESTMENTS

The following is a summary of cash, cash equivalents, and investments, including restricted cash and investments with fiscal agents at June 30, 2014:

	Government-Wide Statement of Net Position			Statement of	Total
	Governmental Activities	Business-Type Activities	Total	Fiduciary Net Position	
Unrestricted assets:					
Cash and cash equivalents	\$ 49,651,570	\$ 55,192,256	\$ 104,843,826	\$ 8,774,690	\$ 113,618,516
Total unrestricted assets	49,651,570	55,192,256	104,843,826	8,774,690	113,618,516
Restricted assets:					
Cash and cash equivalents	863,981	978,768	1,842,749	39,089,859	40,932,608
Total restricted assets	863,981	978,768	1,842,749	39,089,859	40,932,608
Grand Total	\$ 50,515,551	\$ 56,171,024	\$ 106,686,575	\$ 47,864,549	\$ 154,551,124

The City pools its available cash for investment purposes. Investment income from this pool is allocated to each fund based on its proportionate share of the pool. Cash and investments not pooled include bond proceeds held by fiscal agents and other amounts required to be segregated by bond indentures or other regulations. Investment income from cash and investments with fiscal agents is credited directly to the related fund.

Cash, cash equivalents, and investments consisted of the following at June 30, 2014:

Unrestricted assets:	
Pooled cash deposits	\$ 103,581
Outstanding checks	(301,297)
Other deposits and cash held by city	78,920
Certificates of deposit	864,844
Money market mutual funds available for debt service	16
Federal securities and municipal bonds	75,063,159
State local agency investment fund (LAIF)	37,809,293
Total unrestricted assets	113,618,516
Restricted assets:	
Pooled cash deposits	3,508,118
Certificates of deposit	66,864
Money market mutual funds held by fiscal agents	37,357,626
Total restricted assets	40,932,608
Total cash, cash equivalents, and investments	\$ 154,551,124

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

2. CASH DEPOSITS AND INVESTMENTS, Continued

A. Cash Deposits

At June 30, 2014, the carrying amounts of the City's cash deposits were \$3,389,322, after deducting outstanding checks and other reconciling items in the amount of \$231,760. Bank balances before reconciling items were \$3,621,082. The total bank balance was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California financial institutions to secure the City'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 City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

The City waived the collateral requirements for four of its certificates of deposit with the condition that sufficient collateral be maintained for all amounts in excess of insured levels. As of June 30, 2014, the balances of these certificates of deposit were: Comerica Bank - \$200,740; Lighthouse Bank - \$250,792; Rabobank - \$207,216; and Santa Cruz County Bank - \$206,096.

B. Investments

The investments made by the City treasurer are limited to those allowable under State statutes as incorporated into the City's Investment Policy, most recently approved by City Council on June 24, 2014, which is more conservative than that allowed by State statute.

The scope of the investment policy includes all activities of the City and the following reporting entities:

- City of Santa Cruz, which includes the City acting in its capacity as Successor Agency to the former Redevelopment Agency of the City of Santa Cruz
- Santa Cruz Public Financing Authority
- Santa Cruz Public Improvement Financing Corporation

Under provisions of this policy, the City is authorized to invest in the following types of investments:

- Money market accounts deposited with a nationally or state-chartered bank.
- Bonds issued by the City. Purchases of this type shall not exceed five years to maturity.
- U.S. Treasury bills, notes, bonds, or certificates of indebtedness, or those securities backed by the full faith and credit of the U.S. Government with maturities not to exceed five years.
- Obligations, participations, or other instruments of, or issued by, a Federal agency or a United States government-sponsored enterprise with maturities not to exceed five years.
- Bankers' acceptances with a term not to exceed 180 days' maturity or 40% of the City's portfolio.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

2. CASH DEPOSITS AND INVESTMENTS, Continued

B. Investments, Continued

- Nonnegotiable and nontransferable certificates of deposit issued by the following types of financial institutions which have branch office locations within Santa Cruz County: a nationally or state-chartered bank, a state or federal credit union, or a federally or state-licensed branch of a foreign bank. Purchases may not exceed 30% of the City's portfolio with no more than 5% of the portfolio deposited with a single issuer.
- State of California Local Agency Investment Fund as long as the total amount of City funds invested does not exceed the limit set by LAIF.
- Shares of beneficial interest issued by diversified management companies investing in authorized securities and obligations (e.g., money market mutual funds). Purchases shall not exceed 20% of the City's portfolio with no more than 10% of the portfolio in a single mutual fund.
- Repurchase agreements with primary dealers of the Federal Reserve with specific terms and conditions. The market value of securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities, and the value shall be adjusted no less than quarterly. Securities that can be pledged for collateral consist only of investments permitted within this policy with a maximum maturity of five years. Purchases shall not exceed 92 days to maturity and 20% of the portfolio.
- Internal financing pool established for the purpose of providing loans to City departments or funds for significant one-time purchases. Investments in the pool shall not exceed the lesser of \$10 million or 10% of the City's portfolio unless approved by the City Council.

Bond proceeds held by fiscal agents to be used only for specific capital outlay, payments of certain long-term debt and maintaining required reserves are invested in accordance with the requirements and restrictions of the City's investment policy unless provided for otherwise by the City Council and as permitted by specific State statutes, applicable City ordinance or resolution, and bond indenture requirements.

The City 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 City's investments with LAIF at June 30, 2014, 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 that 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.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

2. CASH DEPOSITS AND INVESTMENTS, Continued

B. Investments, Continued

As of June 30, 2014, the City had \$37,809,293 invested in LAIF accounts, which had invested 1.860% of the pool investments in structured notes and asset-backed securities as compared to 1.961% in the previous year. The City's share of structured notes and asset-backed securities due to its holdings in LAIF amounted to approximately 0.620% of investments at June 30, 2014.

C. Risk Disclosures

Interest Rate Risk - In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to two and one-half (2½) years or less. The City is in compliance with this provision of the investment policy with a weighted average maturity of 479 days at June 30, 2014.

At June 30, 2014, the City had the following investment maturities:

Investment Type	Fair Value	Investment Maturities in Years				
		Less Than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years
U.S. Agencies	\$ 73,946,934	\$ 15,572,935	\$ 11,523,669	\$ 11,993,060	\$ 19,952,600	\$ 14,904,670
Municipal Bonds	1,116,225	1,116,225	-	-	-	-
Certificates of Deposit	931,708	66,864	-	864,844	-	-
Money Market Funds	37,357,642	37,357,642	-	-	-	-
Local Agency Investment Fund	37,809,293	37,809,293	-	-	-	-
Fair Value of Investments Only*	\$ 151,161,802	\$ 91,922,959	\$ 11,523,669	\$ 12,857,904	\$ 19,952,600	\$ 14,904,670

*Does not include net amount of bank balances

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations - Investments in callable bonds are investments that, although having clearly defined maturities, allow for the issuer to redeem or call such bonds earlier than their respective maturity dates. The investor must then replace the called bonds with investments that may have lower yield than the original bonds. As a result, the fair value of the callable bonds is highly sensitive to changes in interest rates. As of June 30, 2014, the City held \$18,936,080 in callable securities, which amounted to approximately 16.65% of investments at June 30, 2014. The investment policy limits the purchase of callable U.S. Agency instruments to discreet calls and those that pay 100% of the principal at the redemption date. In addition, purchases of callable U.S. Agency instruments are not to exceed 30% of the value of the portfolio. The City is in compliance with these provisions of the investment policy.

Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City manages credit risk by evaluating and pre-qualifying banks and primary dealers and by investing in securities with top ratings issued by nationally recognized statistical rating organizations. The City's investments are rated as follows:

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

2. CASH DEPOSITS AND INVESTMENTS, Continued

C. Risk Disclosures, Continued

	Moody's	Standard & Poor's
U.S. Agencies		
Federal Farm Credit Bank	Aaa	AA+*
Federal Home Loan Bank	Aaa	AA+*
Federal Home Loan Mortgage Corporation	Aaa	AA+*
Federal National Mortgage Association	Aaa	AA+*
*Standard & Poor's downgraded these investments from AAA to AA+ on August 5, 2011.		
Municipal Bonds		
Santa Cruz Pension Obligation Bonds	Not Rated	AA-
U.S. Treasury Money Market Mutual Funds		
BlackRock - T-Fund	Aaa-mf	AAAm
Federated Government Obligations Fund	Aaa-mf	AAAm
Other Money Market Funds		
Dreyfus California AMT-Free Muni Fund	Not Rated	Not Rated
External Pool		
State of California - Local Agency Investment Fund	Not Rated	Not Rated

The City's investment policy requires that the management company of mutual funds must have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations. Although the investment in the Dreyfus California AMT-Free Muni Fund is not rated, and therefore, not in compliance with the City's policy, it was authorized by City Council and City Officials as a necessary investment to preserve the tax-exempt status of the related bond proceeds.

Concentration of Credit Risk - The City's investment policy states that not more than 25% of the portfolio shall be invested in any one entity or any one instrument to protect the City from concentration of credit risk, with the following exceptions: U.S. Treasury Obligations and the external investment pool (LAIF). In addition, purchases of mutual funds must not exceed 20% of the value of the portfolio. Purchases in a single mutual fund may not exceed 10% of the value of the portfolio. The City is in compliance with these provisions of the investment policy.

The following chart presents investments in any one issuer (other than U.S. Treasury securities and external investment pools) that represent 5% or more of total investments at June 30, 2014:

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

2. CASH DEPOSITS AND INVESTMENTS, Continued

C. Risk Disclosures, Continued

Investment Type	Amount Invested	Percentage of Investments
Federal Farm Credit Bank	\$ 19,430,129	12.85%
Federal Home Loan Bank	27,103,420	17.93%
Federal Home Loan Mortgage Corporation	13,501,485	8.93%
Federal National Mortgage Association	12,923,150	8.55%
Total	<u>\$ 72,958,184</u>	<u>48.26%</u>

The following chart presents the City's investments in money market funds by issuer at June 30, 2014:

Money Market Funds	Amount Invested	Percentage of Investments
BlackRock T-Fund (Union)	\$ 1,125,206	0.74%
Federated Government Obligations Fund #395 (BNY)	28,856,934	19.09%
Dreyfus AMT-Free Muni Fund	7,375,502	4.88%
Total	<u>\$ 37,357,642</u>	<u>24.71%</u>

Custodial Credit Risk – For deposits, custodial credit risk is the risk that, in the event of the failure of a deposit financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the provision for deposits stated in Note 2A. \$2,787,381 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts. Of the City's total cash and investment balance at June 30, 2014, \$37,357,642 was held by fiscal agents, not in the name of the City, and invested in money market mutual funds.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

3. NOTES AND LOANS RECEIVABLES

Government-Wide Statements

The following is a summary of receivables net of allowances for uncollectible amounts at June 30, 2014:

	Notes Receivables	Loans Receivables	Total	Amount Due Within One Year	Amount Due in More Than One Year
Governmental Funds:					
General Fund	\$ 5,107,450	\$ -	\$ 5,107,450	\$ 361,716	\$ 4,745,734
RDA Successor Agency-LMIH	10,819,108	-	10,819,108	-	10,819,108
Housing & Comm Dev Funds	75,000	2,813,960	2,888,960	-	2,888,960
Total Governmental Funds	16,001,558	2,813,960	18,815,518	361,716	18,453,802
Proprietary Funds:					
Water Funds	534,896	-	534,896	23,985	510,911
Wastewater	7,532,957	-	7,532,957	1,652,143	5,880,814
Total Proprietary Funds	8,067,853	-	8,067,853	1,676,128	6,391,725
Total	\$ 24,069,411	\$ 2,813,960	\$ 26,883,371	\$ 2,037,844	\$ 24,845,527

Fund Financial Statements

At June 30, 2014, the Fund Financial Statements show the following notes, loans and intergovernmental receivables:

Notes Receivable in the General Fund of \$5,107,450 (net of an allowance for uncollectible amounts of \$400,555) consist of an (uncollectible) note to Neary Lagoon Partners in the amount of \$81,607; an (uncollectible) note to First Night Santa Cruz for \$20,000; Harvey West Assessment District notes in the amount of \$120,597 with an interest rate of 6.8%; and \$70,000 in loans, with an interest rate of 4.5%, to two borrowers participating in the Accessory Dwelling Unit Loan Program. No periodic payments on these loans are required until the occurrence of any triggering event as specified in the loan agreement. On 11/29/2012, the City entered into a loan agreement for the Warrior's Arena in the amount of \$4,074,000, of which \$561,031 was paid down during fiscal year 2014 leaving an outstanding balance of \$3,240,719, plus a loan for unpaid project fees with an amount remaining of \$56,449 at fiscal year-end. The Warrior's note accrues interest at 3% per annum and matures on 9/17/2019. Some notes are secured by a deed of trust. The Neary Lagoon Note was part of a loan consolidation that occurred on 12/1/2012. The new terms are 2.25% simple interest per annum due 12/1/2067. In fiscal year 2014, the Internal Investment and Loan Fund was closed and the a portion of that Solar One note, \$1,141,320, was transferred to the General Fund. In addition, the City recognizes a note receivable from the State for reimbursable state-mandated costs in the amount of \$478,365 and various other (uncollectible) notes in the amount of \$298,948.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

3. NOTES AND LOANS RECEIVABLES, Continued

The City Housing Successor Agency notes receivable balance of \$10,819,108 (net of an allowance for uncollectible amounts of \$523,548), represents loans for low/moderate income housing projects. There are two types of loan repayment for these notes: due upon sale or transfer and lump sum payment at maturity. A note was made to For the Future Housing (Lindberg) on 9/5/2012 in the amount of \$1,359,456. This note accrues interest at 3% per annum and accrued \$55,656 of interest during the fiscal year. Interest rates range from 0% to 7%. The notes are all secured by a deed of trust.

Notes receivable in the Housing and Community Development revenue fund of \$388,723 (net of an allowance of \$1,518,750) represent disaster relief funds for buildings damaged in the 1989 earthquake. There are two types of loan repayment plans: monthly repayment and deferred to a future date when monthly repayment will begin. The interest rate on the remaining notes is 3%. The notes are all secured by a deed of trust.

Notes receivable in the enterprise funds total \$8,067,853. \$401,058 of the total is made up of two notes in the Water Enterprise Fund, both due from Neary Lagoon Partners, for water system connection fees pertaining to a low-moderate income housing project. These notes do not bear interest, and repayment is postponed until 2019. The remaining balance consists of a portion of the Solar One note in the Water Enterprise Fund in the amount of \$133,838, of which \$23,985 is due within one year. In the Wastewater Enterprise Fund, \$7,532,957 (\$1,652,143 due within one year and \$5,880,814 due in more than one year) is owed by the County of Santa Cruz for its share of 2013 Wastewater Refunding Bonds for wastewater treatment plan upgrades and for its share of the Santa Cruz County Sanitation District operation cost for the wastewater treatment plant.

Loans Receivable in the other governmental funds consists of loans of \$2,813,960 (net of allowance of \$7,711,285) for rehabilitation of low/moderate income housing. The bulk of these loans are made with Federal funds from the Department of Housing and Urban Development (HUD). The City administers these funds for HUD. There are four types of loan repayment schedules: monthly installments, due upon sale or transfer, deferred to a future date when monthly repayment will begin, and no repayment if the property remains in use for low/moderate income housing for a specified time period. Interest rate ranges from 0% to 7%. The loans are all secured by a deed of trust on the property being rehabilitated.

Allowance for uncollectible notes and loans - When considerable uncertainty exists as to the collectability of a note (as determined by management) due to the terms of the loan or other factors, it is offset by an allowance for uncollectible.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

4. DEPOSITS

The City had deposits in the amount of \$2,798,572 at June 30, 2014:

Governmental Activities:	
Housing Programs	\$ 70,464
Mailing House	12,100
Equipment Operations	2,500
Workers Compensation	150,000
Liability Insurance	<u>2,533,508</u>
Total Governmental Funds	2,768,572
Business-type Activities:	
Parking	<u>\$ 30,000</u>
Total Business-type Funds	<u>30,000</u>
Total	<u><u>\$ 2,798,572</u></u>

A. Governmental Activities

Deposits in the City's governmental funds total \$2,768,572 at June 30, 2014. A deposit in the amount of \$70,000 was established with the Santa Cruz Community Credit Union for the purpose of maintaining an Accessory Dwelling Unit Loan Program. The deposit has accumulated interest of \$464 for a total deposit at June 30, 2014 of \$70,464. A deposit in the amount of \$12,100 has been placed with the City's outside mailing company. A deposit in the amount of \$2,500 is being held by UPS to cover the postage costs of parcel services at the City Corporation Yard. In fiscal year 2005, the Workers Compensation Internal Service Fund established a deposit in the amount of \$150,000 with Sedgwick CMS which equals approximately 6 weeks of expected claims. As referenced in the Risk Management and Self Insurance Note, the City is self-insured for up to \$1,000,000. At June 30, 2014, the City had a deposit in the amount of \$2,533,508 with ACCEL.

B. Business-type Activities

In fiscal year 2005, a deposit in the amount \$30,000 was established with Katzoff & Riggs relating to a Commingled Plume Investigation and Remediation settlement between the City and Friend, Friend & Friend, L.P.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

5. INTERFUND BALANCES AND TRANSACTIONS

A. Government-Wide Financial Statements

Long-Term Internal Balances

At June 30, 2014, the City had the following long-term internal balances:

	Internal Balances Payable
	Governmental Activities
Internal Balances Receivable	
Business-Type Activities	\$ 869,531

This balance consists of the net amount of due to/due from between the Water and the Capital Improvement Fund to fund to facilitate internal borrowing for various projects.

Transfers

The City had the following transfers for the year ending June 30, 2014:

	Transfers In
	Governmental Activities
Transfers Out	
Business-Type Activities	\$ 340,880

Transfers between Governmental Activities and Business-Type Activities are to Golf Course Enterprise Fund from the General Fund to subsidize operations and from and the Liability Internal Service Fund for preventative measures.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

5. INTERFUND BALANCES AND TRANSACTIONS, Continued

B. Fund Financial Statements

Due To/From Other Funds

The City had the following due to/from other funds as of June 30, 2014:

		Due from Other Funds		
		Water Enterprise Fund	Risk Internal Service Fund	Total
Due to Other Funds	General CIP	\$ 869,531	\$ -	\$ 869,531
	Enterprise Funds			
	Refuse Fund	1,086,643	-	1,086,643
	Golf Course Fund	63,109	-	63,109
	Equipment Internal Service Fund		15,856	15,856
	Total	\$ 2,019,283	\$ 15,856	\$ 2,035,139

The outstanding balances between funds results mainly from internal borrowings between funds to finance capital outlay purchases, internal borrowing and cover negative cash balances at year end.

Long-Term Advances

The City had the following long-term advances as of June 30, 2014:

		Advances to Other Funds			
		General Fund	LMIH Successor Agency Fund	Risk Mgmt Internal Service Fund	Total
Advances from Other Funds	General CIP	\$ 2,509,687	\$ -	\$ 3,000,000	\$ 5,509,687
	Other governmental funds:				
	Lease Revenue Bond Fund	76,764	-	-	76,764
	Housing Fund	-	500,000	-	500,000
	Total	\$ 2,586,451	\$ 500,000	\$ 3,000,000	\$ 6,086,451

Long-term advances consist of 1) from the General Fund to the General CIP Fund and the Debt Service Fund to fund capital improvements and debt service 2) from the Worker's Compensation Fund to the General CIP Fund to fund capital improvements and 3) from Low and Moderate Housing Fund to the Affordable Housing Trust Fund to fund housing projects.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

5. INTERFUND BALANCES AND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Transfers In / Out

The City had the following transfers for the year ending June 30, 2014:

		Transfers In				Total
		General Fund	Capital Improvement Funds	Non-Major Governmental Funds	Golf Course Enterprise Fund	
Transfers Out	Governmental Funds:					
	General Fund	\$ -	\$ 7,475,447	\$ -	\$ 333,427	\$ 7,808,874
	Capital Improvement Funds	300	-	737	-	1,037
	Non-Major Governmental Funds	35,000	1,538,675	80,757	-	1,654,432
	Enterprise Funds:					
	Water	3,762	30,144	-	-	33,906
	Wastewater	28,587	-	-	-	28,587
	Refuse	892	37,400	-	-	38,292
	Parking	-	2,904	-	-	2,904
	Storm Water	-	-	-	-	-
	Golf Course	-	-	-	-	-
	Internal Service Funds:	157,438	56,811		111,142	325,391
	Total	\$ 225,979	\$ 9,141,381	\$ 81,494	\$ 444,569	\$ 9,893,423

Transfers are used to 1) move revenues from the various funds to the General Capital Improvement Fund for financing various capital projects; 2) to cover a negative fund balance in the Golf Course Fund; 3) to move monies from various funds to the General Fund to pay salaries for illegal campsite cleanup, to partially fund the teen center and to contribute to the after-hours call duty program; 4) to move monies to the Gas Tax Fund from the Sidewalk Construction In-Lieu Fund, the Community Development Block Grant Fund and the Traffic Impact Fee Fund; and 4) to move monies to the Storm water Fund from the Clean Rivers/Beaches Fund and the Wastewater Fund to fund operational costs.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

6. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2014, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Capital Assets:			
Capital assets, not being depreciated:			
Land	\$ 61,318,574	\$ 2,598,691	\$ 63,917,265
Construction in progress	10,010,169	27,335,073	37,345,242
Subtotal, capital assets, not being depreciated	<u>71,328,743</u>	<u>29,933,764</u>	<u>101,262,507</u>
Capital assets, being depreciated:			
Land improvements	9,842,763	4,850,841	14,693,604
Infrastructure	209,444,657	198,243,055	407,687,712
Buildings	53,765,811	168,335,455	222,101,266
Machinery and equipment	16,732,172	33,617,261	50,349,433
Lease improvements	483,846	70,000	553,846
Intangibles	880,905	882,699	1,763,604
Subtotal, capital assets, being depreciated	<u>291,150,154</u>	<u>405,999,311</u>	<u>697,149,465</u>
Total capital assets	<u>362,478,897</u>	<u>435,933,075</u>	<u>798,411,972</u>
Less accumulated depreciation:			
Land improvements	(5,510,631)	(2,233,143)	(7,743,774)
Infrastructure	(143,469,327)	(92,861,787)	(236,331,114)
Buildings	(16,016,420)	(80,332,379)	(96,348,799)
Machinery and equipment	(11,476,321)	(23,539,369)	(35,015,690)
Lease improvements	(483,846)	(33,833)	(517,679)
Intangibles	(842,293)	(719,813)	(1,562,106)
Total accumulated depreciation	<u>(177,798,838)</u>	<u>(199,720,324)</u>	<u>(377,519,162)</u>
Total capital assets, net	<u>\$ 184,680,059</u>	<u>\$ 236,212,751</u>	<u>\$ 420,892,810</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 61,318,574	\$ -	\$ -	\$ 61,318,574
Construction in progress	5,587,725	4,422,444	-	10,010,169
Subtotal, capital assets, not being depreciated	<u>66,906,299</u>	<u>4,422,444</u>	<u>-</u>	<u>71,328,743</u>
Capital assets, being depreciated:				
Land improvements	9,162,396	680,367	-	9,842,763
Infrastructure	209,444,657	-	-	209,444,657
Buildings	54,086,376	454,131	(774,696)	53,765,811
Machinery and equipment	15,920,009	1,182,529	(370,366)	16,732,172
Lease improvements	483,846	-	-	483,846
Intangibles	864,132	16,773	-	880,905
Subtotal, capital assets, being depreciated	<u>289,961,416</u>	<u>2,333,800</u>	<u>(1,145,062)</u>	<u>291,150,154</u>
Total capital assets	<u>356,867,715</u>	<u>6,756,244</u>	<u>(1,145,062)</u>	<u>362,478,897</u>
Less accumulated depreciation:				
Land improvements	(4,983,440)	(527,191)	-	(5,510,631)
Infrastructure	(139,457,403)	(4,011,924)	-	(143,469,327)
Buildings	(14,856,521)	(1,275,028)	115,129	(16,016,420)
Machinery and equipment	(10,786,422)	(1,060,264)	370,365	(11,476,321)
Lease improvements	(483,846)	-	-	(483,846)
Intangibles	(833,500)	(8,793)	-	(842,293)
Total accumulated depreciation	<u>(171,401,132)</u>	<u>(6,883,200)</u>	<u>485,494</u>	<u>(177,798,838)</u>
Total capital assets, net	<u>\$ 185,466,583</u>	<u>\$ (126,956)</u>	<u>\$ (659,568)</u>	<u>\$ 184,680,059</u>

Depreciation expense of the governmental activities for the year ended June 30, 2014, was \$6,883,200 and was distributed as follows.

General Government	\$ 242,689
Public Safety	758,892
Parks and Recreation	1,791,842
Library - City	15,960
Public Works	3,155,610
Community & Economic Development	886,072
Total depreciation expense- general government	<u>6,851,065</u>
Internal Service Funds	32,135
Total depreciation expense- governmental activities	<u>\$ 6,883,200</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

	Balance July 1, 2013	Transfers	Additions	Deletions	Balance June 30, 2014
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 2,598,691	\$ -	\$ -	\$ -	\$ 2,598,691
Construction in process	35,881,388	(15,592,291)	7,045,976	-	27,335,073
Subtotal, capital assets, not being depreciated	<u>38,480,079</u>	<u>(15,592,291)</u>	<u>7,045,976</u>	<u>-</u>	<u>29,933,764</u>
Capital assets, being depreciated:					
Land improvements	4,809,576	-	41,265	-	4,850,841
Infrastructure	182,154,157	14,885,672	1,335,011	(131,785)	198,243,055
Buildings	168,037,772	-	297,683	-	168,335,455
Machinery and equipment	30,797,364	706,619	2,770,113	(656,835)	33,617,261
Lease improvements	70,000	-	-	-	70,000
Intangibles	876,318	-	6,381	-	882,699
Subtotal, capital assets, being depreciated	<u>386,745,187</u>	<u>15,592,291</u>	<u>4,450,453</u>	<u>(788,620)</u>	<u>405,999,311</u>
Total capital assets	<u>425,225,266</u>	<u>-</u>	<u>11,496,429</u>	<u>(788,620)</u>	<u>435,933,075</u>
Less accumulated depreciation:					
Land improvements	(2,016,967)	-	(216,176)	-	(2,233,143)
Infrastructure	(89,305,942)	-	(3,687,630)	131,785	(92,861,787)
Buildings	(76,816,263)	-	(3,516,116)	-	(80,332,379)
Machinery and equipment	(21,959,419)	-	(2,236,785)	656,835	(23,539,369)
Lease improvements	(31,033)	-	(2,800)	-	(33,833)
Intangibles	(580,113)	-	(139,700)	-	(719,813)
Total accumulated depreciation	<u>(190,709,737)</u>	<u>-</u>	<u>(9,799,207)</u>	<u>788,620</u>	<u>(199,720,324)</u>
Total capital assets, net	<u>\$ 234,515,529</u>	<u>\$ -</u>	<u>\$ 1,697,222</u>	<u>\$ -</u>	<u>\$ 236,212,751</u>

Business-type activities depreciation expense for the year ended June 30, 2014, is as follows:

Water	\$ 2,553,112
Wastewater	4,058,802
Refuse	1,612,793
Parking	612,246
Storm Water	763,247
Golf Course	199,007
Total depreciation expense	<u>\$ 9,799,207</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

6. CAPITAL ASSETS, Continued

B. Fund Financial Statements

The Fund Financial Statements do not present general government capital assets, but they are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

7. LONG-TERM DEBT

A. Governmental Activities

Long-term debt for governmental activities consisted of the following amounts at June 30, 2014:

Description/Purpose	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Balance at June 30, 2014
<i>Compensated Absences</i>					
Accumulated, unpaid vacation leave	n/a	n/a	n/a	n/a	\$3,080,386
<i>Claims and Judgments</i>					
Liability and workers compensation claims paid by Risk Management internal service fund	n/a	n/a	n/a	n/a	9,903,253
<i>2009 General Obligation Refunding Bonds</i>					
Refinanced 1999 GO Bonds issued for the acquisition and construction of municipal improvements	9/1/10-9/1/29	2.0%-4.375%	\$180,000-\$605,000	\$6,995,000	6,185,000
				Unamortized Premium	23,620
				Net Balance	<u>6,208,620</u>
<i>2007 Lease Revenue Bonds</i>					
Issued for land acquisition and improvements for public library and water department purposes	6/30/09-6/30/37	4.0%-5.0%	\$125,000-\$445,000	\$6,880,000	6,055,000
				Unamortized Premium	1,438
				Net Balance	<u>6,056,438</u>
<i>2010 Refunding Lease Revenue Bonds, Series B</i>					
Refinanced 2001 Certificates of Participation issued for Civic Center acquisition, construction and improvement	4/1/11-4/1/31	0.75%-4.2%	\$125,000-\$255,000	\$3,810,000	3,245,000
				Unamortized Premium	3,325
				Net Balance	<u>3,248,325</u>
				Lease Revenue Bonds:	9,300,000
				Unamortized Premium:	4,763
				Lease Revenue Bonds Subtotal:	<u>9,304,763</u>

Table continued on next page

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

7. LONG-TERM DEBT, Continued

A. Governmental Activities, Continued

Table continued from previous page

2010 Pension Obligation Bonds

To refund public safety retirement obligations	6/1/11-6/1/22	2.106%- 5.375%	\$810,000-\$3,150,000	\$24,150,000	\$18,860,000
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Capital Lease Obligations

To acquire land for a homeless services center	1/1/03-1/1/21	1.49%-4.644%	\$26,027-\$51,414	\$765,000	344,427
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Public Works Loan Payable to PG&E

For replacement of streetlights with LED bulbs	11/1/2022	0.00%	\$2,079	\$249,526	215,733
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Total Long-term Debt:	47,888,799
Total Unamortized Premium:	28,383
	<u>\$47,917,182</u>

The following table summarizes long-term debt activity for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Amount Due Within One Year	Amount Due in More Than One Year
Compensated absences	\$ 2,932,407	\$ 2,670,957	\$ (2,522,978)	\$ 3,080,386	\$ 2,053,591	\$ 1,026,795
Claims and judgments	9,893,069	10,184	-	9,903,253	2,759,378	7,143,875
General obligation bonds:	6,390,000	-	(205,000)	6,185,000	220,000	5,965,000
Bond issuance premiums	25,178	-	(1,558)	23,620	1,558	22,062
Total general obligation bonds	<u>6,415,178</u>	<u>-</u>	<u>(206,558)</u>	<u>6,208,620</u>	<u>221,558</u>	<u>5,987,062</u>
Lease revenue bonds:	9,600,000	-	(300,000)	9,300,000	305,000	8,995,000
Bond issuance premiums	5,024	-	(261)	4,763	261	4,502
Total lease revenue bonds	<u>9,605,024</u>	<u>-</u>	<u>(300,261)</u>	<u>9,304,763</u>	<u>305,261</u>	<u>8,999,502</u>
Pension obligation bonds	20,425,000	-	(1,565,000)	18,860,000	1,700,000	17,160,000
Notes payable	234,448	-	(18,715)	215,733	24,953	190,780
Capital lease obligations	390,784	-	(46,357)	344,427	47,048	297,379
Total Bonds, notes, loans, leases	<u>37,070,434</u>	<u>-</u>	<u>(2,136,891)</u>	<u>34,933,543</u>	<u>2,298,820</u>	<u>32,634,723</u>
Total	<u>\$ 49,895,910</u>	<u>\$ 2,681,141</u>	<u>\$ (4,659,869)</u>	<u>\$ 47,917,182</u>	<u>\$ 7,111,789</u>	<u>\$ 40,805,393</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

7. LONG-TERM DEBT, Continued

A. Governmental Activities, Continued

As of June 30, 2014, the future debt service requirements to maturity for outstanding debt were:

For Year Ending June 30,	General Obligation Bonds		Lease Revenue Bonds		Pension Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 220,000	\$ 245,476	\$ 305,000	\$ 385,166	\$ 1,700,000	\$ 939,934
2016	235,000	238,651	315,000	375,965	1,850,000	876,762
2017	255,000	230,664	325,000	365,991	2,015,000	802,762
2018	270,000	221,476	335,000	355,238	2,195,000	714,606
2019	290,000	210,951	350,000	343,758	2,415,000	596,625
2020-2024	1,805,000	854,650	1,930,000	1,520,269	8,685,000	960,782
2025-2029	2,505,000	412,802	2,330,000	1,112,413	-	-
2030-2034	605,000	13,234	2,135,000	599,925	-	-
2035-2039	-	-	1,275,000	129,500	-	-
	<u>6,185,000</u>	<u>2,427,904</u>	<u>9,300,000</u>	<u>5,188,225</u>	<u>18,860,000</u>	<u>4,891,471</u>
Unamortized Premiums	23,620	-	4,763	-	-	-
Totals	<u>\$ 6,208,620</u>	<u>\$ 2,427,904</u>	<u>\$ 9,304,763</u>	<u>\$ 5,188,225</u>	<u>\$ 18,860,000</u>	<u>\$ 4,891,471</u>

For Year Ending June 30,	Capital Lease Obligations		Notes & Loans		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 47,048	\$ 5,132	\$ 24,953	\$ -	\$ 2,297,001	\$ 1,575,708
2016	47,749	4,431	24,953	-	2,472,702	1,495,809
2017	48,460	3,719	24,953	-	2,668,413	1,403,136
2018	49,182	2,997	24,953	-	2,874,135	1,294,317
2019	49,915	2,265	24,953	-	3,129,868	1,153,599
2020-2024	102,073	2,287	90,968	-	12,613,041	3,337,988
2025-2029	-	-	-	-	4,835,000	1,525,215
2030-2034	-	-	-	-	2,740,000	613,159
2035-2039	-	-	-	-	1,275,000	129,500
	<u>344,427</u>	<u>20,831</u>	<u>215,733</u>	<u>-</u>	<u>34,905,160</u>	<u>12,528,431</u>
Unamortized Premiums	-	-	-	-	28,383	-
Totals	<u>\$ 344,427</u>	<u>\$ 20,831</u>	<u>\$ 215,733</u>	<u>\$ -</u>	<u>\$ 34,933,543</u>	<u>\$ 12,528,431</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

7. LONG-TERM DEBT, Continued

A. Governmental Activities, Continued

Pledged Revenues

Certain long-term debt issues require a pledge of revenues to secure future debt service obligations as described below.

The 2009 General Obligation Refunding Bonds are secured by and will be paid with annual ad valorem tax levies on all property subject to taxation within the City. Debt service for the fiscal year ended June 30, 2014, consisted of \$205,000 in principal and \$251,339 in interest for a total of \$456,339. Revenue pledged for the payment of current year debt service was \$442,873 resulting in a debt service to revenue source ratio of 103.0%. Remaining debt service payments through final maturity of the Bonds in September 2029 are estimated to be \$6,185,000 in principal and \$2,427,904 in interest for a total debt service obligation of \$8,612,904. Estimated total revenue pledged for the payment of total debt service is estimated to be \$8,612,904, resulting in a total debt service to revenue source ratio of 100.0%. Over the life of the obligation, the General Obligation Bond Assessment taxes are expected to cover 100.0% of annual debt service payments. Any excess collections after the retirement of the bonds shall be transferred by the City to the General Fund to be used in a manner consistent with requirements of applicable state and federal tax laws.

The 2007 Lease Revenue Bonds are secured by and payable from a pledge of revenues, consisting primarily of lease payments and amounts on deposit from time to time in the funds and accounts established under the Indenture of Trust. Lease payments from the Water enterprise fund and the Library Joint Powers Authority to the City's General fund will be adjusted annually to cover 100.0% of the City's total annual obligation. For the fiscal year ended June 30, 2014, debt service consisted of \$150,000 in principal and \$276,963 in interest for a total debt service payment of \$426,963. Revenue pledged for the payment of current year debt service was \$428,810 resulting in a current debt service to revenue source ratio of 100.4%. Remaining debt service payments through final maturity of the Bonds in June 2037 are estimated to be \$6,055,000 in principal and \$3,966,899 in interest for a total debt service obligation of \$10,021,899. The estimated total revenue pledged for the payment of total debt service is estimated to be \$10,021,899, resulting in a total debt service to revenue source ratio of 100.0%.

The 2010 Lease Revenue Bonds, Series B are secured by and payable from a pledge of revenues, consisting primarily of lease payments and amounts on deposit from time to time in the funds and accounts established under the Indenture of Trust. Debt service for the fiscal year ended June 30, 2014, consisted of \$150,000 in principal and \$117,203 in interest for a total of \$267,203. Lease payments for the fiscal year ended June 30, 2014, were \$267,203 resulting in a debt service to revenue source ratio of 100.0%. Total future debt service payments through final maturity of the Bonds in April 2031 are estimated to be \$4,466,326 consisting of principal in the amount of \$3,245,000 and interest in the amount of \$1,221,326. The estimated lease payments pledged for this obligation term will be approximately \$4,466,326, resulting in a total debt service to revenue source ratio of 100.0%.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

7. LONG-TERM DEBT, Continued

B. Business-Type Activities

For the year ended June 30, 2014, long-term debt for business activities consisted of the following amounts:

Description/Purpose	Maturity	Interest Rates	Principal Installments	Original Issue Amount	Balance at June 30, 2014
<i>Compensated Absences</i>					
Accumulated, unpaid vacation leave	n/a	n/a	n/a	n/a	\$1,113,077
<i>Landfill Closure Costs</i>					
Percentage of estimated costs	n/a	n/a	n/a	n/a	6,250,581
<i>2005 Storm Water Revenue Bonds</i>					
Issued to refinance 1999 Certificates of Participation	10/1/06-10/1/29	3.0%-4.375%	\$160,000-\$385,000	\$6,100,000	4,620,000
				Unamortized Premium	10,029
				Net Balance	<u>4,630,029</u>
<i>2006 Water Revenue Bonds</i>					
Issued to finance construction of a new transmission main	3/1/07-3/1/36	4.0%-4.625%	\$220,000-\$725,000	\$12,450,000	10,400,000
				Unamortized Premium	12,988
				Net Balance	<u>10,412,988</u>
<i>2010 Parking Lease Revenue Bonds</i>					
Issued to refinance 1998 Certificates of Participation	5/1/11-5/1/28	0.65%-4.45%	\$240,000-\$400,000	\$5,430,000	4,445,000
				Unamortized Premium	10,861
				Net Balance	<u>4,455,861</u>
<i>2010 Refuse Enterprise Revenue Bonds</i>					
Refinanced 2001 Certificates of Participation issued for property acquisition and improvement	10/1/11-10/1/21	3.0%-4.0%	\$265,000-\$400,000	\$3,755,000	2,870,000
				Unamortized Premium	60,245
				Net Balance	<u>2,930,245</u>
<i>2013 Wastewater Revenue Bonds</i>					
Refinanced 2005 Wastewater Revenue Bonds and Wastewater Note payable to State.	5/1/14-11/1/22	1.6%-2.59%	\$135,474-\$3,322,098	\$18,710,084	18,701,778
				Revenue Bonds:	41,036,778
				Unamortized:	94,123
				Revenue Bonds Total:	<u>41,130,901</u>
<i>Water Note Payable to State</i>					
For construction of a water main line	9/30/15	2.973%	\$29,536-\$247,162	\$1,658,469	135,982
<i>Refuse Note Payable to State</i>					
For construction of improvements at the Wastewater Treatment Plant	2001-2016	0%	\$33,333	\$500,000	66,667

Table continued on next page

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

7. LONG-TERM DEBT, Continued

B. Business-Type Activities, Continued

Table continued from previous page

2009 Refuse Refunding Loan

Issued to refinance 1999 Certificates of Participation	10/1/10-10/1/23	4.87%	\$77,300-\$144,400	\$2,903,000	2,229,400
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2012 Golf COP 13 Refunding

Issued for golf course improvements - Refunding of 2004 Golf COP 13	5/1/2029	3.50%	\$67,344-\$115,309	\$2,960,536	2,720,059
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Parking Note Payable to RDA Successor Agency

For Soquel Garage tenant improvements	6/30/10-6/30/15	0%	\$35,967-\$72,000	\$392,000	30,450
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Notes Payable Subtotal 5,182,558

Capital Lease Obligations

To acquire four refuse trucks and a landfill compactor	5/20/10-11/20/14	4.10%	\$142,535-\$171,096	\$1,564,295	171,096
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Lease Obligations Subtotal 171,096

Total \$53,848,213

The following table summarizes long-term debt activity for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Amount Due Within One Year	Amount Due in More Than One Year
Compensated absences	\$ 1,083,011	\$ 1,144,901	\$ (1,114,835)	\$ 1,113,077	\$ 742,050	\$ 371,027
Landfill closure costs	6,003,761	246,820	-	6,250,581	-	6,250,581
Revenue bonds payable:	26,600,000	18,710,084	(4,273,306)	41,036,778	4,427,600	36,609,178
Bond issuance premiums	104,807	-	(10,684)	94,123	10,342	83,781
Total bonds payable	<u>26,704,807</u>	<u>18,710,084</u>	<u>(4,283,990)</u>	<u>41,130,901</u>	<u>4,437,942</u>	<u>36,692,959</u>
Notes payable	24,285,784	-	(19,103,226)	5,182,558	484,131	4,698,427
Lease obligations	521,060	-	(349,964)	171,096	171,096	-
Total Bonds, notes, loans, leases	<u>51,511,651</u>	<u>18,710,084</u>	<u>(23,737,180)</u>	<u>46,484,555</u>	<u>5,093,169</u>	<u>41,391,386</u>
Total	<u>\$ 58,598,423</u>	<u>\$ 20,101,805</u>	<u>\$ (24,852,015)</u>	<u>\$ 53,848,213</u>	<u>\$ 5,835,219</u>	<u>\$ 48,012,994</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

7. LONG-TERM DEBT, Continued

B. Business-Type Activities, Continued

As of June 30, 2014, the future debt service requirements to maturity for outstanding debt were:

For Year Ending June 30,	Revenue Bonds		Notes		Capital Lease Obligations		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 4,427,600	\$ 1,257,657	\$ 484,131	\$ 203,662	\$ 171,096	\$ 3,507	\$ 5,082,827	\$ 1,464,826
2016	4,549,164	1,130,601	423,961	186,651	-	-	4,973,125	1,317,252
2017	4,641,526	1,033,758	359,471	171,016	-	-	5,000,997	1,204,774
2018	4,734,544	934,172	375,194	155,404	-	-	5,109,738	1,089,576
2019	4,851,374	817,045	391,505	139,091	-	-	5,242,879	956,136
2020-2024	7,357,570	3,099,274	2,080,748	424,172	-	-	9,438,318	3,523,446
2025-2029	5,635,000	1,820,289	1,067,548	105,451	-	-	6,702,548	1,925,740
2030-2034	3,420,000	779,035	-	-	-	-	3,420,000	779,035
2035-2039	1,420,000	101,888	-	-	-	-	1,420,000	101,888
	<u>41,036,778</u>	<u>10,973,719</u>	<u>5,182,558</u>	<u>1,385,447</u>	<u>171,096</u>	<u>3,507</u>	<u>46,390,432</u>	<u>12,362,673</u>
Unamortized Premiums	94,123	-	-	-	-	-	94,123	-
Totals	<u>\$ 41,130,901</u>	<u>\$ 10,973,719</u>	<u>\$ 5,182,558</u>	<u>\$ 1,385,447</u>	<u>\$ 171,096</u>	<u>\$ 3,507</u>	<u>\$ 46,484,555</u>	<u>\$ 12,362,673</u>

Pledged Revenues

Certain long-term debt issues require a pledge of revenues to secure future debt service obligations as described below.

The Trust Indenture for the 2005 Storm Water Revenue Bonds requires that charges for services must equal at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Bonds in October 2029 or early retirement of the Bonds, whichever first occurs. Principal in the amount of \$205,000 and interest in the amount of \$191,641 for a total of \$396,641 in debt service payments were applied against this indenture for the fiscal year ended June 30, 2014. The current year Storm Water revenues were \$893,217 resulting in a debt service to revenue source ratio of 44.4%. The total future debt service payments for this indenture are estimated to be \$4,620,000 in principal and \$1,709,086 in interest for a debt service total of \$6,329,086. The estimated revenues pledged and collected by the Storm Water fund for this obligation term will be approximately \$13,710,288, resulting in a total debt service payment to revenue source ratio of 46.2%.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

7. LONG-TERM DEBT, Continued

B. Business-Type Activities, Continued

The Trust Indenture for the 2006 Water Revenue Bonds requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Bonds in March 2036 or early retirement of the Bonds, whichever first occurs. Principal payments of \$280,000 and interest payments of \$480,623 were made in the current year for a debt service total of \$760,623. Net Water revenues for the fiscal year ended June 30, 2014, were \$814,119 resulting in a debt service to revenue source ratio of 93.4%. Total future debt service payments for this indenture are estimated to be \$16,729,998 consisting of principal in the amount of \$10,400,000 and interest in the amount of \$6,329,998. The estimated net revenues pledged and collected by the Water fund for this obligation term will be approximately \$17,910,628, resulting in a total debt service to revenue source ratio of 93.4%.

The 2009 Refuse Loan Agreement requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Loan in October 2023 or early prepayment, whichever first occurs. Debt service for the fiscal year ended June 30, 2014, consisted of \$180,700 in principal and \$115,197 in interest for a total of \$295,897. Net Refuse revenues for the fiscal year ended June 30, 2014, were \$1,454,873 resulting in a debt service to revenue source ratio of 20.3%. Total future debt service payments for the Refuse Loan are estimated to be \$2,811,295, consisting of \$2,229,400 in principal and \$581,895 in interest. The estimated net revenues pledged and collected by the Refuse fund for this obligation term will be approximately \$14,548,728, resulting in a total debt service payment to revenue source ratio of 19.3%.

The 2010 Parking Lease Revenue Bonds are secured by and payable from a pledge of revenues, consisting primarily of lease payments and amounts on deposit from time to time in the funds and accounts established under the Indenture of Trust. Debt service for the fiscal year ended June 30, 2014, consisted of \$250,000 in principal and \$174,166 in interest for a total of \$424,166. Lease payments for the fiscal year ended June 30, 2014, were \$424,166 resulting in a debt service to revenue source ratio of 100.0%. Total future debt service payments through final maturity of the Bonds in May 2028 are estimated to be \$5,904,662 consisting of principal in the amount of \$4,445,000 and interest in the amount of \$1,459,662. The estimated lease payments pledged by the Parking fund for this obligation term will be approximately \$5,904,662, resulting in a total debt service to revenue source ratio of 100.0%.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

7. LONG-TERM DEBT, Continued

B. Conduit Debt, Continued

The Trust Indenture for the 2010 Refuse Enterprise Revenue Bonds requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Bonds on October 2021 or early retirement of the Bonds, whichever first occurs. Debt service for the fiscal year ended June 30, 2014, consisted of \$315,000 in principal and \$100,525 in interest for a total of \$415,525. Net Refuse revenues for the fiscal year ended June 30, 2014, were \$1,454,873 resulting in a debt service to revenue source ratio of 28.6%. Total future debt service payments for the Bonds are estimated to be \$3,268,538, consisting of \$2,870,000 in principal and \$398,538 in interest. The estimated net revenues pledged and collected by the Refuse fund for this obligation term will be approximately \$14,548,728, resulting in a total debt service payment to revenue source ratio of 22.5%.

C. Conduit Debt

During the fiscal year ended June 30, 2003, the Redevelopment Agency issued variable rate demand multifamily housing revenue bonds to provide funding for loans made to Santa Cruz Shaffer Road Investors L.P., and 1010 Pacific Investors L.P. (both California limited partnerships). The revenue bonds were used to finance a portion of the costs of building a 206-unit multifamily residential development and for the rehabilitation and equipping of a 113-unit multifamily residential development within the City limits. The housing facilities are to be occupied by persons of low and very low income, to the extent required by federal tax law.

The bonds were issued under a Trust Indenture, dated July 1, 2002 between the Agency, and Wells Fargo Bank, National Association, as trustee. For the Shaffer Road Apartments, the Agency issued 2002 Series A bonds in the amount of \$29,925,000 and 2002 Series A-T bonds in the amount of \$985,000. The 2002 Series A-T bonds were called in full on March 15, 2011. For the 1010 Pacific Avenue Apartments, 2002 Series B bonds in the amount of \$21,650,000 were issued. As of June 30, 2014, the total amounts outstanding for all the 2002 Bonds were as follows: \$29,925,000 for Series A; \$0 for Series A-T; and \$21,650,000 for Series B. The remaining bonds mature on August 15, 2035.

The bonds and interest are limited obligations of the Agency, payable solely from the "trust estate," which is specifically assigned and pledged to such purposes to the extent provided in the Official Statements. The trust estate includes the Agency's interest in the loans made to the developer, including rights to receive payments on the loans, and rights to certain bond proceeds and related revenues. The Official Statements contain more information regarding the trust estate.

During the fiscal year ended June 30, 2008, the Agency issued multifamily housing revenue bonds to provide funding for loans made to Tannery Artists' Lofts Limited Partnership (a California Limited Partnership). The revenue bonds were used to finance the Borrower's construction and development of a 100-unit multifamily housing rental facility to be located within the City limits. The housing facilities are to be occupied by persons of low and very low income, to the extent required by federal tax law.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

7. LONG-TERM DEBT, Continued

C. Conduit Debt, Continued

The bonds were issued under a Master Agency Agreement, dated August 1, 2007 between the Agency and Washington Mutual Bank. For the Tannery Artists' Lofts, the Agency issued 2007 Series A-1 bonds in the amount of \$4,195,000, which mature March 1, 2045. The balance of the Series A-1 bonds was \$3,968,645 at June 30, 2014.

The bonds and interest are limited obligations of the Agency, payable solely from the "trust estate," which is specifically assigned and pledged to such purposes to the extent provided in the Official Statements. The trust estate includes the Agency's interest in the loans made to the developer, including rights to receive payments on the loans, and rights to certain bond proceeds and related revenues. The Official Statements contain more information regarding the trust estate.

8. RISK MANAGEMENT AND SELF-INSURANCE

The City has an established a Risk Management Fund (an internal service fund) to account for a self-insurance program. For the period ending June 30, 2014, the City was self-insured for workers' compensation up to \$500,000 per occurrence and for general liability up to \$1,000,000 per occurrence. Claims in excess of these amounts are insured. The City is also completely self-insured for unemployment insurance, vision, and dental insurance claims; accounted for Unemployment is in the General Fund and the self-insurance for vision and dental is in the Risk Internal Service Fund. The City contracts with outside administrators to administer these programs. There were no significant reductions in insurance coverage. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

In January 1997, the City joined the Authority for California Cities Excess Liability (ACCEL). ACCEL is a joint powers authority organized under the provisions of Section 6500 et. seq. of the California Government Code for the purpose of establishing a risk management pool for certain California municipalities. ACCEL began operations in 1986 and provides certain limited coverage for catastrophic general liability, automobile liability and public official errors and omission losses. There are currently twelve members. ACCEL operates a liability risk pooling program which is subject to an annual independent financial audit and biennial actuarial study.

ACCEL is governed by a twelve member Board of Directors. Each member agency appoints a representative to the Board of Directors. ACCEL is funded by its member participants and, at the discretion of its Board of Directors, may assess the members for additional premiums (in an unlimited amount) in the event ACCEL assets at any time are insufficient to discharge its liabilities.

For the 2014 fiscal year, ACCEL charged its members \$0.57 cents per one-hundred dollars of payroll for the self-funded \$4,000,000 excess of a \$1,000,000 member self-insured retention. Members also purchased commercial excess insurance limits of \$30,000,000 excess of \$5,000,000. Nine cities purchased additional optional limits of \$15,000,000 excess of \$35,000,000. In addition, five cities purchased optional limits of \$25,000,000 excess of \$50,000,000; and three cities purchased optional limits of \$25,000,000 excess of \$75,000,000. Members were also charged administrative costs that were divided equally among the 12 members. The City's share of administrative costs was \$38,696 during the 2014 fiscal year.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

8. RISK MANAGEMENT AND SELF-INSURANCE, Continued

ACCEL’s day-to-day operations are administered by Alliant Insurance Services, Inc. (Alliant) contracted by ACCEL to provide accounting, risk consulting, insurance brokerage, and program administration services. Alliant’s responsibility also includes the administration of policies and procedures as set forth by the ACCEL Joint Powers Authority Agreement, By-laws, and by the Board of Directors.

Prior to July 1, 1990, ACCEL pooled losses incurred by its members up to \$10,000,000. Effective July 1, 1990, ACCEL created a reinsurance pool within the \$9,000,000 excess of \$1,000,000 layer by purchasing \$5,000,000 excess of \$5,000,000 coverage. On July 1, 1997, ACCEL further reduced its exposure and purchased coverage of \$17,000,000 excess of \$3,000,000 coverage. Due to favorable market conditions, ACCEL purchased coverage of \$19,000,000 excess of \$1,000,000 effective July 1, 1998. Six members with SIR of \$500,000 purchased additional coverage of \$500,000 excess of \$500,000.

As of July 1, 2000, nine members purchased insurance of \$19,500,000 excess of \$1,000,000. ACCEL was fully insured through June 30, 2003.

As of July 1, 2003, the Authority purchased reinsurance covering \$20,000,000 in excess of \$2,000,000 and pooled losses in the layer \$1,000,000 excess of \$1,000,000. All members have SIR of \$1,000,000.

ACCEL members may participate in the purchase of other insurance, such as excess worker’s compensation and excess liability over \$5,000,000 per occurrence where risk is not transferred to the pool. ACCEL does not administer claims for these programs; therefore, no revenue or expense is reflected in ACCEL’s financial statements. ACCEL also purchases a Crime Policy and Directors and Officers Errors and Omissions Policy which cover the authority.

ACCEL has a retrospective rated refund liability plan which represents the amount of equity that is eligible for return to the Members of the pool. The liability is computed as the amount of the premiums paid in the pool, plus investment income earned in excess of the estimated losses and loss expenses calculated separately for each program year and Member. Members are eligible to receive distributions of equity (retro-refunds) five years after the end of the program year. At the June 2014 Board of Directors meeting, a retrospectively rated refund was made available for distribution to the members in the amount of \$19,669,799. Members may elect to have returned all or a portion of their refund and the funds would remain in the respective program year in the name of the member city. The amount of retrospectively rated refund that was retained in the name of the City of Santa Cruz was \$1,054,292. At June 30, 2014, claims outstanding against the City are \$9,903,253. Changes in the balances of claims liability for the last three fiscal years were as follows:

	Beginning of Fiscal year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2012-2013	\$ 9,061,646	\$ 1,693,826	\$ 862,403	\$ 9,893,069
2013-2014	9,893,069	10,184	-	9,903,253

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

9. RETIREMENT PLANS

A. Pension Plan

Plan Description

The City contributes to the California Public Employees' Retirement System (PERS); an agent multiple-employer defined benefit pension plan. The Police and Fire Safety plans are required to participate in a risk pool since there were less than 100 active members in at least one valuation since June 30, 2003. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance.

Copies of PERS' Annual Financial Report may be obtained from their Executive Office located at 400 P Street, Sacramento, CA 95814.

Funding Policy

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. Based on CalPERS requirements, active plan members in the Miscellaneous Plan are required to contribute 7% of their annual covered salary; while active plan members in the Police and Fire Plans are required to contribute 9% of their annual covered salary. The City is required to contribute at an actuarially determined rate for the remaining amounts necessary to cover benefits.

In December 2010, the City contributed a total of \$22,989,831 to CalPERS to pay off the CalPERS Police side fund obligation in the amount of \$12,732,528 and the CalPERS Fire side fund obligation in the amount of \$10,257,303. These amounts will be amortized as a level percentage of payroll over a ten year period. The payoff of the CalPERS side fund obligations did not affect the benefits due to existing or prior City employees.

The fiscal year 2014, actuarially determined employer rates for the annual covered payroll are as listed below:

Miscellaneous Employees	16.029%
Police Employees	27.877%
Fire Employees	27.877%

Annual Pension Cost

For fiscal year 2014, the City's annual pension cost of \$9,254,901 for PERS was equal to the City's actual contributions. The required contribution was determined as part of the June 30, 2013, actuarial valuation using the entry age normal actuarial cost method.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

9. RETIREMENT PLANS, Continued

A. Pension Plan, Continued

The annual pension cost for fiscal year ending June 30, 2014, was as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed
June 30, 2012		
Miscellaneous	\$ 5,435,363	100%
Police	1,426,250	100%
Fire	1,368,476	100%
June 30, 2013		
Miscellaneous	5,018,081	100%
Police	1,516,536	100%
Fire	1,481,261	100%
June 30, 2014		
Miscellaneous	5,569,655	100%
Police	2,032,527	100%
Fire	1,652,719	100%

Funding Status as of the Most Recent Actuarial Date

A schedule of funding progress for the most current available year is included in this section. In addition, multi-year trend information about the actuarial value of plan assets can be found in the Defined Benefit Pension Plan section of the Required Supplementary Information. This information will provide an overview on whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

**PUBLIC EMPLOYEE RETIREMENT SYSTEMS (PERS)
SCHEDULE OF FUNDING PROGRESS**

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll
June 30, 2013	\$ 229,020,181	\$ 301,636,759	\$ 72,616,578	75.9%	\$ 39,021,190	186.1%

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

9. RETIREMENT PLANS, Continued

B. Pension Plan, Continued

The actuarial assumption included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases ranging from 3.30% to 14.20% depending on age, service, and type of employment, and (c) 3.0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75%. The actuarial value of PERS assets was determined using techniques that smooth the effects of volatility in the market value of investments over a fifteen-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2008, was 30 years for the Miscellaneous Plan and 12 years for the Police and Fire Plans.

Police Safety and Fire Safety Employees

Since the City has less than 100 active members in Fire and Police plans in at least one valuation since June 30, 2004, the City is required to participate in a risk pool. An actuarial valuation was performed with other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the City is not available.

10. POST-EMPLOYMENT RETIREMENT BENEFITS

Retiree Medical Plan

The City of Santa Cruz Post-Retirement Health Care Plan is a single-employer defined benefit healthcare plan administered by the California Public Employees' Retirement System (CalPERS). The Plan provides healthcare insurance benefits to eligible retirees. The City contributes the Public Employees' Medical and Hospital Care Act (PEMHCA) minimum required employer contribution of \$115 per month towards the retiree monthly premium for eligible retirees participating in PEMHCA. The Plan does not issue a financial report.

All part-time and full-time regular employees that meet specified Memorandum of Understanding (MOU) continuous service and minimum age requirements are also eligible to receive a Retiree Medical Incentive. Employees must meet the following minimum eligibility requirements:

- Service - Ten years of continued service with the City and be at least 55 years of age
- Supervisor - Ten years of continued service with the City and be at least age 50 years of age
- Management - Five years of continued service with the City and be at least 50 years of age
- Public Safety - Five years of continued service with the City and be at least 50 years of age

Retiree medical incentives will be provided until the retiree becomes eligible for Medicare or discontinues CalPERS medical coverage.

The City Council and unions have the authority to negotiate and amend benefit provisions to the Retiree Medical Incentive.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

10. POST-EMPLOYMENT RETIREMENT BENEFITS, Continued

Funding Policy

The contributions and requirements of plan members are established and may be amended with City Council approval. The City is currently contributing to OPEB on a pay-as-you-go basis. The financial statements assume that pay-as-you-go funding will continue. In fiscal year 2014, the City contributed the following amounts for eligible employees:

<u>OPEB</u>	<u>Number of Employees</u>	<u>Amount</u>
Required Employer Contribution	211	\$298,139
Retiree Medical Incentive (RMI)	61	<u>\$250,488</u>
Total FY14 OPEB Costs		\$548,627

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover the normal cost each year and amortize over thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the state's net OPEB obligation.

Annual required contribution	\$1,790,000
Interest on net OPEB obligation	351,000
Adjustment to annual required contribution	<u>(347,000)</u>
Annual OPEB cost (Expense)	1,794,000
Contributions made	<u>(548,627)</u>
Increase in net OPEB obligation	1,245,373
Net OPEB obligation - Beginning of year	<u>7,018,125</u>
Net OPEB obligation - End of year	<u><u>\$8,263,498</u></u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

10. POST-EMPLOYMENT RETIREMENT BENEFITS, Continued

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2014, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
06/30/2012	\$2,021,000	\$476,411	23.57%	\$5,858,409
06/30/2013	1,714,000	554,284	32.34%	7,018,125
06/30/2014	1,794,000	548,627	30.58%	8,263,498

Funding Status and Progress

As of July 1, 2012, the most recent actuarial evaluation date, the Plan was not funded. The actuarial accrued liability was \$16,420,991 and there were no actuarial value of assets, which resulted in the unfunded actuarial liability (UAAL) of \$16,420,991. The annual covered payroll for FY12 was \$49,911 and the ratio of the unfunded actuarial liability to the annual covered payroll was 32.90%. In FY12, the City changed its method of calculating covered payroll to include base salaries of covered personnel; rather than all salary costs.

Actuarial valuations of ongoing plan involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Examples of these estimates and assumptions include future employment trends, mortality and the health care cost trend. Amounts are determined regarding the funded status of the plan, and the annual required contribution of the employer are subject to the continual revision as actual results are compared with past expectations and new estimates are made about the future.

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.

In the July 1, 2012 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions include a 5% investment return (used to discount results to present value), covered payroll rising 3.25% annually, premiums for Police and Fire RMI benefits rising 5% per annum, PERS Minimum rising 4% annually, and an underlying 3% inflation rate. The same mortality, retirement, and turnover rates used in the City's PERS pension costs were also referenced in the actuarial assumptions. PERS has changed retiree mortality tables to project longer lifetimes. Probabilities of death, disability, service retirement, and other termination have also been revised. The effects of the assumption changes were an increased in the expense of \$98,000 and of \$707,000 in the Actuarial Accrued Liability (AAL).

The UAAL is being amortized over a 30 year period as a level percentage of increasing payroll on a closed basis.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

11. LANDFILL CLOSURE AND POSTCLOSURE COSTS

In accordance with requirements established by the Department of Resources, Recycling, and Recovery, the City has recognized a portion of the landfill's closure and post closure care (closure) costs. These cost estimates are based on the amount of landfill used to date. The estimated closure and corrective action costs are current estimates based on data provided by an independent consultant and are subject to changes in inflation, technological advancements, or regulatory changes. The total estimated costs are as follows:

Total estimated closure costs	\$ 3,937,643
Total estimated postclosure costs	<u>12,221,869</u>
Total estimated closure and postclosure costs	<u><u>\$ 16,159,512</u></u>

The City has increased the landfill's capacity through excavations, and plans to continue excavating in future years to increase capacity. At June 30, 2014, the estimated landfill closure cost liabilities of \$6,250,581 and estimated annual landfill closure cost adjustment of \$246,820 were calculated as follows:

Total estimated closure and postclosure costs	\$ 16,159,512
Percent of used capacity to total capacity	<u>38.6805%</u>
	6,250,580
Miscellaneous adjustments due to rounding	<u>1</u>
Revised estimated total closure and postclosure costs liability	6,250,581
Previous closure costs accrued	<u>(6,003,761)</u>
2013-2014 expense for closure and postclosure costs	<u><u>\$ 246,820</u></u>

The landfill has an estimated remaining capacity of 5,179,444 cubic yards and has a current projected closure date of 2061.

Based upon the requirements of the Department of Resources, Recycling, and Recovery, the City has set aside invested cash (including pooled cash interest receivable) to equal the respective liabilities in the each fund. The fund balances in each fund is zero with the exception of the allowance for fair value adjustment account. The market value of the invested cash at June 30, 2014, was \$6,266,759, and is available to provide for closure and post closure costs. Total funds accumulated as of June 30, 2014, are comprised as follows:

Closure	\$ 1,527,042
Postclosure	<u>4,739,717</u>
Total	<u><u>\$ 6,266,759</u></u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

12. COMMITMENTS AND CONTINGENCIES

The City participates in a number of federally assisted grant programs, of which the principal grants are the Disaster Assistance Program, Community Development Block Grant (CDBG), Home Investments Partnership Program (HOME), and various Department of Justice and Department of Transportation grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies upon audit cannot be determined at this time, although the City expects such amounts to be immaterial.

The California Legislature granted tidal and submerged lands in trust to the City to be used for a number of statewide purposes in furtherance of navigation, commerce, and fisheries. In accordance with this legislation, revenues derived from the Wharf are required to be used for purposes permitted under the grant statute.

There are a number of lawsuits presently against the City. While the ultimate outcome of these lawsuits is not determinable, in the opinion of the City Attorney and City management, recovery from the City, if any, would not have a material effect on the accompanying financial statements.

The following is a list of major commitments and Contracts as of June 30, 2014:

Major Commitments and Contracts:	
Arana Gulch Multi-Use Broadway Bridge	\$ 1,937,681
Bay Street Reservoir	1,957,618
Beltz Well #4 Replacement with #12	1,428,526
Branciforte Creek Bike/Pedestrian Bridge	363,078
HVAC System for Police Department	465,523
Landfill Design/Partial Constr Cell 3	543,662
Refuse Vehicles	1,665,010
Wastewater Treatment Facility Centrifuge	949,103
Water Supply Project SDC	703,895
Wharf Master Plan 2012 EDA Grant	495,600
Total Commitments and Contracts:	<u>\$ 10,509,696</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

13. OPERATING LEASES

The City is obligated under various operating leases for the use of land, buildings, office space and equipment. Lease expenditures, primarily for governmental funds, for the year ended June 30, 2014, were \$125,844. Future minimum lease payments required by lease agreements that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 59,336
2016	7,026
2017	1,756
Total future minimum lease payments	<u>\$ 68,118</u>

The City leases (as leaser) office facilities, buildings, and wharf facilities under operating leases to various entities and individuals. Total revenues from these leases for the year ending June 30, 2014, were \$1,611,052. The total cost of leased assets as of June 30, 2014, was \$37,812,516, and the accumulated depreciation of those assets that are depreciable amounted to \$12,145,684. Future estimated revenues from these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 1,548,478
2016	1,454,340
2017	1,270,807
2018	1,007,680
2019	921,571
2020-2024	3,358,368
2025-2029	2,754,805
2030-2034	2,447,372
2035-2039	1,835,514
2040-2044	852,793
Future years	<u>544,122</u>
Total future minimum lease payments	<u>\$ 17,995,850</u>

14. DEFICIT FUND BALANCE

The General Capital Improvement Fund had a fund balance deficit of (\$1,092,708) as of June 30, 2014, and is the result of moving forward with necessary infrastructure and other projects, as well as the accelerated completion of the City Arterial and Collector Street Overlay Project. During fiscal year 2014, the City transferred funds from the General Fund to alleviate the majority of this fund's deficit. The City plans to issue debt to alleviate the remaining deficit.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

14. DEFICIT FUND BALANCE, Continued

The Equipment Internal Service Fund had a fund balance deficit of (\$122,684) as of June 30, 2014. The City plans to raise rates in fiscal year 2015 to alleviate the deficit.

15. FUND BALANCE

When the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City Council approved a fund balance reporting policy that recognized five fund balance classifications: *nonspendable, restricted, committed, assigned, and unassigned*.

Under the City's fund balance reporting policy, the order of fund balance classification within each fund is determined by the fund's total nonspendable amount and remaining fund balance. All nonspendable funds such as inventories and prepaid expenditures must always be classified first, even if this action creates a deficit unassigned fund balance, and classifying funds under the remaining categories is not allowable if the action creates a deficit unassigned fund balance. The City's policy established that, unless prohibited by legal requirements, the following fund balance category order should be used when classifying any remaining funds: *restricted, committed, assigned, and unassigned*.

As approved by Council through resolution, Council has been designated as the highest authority to establish, modify, or rescind a fund balance commitment, and the authority to establish, modify or rescind fund balance assignments has been delegated to the City Manager or the Finance Director.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

15. FUND BALANCE, Continued

The following table shows the classification of the City's fund balances at the end of June 30, 2014:

Fund Balance Category	General Fund	RDA Successor Agency - LMIH	General Capital Improvement	Other Governmental Funds	Total
Nonspendable:					
Interfund advances	\$ 2,586,451	\$ -	\$ -	\$ -	\$ 2,586,451
Long-term notes and loans receivable	4,986,749	-	-	-	4,986,749
Prepaid items	7,825	-	-	-	7,825
Restricted:					
Beaches education and preservation	-	-	-	1,091,141	1,091,141
DeAnza Mobile Home Park relocation hardship claims	270,196	-	-	-	270,196
Debt service	-	-	269,833	1,715,592	1,985,425
Housing	-	11,055,218	-	5,324,626	16,379,844
Parks	-	-	-	1,511,858	1,511,858
Police programs	-	-	-	200,708	200,708
Streets, road construction and maintenance	-	-	-	2,022,173	2,022,173
Traffic impact mitigation	-	-	-	4,463,057	4,463,057
Committed:					
Capital projects	2,342,099	-	-	-	2,342,099
Assigned:					
Administrative projects	574,387	-	-	-	574,387
Civic auditorium equipment, maintenance and replacement	39,427	-	-	-	39,427
Co-op retail management downtown host program	1,846	-	-	-	1,846
Code enforcement	180,704	-	-	-	180,704
Community development	-	-	-	-	-
Violence against women (CPVAW)	28,852	-	-	-	28,852
Green building education and resource	259,017	-	-	-	259,017
Housing in-lieu	75,166	-	-	-	75,166
General Plan Maintenance	1,653,542	-	-	-	1,653,542
Kiosk maintenance	133,286	-	-	-	133,286
Museum building	21,904	-	-	-	21,904
Parks and recreation	258,379	-	-	-	258,379
Planning and zoning	215	-	-	-	215
Police miscellaneous programs	97,968	-	-	-	97,968
Stabilization Reserve	14,555,660	-	-	-	14,555,660
Street tree acquisition and planting	56,497	-	-	-	56,497
Unemployment insurance	642,459	-	-	-	642,459
Unassigned	656,775	-	(1,362,541)	-	(705,766)
Total Fund Balances	\$ 29,429,404	\$ 11,055,218	\$ (1,092,708)	\$ 16,329,155	\$ 55,721,069

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

15. FUND BALANCE, Continued

The following table contains a listing of major outstanding encumbrances ending of June 30, 2014:

Vendor	Description	Amount
CSG Consultants, Inc.	Digitalizing	\$ 15,000
Ecology Action of Santa Cruz	Public Outreach& City School Master Plan	131,368
Granite Rock Company	Construction	18,264
Green Station	Biodiesel Fuel Sales	17,316
Kaneko & Krammer Corp	Consulting Services	13,638
Keyser Marston Associates	Financial Analysis	19,876
Kimley-Horn and Associates	Traffic Control	29,965
Lewis Engineering & Surveying	Surveying	10,151
Marquez, Ron	Consulting Services	21,930
Miller Maxfield, Inc	Communion Support	15,006
Muniservices, LLC	Financial Analysis	10,978
National Development Council	Technical Support	24,000
NBS Government Finance Group	Financial Analysis	17,975
Racestudio	Housing Strategy	12,349
Remy Moose Manley LLP	Legal Services	51,252
Stanton, Alison	Consulting Services	20,702
Strelow Consulting	Consulting Services	49,665
UC Regents	Professional Services	16,790
Encumbrances under \$10,000	Miscellaneous	153,858
	Total Encumbrances	<u>\$ 650,083</u>

16. SUCCESSOR AGENCY TRUST

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Santa Cruz that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city 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 24, 2011, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number NS-28, 450.

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).

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

16. SUCCESSOR AGENCY TRUST, Continued

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.

A. Cash and investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	\$ 3,666,866
Cash and investments with fiscal agent	39,069,765
Total	<u>\$42,736,631</u>

B. Loans Receivable

Loans receivable consisted of the following amounts at June 30, 2014:

Agreement #1

\$98,334 loan to North Bay Ford (Winterhalder, Edward & Elward) for a portion of the cost to purchase the property on which the dealership currently resides. This is a zero interest loan except in the case of default. The loan balance is considered uncollectible.

Agreement #2

\$38,559 zero-interest loan to Nickelodeon Theatres, Inc. for theatre equipment. Monthly principal payments are made by borrower. Payments made during the fiscal year total \$30,332.

Agreement #3

\$373,921 loan to Artspace Tannery, LLC to a) repay the Sachs Foundation Loan, b) assist with financing construction of Tenant Improvements and c) assist with financing the initial subleasing and marketing obligations necessary for the opening of the Digital Media Center. The interest rate on this loan is 3% simple.

Agreement #5

\$30,450 zero-interest loan to the City of Santa Cruz Parking Fund for construction of tenant improvements at the Soquel Parking Garage. Funds for repayment of the loan are generated by rents from commercial space in the garage. \$76,173 was repaid by the City during the fiscal year.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

16. SUCCESSOR AGENCY TRUST, Continued

C. Capital Assets

An analysis of capital assets as of June 30, 2014, follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Nondepreciable Assets:				
Land - parking lot	\$ 902,621	\$ -	\$ -	\$ 902,621
Construction in progress	-	447,104	-	447,104
Subtotal Nondepreciable Assets	<u>902,621</u>	<u>447,104</u>	<u>-</u>	<u>1,349,725</u>
Depreciable Assets:				
Land improvements	66,637	-	-	66,637
Buildings	10,209,815	-	-	10,209,815
Machinery and equipment	110,026	-	-	110,026
Lease improvements	240,268	-	-	240,268
Intangibles	10,966	-	-	10,966
Subtotal Depreciable Assets	<u>10,637,712</u>	<u>-</u>	<u>-</u>	<u>10,637,712</u>
Total Capital Assets	11,540,333	447,104	-	11,987,437
Less Accumulated Depreciation	<u>(958,614)</u>	<u>(373,679)</u>	<u>-</u>	<u>(1,332,293)</u>
Capital Assets	<u>\$ 10,581,719</u>	<u>\$ 73,425</u>	<u>\$ -</u>	<u>\$ 10,655,144</u>

D. Long-Term Debt

For the year ended June 30, 2014, long-term debt in the Successor Agency Trust consisted of the following amounts:

2004 Tax Allocation Bonds

Refinanced Redevelopment Agency earthquake recovery and reconstruction bonds	10/1/05-10/1/31	2.5%-4.625%	\$120,000-\$320,000	\$5,245,000	\$4,050,000
				Unamortized Premium	9,372
				Net Balance	<u>4,059,372</u>

2011 Taxable Housing Tax Allocation Bonds, Series A

To fund housing-related projects in the Merged Earthquake Reconstruction Project Area ("Project Area")	10/1/11-10/1/24	6.59%	\$220,000-\$880,000	\$8,250,000	7,185,000
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2011 Taxable Non-Housing Tax Allocation Bonds, Series B

To fund non-housing redevelopment programs in the Project Area	10/1/11-10/1/26	6.65%	\$430,000-\$1,985,000	\$20,130,000	18,035,000
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2011 Tax-Exempt Non-Housing Tax Allocation Bonds, Series C

To fund non-housing redevelopment programs in the Project Area	10/1/11-10/1/26	4.79%	\$185,000-\$650,000	\$7,370,000	6,490,000
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Total	<u>35,769,372</u>
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City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

16. SUCCESSOR AGENCY TRUST, Continued

D. Long-Term Debt, continued

The following table summarizes long-term debt activity for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Amount Due Within One Year	Amount Due in More Than One Year
Tax allocation bonds:	\$ 37,560,000	\$ -	\$ (1,800,000)	\$ 35,760,000	\$ 1,905,000	\$ 33,855,000
Bond issuance premiums	10,872	-	(1,500)	9,372	1,500	7,872
Total tax allocation bonds	<u>37,570,872</u>	<u>-</u>	<u>(1,801,500)</u>	<u>35,769,372</u>	<u>1,906,500</u>	<u>33,862,872</u>
Total	<u>\$ 37,570,872</u>	<u>\$ -</u>	<u>\$ (1,801,500)</u>	<u>\$ 35,769,372</u>	<u>\$ 1,906,500</u>	<u>\$ 33,862,872</u>

As of June 30, 2014, the future debt service requirements to maturity for outstanding debt were:

Combined Debt Schedule - Private Purpose Trust Funds

For Year Ending June 30,	Tax Allocation Bonds	
	Principal	Interest
2015	\$ 1,905,000	\$ 2,102,324
2016	2,020,000	1,983,741
2017	2,145,000	1,857,509
2018	2,275,000	1,723,143
2019	2,415,000	1,580,391
2020-2024	14,475,000	5,424,103
2025-2029	9,610,000	1,102,127
2030-2033	915,000	64,866
	<u>35,760,000</u>	<u>15,838,204</u>
Unamortized Premiums	9,372	-
Totals	<u>\$ 35,769,372</u>	<u>\$ 15,838,204</u>

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

16. SUCCESSOR AGENCY TRUST, Continued

Pledged Revenue

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$51,598,204, with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the City and Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$3,712,089, and the debt service obligation on the bonds was \$3,228,221.

E. Insurance

The Successor Agency is covered under the City of Santa Cruz's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 8.

F. Commitments and Contingencies

At June 30, 2014, the Successor Agency was involved as a defendant in several lawsuits arising out of the ordinary conduct of its affairs. It is the opinion of management that settlements of these lawsuits, including losses for claims that are incurred but not reported, if any, will not have a material effect on the financial position of the Successor Agency.

17. SUBSEQUENT EVENTS

A. Debt Refinancing

On July 22, 2014, the City issued the 2014 Water Revenue Refunding Bonds for \$11,260,000. This debt was issued to refinance both the 2006 Water Revenue Bonds with an outstanding balance and redemption premium in the amount of \$10,813,901, and payment in full for the 1995 Water State Loan with an outstanding balance in the amount of \$137,234. The 2006 Water Revenue Bonds were related to improvements to the Water System and the 1995 State Loan was related to the construction of construction of a water main. The Water Revenue Refunding Bonds carry an interest rate range of 2.00% to 3.75% through maturity in 2036. On July 29, 2014, the City issued 2014 Storm Water Revenue Refunding Bonds for \$4,520,000. This debt was issued to refinance the 2005 Storm Water Revenue Bonds which was related to the refinancing of installment payment obligation of the City supporting the 1999 Storm Water Enterprise Certificates of Participation with an outstanding balance of \$4,620,000. The 2014 Storm Water Revenue Refunding Bonds carry an interest rate range of 2.00% to 3.00% through maturity in 2028.

City of Santa Cruz
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

17. SUBSEQUENT EVENTS, Continued

B. Rate Increases

On September 23, 2014, the City Council approved 10% rate increases for the Water utility for the next five fiscal years, beginning October 1, 2014, and on July 1 thereafter. The rate increase are expected to generate an additional \$40.8 million over the next 5 years, and is necessary to meet the Water utility's projected current and future operating and extensive capital needs. On October 14, 2014, the City Council approved parking rate increases. The increase is expected to generate an additional \$600,000 per year, and is necessary for operational and capital needs.

REQUIRED SUPPLEMENTARY INFORMATION

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BUDGETARY SCHEDULES

City of Santa Cruz
Required Supplementary Information
For the year ended June 30, 2014

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary)	Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 55,250,054	\$ 59,284,054	\$ 56,196,870	\$ (3,087,184)
Licenses and permits	937,800	937,800	846,682	(91,118)
Intergovernmental	394,765	1,186,733	989,769	(196,964)
Charges for services:				
External	6,756,865	7,638,865	7,269,763	(369,102)
Internal	4,300,960	4,300,960	4,313,472	12,512
Interagency	570,000	570,000	631,305	61,305
Subtotal charges for services	11,627,825	12,509,825	12,214,540	(295,285)
Fines and forfeitures	1,539,500	1,865,500	1,985,697	120,197
Use of money and property	4,507,130	4,507,192	4,794,665	287,473
Other revenues	221,950	1,092,450	441,432	(651,018)
Total revenues	74,479,024	81,383,554	77,469,655	(3,913,899)
EXPENDITURES:				
Current:				
General government	16,389,270	17,078,726	14,946,780	2,131,946
Public safety	36,522,094	36,551,685	36,096,388	455,297
Parks and recreation	10,251,073	10,575,348	10,630,323	(54,975)
Library	1,394,751	1,394,751	1,394,751	-
Public works	5,637,480	5,976,261	5,547,341	428,920
Community and economic development	1,891,673	2,312,695	1,312,755	999,940
Social services	1,373,460	1,384,065	1,336,857	47,208
Capital outlay	1,037,800	1,672,155	1,406,948	265,207
Debt service:				
Principal	1,611,358	1,611,358	1,611,357	1
Interest and fiscal charges	994,724	994,724	994,383	341
Total expenditures	77,103,683	79,551,768	75,277,883	4,273,885
REVENUES OVER (UNDER) EXPENDITURES	(2,624,659)	1,831,786	2,191,772	359,986
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	-	75,720	75,720
Loan principal receipts	582,751	582,751	561,031	(21,720)
Transfers in	58,300	58,600	225,979	167,379
Transfers out	(3,430,912)	(13,478,089)	(7,808,874)	5,669,215
Total other financing sources (uses)	(2,789,861)	(12,836,738)	(6,946,144)	5,890,594
Net change in fund balances	(5,414,520)	(11,004,952)	(4,754,372)	6,250,580
FUND BALANCES:				
Beginning of the year	34,728,818	34,728,818	34,728,818	-
End of year	\$ 29,314,298	\$ 23,723,866	\$ 29,974,446	\$ 6,250,580

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	\$ 15,989
Loan principal receipts:	(561,031)
Ending Fund Balance (GAAP)	\$ 29,429,404

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

Low and Moderate Income Housing - Successor Agency

For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 22,500	\$ 22,500	\$ 22,500	\$ -
Use of money and property	113,063	113,063	40,248	(72,815)
Other revenues	-	-	9,723	9,723
Total revenues	135,563	135,563	72,471	(63,092)
EXPENDITURES:				
Current:				
Community and economic development:				
Housing and community development	29,200	879,744	12,873	866,871
Total expenditures	29,200	879,744	12,873	866,871
REVENUES OVER (UNDER) EXPENDITURES	106,363	(744,181)	59,598	803,779
OTHER FINANCING SOURCES (USES):				
Loan principal receipts	-	-	-	-
Loans and fees	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	106,363	(744,181)	59,598	803,779
FUND BALANCE:				
Beginning of the year	10,998,261	10,998,261	10,998,261	-
End of year	<u>\$ 11,104,624</u>	<u>\$ 10,254,080</u>	<u>\$ 11,057,859</u>	<u>\$ 803,779</u>

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	\$ (2,641)
Ending Fund Balance (GAAP)	<u>\$ 11,055,218</u>

City of Santa Cruz
Notes to Required Supplementary Information
For the year ended June 30, 2014

PUBLIC EMPLOYEE RETIREMENT SYSTEM (PERS)
SCHEDULE OF FUNDING PROGRESS

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll
June 30, 2011	\$ 234,293,381	\$ 276,803,227	\$ 42,509,846	84.6%	\$ 38,127,214	111.5%
June 30, 2012	246,178,537	288,100,010	41,921,473	85.4%	37,956,947	110.4%
June 30, 2013	229,020,181	301,636,759	72,616,578	75.9%	39,021,190	186.1%

Police Safety Employees

Since the City has less than 100 active members in Fire and Police plans in at least one valuation since June 30, 2003, the City is required to participate in a risk pool. An actuarial valuation was performed with other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the City is not available.

Fire Safety Employees

Since the City has less than 100 active members in Fire and Police plans in at least one valuation since June 30, 2003, the City is required to participate in a risk pool. An actuarial valuation was performed with other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the City is not available.

OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll
July 1, 2008	\$ -	\$ 15,596,000	\$ (15,596,000)	0.0%	\$ 61,935,000	25.18%
July 1, 2010	-	18,343,000	(18,343,000)	0.0%	48,264,706	38.00%
July 1, 2012	-	16,420,991	(16,420,991)	0.0%	49,911,000	32.90%

City of Santa Cruz
Notes to Required Supplementary Information
For the year ended June 30, 2014

1. BUDGETARY INFORMATION

An annual budget is adopted by the City Council no later than the first regular meeting in July for the fiscal year beginning July first. As part of the budget process, all City departments submit budget requests for the next fiscal year. These requests are reviewed, and a final City Manager recommended budget showing estimated revenues and expenditures of the City is prepared. This proposed budget is transmitted to the City Council and made available to the public for review. Study sessions and a public hearing are conducted before final adoption of the budget by the City Council.

Transfers of appropriations within any department require the approval of the Director of Finance for transfers up to \$50,000, and the City Manager approval for all transfers over \$50,000. Any new appropriation or appropriation transfer between funds or departments requires approval by the City Council. Several supplemental appropriations were necessary during the year and are reflected in the budget amounts in the financial statements. Expenditures may not legally exceed appropriations at the department level.

Under the City Charter, all unexpended appropriations shall lapse at the end of the fiscal year unless they are lawfully committed, or are required by law to be continuously appropriated from year to year.

Lawfully committed amounts include amounts legally encumbered at year end. 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 integration in the governmental fund types. Encumbrances outstanding at year-end do not constitute expenditures or liabilities, and re-appropriations in the subsequent year provide authority to complete these transactions as expenditures.

In addition, project-length (or non-lapsing) budgets are adopted for capital improvement and other projects, and grant-funded projects or programs that may not be completed within the fiscal year during which the budget appropriation for the project or program originates. Under these circumstances, the appropriation continues until project or program completion, or unless the appropriation is subsequently amended or rescinded by the City Council.

In the Budgetary Comparison Schedules, the "Original Budget" column includes the final adopted budget amounts. Re-appropriations for prior year encumbrances and continuing appropriations for project length budgets automatically carried over from prior years are included in the "Final Budget" column.

The City Charter requires the City Council, upon recommendation of the City Manager and after providing sufficient funds to meet debt service and operating needs, to annually set aside in the enterprise funds an amount to be used for the acquisition and betterment of plant facilities. Such amounts, if any, would be shown in the financial statements as cash and investments held for betterment of plant facilities. No such funds were set aside during the year ended June 30, 2014.

Budgets are adopted each year for all general, special revenue, debt service, and capital projects funds. These governmental fund budgets are prepared on a budgetary basis and therefore a reconciliation to GAAP is provided.

City of Santa Cruz
Notes to Required Supplementary Information
For the year ended June 30, 2014

2. Excess of Expenditures over Appropriations are as follows:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Major Governmental Funds:			
General Fund:			
Parks and recreation	\$ 10,630,323	\$ 10,575,348	\$ (54,975)

SUPPLEMENTARY INFORMATION

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Non-Major Governmental Funds

Special Revenue Funds:

Police - This fund is used to account for state and federal grants and other revenues restricted to be used for police programs.

State Highway Funds - This fund is used to account for the City's apportionment of the State excise tax on gasoline and other related grants or receipts that are restricted for the planning, construction and maintenance of streets and roads. It is also used to account for a subvention of the State sales tax on gasoline (Traffic Congestion Relief Funds) that are restricted for street and highway maintenance, and rehabilitation and reconstruction of necessary associated facilities such as drainage and traffic control devices.

Traffic Impact Fee Funds - This fund is used to account for capital improvements to mitigate traffic impacts generated by land development. The fee provides financial resources for improvements to transit stops, bike and pedestrian facilities, signal coordination, park and ride lots, and other alternative transportation sources impacted by development, and is levied on all Citywide projects requiring a building permit (residential remodels and limited expansions expected to generate less than five new trips per day are exempt).

Clean Rivers, Oceans and Beaches - This fund used to account for parcel tax revenues earned and expenditures incurred as per the voters Measure E ballot measure of 2008.

Parks and Recreation - This fund is used to account for tax and fee revenues restricted for parks and recreation use.

Housing and Community Development - This fund is used to account for receipts and expenditures under the Housing and Community Development Act, which includes Community Development Block Grant funds and HOME program funds. It also is used to account for Red Cross housing reconstruction loan repayments and income and related expenditures for City-owned rental properties.

Transportation Development Act Fund - This fund is used to account for receipts of State Transportation Development Act (TDA) funds restricted to be used for specialized or unmet transit needs. Acting as the public agency sponsor, the City contracts with non-profit agencies to meet these obligations.

Debt Service Funds:

General Obligation Bonds - This fund is used to account for the debt service for a \$7 million general obligation bond issue approved by voters in November 1998. Funds for payment of principal and interest on the bonds are generated by a property tax override assessment of \$9.00 per \$100,000 of assessed value.

Lease Revenue Bonds - This fund is used to account for the debt service for a \$6.9 million revenue bond issued December 19, 2007. Funds for the payment of principal and interest on the bonds are generated by revenues received in the form of lease payments from the Water Enterprise Fund and the Library JPA for occupying the City's Locust/Union Building.

City of Santa Cruz
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014

	Special Revenue					
	Police	State Highway	Traffic Impact Fee	Clean River, Oceans, and Beaches	Parks and Recreation	Housing and Community Development
ASSETS						
Assets:						
Cash and cash equivalents	\$ 243,148	\$ 1,626,643	\$ 4,432,963	\$ 1,173,195	\$ 1,512,364	\$ 2,832,552
Interest receivable	443	2,882	9,550	2,145	562	449,111
Taxes receivable	-	-	-	-	-	-
Accounts receivable - net	5,428	31,264	21,825	31,091	-	11,240
Due from other funds	-	-	-	-	-	-
Due from other governments	15,960	1,141,651	-	-	-	144,604
Restricted assets:						
Restricted cash and investments	-	125,391	-	-	-	-
Notes receivable - net	-	-	-	-	-	75,000
Loans receivable - net	-	-	-	-	-	2,813,960
Advances to other funds	-	-	-	-	-	-
Total assets	\$ 264,979	\$ 2,927,831	\$ 4,464,338	\$ 1,206,431	\$ 1,512,926	\$ 6,326,467
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	\$ -	\$ 318,552	\$ 1,281	\$ 115,290	\$ 1,068	\$ 55,755
Unearned revenue	56,041	269,807	-	-	-	-
Deposits payable	-	-	-	-	-	34
Advances from other funds	-	-	-	-	-	500,000
Total liabilities	56,041	588,359	1,281	115,290	1,068	555,789
Deferred inflows of resources:						
Unavailable revenue	8,230	317,299	-	-	-	446,052
Fund Balances:						
Restricted:						
Clean rivers, oceans, and beaches	-	-	-	1,091,141	-	-
Debt service	-	-	-	-	-	-
Housing programs	-	-	-	-	-	5,324,626
Parks and recreation	-	-	-	-	1,511,858	-
Police programs	200,708	-	-	-	-	-
Streets and roads	-	2,022,173	-	-	-	-
Traffic impact	-	-	4,463,057	-	-	-
Total fund balances	200,708	2,022,173	4,463,057	1,091,141	1,511,858	5,324,626
Total liabilities, deferred inflows of resources and fund balances	\$ 264,979	\$ 2,927,831	\$ 4,464,338	\$ 1,206,431	\$ 1,512,926	\$ 6,326,467

Special Revenue		Debt Service		
Transportation Development Act	General Obligation Bond	Lease Revenue Bond	Total Other Governmental Funds	
\$ -	\$ 1,300,934	\$ 331	\$ 13,122,130	
-	2,284	326	467,303	
-	19,724	-	19,724	
-	-	-	100,848	
-	-	-	-	
-	-	-	1,302,215	
-	-	468,757	594,148	
-	-	-	75,000	
-	-	-	2,813,960	
-	-	-	-	
<u>\$ -</u>	<u>\$ 1,322,942</u>	<u>\$ 469,414</u>	<u>\$ 18,495,328</u>	
\$ -	\$ -	\$ -	\$ 491,946	
-	-	-	325,848	
-	-	-	34	
-	-	76,764	576,764	
-	-	76,764	1,394,592	
-	-	-	771,581	
-	-	-	1,091,141	
-	1,322,942	392,650	1,715,592	
-	-	-	5,324,626	
-	-	-	1,511,858	
-	-	-	200,708	
-	-	-	2,022,173	
-	-	-	4,463,057	
-	1,322,942	392,650	16,329,155	
<u>\$ -</u>	<u>\$ 1,322,942</u>	<u>\$ 469,414</u>	<u>\$ 18,495,328</u>	

City of Santa Cruz
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2014

	Special Revenue					
	Police	State Highway	Traffic Impact Fee	Clean River, Oceans, and Beaches	Parks and Recreation	Housing and Community Development
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ 625,544	\$ 285,743	\$ -
Intergovernmental	101,770	3,813,279	-	-	-	1,099,460
Charges for services	25,334	-	-	-	-	16,873
Use of money and property	33,535	6,976	37,014	7,350	2,027	102,035
Other revenues	1,835	37,087	158,702	-	151,095	330,359
Total revenues	162,474	3,857,342	195,716	632,894	438,865	1,548,727
EXPENDITURES:						
Current:						
Public safety	229,590	-	-	-	-	-
Public works	-	712,120	37,385	438,871	-	-
Transit	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	1,022,497
Social services	-	-	-	-	-	148,613
Capital outlay	-	2,156,080	-	212,100	-	-
Debt service:						
Principal	-	18,715	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	229,590	2,886,915	37,385	650,971	-	1,171,110
REVENUES OVER (UNDER) EXPENDITURES	(67,116)	970,427	158,331	(18,077)	438,865	377,617
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of assets	-	-	-	-	-	755,819
Transfers in	-	81,494	-	-	-	-
Transfers out	-	-	(1,080,757)	-	(538,675)	(35,000)
Total other financing sources (uses)	-	81,494	(1,080,757)	-	(538,675)	720,819
Net change in fund balances	(67,116)	1,051,921	(922,426)	(18,077)	(99,810)	1,098,436
FUND BALANCES:						
Beginning of year	267,824	970,252	5,385,483	1,109,218	1,611,668	4,226,190
End of year	\$ 200,708	\$ 2,022,173	\$ 4,463,057	\$ 1,091,141	\$ 1,511,858	\$ 5,324,626

Special Revenue	Debt Service		
Transportation Development Act	General Obligation Bond	Lease Revenue Bond	Total Other Governmental Funds
\$ -	\$ 442,872	\$ -	\$ 1,354,159
686,510	-	-	5,701,019
-	-	-	42,207
-	8,035	429,997	626,969
-	-	-	679,078
<u>686,510</u>	<u>450,907</u>	<u>429,997</u>	<u>8,403,432</u>
-	-	-	229,590
-	-	-	1,188,376
686,510	-	-	686,510
-	-	-	1,022,497
-	-	-	148,613
-	-	-	2,368,180
-	205,000	150,000	373,715
-	251,939	278,622	530,561
<u>686,510</u>	<u>456,939</u>	<u>428,622</u>	<u>6,548,042</u>
-	(6,032)	1,375	1,855,390
-	-	-	755,819
-	-	-	81,494
-	-	-	(1,654,432)
-	-	-	(817,119)
-	(6,032)	1,375	1,038,271
-	1,328,974	391,275	15,290,884
<u>\$ -</u>	<u>\$ 1,322,942</u>	<u>\$ 392,650</u>	<u>\$ 16,329,155</u>

City of Santa Cruz
Schedule of Budget and Actual Revenues
General Fund
For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property	\$ 15,728,000	\$ 16,325,000	\$ 15,933,154	\$ (391,846)
Sales and use	15,046,000	16,758,000	15,679,768	(1,078,232)
Business license	978,000	978,000	885,892	(92,108)
Franchise	3,211,000	3,130,000	2,875,933	(254,067)
Transient occupancy	5,800,000	7,805,000	7,096,947	(708,053)
Parking	449,000	449,000	489,792	40,792
Utility users	11,347,000	11,133,000	10,465,335	(667,665)
Admission	2,112,000	2,112,000	2,274,117	162,117
Business improvement	225,000	240,000	235,971	(4,029)
Other taxes	354,054	354,054	259,961	(94,093)
Total taxes	55,250,054	59,284,054	56,196,870	(3,087,184)
Licenses and permits:				
Construction permits	852,500	852,500	741,002	(111,498)
Other licenses and permits	85,300	85,300	105,680	20,380
Total licenses and permits	937,800	937,800	846,682	(91,118)
Intergovernmental revenues:				
Federal	79,265	278,976	164,714	(114,262)
State	185,500	594,824	825,055	230,231
Local	130,000	312,933	-	(312,933)
Total intergovernmental revenues	394,765	1,186,733	989,769	(196,964)
Charges for services:				
General government:				
Management and support	2,100	2,100	2,897	797
Planning and zoning	1,619,450	1,784,450	1,266,243	(518,207)
Public safety:				
Police	328,065	328,065	397,356	69,291
Fire	433,000	433,000	423,089	(9,911)
Planning and community development	775,400	1,007,400	846,661	(160,739)
Culture and recreation:				
Parks	52,000	52,000	67,257	15,257
Recreation	1,448,350	1,513,350	1,598,470	85,120
Wharf gate parking fees	950,000	1,148,000	1,161,163	13,163
Subtotal of charges for services	5,608,365	6,268,365	5,763,136	(505,229)

City of Santa Cruz
Schedule of Budget and Actual Revenues, Continued
General Fund
For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges for services, Continued:				
Subtotal from previous page	\$ 5,608,365	\$ 6,268,365	\$ 5,763,136	\$ (505,229)
Public works:				
Parking	1,057,000	1,279,000	1,416,005	137,005
Inspection	74,800	74,800	73,688	(1,112)
Community and economic development:				
Other community and economic development	16,700	16,700	16,934	234
Internal charges for services provided	4,300,960	4,300,960	4,313,472	12,512
Interagency services charges:				
Library	570,000	570,000	631,305	61,305
Total charges for services	11,627,825	12,509,825	12,214,540	(295,285)
Fines and forfeitures:				
Court and traffic fines	1,195,000	1,521,000	1,714,867	193,867
Other fines and forfeitures	344,500	344,500	270,830	(73,670)
Total fines and forfeitures	1,539,500	1,865,500	1,985,697	120,197
Use of money and property:				
Investment income	235,766	235,766	324,177	88,411
Rents and royalties	4,271,364	4,271,426	4,470,488	199,062
Total use of money and property	4,507,130	4,507,192	4,794,665	287,473
Other revenues:				
Contributions and donations	44,450	54,450	95,437	40,987
Other miscellaneous revenues	307,500	1,350,933	345,995	(1,004,938)
Total other revenues	351,950	1,405,383	441,432	(963,951)
OTHER FINANCING SOURCES:				
Proceeds from asset dispositions	-	-	75,720	75,720
Loan principal receipts	582,751	582,751	561,031	(21,720)
Transfers in	58,300	58,600	225,979	167,379
Total other financing sources	641,051	641,351	862,730	221,379
Total revenues and other financing sources	\$ 75,250,075	\$ 82,337,838	\$ 78,332,385	\$ (4,005,453)

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	\$ 15,989
Loan principal receipts:	(561,031)
Ending Revenues (GAAP)	<u>77,787,343</u>

City of Santa Cruz

Schedule of Budget and Actual Expenditures and Other Financing Uses For Legally Adopted

Appropriations by Department - General Fund

For the year ended June 30, 2014

	Personnel Services	Services, Supplies and Other Charges	Capital Outlay	Actual Amounts (Budgetary)	Final Budget	Variance with Final Budget - Positive (Negative)
City Council	\$ 269,832	\$ 143,777	\$ -	\$ 413,609	\$ 462,310	\$ 48,701
City Manager	1,402,785	378,412	190,678	1,971,875	2,220,654	248,779
City Attorney	46,585	719,505	-	766,090	978,502	212,412
Administrative services	2,436,409	2,316,657	150,264	4,903,330	5,542,584	639,254
Finance	2,476,870	307,267	-	2,784,137	3,079,476	295,339
Police	17,542,674	4,225,431	315,615	22,083,720	22,331,702	247,982
Fire	11,338,991	1,350,538	61,412	12,750,941	12,531,713	(219,228)
Parks and recreation	6,806,227	3,839,051	229,868	10,875,146	10,826,585	(48,561)
Library	-	1,394,751	-	1,394,751	1,394,751	-
Public works	4,280,520	2,221,710	65,708	6,567,938	7,216,089	648,151
Planning and community development	3,390,099	838,324	-	4,228,423	6,156,690	1,928,267
Economic development	785,246	801,962	29,546	1,616,754	2,639,780	1,023,026
Non-departmental	33,235	12,748,988	-	12,782,223	17,649,033	4,866,810
Total expenditures	\$ 50,809,473	\$ 31,286,373	\$ 1,043,091	83,138,937	\$ 93,029,869	\$ 9,890,932

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Offset to loans principal:	(52,180)
Ending Expenditures (GAAP)	<u>\$ 83,086,757</u>

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

General Capital Improvement Fund

For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 500,000	\$ 10,774,521	\$ 3,075,726	\$ (7,698,795)
Use of money and property	12,056	12,056	1,371	(10,685)
Other revenues	-	-	877,999	877,999
Total revenues	512,056	10,786,577	3,955,096	(6,831,481)
EXPENDITURES:				
Current:				
Capital outlay	11,487,258	29,052,529	8,269,796	20,782,733
Debt service:				
Principal	502,000	502,000	150,000	352,000
Interest and fiscal charges	174,503	174,503	168,397	6,106
Total expenditures	12,163,761	29,729,032	8,588,193	21,140,839
REVENUES OVER (UNDER) EXPENDITURES	(11,651,705)	(18,942,455)	(4,633,097)	14,309,358
OTHER FINANCING SOURCES (USES):				
Advances from other funds	-	-	-	-
Loan principal receipts	5,000,000	5,000,000	-	(5,000,000)
Proceeds from sale of capital assets	-	440,000	-	(440,000)
Transfers in	5,326,050	17,006,585	9,141,381	(7,865,204)
Transfers out	(400,000)	(437,660)	(1,037)	436,623
Total other financing sources (uses)	9,926,050	22,008,925	9,140,344	(12,868,581)
Net change in fund balances	(1,725,655)	3,066,470	4,507,247	1,440,777
FUND BALANCES:				
Beginning of the year	(5,597,327)	(5,597,327)	(5,597,327)	-
End of year	\$ (7,322,982)	\$ (2,530,857)	(1,090,080)	\$ 1,440,777

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments	(2,628)
Ending Fund Balance (GAAP)	\$ (1,092,708)

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

Police Fund

For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 110,000	\$ 110,000	\$ 101,770	\$ (8,230)
Charges for services	20,000	20,000	25,334	5,334
Use of money and property	1,000	1,000	33,667	32,667
Other revenues	2,042	2,042	1,835	(207)
Total revenues	133,042	133,042	162,606	29,564
EXPENDITURES:				
Current:				
Public safety:				
Police	110,000	110,000	229,590	(119,590)
Total expenditures	110,000	110,000	229,590	(119,590)
REVENUES OVER (UNDER) EXPENDITURES	23,042	23,042	(66,984)	(90,026)
Net change in fund balance	23,042	23,042	(66,984)	(90,026)
FUND BALANCE:				
Beginning of the year	267,824	267,824	267,824	-
End of year	\$ 290,866	\$ 290,866	\$ 200,840	\$ (90,026)
Reconciliation between actual GAAP amounts and actual budgetary amounts:				
			\$ (132)	
			\$ 200,708	

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

State Highway Fund

For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 3,501,419	\$ 17,662,321	\$ 3,813,279	\$ (13,849,042)
Use of money and property	17,919	17,919	10,000	(7,919)
Other revenues	-	10,000	37,087	27,087
Total revenues	3,519,338	17,690,240	3,860,366	(13,829,874)
EXPENDITURES:				
Current:				
Public works:				
Transportation	802,006	812,506	712,120	100,386
Capital outlay	2,980,000	24,274,308	2,156,080	22,118,228
Debt service:				
Principal	25,000	25,000	18,715	6,285
Total expenditures	3,807,006	25,111,814	2,886,915	22,224,899
REVENUES OVER (UNDER) EXPENDITURES	(287,668)	(7,421,574)	973,451	8,395,025
OTHER FINANCING SOURCES (USES):				
Proceeds from long-term debt	-	-	-	-
Transfers in	1,055,000	5,036,916	81,494	(4,955,422)
Transfers out	(550,000)	(994,117)	-	994,117
Total other financing sources (uses)	505,000	4,042,799	81,494	(3,961,305)
Net change in fund balance	217,332	(3,378,775)	1,054,945	4,433,720
FUND BALANCE:				
Beginning of the year	970,252	970,252	970,252	-
End of year	\$ 1,187,584	\$ (2,408,523)	2,025,197	\$ 4,433,720

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	(3,024)
Ending Fund Balance (GAAP)	\$ 2,022,173

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

Traffic Impact Fee Fund

For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 41,896	\$ 41,896	\$ 38,243	\$ (3,653)
Other revenues	500,000	500,000	158,702	(341,298)
Total revenues	541,896	541,896	196,945	(344,951)
EXPENDITURES:				
Current:				
Public works:				
Transportation	51,017	51,017	37,385	13,632
Total expenditures	51,017	51,017	37,385	13,632
REVENUES OVER (UNDER) EXPENDITURES	490,879	490,879	159,560	(331,319)
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,255,000)	(5,214,566)	(1,080,757)	4,133,809
Total other financing sources (uses)	(1,255,000)	(5,214,566)	(1,080,757)	4,133,809
Net change in fund balance	(764,121)	(4,723,687)	(921,197)	3,802,490
FUND BALANCE:				
Beginning of the year	5,385,483	5,385,483	5,385,483	-
End of year	\$ 4,621,362	\$ 661,796	\$ 4,464,286	\$ 3,802,490

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	\$ (1,229)
Ending Fund Balance (GAAP)	\$ 4,463,057

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

Clean River, Oceans, and Beaches Fund

For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 627,440	\$ 627,440	\$ 625,544	\$ (1,896)
Intergovernmental	946,590	946,590	-	(946,590)
Charges for services	-	-	-	-
Use of money and property	8,115	8,115	7,641	(474)
Other revenues	-	-	-	-
Total revenues	1,582,145	1,582,145	633,185	(948,960)
EXPENDITURES:				
Public works	746,244	761,081	438,871	322,210
Capital outlay	1,326,130	1,445,141	212,100	1,233,041
Total expenditures	2,072,374	2,206,222	650,971	1,555,251
REVENUES OVER (UNDER) EXPENDITURES	(490,229)	(624,077)	(17,786)	606,291
OTHER FINANCING SOURCES (USES):				
Transfer in	-	14,322	-	(14,322)
Transfers out	-	-	-	-
Total other financing sources (uses)	-	14,322	-	(14,322)
Net change in fund balance	(490,229)	(609,755)	(17,786)	591,969
FUND BALANCE:				
Beginning of the year	1,109,218	1,109,218	1,109,218	-
End of year	\$ 618,989	\$ 499,463	\$ 1,091,432	\$ 591,969
Reconciliation between actual GAAP amounts and actual budgetary amounts:				
	Unrealized gain/loss in investments:	\$	(291)	
	Ending Fund Balance (GAAP)	\$	1,091,141	

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

Parks and Recreation Fund

For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,363,770	\$ 1,363,770	\$ 285,743	\$ (1,078,027)
Charges for services	-	-	-	-
Use of money and property	(829)	(829)	2,067	2,896
Other revenues	207,186	207,186	151,095	(56,091)
Total revenues	1,570,127	1,570,127	438,905	(1,131,222)
OTHER FINANCING SOURCES (USES):				
Transfers out	515,000	1,351,066	(538,675)	(1,889,741)
Total other financing sources (uses)	515,000	1,351,066	(538,675)	(1,889,741)
Net change in fund balance	2,085,127	2,921,193	(99,770)	(3,020,963)
FUND BALANCE:				
Beginning of the year	1,611,668	1,611,668	1,611,668	-
End of year	\$ 3,696,795	\$ 4,532,861	\$ 1,511,898	\$ (3,020,963)

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	\$ (40)
Ending Fund Balance (GAAP)	\$ 1,511,858

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

Housing and Community Development Fund

For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 855,536	\$ 2,224,239	\$ 1,099,460	\$ (1,124,779)
Charges for services	10,000	10,000	16,873	6,873
Use of money and property	84,042	84,042	100,119	16,077
Other revenues	216,000	216,000	330,359	114,359
Total revenues	1,165,578	2,534,281	1,546,811	(987,470)
EXPENDITURES:				
Current:				
Community and economic development:				
Housing and community development	1,019,408	2,830,704	1,171,110	1,659,594
Capital outlay	-	258,258	-	258,258
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	1,019,408	3,088,962	1,171,110	1,917,852
REVENUES OVER (UNDER) EXPENDITURES	146,170	(554,681)	375,701	930,382
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Proceeds from sale of assets	-	-	755,819	755,819
Loan principal receipts	35,860	35,860	102,593	66,733
Transfers out	(435,000)	(685,000)	(35,000)	650,000
Total other financing sources (uses)	(399,140)	(649,140)	823,412	1,472,552
Net change in fund balance	(252,970)	(1,203,821)	1,199,113	2,402,934
FUND BALANCE:				
Beginning of the year	4,226,190	4,226,190	4,226,190	-
End of year	\$ 3,973,220	\$ 3,022,369	\$ 5,425,303	\$ 2,402,934

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	\$ 1,916
Offset to loan principal receipts:	(102,593)
Ending Fund Balance (GAAP)	<u>\$ 5,324,626</u>

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

Transportation Development Act Fund

For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 636,000	\$ 636,000	\$ 686,510	\$ 50,510
Use of money and property	3	3	-	(3)
Total revenues	636,003	636,003	686,510	50,507
EXPENDITURES:				
Current:				
Transit	636,003	636,003	686,510	(50,507)
Total expenditures	636,003	636,003	686,510	(50,507)
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
FUND BALANCE:				
Beginning of the year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

General Obligation Bond Fund

For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 445,000	\$ 445,000	\$ 442,872	\$ (2,128)
Use of money and property	8,952	8,952	8,488	(464)
Total revenues	453,952	453,952	451,360	(2,592)
EXPENDITURES:				
Debt service:				
Principal	205,000	205,000	205,000	-
Interest and fiscal charges	252,339	252,339	251,939	400
Total expenditures	457,339	457,339	456,939	400
REVENUES OVER (UNDER) EXPENDITURES	(3,387)	(3,387)	(5,579)	(2,192)
FUND BALANCE:				
Beginning of the year	1,328,974	1,328,974	1,328,974	-
End of year	\$ 1,325,587	\$ 1,325,587	\$ 1,323,395	\$ (2,192)

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	\$ (453)
Ending Fund Balance (GAAP)	\$ 1,322,942

City of Santa Cruz

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

Lease Revenue Bond Fund

For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 429,330	\$ 429,330	\$ 430,030	\$ 700
Total revenues	429,330	429,330	430,030	700
EXPENDITURES:				
Debt service:				
Principal	150,000	150,000	150,000	-
Interest and fiscal charges	278,663	278,663	278,622	41
Total expenditures	428,663	428,663	428,622	41
REVENUES OVER (UNDER) EXPENDITURES	667	667	1,408	741
Net change in fund balance	667	667	1,408	741
FUND BALANCE:				
Beginning of the year	391,275	391,275	391,275	-
End of year	\$ 391,942	\$ 391,942	\$ 392,683	\$ 741

Reconciliation between actual GAAP amounts and actual budgetary amounts:

Unrealized gain/loss in investments:	\$ (33)
Ending Fund Balance (GAAP)	\$ 392,650

INTERNAL SERVICE FUNDS

Equipment Operations - This fund is used to account for the expenses related to city-wide fleet operations and maintenance activities, including vehicles, communications equipment, and other pooled equipment. Internal contributions to support this fund are based on cost recovery through charges to user departments and funds. These charges do not include the cost of equipment replacement.

Risk Management - This fund is used to account for the expenses of the City's insurance program, including costs related to claims, administration, legal defense, and insurance premiums. Internal contributions to support this fund are based on cost recovery through charges to departments and funds. The following insurance activities are provided for in this fund:

- Workers' Compensation Insurance

- Liability Insurance

City of Santa Cruz
Combining Statement of Net Position
All Internal Service Funds
June 30, 2014

	Equipment Operations	Risk Management	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 11,513,051	\$ 11,513,051
Interest receivable	(318)	17,962	17,644
Accounts receivable - net	4,108	2,685	6,793
Due from other funds	-	15,856	15,856
Prepaid items	16,258	-	16,258
Inventories	119,818	-	119,818
Deposits	2,500	2,683,508	2,686,008
Total current assets	<u>142,366</u>	<u>14,233,062</u>	<u>14,375,428</u>
Noncurrent assets:			
Notes receivable	-	-	-
Advances to other funds	-	3,000,000	3,000,000
Capital assets:			
Machinery and equipment	601,878	8,160	610,038
Intangibles	-	-	-
Construction in progress	-	-	-
Less accumulated depreciation	(507,916)	(8,160)	(516,076)
Total capital assets (net of accumulated depreciation)	<u>93,962</u>	<u>-</u>	<u>93,962</u>
Total noncurrent assets	<u>93,962</u>	<u>3,000,000</u>	<u>3,093,962</u>
Total assets	<u>236,328</u>	<u>17,233,062</u>	<u>17,469,390</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	225,010	145,168	370,178
Due to other funds	15,856	-	15,856
Unearned revenue	-	-	-
Claims and judgments payable	-	2,759,378	2,759,378
Compensated absences payable	19,052	-	19,052
Total current liabilities	<u>259,918</u>	<u>2,904,546</u>	<u>3,164,464</u>
Noncurrent liabilities:			
Claims and judgments payable	-	7,143,875	7,143,875
Other post employment benefits	89,568	34,238	123,806
Compensated absences payable	9,526	-	9,526
Total noncurrent liabilities	<u>99,094</u>	<u>7,178,113</u>	<u>7,277,207</u>
Total liabilities	<u>359,012</u>	<u>10,082,659</u>	<u>10,441,671</u>
NET POSITION			
Net investment in capital assets	93,962	-	93,962
Unrestricted	(216,646)	7,150,403	6,933,757
Total net position	<u>\$ (122,684)</u>	<u>\$ 7,150,403</u>	<u>\$ 7,027,719</u>

City of Santa Cruz

Combining Statement of Revenues, Expenses and Changes in Net Position

All Internal Service Funds

For the year ended June 30, 2014

	Equipment Operations	Risk Management	Total
OPERATING REVENUES:			
Charges for services - internal	\$ 3,234,687	\$ 7,991,088	\$ 11,225,775
Charges for services - external	-	-	-
Other revenues	16,915	3,166	20,081
Total operating revenues	3,251,602	7,994,254	11,245,856
OPERATING EXPENSES:			
Personnel services	971,757	749,498	1,721,255
Services, supplies, and other charges	2,389,818	6,304,460	8,694,278
Depreciation and amortization	32,135	-	32,135
Total operating expenses	3,393,710	7,053,958	10,447,668
Operating income (loss)	(142,108)	940,296	798,188
NONOPERATING REVENUES (EXPENSES):			
Investment earnings	(916)	111,517	110,601
Loss on disposal of capital assets	2,530	-	2,530
Total nonoperating revenues (expenses)	1,614	111,517	113,131
Income (loss) before transfers	(140,494)	1,051,813	911,319
Transfers out	(1,452)	(323,939)	(325,391)
Total transfers	(1,452)	(323,939)	(325,391)
Change in net position	(141,946)	727,874	585,928
NET POSITION:			
Beginning of year	19,262	6,422,529	6,441,791
End of year	\$ (122,684)	\$ 7,150,403	\$ 7,027,719

City of Santa Cruz
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2014

	Equipment Operations	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ 11,445	\$ (2,685)	\$ 8,760
Cash received from interfund services provided	3,234,687	7,991,088	11,225,775
Cash payments to suppliers for goods and services	(1,826,421)	(6,279,131)	(8,105,552)
Cash payments to employees for services	(955,735)	(744,406)	(1,700,141)
Cash payments for interfund services used	(413,934)	(91,968)	(505,902)
Cash received from others	16,915	(361,721)	(344,806)
Net cash provided (used) by operating activities	66,957	511,177	578,134
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers out	(1,452)	(323,939)	(325,391)
Due from other funds	-	67,438	67,438
Due to other funds	(67,438)	-	(67,438)
Net cash provided (used) by noncapital financing activities	(68,890)	(256,501)	(325,391)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds on disposal of capital assets	2,531	-	2,531
Net cash provided (used) by capital and related financing activities	2,531	-	2,531
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest charges on cash loans	(598)	-	(598)
Interest income received	-	110,013	110,013
Net cash provided (used) by investing activities	(598)	110,013	109,415
Net increase (decrease) in cash and cash equivalents	-	364,689	364,689
CASH AND CASH EQUIVALENTS:			
Beginning of year	-	11,148,362	11,148,362
End of year	<u>\$ -</u>	<u>\$ 11,513,051</u>	<u>\$ 11,513,051</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (142,108)	\$ 940,296	\$ 798,188
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	32,135	-	32,135
Changes in current assets and liabilities:			
Accounts receivable	11,445	(2,685)	8,760
Prepaid items	(14,358)	-	(14,358)
Inventories	7,805	-	7,805
Deposits	-	(532,509)	(532,509)
Accounts payable and other current liabilities	156,016	(66,639)	89,377
Claims and judgments payable	-	167,622	167,622
Other post employment benefits payable	13,760	5,092	18,852
Compensated absences payable	2,262	-	2,262
Total adjustments	209,065	(429,119)	(220,054)
Net cash provided (used) by operating activities	\$ 66,957	\$ 511,177	\$ 578,134

Private-Purpose Trust Funds

McCaskill Trust - Local History - This fund is restricted in purpose to promulgate local history. The principal and income benefit the Library Joint Powers Authority.

McCaskill Trust - Visually Impaired - This fund is restricted in purpose to provide library materials for the visually impaired. The principal and income benefit the Library Joint Powers Authority.

Finkeldey Trust - This fund is restricted in purpose to acquire musical literature. The principal and income benefit the Library Joint Powers Authority.

Whalen Estate - Felton Branch Trust - This fund is restricted in purpose to benefit the Felton Branch of the Santa Cruz Library for capital improvements and/or new books as the library administrators shall determine.

Robert Leet - Corday Estate Trust - This fund is restricted in purpose to benefit the Santa Cruz Main Library (Central Branch).

Morley Estate - La Selva Branch Trust - This fund is restricted in purpose to benefit the La Selva Beach branch of the Santa Cruz Library system.

Hale - Scotts Valley Branch Trust - This fund is restricted in purpose to benefit the Scotts Valley branch of the Santa Cruz Library system.

Anna Gruber Living Trust - This fund is restricted in purpose to benefit the Branciforte branch of the Santa Cruz Library system.

Redevelopment Successor Agency Trust - With the dissolution of the Redevelopment Agency, their assets and liabilities were transferred to a Successor Agency. This fund is used to account for the activities of the Successor Agency as it winds down the former Redevelopment Agency obligations.

City of Santa Cruz
Combining Statement of Fiduciary Net Position
Private-Purpose Trust Funds
June 30, 2014

	Library Trust Funds	Redevelopment Successor Agency Trust	Total Private-Purpose Trust Funds
ASSETS			
Cash and cash equivalents	\$ 744,017	\$ 3,666,866	\$ 4,410,883
Restricted cash and equivalents	-	39,069,765	39,069,765
Receivables:			
Interest receivable	1,306	11,324	12,630
Grants receivable	-	7,600	7,600
Notes receivable	-	442,930	442,930
Capital assets, net of depreciation	-	10,655,144	10,655,144
Total assets	745,323	53,853,629	54,598,952
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding of debt	-	1,667	1,667
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	-	37,906	37,906
Interest payable	-	539,959	539,959
Deposits payable	-	384,878	384,878
Bonds, notes, loans and leases payable due in less than one year	-	1,906,500	1,906,500
Total current liabilities	-	2,869,243	2,869,243
Noncurrent liabilities:			
Bonds, notes, loans and leases payable due in more than one year	-	33,862,872	33,862,872
Total noncurrent liabilities	-	33,862,872	33,862,872
Total liabilities	-	36,732,115	36,732,115
DEFERRED INFLOWS OF RESOURCES			
	-	-	-
NET POSITION			
Held in trust for Library programs	745,323	-	745,323
Held in trust for RDA Successor Agency	-	17,123,181	17,123,181
Total held in trust	\$ 745,323	\$ 17,123,181	\$ 17,868,504

City of Santa Cruz
Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Funds
For the year ended June 30, 2014

	Library Trust Funds	Redevelopment Successor Agency Trust	Total Private-Purpose Trust Funds
ADDITIONS:			
Donations	\$ 2,445	\$ -	\$ 2,445
Taxes	-	3,712,089	3,712,089
Contributions for other governments	-	10,636	10,636
Use of money and property	4,851	164,756	169,607
Total additions	7,296	3,887,481	3,894,777
DEDUCTIONS:			
Library programs	27,190	-	27,190
Interest expense	-	2,186,865	2,186,865
Contractual services	-	2,177,858	2,177,858
Total deductions	27,190	4,364,723	4,391,913
Change in net position	(19,894)	(477,242)	(497,136)
NET POSITION:			
Beginning of year as restated	765,217	17,600,423	18,365,640
End of year	\$ 745,323	\$ 17,123,181	\$ 17,868,504

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Agency Funds

Library Joint Powers Authority - This fund is used to account for funds held by the City in an agency capacity for the Library Joint Powers Authority, which was established to finance the operations of the former City/County library system.

Trust Deposit Holding - This fund is used to hold cash deposits received from outside parties on a temporary basis.

Butler Scholarship Fund - This fund was established to accept donations for the families of fallen police officers.

Payroll Payables - This fund is used to account for cash transferred from various funds to pay for payroll liabilities, which are paid out of this fund.

Special Assessments - This fund is used to account for assets held by the City in an agency capacity for special assessment districts. The City acts as agent for collection of principal and interest payments from the property owners and remits these monies to the bondholders. If funds are not available, the City is under no obligation to make bond payments from its own funds.

City of Santa Cruz
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2014

	Library Joint Powers Authority	Trust Deposit Holding	Payroll Payables	Special Assessments	Total Agency Funds
ASSETS					
Cash and cash equivalents	\$ 2,656,355	\$ 484,012	\$ 1,056,088	\$ 167,352	\$ 4,363,807
Restricted cash and cash equivalents	-	-	-	20,094	20,094
Receivables:					
Accounts receivable	463,900	-	-	-	463,900
Interest receivable	5,637	114	-	329	6,080
Taxes receivable	633,128	-	-	-	633,128
Total assets	\$ 3,759,020	\$ 484,126	\$ 1,056,088	\$ 187,775	\$ 5,487,009
LIABILITIES					
Accounts payable and other current liabilities	\$ 600,308	\$ 1,832	\$ 1,056,088	\$ -	\$ 1,658,228
Due to other governments	3,158,712	-	-	-	3,158,712
Deposits payable	-	482,294	-	-	482,294
Payable to bondholders	-	-	-	187,775	187,775
Total liabilities	\$ 3,759,020	\$ 484,126	\$ 1,056,088	\$ 187,775	\$ 5,487,009

City of Santa Cruz
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2014

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<u>Library Joint Powers Authority</u>				
Assets:				
Cash and cash equivalents	\$ 2,785,854	\$ 13,524,917	\$ 13,654,416	\$ 2,656,355
Receivables:				
Accounts receivable	409,152	3,876,075	3,821,327	463,900
Interest receivable	4,506	32,130	30,999	5,637
Taxes receivable	617,302	5,333,912	5,318,086	633,128
Due from other governments	2,240	-	2,240	-
Total assets	\$ 3,819,054	\$ 22,767,034	\$ 22,827,068	\$ 3,759,020
Liabilities:				
Accounts payable and other current liabilities	\$ 322,714	\$ 3,832,894	\$ 3,555,300	\$ 600,308
Due to other governments	3,495,817	-	337,105	3,158,712
Deposit payable	523	-	523	-
Total liabilities	\$ 3,819,054	\$ 3,832,894	\$ 3,892,928	\$ 3,759,020
<u>Trust Deposit Holding</u>				
Assets:				
Cash and cash equivalents	\$ 765,416	\$ 2,005,385	\$ 2,286,789	\$ 484,012
Interest receivable	100	667	653	114
Total assets	\$ 765,516	\$ 2,006,052	\$ 2,287,442	\$ 484,126
Liabilities:				
Accounts payable and other current liabilities	\$ 403,721	\$ 1,619,218	\$ 2,021,107	\$ 1,832
Deposits payable	361,795	120,499	-	482,294
Total liabilities	\$ 765,516	\$ 1,739,717	\$ 2,021,107	\$ 484,126
<u>Payroll Payables</u>				
Assets:				
Cash and cash equivalents	\$ 1,478,833	\$ 88,974,133	\$ 89,396,878	\$ 1,056,088
Total assets	\$ 1,478,833	\$ 88,974,133	\$ 89,396,878	\$ 1,056,088
Liabilities:				
Accounts payable and other current liabilities	\$ 1,478,833	\$ 89,381,934	\$ 89,804,679	\$ 1,056,088
Total liabilities	\$ 1,478,833	\$ 89,381,934	\$ 89,804,679	\$ 1,056,088
<u>Special Assessments</u>				
Assets:				
Cash and cash equivalents	\$ 162,141	\$ 268,733	\$ 263,522	\$ 167,352
Restricted cash and cash equivalents	28,894	-	8,800	20,094
Receivables:				
Accounts receivable	-	5,040	5,040	-
Interest receivable	295	1,377	1,343	329
Taxes receivable	6,090	-	6,090	-
Total assets	\$ 197,420	\$ 275,150	\$ 284,795	\$ 187,775
Liabilities:				
Payable to bondholders	\$ 197,420	\$ -	\$ 9,645	\$ 187,775
Total liabilities	\$ 197,420	\$ -	\$ 9,645	\$ 187,775

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STATISTICAL SECTION

(Unaudited)

This part of the City 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 city's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	148
<i>These tables contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.</i>	
Revenue Capacity	156
<i>These tables contain information to help the reader assess the city's most significant local revenue source, the property tax.</i>	
Debt Capacity	164
<i>These tables present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	174
<i>These tables offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.</i>	
Operating Information	176
<i>These tables contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.</i>	

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

City of Santa Cruz
Net Position By Component
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2005	2006	2007	2008	2009
Governmental activities:					
Net investment in capital assets	\$ 139,024,926	\$ 142,216,967	\$ 144,203,036	\$ 159,910,861	\$ 173,062,939
Restricted	10,105,142	12,132,237	13,648,674	6,496,936	13,266,222
Unrestricted	18,695,330	19,428,634	24,563,381	40,206,770	31,019,984
Total governmental activities net position	\$ 167,825,398	\$ 173,777,838	\$ 182,415,091	\$ 206,614,567	\$ 217,349,145
Business-type activities:					
Net investment in capital assets	\$ 179,988,569	\$ 164,275,405	\$ 172,324,984	\$ 161,911,506	\$ 157,133,804
Restricted	704,469	-	-	-	-
Unrestricted	57,125,277	78,560,182	81,361,517	78,250,831	80,194,693
Total business-type activities net position	\$ 237,818,315	\$ 242,835,587	\$ 253,686,501	\$ 240,162,337	\$ 237,328,497
Primary government:					
Net investment in capital assets	\$ 319,013,495	\$ 306,492,372	\$ 316,528,020	\$ 321,822,367	\$ 330,196,743
Restricted	10,809,611	12,132,237	13,648,674	6,496,936	13,266,222
Unrestricted	75,820,607	97,988,816	105,924,898	118,457,601	111,214,677
Total primary government net position	\$ 405,643,713	\$ 416,613,425	\$ 436,101,592	\$ 446,776,904	\$ 454,677,642

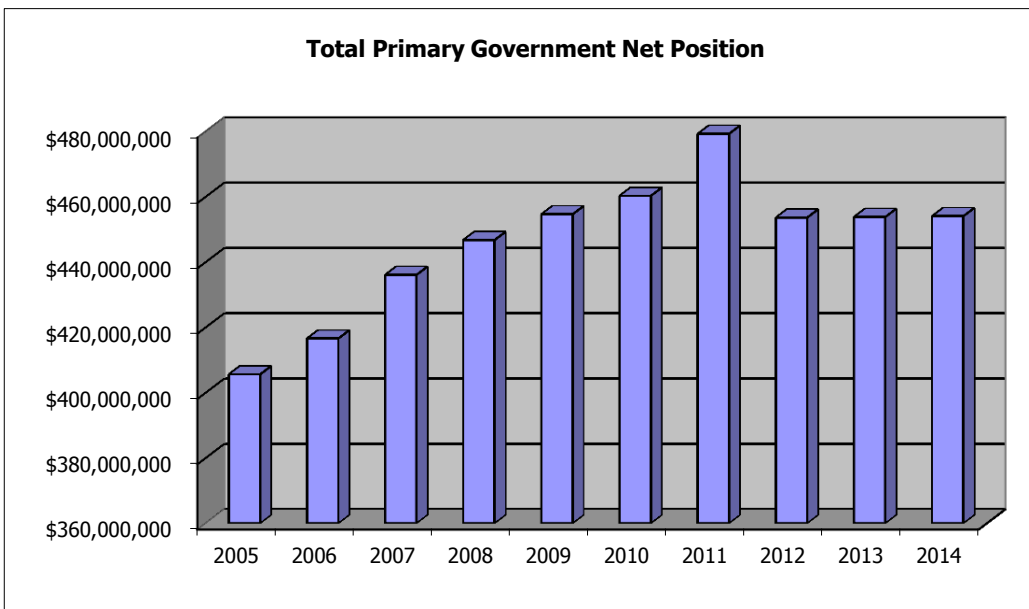


TABLE 1

Fiscal Year Ended June 30				
2010	2011	2012	2013	2014
\$ 171,223,103	\$ 178,969,796	\$173,032,837	\$168,679,595	\$168,718,849
35,549,652	64,204,364	26,810,790	26,560,061	27,924,402
12,815,139	(10,615,360)	3,719,223	9,174,380	8,836,070
<u>\$ 219,587,894</u>	<u>\$ 232,558,800</u>	<u>\$ 203,562,850</u>	<u>\$ 204,414,036</u>	<u>\$ 205,479,321</u>
\$ 163,932,427	\$ 166,037,035	\$172,502,705	\$184,194,513	\$191,011,006
-	-	-	-	-
76,794,865	80,700,421	77,577,485	65,222,752	57,607,654
<u>\$ 240,727,292</u>	<u>\$ 246,737,456</u>	<u>\$ 250,080,190</u>	<u>\$ 249,417,265</u>	<u>\$ 248,618,660</u>
\$ 335,155,530	\$ 345,006,831	\$ 345,535,542	\$ 352,874,108	\$359,729,855
35,549,652	64,204,364	26,810,790	26,560,061	27,924,402
89,610,004	70,085,061	81,296,708	74,397,132	66,443,724
<u>\$ 460,315,186</u>	<u>\$ 479,296,256</u>	<u>\$ 453,643,040</u>	<u>\$ 453,831,301</u>	<u>\$ 454,097,981</u>

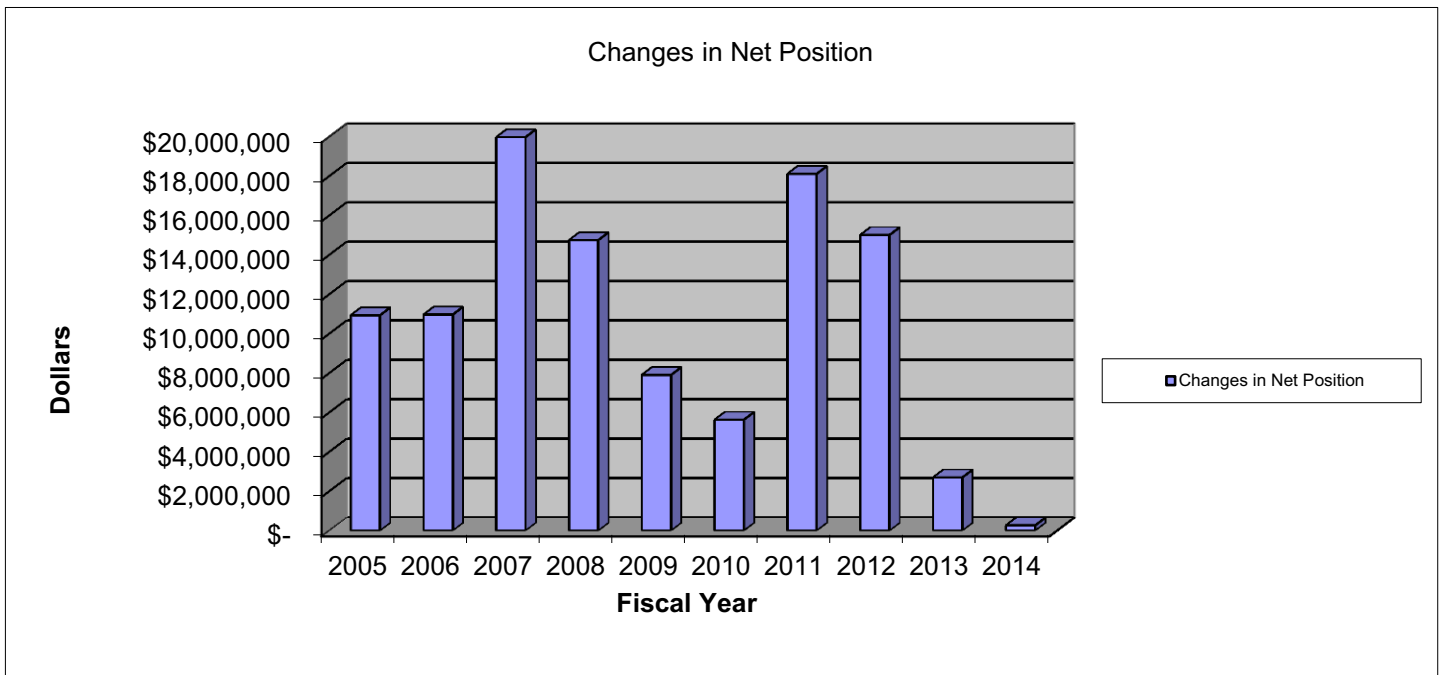
Source: City of Santa Cruz Finance Department

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City of Santa Cruz
Changes in Net Position
Last Ten Fiscal Years

TABLE 2

Fiscal Year	Primary Government Program Revenues	Primary Government Expense	Primary Government Net Operating Income	Other Revenues	Changes in Net Position
2005	\$ 85,221,979	\$ 128,123,906	\$ (42,901,927)	\$ 53,837,486	\$ 10,935,559
2006	83,029,063	129,721,269	(46,692,206)	57,661,918	10,969,712
2007	94,691,464	140,914,854	(46,223,390)	66,203,909	19,980,519
2008	104,683,871	157,367,816	(52,683,945)	67,435,357	14,751,412
2009	106,772,896	164,007,881	(57,234,985)	65,141,877	7,906,892
2010	101,741,248	157,827,428	(56,086,180)	61,717,570	5,631,390
2011	107,984,390	152,823,483	(44,839,093)	62,955,363	18,116,270
2012	101,181,830	146,340,780	(45,158,950)	60,169,398	15,010,448
2013	93,254,604	147,906,749	(54,652,145)	57,353,528	2,701,383
2014	98,644,874	157,602,020	(58,957,146)	59,223,826	266,680



Source: City of Santa Cruz Finance Department

City of Santa Cruz
Fund Balances of Governmental Funds
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2005	2006	2007	2008	2009
General Fund					
Reserved	\$ 3,870,996	\$ 4,327,113	\$ 4,006,713	\$ 6,444,005	\$ 8,938,344
Unreserved, designated	7,435,828	7,120,993	8,488,474	8,480,033	4,709,120
Unreserved, undesignated	8,729,971	11,354,586	13,924,233	10,734,911	6,877,197
Non-spendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	\$ 20,036,795	\$ 22,802,692	\$ 26,419,420	\$ 25,658,949	\$ 20,524,661
All other governmental funds					
Reserved	\$ 10,721,195	\$ 11,148,536	\$ 11,608,393	\$ 13,462,418	\$ 13,904,258
Unreserved, designated, reported in:					
Redevelopment Agency fund	6,497,637	7,958,925	9,126,250	10,883,854	12,342,630
Special revenue funds	476,904	536,451	1,053,286	1,058,197	5,511,039
Debt service funds	557,277	707,775	909,576	1,916,681	1,760,644
Capital projects funds	91,180	92,641	-	-	-
Unreserved, undesignated, reported in:					
Redevelopment Agency fund	-	-	-	-	-
Special revenue funds	3,185,320	3,341,962	2,851,774	1,834,139	(86,750)
Capital projects funds	2,196,529	281,931	(2,796,246)	(4,615,979)	(5,842,975)
Non-spendable					
Redevelopment Agency fund	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Restricted					
Redevelopment Agency fund	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Unassigned					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Total all other governmental funds	\$ 23,726,042	\$ 24,068,221	\$ 22,753,033	\$ 24,539,310	\$ 27,588,846

TABLE 3

Fiscal Year Ended June 30				
2010	2011	2012	2013	2014
\$ 7,426,665	\$ -	\$ -	\$ -	\$ -
6,240,772	-	-	-	-
9,931,127	-	-	-	-
-	3,109,265	3,137,315	6,827,901	7,581,025
-	306,299	274,091	269,242	270,196
-	6,219,767	5,652,554	1,663,978	2,342,099
-	2,861,159	3,120,928	3,978,567	18,579,309
-	13,035,365	18,020,657	21,989,130	656,775
<u>\$ 23,598,564</u>	<u>\$ 25,531,855</u>	<u>\$ 30,205,545</u>	<u>\$ 34,728,818</u>	<u>\$ 29,429,404</u>
\$ 15,310,431	\$ -	\$ -	\$ -	-
9,141,070	-	-	-	-
7,742,487	-	-	-	-
2,940,481	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(5,696,023)	-	-	-	-
-	9,253,778	8,938,854	-	-
-	3,077,319	3,238,759	10,373,014	-
-	49,524,621	-	-	-
-	9,199,195	12,624,507	14,195,882	25,668,781
-	-	273,187	270,454	269,833
-	1,739,169	1,737,754	1,720,249	1,715,592
-	(161,269)	-	-	-
-	(4,008,435)	(5,862,766)	(5,867,781)	(1,362,541)
<u>\$ 29,438,446</u>	<u>\$ 68,624,378</u>	<u>\$ 20,950,295</u>	<u>\$ 20,691,818</u>	<u>\$ 26,291,665</u>

City of Santa Cruz
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2005	2006	2007	2008	2009
Revenues					
Taxes	\$ 46,268,500	\$ 52,035,729	\$ 56,385,602	\$ 60,187,334	\$ 60,146,919
Licenses and permits	603,344	615,448	824,258	1,362,672	648,785
Intergovernmental	11,479,068	5,696,237	10,963,874	7,791,557	10,180,985
Charges for services	17,968,817	19,347,463	19,852,885	22,784,270	22,534,467
Fines and forfeitures	2,032,817	1,965,235	2,242,547	2,233,686	2,243,843
Use of money and property	2,821,174	3,234,159	4,375,345	4,383,666	3,622,287
Other revenues	686,853	1,049,925	2,464,263	3,511,076	5,978,130
Total revenues	81,860,573	83,944,196	97,108,774	102,254,261	105,355,416
Expenditures					
General government	9,390,901	9,666,858	12,261,663	14,213,634	14,571,766
Public safety	26,692,313	26,938,629	28,574,065	32,878,383	36,586,072
Parks and recreation	9,593,982	9,402,529	9,653,531	10,661,073	9,906,360
Library	8,980,823	9,250,499	9,693,097	10,298,783	10,193,470
Public works	4,248,358	4,158,916	4,940,051	10,098,042	6,757,224
Transit	586,896	624,214	646,548	727,191	629,555
Community and economic development	6,640,932	8,436,468	10,028,992	11,007,630	12,413,792
Social services	1,715,326	1,693,267	1,758,216	1,966,940	1,863,587
Capital outlay	7,846,456	11,921,789	14,867,937	12,797,416	12,441,195
Debt service:					
Principal	2,231,549	1,149,776	2,203,868	2,176,557	1,983,183
Interest and fiscal charges	966,238	921,517	1,078,832	1,466,703	1,096,330
Bond issuance costs	276,569	-	-	-	-
Total expenditures	79,170,343	84,164,462	95,706,800	108,292,352	108,442,534
Excess of revenues over (under) expenditures	2,690,230	(220,266)	1,401,974	(6,038,091)	(3,087,118)
Other financing sources (uses)					
Proceeds from asset dispositions	139,104	25,256	348,541	46,045	18,845
Proceeds from long-term debt issued	5,825,000	3,200,000	-	6,881,849	872,369
Payment of pension UAAL	-	-	-	-	-
Payment to refunded bond escrow agent	(2,571,681)	-	-	-	-
Premiums on bonds sold	23,994	-	-	-	-
Interagency transfers out	-	-	-	-	-
Transfers in	1,928,681	861,257	1,260,514	8,140,141	3,986,697
Transfers out	(1,793,079)	(758,170)	(709,489)	(8,004,138)	(3,875,545)
Total other financing sources (uses)	3,552,019	3,328,343	899,566	7,063,897	1,002,366
Extraordinary items					
Extraordinary (loss) on dissolution of Redevelopment Agency	-	-	-	-	-
Total extraordinary items	-	-	-	-	-
Net change in fund balances	\$ 6,242,249	\$ 3,108,077	\$ 2,301,540	\$ 1,025,806	\$ (2,084,752)
Total Expenditures	\$ 79,170,343	\$ 84,164,462	\$ 95,706,800	\$ 108,292,352	\$ 108,442,534
Capitalized Portion of Capital Outlay	6,133,671	9,640,997	9,472,154	12,864,636	5,893,403
Total Non-Capitalized Expenditures	\$ 85,304,014	\$ 93,805,459	\$ 105,178,954	\$ 121,156,988	\$ 114,335,937
Debt Service: Principal & Interest	\$ 3,197,787	\$ 2,071,293	\$ 3,282,700	\$ 3,643,260	\$ 3,079,513
Debt service as a percentage of noncapital expenditures	3.7%	2.2%	3.1%	3.0%	2.7%

Source: City of Santa Cruz Finance Department

TABLE 4

Fiscal Year Ended June 30					
2010	2011	2012	2013	2014	
\$ 58,525,663	\$ 61,263,165	\$ 57,925,996	\$ 55,926,830	\$ 57,551,029	
540,411	585,203	676,571	886,624	846,682	
8,027,826	14,480,708	13,199,139	6,080,208	9,766,514	
21,208,258	21,070,349	12,446,605	13,890,562	12,279,247	
2,323,831	2,110,367	1,910,212	1,818,773	1,985,697	
5,367,701	5,588,449	5,702,503	5,086,850	5,473,973	
2,300,685	1,453,422	3,425,067	782,281	2,008,232	
98,294,375	106,551,663	95,286,093	84,472,128	89,911,374	
13,765,834	13,562,217	14,468,366	15,453,481	15,486,989	
33,911,383	32,884,543	32,791,088	33,998,273	36,713,253	
8,309,864	8,046,410	8,739,970	9,575,209	10,874,354	
8,912,467	8,906,153	1,394,751	1,394,751	1,394,751	
5,063,048	5,361,046	5,538,535	5,953,127	6,939,421	
594,976	543,153	576,640	605,772	686,510	
12,667,881	11,378,345	5,819,128	1,915,903	2,379,854	
1,258,798	1,296,584	1,027,172	1,438,278	1,485,470	
5,976,322	14,078,633	13,833,567	6,784,481	10,637,976	
2,492,713	1,563,973	3,145,674	1,985,754	2,135,072	
1,314,084	1,667,523	3,011,185	1,748,987	1,693,341	
-	1,563,315	-	-	-	
94,267,370	100,851,895	90,346,076	80,854,016	90,426,991	
4,027,005	5,699,768	4,940,017	3,618,112	(515,617)	
372,514	15,000	13,486	235,695	831,539	
6,995,000	63,710,000	-	249,526	-	
-	(22,989,831)	-	-	-	
(6,776,051)	(3,682,602)	-	-	-	
30,757	4,070	-	-	-	
-	(372,059)	-	-	-	
4,695,468	9,029,883	4,201,330	3,298,296	9,448,854	
(4,421,190)	(11,159,806)	(4,146,292)	(3,136,833)	(9,464,343)	
896,498	34,554,655	68,524	646,684	816,050	
-	-	(48,008,934)	-	-	
-	-	(48,008,934)	-	-	
\$ 4,923,503	\$ 40,254,423	\$ (43,000,393)	\$ 4,264,796	\$ 300,433	
\$ 94,267,370	\$ 100,851,895	\$ 90,346,076	\$ 80,854,016	\$ 90,426,991	
3,301,244	13,482,741	10,764,058	4,614,839	6,756,244	
\$ 97,568,614	\$ 114,334,636	\$ 101,110,134	\$ 85,468,855	\$ 97,183,235	
\$ 3,806,797	\$ 3,231,496	\$ 6,156,859	\$ 3,734,741	\$ 3,828,413	
3.9%	2.8%	6.1%	4.4%	3.9%	

City of Santa Cruz

General Governmental Tax Revenues by Source¹

Last Ten Fiscal Years

Fiscal Year Ended June 30	Property	Sales and Use	Franchise	Transient Occupancy	Utility Users	Admission
2005	\$ 16,501,921	\$ 11,383,231 ⁴	\$ 3,478,971	\$ 3,067,869	\$ 8,080,171	\$ 1,629,164
2006	22,348,981 ⁵	11,738,917	2,136,686	3,385,148	8,304,371	1,715,133
2007	24,593,312	12,770,015 ⁶	2,607,388	3,750,509	8,288,655	1,909,012
2008	26,297,145	14,665,124	2,911,919	3,685,248	8,725,383	1,964,404
2009	27,270,166	13,513,829	2,972,281	3,723,788	9,213,119	1,877,431
2010	26,385,089	12,668,746	2,919,351	3,860,757	8,694,665	1,922,757
2011	26,699,227	13,649,822	2,905,127	4,227,710	9,581,147	2,029,176
2012	20,950,329 ¹⁰	13,838,216	3,017,332	4,739,362	10,731,900	2,126,484
2013	16,840,125	14,925,305	2,949,193	5,558,666	10,729,366	2,298,767
2014	16,481,343	15,679,768	2,875,933	7,096,947	10,465,335	2,274,117

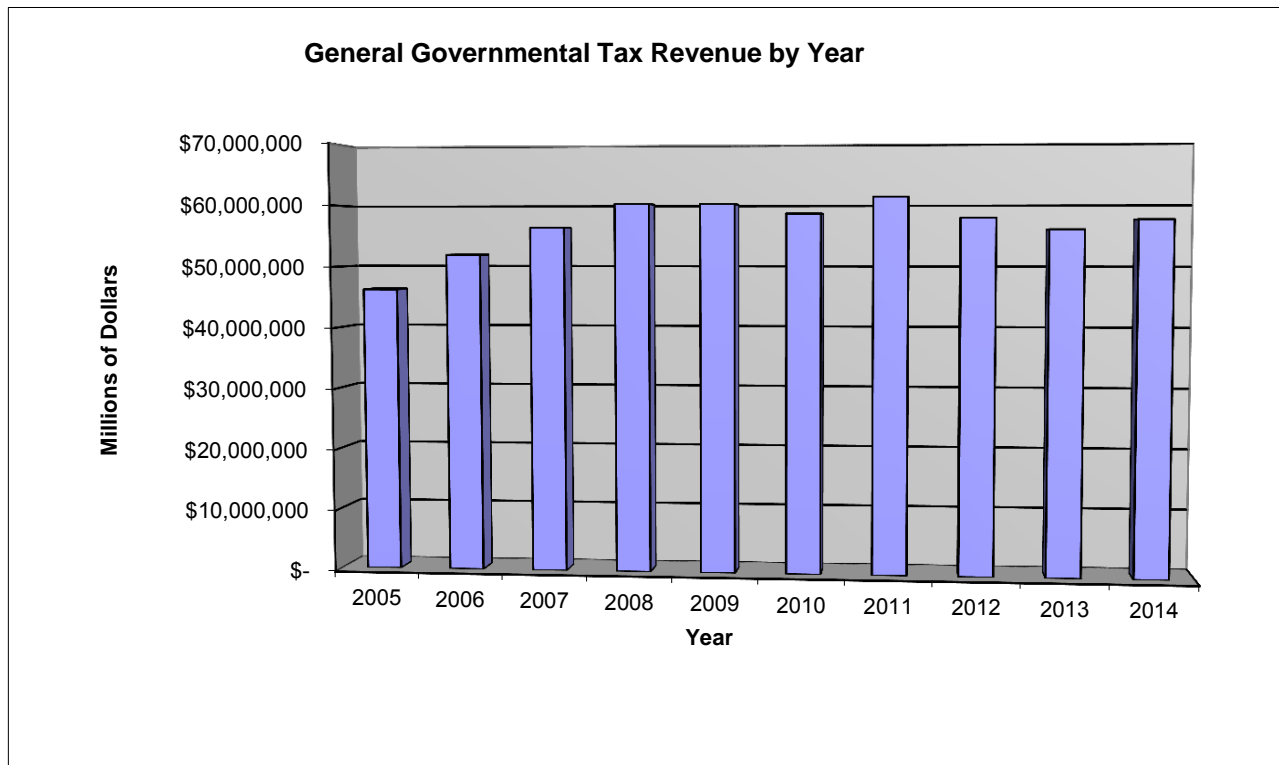


TABLE 5

Clean River, Beaches & Ocean	Parking	Business Improvement ²	Property Transfer	Business License ³	Parks and Recreation Facilities	Tourism Marketing District Assessment (Less payout)	Total
\$ -	\$ 221,790	\$ 292,422	\$ 325,305	\$ 777,308	\$ 510,348	\$ -	\$ 46,268,500
-	229,629	316,742	562,723	777,068	417,202	-	51,932,600
-	264,510	330,614	641,579	787,225	442,783	-	56,385,602
-	265,594	320,518	233,679	770,837	347,483	-	60,187,334
-	266,581	318,299	- ⁷	769,232	222,193	-	60,146,919
618,752 ⁸	286,489	310,609	- ⁷	748,672	196,254	-	58,612,141
619,663	326,471	355,556	- ⁷	723,897	158,304	19,341 ⁹	61,295,441
621,670	422,104	358,682	60,079	870,708	75,261	124,120	57,936,247
621,051	450,191	379,537	269,340	871,329	163,690	12,375	56,068,935
625,544	489,792	390,025	261,343	885,892	285,743	(155,436)	57,656,346

Notes:

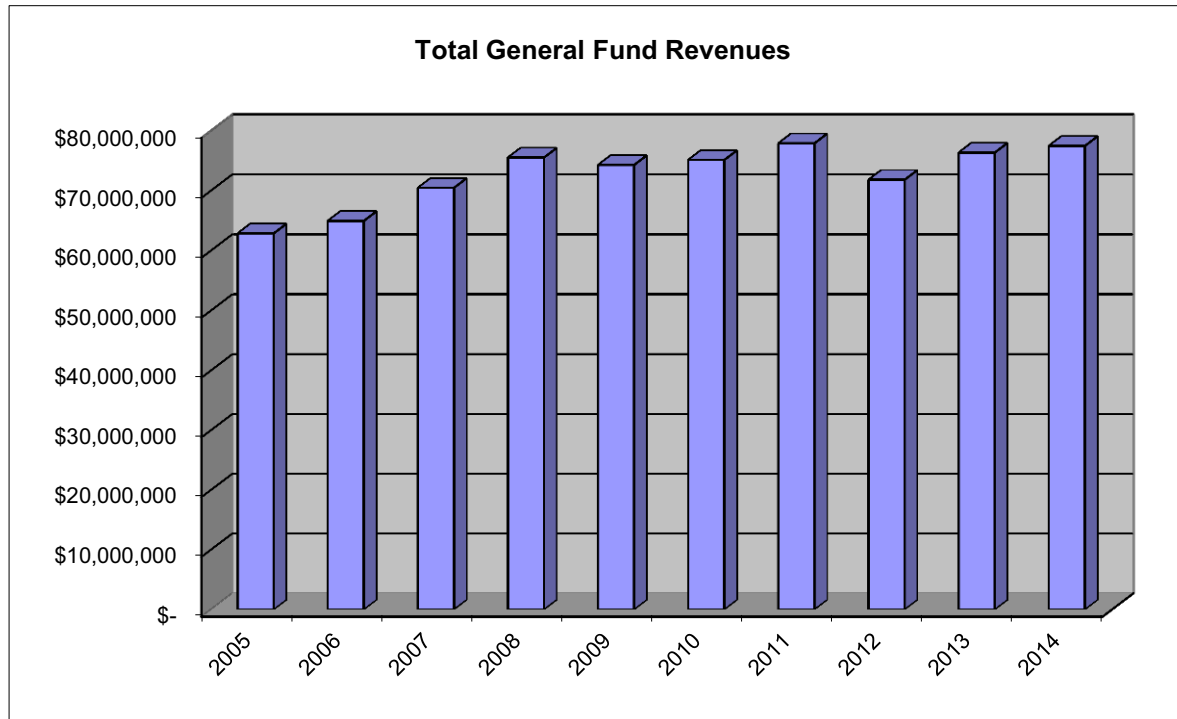
- 1 This table includes all governmental fund types.
- 2 Beginning with fiscal year 2003, business improvement taxes include the Co-op Retail Management Business Real Property Improvement District.
- 3 Prior to fiscal year 2003, business license taxes were shown in Permits and Licenses.
- 4 A new quarter-cent sales tax override was implemented in fiscal year 2005. This was replaced by a permanent half-
- 5 Beginning in fiscal year 2006, property taxes include amounts for Property Taxes In Lieu of Vehicle License Fees.
- 6 A new permanent quarter-cent sales tax override was implemented in fiscal year 2007. In addition, the temporary quarter-cent sales tax override previously implemented in fiscal year 2005 was made permanent in fiscal year 2007.
- 7 The County of Santa Cruz overpaid Property Transfer Taxes to the City in FYE 2007. The County will not remit Property Transfer Tax to the City until they recoup the overpaid portion which will be approximately 2011 or 2012 depending on taxes received on Real Property Sales.
- 8 Clean River, Beaches & Ocean Parcel tax is new to fiscal year 2010.
- 9 Tourism Marketing District Assessment tax is new to fiscal year 2011.
- 10 Property tax decline due to Redevelopment Agency dissolution

Source: City of Santa Cruz Finance Department

City of Santa Cruz
General Fund Revenues by Source
Last Ten Fiscal Years

TABLE 6

Fiscal Year Ended June 30	Taxes	Licenses and Permits	Inter-Governmental	Charges for Services	Fines and Forfeitures	Use of Money and Property	Other Revenues	Total
2005	\$ 34,384,206	\$ 603,344	\$ 5,465,642	\$ 17,799,213	\$ 2,022,779	\$ 2,333,922	\$ 276,565	\$ 62,885,671
2006	39,495,863	615,448	1,073,997	19,062,464	1,962,697	2,541,909	216,721	64,969,099
2007	42,837,408	824,258	1,563,745	19,786,417	2,218,082	3,061,718	187,732	70,479,360
2008	45,809,387	935,191	854,975	22,559,336	2,123,686	3,062,604	198,312	75,543,491
2009	45,830,628	648,785	580,477	21,574,770	2,243,843	2,772,858	646,573	74,297,934
2010	44,317,335	540,411	1,363,794	21,044,223	2,321,756	4,853,186	698,526	75,139,231
2011	47,258,855	585,203	1,690,519	20,856,471	2,094,246	4,950,464	477,169	77,912,927
2012	49,513,758	676,571	1,880,388	12,403,522	1,892,336	5,084,755	377,081	71,828,411
2013	54,713,203	886,624	493,617	13,569,748	1,818,773	4,541,253	340,839	76,364,057
2014	56,196,870	846,682	989,769	12,214,540	1,985,697	4,810,654	441,432	77,485,644



Notes:

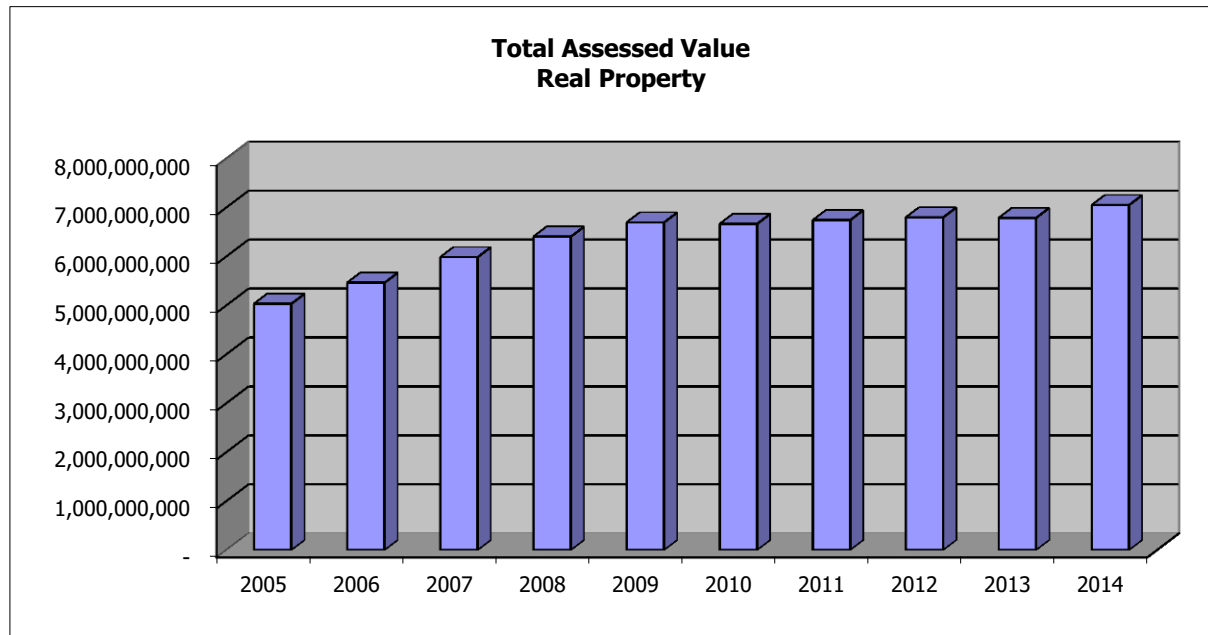
Beginning in fiscal year 2003, charges for personnel services provided to the Library Joint Powers Authority were included in General Fund charges for services, as well as charges for interfund personnel services provided. However, in fiscal year 2012, the personnel services were charged directly to the Library Joint Powers Authority. Also, prior to fiscal year 2003, business license taxes were shown in licenses and permits.

Source: City of Santa Cruz Finance Department

City of Santa Cruz
Assessed Value of Taxable Property
Last Ten Fiscal Years

TABLE 7

Fiscal Year Ended June 30	Real Property					Personal Property	Total Assessed Value	Total Direct Tax Rate
	Residential	Commercial	Other	Total				
	2005	4,150,085,545	755,991,976	126,848,221	5,032,925,742			
2006	4,563,844,105	788,484,799	110,751,935	5,463,080,839	216,627,737	5,679,708,576	0.009%	
2007	5,032,785,543	841,223,841	112,527,378	5,986,536,762	219,805,452	6,206,342,214	0.009%	
2008	5,334,777,709	911,303,678	159,469,219	6,405,550,606	222,004,469	6,627,555,075	0.009%	
2009	5,697,835,412	905,963,091	91,806,266	6,695,604,769	219,837,712	6,915,442,481	0.009%	
2010	5,651,710,121	945,600,128	69,156,139	6,666,466,388	236,636,812	6,903,103,200	0.006%	
2011	5,560,892,100	1,110,098,837	70,310,658	6,741,301,595	212,766,323	6,954,067,918	0.006%	
2012	5,588,544,103	1,136,631,529	71,720,126	6,796,895,758	195,024,831	6,991,920,589	0.006%	
2013	5,601,358,465	1,114,615,266	71,691,147	6,787,664,878	192,825,384	6,980,490,262	0.006%	
2014	5,807,549,689	886,173,344	356,652,877	7,050,375,910	193,487,470	7,243,863,380	0.006%	



Notes:

This table has been adjusted to reflect fiscal year assessed values.

Total Direct Tax Rate is from Table 8.

With

City of Santa Cruz
Direct and Overlapping Property Tax Rates¹
Last Ten Fiscal Years

TABLE 8

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Direct Rates:										
Debt service	\$ 0.009	\$ 0.009	\$ 0.009	\$ 0.009	\$ 0.009	\$ 0.006	\$ 0.006	\$ 0.006	\$ 0.006	\$ 0.006
Total Direct Rate	0.009	0.009	0.009	0.009	0.009	0.006	0.006	0.006	0.006	0.006
Overlapping Rates ² :										
County ³	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
School Districts:										
Cabrillo College	0.038	0.037	0.024	0.030	0.033	0.036	0.036	0.039	0.040	0.040
Santa Cruz Schools	0.068	0.081	0.027	0.037	0.044	0.061	0.047	0.052	0.053	0.047
Bonny Doon Schools	0.033	0.029	0.023	0.025	0.023	0.029	0.026	0.025	0.026	0.025
Live Oak Schools	0.042	0.043	0.052	0.048	0.048	0.049	0.052	0.053	0.055	0.054
Scotts Valley Schools	0.054	0.050	0.044	0.043	0.043	0.045	0.046	0.046	0.048	0.046
Total Overlapping Rate	1.235	1.240	1.170	1.183	1.191	1.220	1.207	1.215	1.222	1.212
Total Direct and Overlapping Rate	\$ 1.244	\$ 1.249	\$ 1.179	\$ 1.192	\$ 1.200	\$ 1.226	\$ 1.213	\$ 1.221	\$ 1.228	\$ 1.218

Notes:

- 1 Rates are per \$100.00 of assessed value.
- 2 Overlapping rates are those of entities that apply to property owners within the City of Santa Cruz. Not all overlapping rates apply to all property owners (e.g., the rates for school districts apply only to the proportion of the city's property owners whose property is located within the geographic boundaries of the school district).
- 3 The passage of a constitutional amendment (Proposition 13) in June 1978 limits the property tax rate to a base of \$1.00 per \$100.00. The \$1.00 rate is levied by the County and apportioned to local agencies according to a formula perscribed by the California legislature.

Source: County of Santa Cruz Auditor - Controller's Office

City of Santa Cruz
Principal Property Tax Owners
Current Year and Nine Years Ago

TABLE 9

Tax Owner	2014			2005		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Percentage of Total Assessed Valuation	
Santa Cruz Seaside Company	\$ 49,827,331	1	16.67%	\$ 41,169,539	0.784%	
Silicon Systems Inc				18,271,785	0.348%	
Sequoia Equities-Cyress Point Etal				34,253,646	0.652%	
S C Beach Hotel Partners, LLC	42,521,437	2	14.23%	-		
Cypress Point RE Investors, LLC	41,220,400	3	13.79%	-		
Santa Cruz Shaffer Road Investors	35,173,514	4	11.77%	26,944,133	0.513%	
Regents of the University of California	-			-		
Frederick Electronics Corporation	-			19,062,409	0.363%	
Costco	-			-		
Safeway Inc	-			-		
1010 Pacific Investors	24,010,575	5	8.03%	-		
222 Columbia St. LLC	22,331,109	6	7.47%	-		
University Business Park LLC	21,805,459	7	7.30%	-		
BPR PROPERTIES UCSC LLC	-			-		
Santa Cruz Hotel, LLC	-			22,183,650	0.423%	
Cooper House, LLC	-			18,410,406	0.351%	
The Price Company/Costco Wholesale	-			15,469,720	0.295%	
Canfiels Laurel & Pacific Ltd Partnership	21,004,550	8	7.03%	23,173,241	0.441%	
Essex Chestnut Apartments LP	20,959,524	9	7.01%	-		
Harmony Partners LLC	19,974,345	10	6.68%	17,963,202	0.342%	
Scholz Management L.P.	-			-		
Encinal Parternship No 1	-			-		
Totals	\$ 298,828,244			\$ 236,901,731	4.512%	
Total assessed value	\$ 452,905,718			\$ 5,250,364,937		

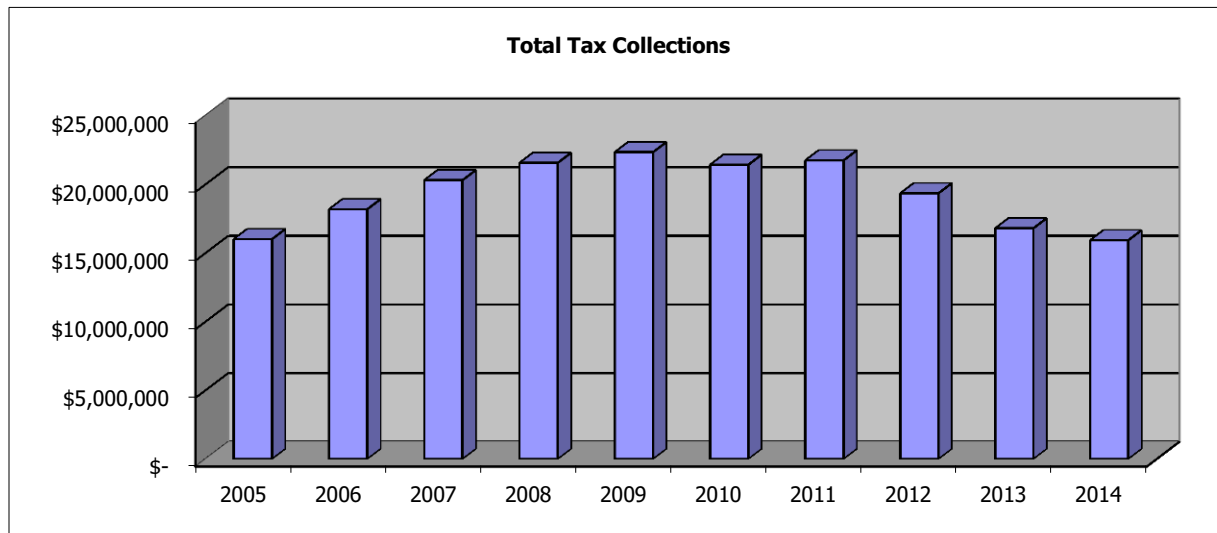
Source: HDL

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City of Santa Cruz
Property Tax Levies and Collections¹
Last Ten Fiscal Years

TABLE 10

Fiscal Year Ended June 30	Total Tax Levy ²	Current Tax Collections ²	Percent of Levy Collected	Delinquent Tax Collections ³	Total Tax Collections	Total Collections as Percent of Current Levy	Outstanding Delinquent Taxes ³	Outstanding Delinquent Taxes as Percent of Current Levy
2005	\$ 16,013,591	\$ 16,013,591	100.0%	\$ -	\$ 16,013,591	100.0%	\$ -	-
2006	18,191,952	18,191,952	100.0%	-	18,191,952	100.0%	-	-
2007	20,310,069	20,310,069	100.0%	-	20,310,069	100.0%	-	-
2008	21,573,114	21,573,114	100.0%	-	21,573,114	100.0%	-	-
2009	22,350,357	22,350,357	100.0%	-	22,350,357	100.0%	-	-
2010	21,428,058	21,428,058	100.0%	-	21,428,058	100.0%	-	-
2011	21,752,605	21,752,605	100.0%	-	21,752,605	100.0%	-	-
2012	19,356,723	19,356,723	100.0%	-	19,356,723	100.0%	-	-
2013	16,806,695	16,806,695	100.0%	-	16,806,695	100.0%	-	-
2014	15,933,154	15,933,154	100.0%	-	15,933,154	100.0%	-	-



Notes:

- 1 This table includes levies and collections for the Redevelopment Agency.
- 2 Does not include amounts for Property Taxes in Lieu of Vehicle License Fees
- 3 Because it adopted a new method of distributing property taxes (commonly referred to as the "Teeter Plan"), the County is now responsible for all delinquent secured property taxes.

Source: County of Santa Cruz Auditor-Controller's Office
 City of Santa Cruz Finance Department

City of Santa Cruz
Ratios of Outstanding Debt By Type
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2005	2006	2007	2008	2009
Governmental Activities:					
General obligation bonds	\$ 7,183,381	\$ 7,126,075	\$ 7,055,866	\$ 6,972,334	\$ 6,875,031
Pension obligation bonds					
Tax allocation bonds	5,245,000	5,125,000	5,005,000	4,880,000	4,750,000
Revenue bonds payable			-	6,880,000	6,755,000
Certificates of participation	4,377,108	4,239,123	4,096,139	3,945,290	3,791,577
Capital leases	1,766,635	1,247,913	965,627	819,608	668,306
Notes	1,334,942	4,205,026	2,920,485	1,469,685	293,055
Other	1,029,804	944,836	851,581	754,069	161,526
Total Governmental Activities	20,936,870	22,887,973	20,894,698	25,720,986	23,294,495
Business-type Activities:					
Wastewater revenue bonds	4,680,000	4,715,000	4,510,000	4,310,000	4,100,000
Storm water revenue bonds	-	6,100,000	5,940,000	5,770,000	5,595,000
Water revenue bonds	-	12,450,000	12,150,000	11,930,000	11,700,000
Refuse revenue bonds	-	-	-	-	-
Parking Revenue bonds					
Golf course revenue bonds	-	-	-	-	-
Certificates of Participation	28,662,892	20,915,877	19,183,861	17,384,710	16,078,423
Leases	3,108,344	3,145,352	3,514,756	2,484,435	1,685,427
Notes	40,240,469	37,822,337	35,337,269	32,783,456	30,158,849
Total Business-type Activities	76,691,705	85,148,566	80,635,886	74,662,601	69,317,699
Total Primary Government	\$ 97,628,575	\$ 108,036,539	\$ 101,530,584	\$ 100,383,587	\$ 92,612,194
Personal income ¹	\$ 2,247,596,565	\$ 2,365,518,375	\$ 2,638,747,497	\$ 2,785,524,375	\$ 2,851,012,934
Debt as percentage of personal income	4.34%	4.57%	3.85%	3.60%	3.25%
Population ²	56,451	56,925	57,553	58,125	58,982
Debt per capita	1,729	1,898	1,764	1,727	1,570
Assessed value ³	5,250,364,937	5,679,708,576	6,206,342,214	6,627,555,075	6,915,442,481
Debt as percentage of assessed value	1.86%	1.90%	1.64%	1.51%	1.34%

Notes:

1 Personal income is calculated based on data from the US Department of Commerce, Bureau of Economic Analysis (refer to Table 16).

Source: ²State Department of Finance

³County of Santa Cruz Assessor's Office

City of Santa Cruz Finance Department

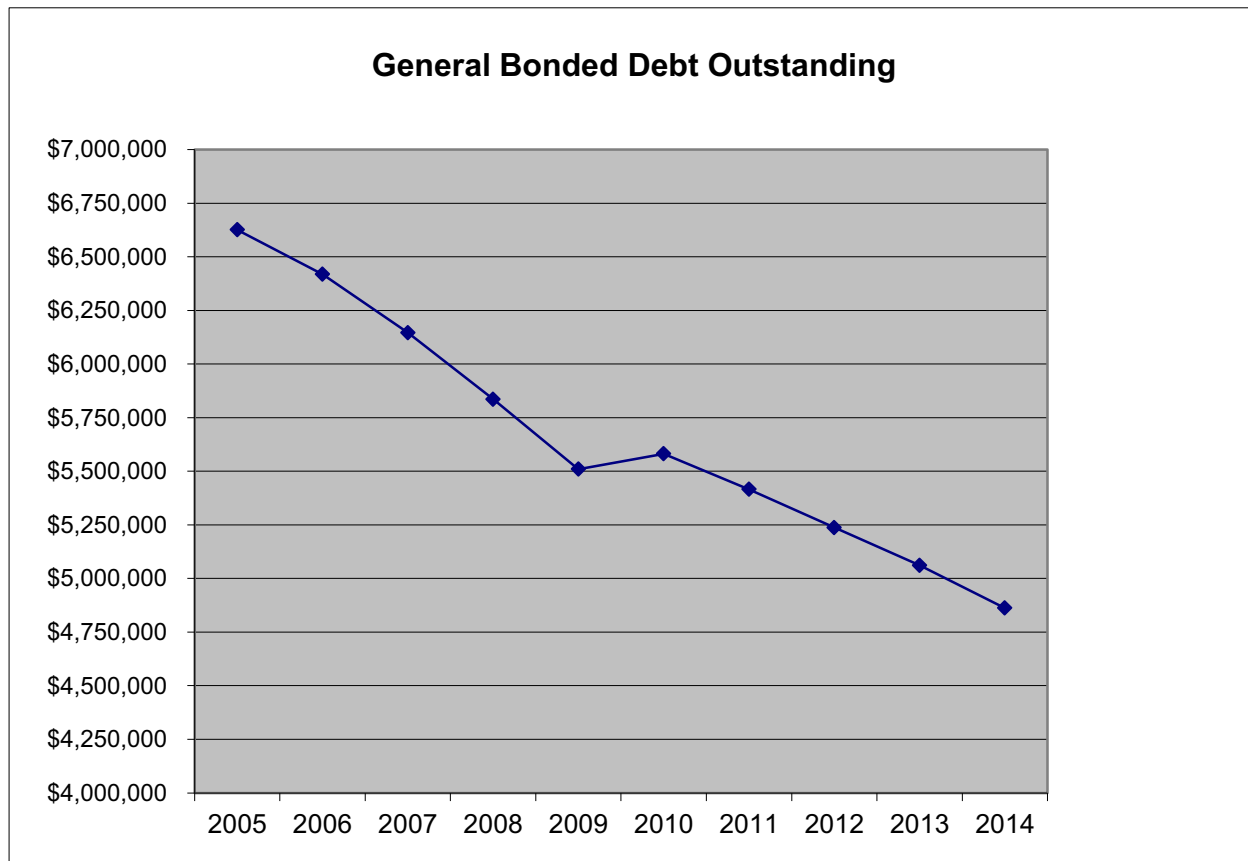
TABLE 11

Fiscal Year Ended June 30				
2010	2011	2012	2013	2014
\$ 6,995,000	\$ 6,760,000	\$ 6,580,000	\$ 6,390,000	\$ 6,185,000
	23,340,000	21,870,000	20,425,000	18,860,000
4,620,000	40,235,000	39,260,000	37,560,000	35,760,000
6,625,000	10,175,000	9,890,000	9,600,000	9,300,000
3,630,000	-	-	-	-
511,525	474,844	436,460	390,784	344,427
20,000	14,157	-	234,449	215,735
110,519	57,385	-	-	-
<u>22,512,044</u>	<u>81,056,386</u>	<u>78,036,460</u>	<u>74,600,233</u>	<u>70,665,162</u>
3,890,000	3,670,000	3,445,000	3,215,000	-
5,410,000	5,220,000	5,025,000	4,825,000	4,620,000
11,460,000	11,210,000	10,950,000	10,680,000	10,400,000
-	3,755,000	3,490,000	3,185,000	2,870,000
	5,180,000	4,940,000	4,695,000	4,445,000
-	-	-	-	-
6,555,000	3,110,000	3,000,000	-	-
7,762,701	1,415,217	862,197	521,060	171,096
30,364,576	27,436,062	24,601,653	24,285,784	5,286,731
<u>65,442,277</u>	<u>60,996,279</u>	<u>56,313,850</u>	<u>51,406,844</u>	<u>27,792,827</u>
<u>\$ 87,954,321</u>	<u>\$ 142,052,665</u>	<u>\$ 134,350,310</u>	<u>\$ 126,007,077</u>	<u>\$ 98,457,989</u>
\$ 3,052,239,760	\$ 2,946,046,170	\$ 2,937,224,595	\$ 3,326,920,480	\$ 3,326,920,480
2.88%	4.82%	4.57%	3.79%	2.96%
59,684	59,946	61,955	62,372	63,440
1,474	2,370	2,169	2,020	1,552
6,903,103,200	6,954,067,918	6,991,920,559	6,980,490,262	7,243,863,380
1.27%	2.04%	1.92%	1.81%	1.36%

City of Santa Cruz
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

TABLE 12

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amount Available in Debt Service Fund	Total	Percentage of Assessed Value	Debt Per Capita	Assessed Value ¹	Population ²
2005	\$ 7,183,381	\$ 557,277	\$ 6,626,104	0.13%	\$ 117	\$5,250,364,937	56,451
2006	7,126,075	707,777	6,418,298	0.11%	113	5,679,708,576	56,925
2007	7,055,866	909,576	6,146,290	0.10%	107	6,206,342,214	57,553
2008	6,972,334	1,136,665	5,835,669	0.09%	100	6,627,555,075	58,125
2009	6,875,031	1,365,489	5,509,542	0.08%	93	6,915,442,481	58,982
2010	6,995,000	1,413,338	5,581,662	0.08%	94	6,903,103,200	59,684
2011	6,760,000	1,344,043	5,415,957	0.08%	91	6,954,067,918	59,684
2012	6,580,000	1,342,513	5,237,487	0.08%	85	6,991,920,559	61,955
2013	6,390,000	1,328,974	5,061,026	0.07%	81	6,980,490,262	62,372
2014	6,185,000	1,322,942	4,862,058	0.07%	77	7,243,863,380	63,440



Source: ¹County of Santa Cruz Assessor's Office
²State Department of Finance
City of Santa Cruz Finance Department

City of Santa Cruz
Computation of Direct and Overlapping Debt
June 30, 2014

TABLE 13

2013-2014 Assessed Valuation

\$ 7,243,863,380

	Total Debt Outstanding	Percentage Applicable to City ⁽¹⁾	Amount Applicable to City
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Cabrillo Joint Community College District	\$ 142,085,825	21.092%	\$ 29,955,954
Santa Cruz High School District	37,844,863	45.632%	17,269,286
Santa Cruz Elementary School District	18,831,950	95.274%	17,941,952
Live Oak School District	15,827,586	41.000%	64,893
Scotts Valley Unified School District	15,145,000	0.014%	2,120
City of Santa Cruz	6,185,000	100.000%	6,185,000
City of Santa Cruz 1915 Act Bonds	250,000	100.000%	250,000
Total Direct and Overlapping Tax and Assessment Debt	\$ 236,170,224		\$ 71,669,205
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Santa Cruz County Certificates of Participation	73,234,084	21.264%	15,572,496
Santa Cruz County Office of Education Certificates of Participation	10,440,000	21.264%	2,219,962
Cabrillo Joint Community College District Certificates of Participation	1,215,000	21.083%	256,158
Scotts Valley Unified School District Certificates of Participation	3,630,000	0.014%	508
Santa Cruz City Schools Certificates of Participation	5,751,000	45.632%	2,624,296
Live Oak School District Certificates of Participation	15,127,892	41.000%	62,024
City of Santa Cruz General Fund Obligations	16,465,331	100.000%	16,465,331
City of Santa Cruz-Share of County Emergency Center	540,639	100.000%	540,639
City of Santa Cruz Pension Obligations	18,860,000	100.000%	18,860,000
Total Direct and Overlapping General Fund Debt	145,263,946		56,601,414
<u>OVERLAPPING TAX INCREMENT DEBT</u>	35,760,000	100.000%	35,760,000
TOTAL DIRECT DEBT			42,050,970
TOTAL OVERLAPPING DEBT			121,979,649
Combined Total Debt	\$ 381,434,170		\$ 164,030,619 ⁽²⁾

Notes:

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the city. The method of calculation is the assessed valuation of the overlapping district's assessed valuation that is within the city and divide it by the total assessed valuation of the overlapping district. Then multiply this percentage by the total debt outstanding for the overlapping district to get the city's share of the debt.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2012-13 Assessed Valuation:

Direct Debt (\$6,390,000)	0.09%
Total Direct and Overlapping Tax and Assessment Debt	0.99%
Total Direct Debt (\$44,575,644)	0.58%
Combined Total Debt	2.26%

Ratios to Incremental Valuation (\$1,336,396,954)

Total Overlapping Tax Increment Debt	2.68%
--------------------------------------	-------

Source: California Municipal Statistics, Inc.

City of Santa Cruz
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year Ended June 30			
	2005	2006	2007	2008
Debt limit	\$ 787,554,741	\$ 851,956,286	\$ 930,951,332	\$ 994,133,261
Total net debt applicable to limit	6,626,104	6,418,298	6,146,290	11,951,626
Legal debt margin	\$ 780,928,637	\$ 845,537,988	\$ 924,805,042	\$ 982,181,635
Total net debt applicable to the limit as a percentage of debt limit	0.84%	0.75%	0.66%	1.20%

Notes:

Section 1418 of the Charter of the City of Santa Cruz limits general obligation bond indebtedness to 15% of the total assessed valuation of all real personal property within the City.

Source: County of Santa Cruz Auditor-Controller's Office
City of Santa Cruz Finance Department

Fiscal Year Ended June 30					
2009	2010	2011	2012	2013	2014
\$ 1,037,316,372	\$ 258,866,370	\$ 260,777,547	\$ 262,197,021	261,768,385	271,644,877
11,791,622	5,931,658	5,415,957	5,237,487	5,061,026	4,862,058
<u>\$ 1,025,524,750</u>	<u>\$ 252,934,712</u>	<u>\$ 255,361,590</u>	<u>\$ 256,959,534</u>	<u>\$ 256,707,359</u>	<u>266,782,819</u>
1.14%	2.29%	2.08%	2.00%	1.93%	1.79%

Legal Debt Margin Calculation For Fiscal Year 2013-14:

Total assessed value	\$7,243,863,380
Debt limit (3.75% of total assessed value)	271,644,877
Debt applicable to limit:	
General obligation bonds (reported at accreted value)	6,185,000
Less: Amount available in debt service fund for repayment of bonds	<u>1,322,942</u>
Total net debt applicable to limit	<u>4,862,058</u>
Legal debt margin	<u>\$ 266,782,819</u>

City of Santa Cruz
Pledged-Revenue Coverage
Last Ten Fiscal Years

	Fiscal Year Ended June 30			
	2005	2006	2007	2008
Wastewater Revenue Bonds:				
Wastewater charges and other	\$ 12,578,070	\$ 12,394,292	\$ 13,194,297	\$ 14,510,460
Less: operating expenses	9,964,418	8,591,034	8,652,114	10,162,410
Net available revenue	2,613,652	3,803,258	4,542,183	4,348,050
Debt service:				
Principal	140,000	150,000	205,000	200,000
Interest	264,733	256,233	177,386	171,311
Total	404,733	406,233	382,386	371,311
Coverage	6.46	9.36	11.88	11.71
Water Revenue Bonds:				
Water charges and other	\$ -	\$ 18,692,531	\$ 21,116,648	\$ 23,780,039
Less: operating expenses	-	11,775,892	12,478,247	14,477,076
Net available revenue	-	6,916,639	8,638,401	9,302,963
Debt service:				
Principal	-	-	300,000	220,000
Interest	-	121,517	516,277	539,422
Total	-	121,517	816,277	759,422
Coverage	-	56.92	10.58	12.25
Storm Water Revenue Bonds:				
Storm Water charges and other	\$ -	\$ -	\$ 838,920	\$ 876,943
Less: operating expenses	-	-	236,769	570,398
Net available revenue	-	-	602,151	306,545
Debt service:				
Principal	-	-	160,000	170,000
Interest	-	-	235,985	228,722
Total	-	-	395,985	398,722
Coverage	-	-	1.52	0.77
Certificates of Participation:				
Special assessments and other	\$ 13,121,028	\$ 13,218,521	\$ 13,289,170	\$ 14,647,763
Less: operating expenses	11,350,148	9,859,552	8,947,378	12,217,661
Net available revenue	1,770,880	3,358,969	4,341,792	2,430,102
Debt service:				
Principal	720,000	755,000	785,000	950,367
Interest	487,153	457,327	426,011	466,695
Total	1,207,153	1,212,327	1,211,011	1,417,062
Coverage	1.47	2.77	3.59	1.71

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

Source: City of Santa Cruz Finance Department

TABLE 15

Fiscal Year Ended June 30					
2009	2010	2011	2012	2013	2014
\$ 15,270,771	\$ 14,518,218	\$ 15,819,819	\$ 17,064,015	\$ 16,665,280	\$ 17,351,944
12,375,224	12,105,526	12,064,824	12,928,161	13,993,246	13,770,395
<u>2,895,547</u>	<u>2,412,692</u>	<u>3,754,995</u>	<u>4,135,854</u>	<u>2,672,034</u>	<u>3,581,549</u>
210,000	210,000	220,000	225,000	230,000	240,000
165,161	157,811	151,128	143,961	136,157	44,491
<u>375,161</u>	<u>367,811</u>	<u>371,128</u>	<u>368,961</u>	<u>366,157</u>	<u>284,491</u>
7.72	6.56	10.12	11.21	7.30	12.59
\$ 26,657,477	\$ 23,813,072	\$ 24,010,332	\$ 25,071,978	\$ 25,809,906	\$ 24,635,604
18,986,496	18,472,402	17,987,359	19,983,914	20,264,057	23,821,485
<u>7,670,981</u>	<u>5,340,670</u>	<u>6,022,973</u>	<u>5,088,064</u>	<u>5,545,849</u>	<u>814,119</u>
230,000	240,000	250,000	260,000	270,000	311,368
530,622	518,223	508,489	498,356	487,823	386,783
<u>760,622</u>	<u>758,223</u>	<u>758,489</u>	<u>758,356</u>	<u>757,823</u>	<u>698,151</u>
10.09	7.04	7.94	6.71	7.32	1.17
\$ 974,798	\$ 916,004	\$ 906,683	\$ 916,601	\$ 893,217	\$ 856,893
593,600	577,231	427,263	628,349	465,600	505,896
<u>381,198</u>	<u>338,773</u>	<u>479,420</u>	<u>288,252</u>	<u>427,617</u>	<u>1,362,789</u>
175,000	185,000	190,000	195,000	200,000	197,815
221,822	214,160	208,498	202,685	196,535	100,175
<u>396,822</u>	<u>399,160</u>	<u>398,498</u>	<u>397,685</u>	<u>396,535</u>	<u>297,990</u>
0.96	0.85	1.20	0.72	1.08	4.57
\$ 16,272,903	\$ 16,075,930	\$ -	\$ -	\$ -	\$ -
10,091,524	12,750,017	-	-	-	-
<u>6,181,379</u>	<u>3,325,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
850,000	205,000	-	-	-	-
350,430	153,045	-	-	-	-
<u>1,200,430</u>	<u>358,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
5.15	9.29	-	-	-	-

City of Santa Cruz
Pledged-Revenue Coverage
Last Ten Fiscal Years

	Fiscal Year Ended June 30			
	2005	2006	2007	2008
Refuse Loan Agreement:				
Refuse charges and other	\$ -	\$ -	\$ -	\$ -
Less: operating expenses	-	-	-	-
Net available revenue	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total	-	-	-	-
Coverage	-	-	-	-
Refuse Revenue Bonds:				
Refuse charges and other	\$ -	\$ -	\$ -	\$ -
Less: operating expenses	-	-	-	-
Net available revenue	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total	-	-	-	-
Coverage	-	-	-	-
Parking Lease Revenue Bonds:				
Parking charges and other	\$ -	\$ -	\$ -	\$ -
Less: operating expenses	-	-	-	-
Net available revenue	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total	-	-	-	-
Coverage	-	-	-	-

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

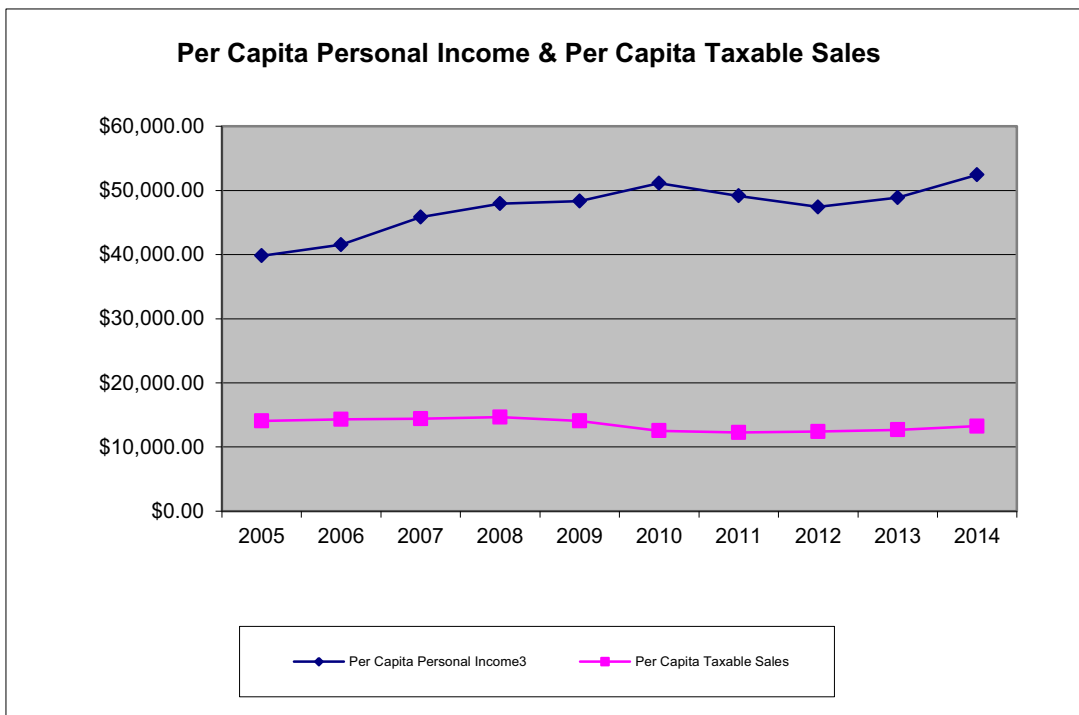
Source: City of Santa Cruz Finance Department

Fiscal Year Ended June 30					
2009	2010	2011	2012	2013	2014
\$ -	\$ 16,075,930	\$ 16,280,793	\$ 15,938,918	\$ 15,878,882	\$ 15,160,656
-	12,750,017	12,482,121	13,236,313	14,281,118	13,705,783
-	3,325,913	3,798,672	2,702,605	1,597,764	1,454,873
-	-	156,500	164,200	172,200	\$ 214,033
-	119,384	137,588	129,781	121,589	112,997
-	119,384	294,088	293,981	293,789	327,030
-	27.86	12.92	9.19	5.44	4.45
\$ -	\$ -	\$ 16,280,793	\$ 15,938,918	\$ 15,878,882	\$ 15,160,656
-	-	12,482,121	13,236,313	14,281,118	13,705,783
-	-	3,798,672	2,702,605	1,597,764	1,454,873
-	-	-	265,000	305,000	315,000
-	-	120,311	116,388	107,538	98,163
-	-	120,311	381,388	412,538	413,163
-	-	31.57	7.09	3.87	3.52
\$ -	\$ 2,926,066	\$ 3,632,924	\$ 3,265,001	\$ 3,569,946	\$ 4,046,835
-	2,391,325	2,958,653	2,685,446	2,974,546	3,407,113
-	534,741	674,271	579,555	595,400	639,722
-	-	250,000	240,000	245,000	250,000
-	27,294	176,378	181,066	178,250	2,300
-	27,294	426,378	421,066	423,250	252,300
-	19.59	1.58	1.38	1.41	2.54

City of Santa Cruz
Demographic and Economic Statistics
Last Ten Fiscal Years

TABLE 16

Fiscal Year Ended June 30	Population ¹	Unemployment Rate ²	Total Personal Income	Per Capita Personal Income ³	Taxable Sales ⁴	Per Capita Taxable Sales
2005	56,451	7.2%	2,247,597	39,815	795,060	14,084
2006	56,925	6.4%	2,365,518	41,555	813,834	14,297
2007	57,553	5.6%	2,638,747	45,849	828,447	14,395
2008	58,125	6.1%	2,785,524	47,923	852,292	14,663
2009	58,982	8.8%	2,851,013	48,337	830,232	14,076
2010	59,684	9.5%	3,052,240	51,140	747,749	12,528
2011	59,946	8.9%	2,946,046	49,145	734,746	12,257
2012	61,955	7.8%	2,937,225	47,409	768,660	12,407
2013	62,372	6.8%	3,048,930	48,883	791,102	12,684
2014	63,440	5.3%	3,326,920	52,442	840,086	13,242



Notes:

- A For calendar year ended during the fiscal year.
- B Amounts are for the Santa Cruz-Watsonville Metropolitan Area.
- C Total Personal Income and Taxable Sales amounts are in thousands.

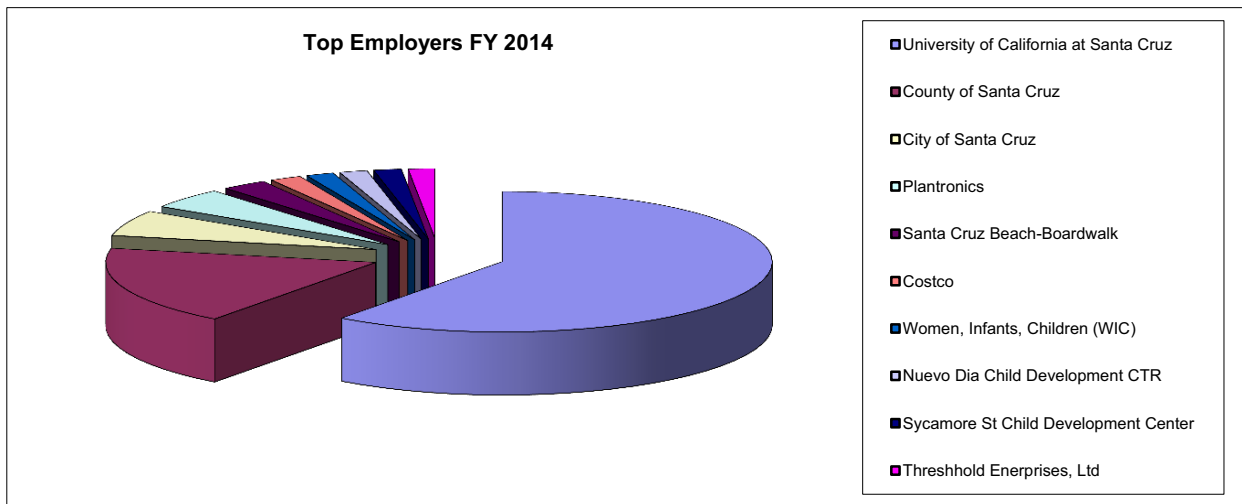
Source:

- ¹ State Department of Finance
- ² State Employment Development Department
- ³ U.S. Department of Commerce, Bureau of Economic Analysis
- ⁴ State Board of Equalization (based on most recent four quarters of data available)

**City of Santa Cruz
Principal Employers
Current Year and Two Years Ago**

TABLE 17

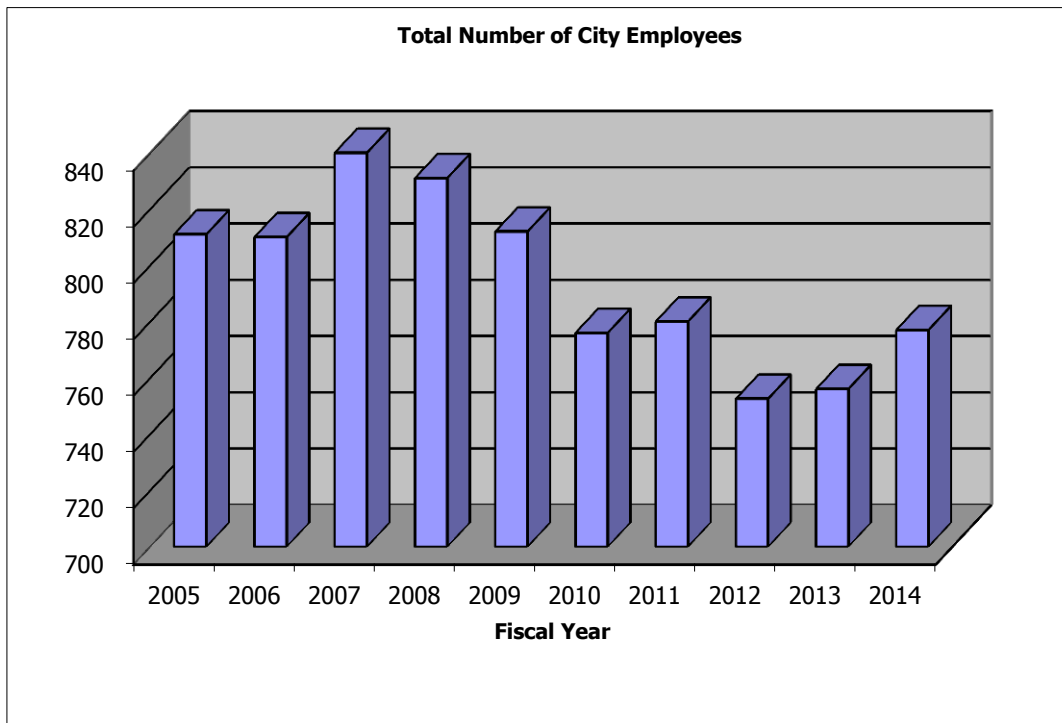
Employer:	Fiscal Year Ended June 30					
	2014			2012		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
University of California at Santa Cruz	7,693	1	23.966%	7,453	1	23.511%
County of Santa Cruz	2,351	2	7.324%	2,312	2	7.293%
City of Santa Cruz	776	3	2.417%	753	3	2.375%
Plantronics	529	4	1.648%	664	4	2.095%
Santa Cruz Beach-Boardwalk	347	5	1.081%	347	5	1.095%
Costco	247	6	0.769%	240	6	0.757%
Women, Infants, Children (WIC)	223	7	0.695%	212	7	0.669%
Nuevo Dia Child Development CTR	219	8	0.682%	212	8	0.669%
Sycamore St Child Development Center	219	9	0.682%	209	9	0.659%
Threshold Enerprises, Ltc	213	10	0.664%	213	10	0.672%
Totals	12,817		39.928%	12,615		39.795%
Total employment	32,100			31,700		



Source: California Employment Development Department
 City of Santa Cruz Business License database
 City of Santa Cruz Finance Department

**Number of City Employees¹ by Department
Last Ten Fiscal Years**

	Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Departments:										
City Clerk ⁴	7	7	7	6	6	6	6	-	-	-
City Manager	5	4	5	5	5	5	5	11	11	12
Administrative Services ³	12	13	14	14	14	13	29	29	28	28
Finance	35	38	27	27	26	25	25	24	24	29
Information Technology ^{2,3}	-	-	16	16	17	15	-	-	-	-
Police	124	125	132	124	119	117	118	118	118	117
Fire ⁵	54	53	55	55	55	55	55	53	54	54
Parks and Recreation	116	111	105	100	91	83	83	83	82	82
Library	118	119	118	121	119	97	97	71	77	80
Public Works	216	216	232	229	225	222	223	224	229	233
Planning and Community Development	29	27	28	27	26	28	28	28	27	35
Economic Development/Redevelopment	8	9	10	13	15	15	16	16	10	9
Water	87	88	91	94	94	95	95	96	96	98
Total	811	810	840	831	812	776	780	753	756	777



Notes:

- 1 Personnel authorizations budgeted. Figures rounded to whole numbers.
- 2 In FYE 2007, Information Technology was part of the Finance Department previously, but it is now a separate department.
- 3 In FYE 2011, Information Technology merged with Human Resources and renamed the department to Administrative Services
- 4 In FYE 2012, City Clerk merged with City Manager's Department.
- 5 In FYE 2013 Adopted Budget and FY 2014 Proposed Budget, Fire Chief position is authorized but funded through professional services contract w

Source: City of Santa Cruz Budget Document

City of Santa Cruz
Operating Indicators By Function
Last Ten Fiscal Years

TABLE 19

Function:	Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
City Clerk										
Hours for creating the agenda for posting	291	**	300.00	320	300	300	300	300	300	300
Advisory body hours	600	600	600	600	575	575	575	575	575	575
Election hours	180	400	100	440	5	450	5	450	450	450
Initiative/referendum petitions processing hours	60	120	-	-	-	-	-	-	200	-
Human Resources										
Number of recruitments	**	**	87	95	52	58	68	69	74	76
Number of applications	**	**	2,155	2,647	1,274	803	2,346	1,205	1,351	3384
Workers compensation claim payments	\$ 1,872,387	\$ 1,400,696	\$ 2,850,283	\$ 1,576,602	\$ 1,464,348	\$ 1,295,529	\$ 1,161,722	\$ 1,670,856	\$ 1,677,161	\$1,770,711
Police										
Calls for service	76,498	70,065	67,932	72,601	78,132	85,774	81,505	90,484	104,836	104,709
Cases	14,076	14,212	12,917	16,190	11,999	11,257	10,011	11,063	11,432	10,675
Fire										
Emergency calls	4,631	5,006	5,231	6,018	6,857	6,966	6,966	7,005	7,005	7483
Inspections	1,727	1,794	1,223	2,153	2,557	1,843	1,843	1,575	655	1934
Parks and Recreation										
Number of classes	305	294	236	1,038	668	871	907	891	832	889
Facility rentals:										
Parks (Picnic Areas)	760	831	762	1,877	788	1,735	2,760	2,160	2,622	1033
Louden Nelson	7,534	7,348	7,562	6,500	5,720	5,369	5,650	5,700	4,611	5044
Civic Auditorium	183	193	190	145	138	117	125	150	137	138
Swimming pool	167	146	162	178	152	-	-	n/a	70	77
Special events produced	20	22	22	18	17	11	12	12	12	12
Library (all locations)										
Items checked out	1,899,739	1,975,986	2,051,331	2,159,868	2,336,784	1,971,465	1,938,317	2,005,328	1,769,845	2,367,679
Queries handled	293,525	313,496	322,971	300,754	299,473	294,734	333,991	168,057	314,028	326,612
Open hours/week	432	438	430	444	444	212	257	265	359	359
Public Works										
Overlay (square footage)	-	251,106	351,239	190,000	791,848	639,342	278,680	266,888	515,700	1,856
Seal coat (square footage)	-	320,879	342,000	3,793,212	3,951,648	-	-	515,653	-	1,910,000
Sewer										
New connections	85	106	41	51	50	40	39	39	57	52
Average daily flow (MGD)	9.92	11.39	9.00	9.95	8.04	9.95	10.61	9.03	8.72	8.25
Annual total flow (MG)	3,621	4,157	3,283	3,632	2,924	3,632	3,870	3,294	3,182	3011.25
Water										
Active accounts	23,924	24,044	24,253	24,302	24,228	24,310	24,351	24,347	24,425	24,429
Average daily consumption (MGD)	10	9	9	9	8	8	8	8	8	8
Annual consumption (MG)	3,448	3,340	3,369	3,358	3,104	2,822	2,860	2,820	2,984	2,959
Average monthly residential bill	\$ 30	\$ 34	\$ 41	\$ 46	\$ 42	\$ 37	\$ 38	44	45	45

** Unavailable

(1) Different count beginning in FY 2008 - includes multiple sessions of one course, e.g. if course entered several times in a season now counted as 4 rather than 1.

(2) Now includes ball fields and indoor facilities in parks - New booking system count; all confirmed bookings, fewer multiple day rentals

(3) New booking system count; all confirmed bookings, fewer multiple day rentals

Source: City of Santa Cruz Departments

City of Santa Cruz
Capital Asset Statistics By Function
Last Ten Fiscal Years

TABLE 20

Function:	Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicular patrol units	61	61	63	63	63	67	67	67	69	69
Fire stations	3	3	3	3	3	3	3	3	3	3
Lifeguard Headquarters			1	1	1	1	1	1	1	1
Public Parking										
Lots	21	21	20	20	21	26	26	26	26	26
Spaces	5,149	5,149	5,132	5,154	5,204	5,199	5,380	5,322	5,300	5,301
Parking meters	1,764	1,764	1,888	1,890	1,930	1,933	1,875	1,866	1,933	1,945
Parks and Recreation										
Parks	30	30	30	30	30	30	30	30	32	31
Parks acreage	1,970	1,970	1,970	1,970	1,970	1,970	1,970	1,970	1,704	1,706
Playgrounds	17	17	17	17	17	17	17	17	16	17
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	8	8	6	6	6	6	6	6	7	6
Golf course	1	1	1	1	1	1	1	1	1	1
Libraries										
Central library	1	1	1	1	1	1	1	1	1	1
Branch libraries within city	2	2	2	2	2	2	2	2	2	2
Branch libraries in county	7	7	7	7	7	7	7	7	7	7
Bookmobile	1	1	1	1	1	1	1	1	1	1
Streets										
Miles of paved streets	136	136	136	136	136	136	136	136	136	136
Miles of alleys	13	13	13	13	13	13	13	13	13	13
Street lights	2,893	2,893	2,893	2,993	3,018	2,809	3,077	3,087	3,091	3,094
Sewer										
Miles of sanitary sewers	151	151	151	155	155	155	155	155	155	155
Miles of storm drains	50	50	50	49	49	49	49	49	49	49
Water										
Miles of water mains	290	291	291	293	293	293	293	298	298	296
Fire hydrants	2,089	2,060	2,060	2,038	2,039	2,024	2,024	2,025	2,027	2,024

Source: City of Santa Cruz Departments