

SANTA CRUZ COUNTY, ARIZONA

Comprehensive Annual Financial Report
for the
Fiscal Year Ended June 30, 2005

SANTA CRUZ COUNTY, ARIZONA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 2005**

BOARD OF SUPERVISORS

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GREG LUCERO

**PREPARED BY THE
SANTA CRUZ COUNTY FINANCE DEPARTMENT**

**DIRECTOR OF ADMINISTRATIVE SERVICES
JENNIFER K. ST. JOHN**

**SENIOR ACCOUNTANT
MAYRA OCHOA**

Santa Cruz County
 Comprehensive Annual Financial Report
 Fiscal Year Ended June 30, 2005

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ADMINISTRATIVE SERVICES SANTA CRUZ COUNTY

Jennifer K. St. John, CPA
Director

December 9, 2005

The Honorable Board of Supervisors
Santa Cruz County, Arizona

I am pleased to submit, in accordance with state statutes, Santa Cruz County's (County) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. This report has been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB). County management is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all representations and disclosures. To the best of our knowledge and belief, this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

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

The CAFR is presented in three sections:

- The *Introductory Section* includes this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting, and the County's organizational chart.
- The *Financial Section* includes the independent auditor's report, MD&A, audited basic financial statements (government-wide and fund statements), notes to the financial statements, required supplemental statements, and supporting statements and schedules.
- The *Statistical Section* includes selected financial and demographic information.

This report includes all funds of the County. The County provides a full range of services, including law enforcement and public safety; healthcare; sanitation; welfare programs; construction and maintenance of highways, streets, and related infrastructure; recreational services and cultural activities; and education.

Profile of Santa Cruz County

Santa Cruz County is situated in the southern part of Arizona with its southern boundary bordering Mexico. The County was split from Pima County by the 20th Territorial Assembly in 1899. Santa Cruz County encompasses approximately 1,250 square miles and has roughly 40,000 people. The neighboring community of Nogales, Sonora, Mexico has grown to an estimated population of 350,000.

Santa Cruz County is divided into three supervisorial districts. Each district elects a member to the Board of Supervisors to serve a 4-year term. The Chair is selected by the Board from among its members. The Board establishes the policies that govern the various County departments. The Board-appointed County Manager oversees the County's general administrative operations.

Economic Condition and Outlook

Santa Cruz County serves as a gateway for international trade and is a major link in the CANAMEX Trade Corridor, which is a western transportation corridor connecting Canada, the United States, and Mexico. The County's location at the U.S. and Mexican border provides excellent opportunities for shipping and distribution, retail trade, manufacturing, and tourism. The County has been a trading center for northern Mexico since the 1880s. Over 75,000 visitors come from northwest Mexico daily to shop in Santa Cruz County.

The County is home to some of the largest produce distributors in the United States. At peak season, over 1,200 trucks pass through Santa Cruz County's state-of-the-art commercial port, Mariposa Port of Entry, carrying approximately 70 percent of the winter produce consumed in the U.S. and Canada in a normal year. Santa Cruz County's produce industry is anchored by over 250 brokers, distributors, and warehouses. Rail traffic is also expected to increase dramatically due to the construction of the new Ford Motor Plant in Hermosillo, Sonora, which will be shipping all its new cars by rail through Nogales. Additionally, CEMEX is also planning to use rail to meet the US demand for concrete.

The State of Arizona's financial situation over the past 3 years has forced the County to work closely with the State Legislature to minimize and, at times, reduce the County's share in the cost of state-mandated programs. Continued cost shifting maneuvers by the State Legislature have resulted in the development of contingency plans to reduce county expenditures. The County's intention is to continue to operate in a fiscally responsible manner that respects our heritage and our environment, while exploring new economic opportunities and providing the services demanded of a rapidly growing border community.

Major Initiatives

Through federal funding, the Arizona Department of Transportation has initiated the development of the Nogales CyberPort Project. In today's border security environment, ports-of-entry have increased levels of enforcement and inspection with limited capacity, financially as well as physically, to accommodate significant increases in trade. The goal of this project is to define a new concept model for a coordinated, seamless, flexible, and integrated system for the safe, secure, and efficient movement of trade. The first phase of the CyberPort Project was completed in June 2003 with the completion of the CyberPort Concept Study. Four additional studies are required before the completion of the project and they include Trade Flow Study, Logistical Analysis, Assessment of Legal Issues, and Mariposa Facility CyberPort Assessment.

The U.S. General Services Administration recently completed a feasibility study to expand the Mariposa Port of Entry to increase the number of traffic lanes for commercial trucks and personal vehicles. The federal funds needed for construction of this project will not be allocated until 2007. In the meantime, U.S. Immigration and Customs Enforcement will implement two new programs, Fast Lanes and SENTRI, to improve trade flow at the border.

The County increased its park system functionality in 2005 by providing for a new restroom facility at Ronald R. Morriss Park in Tubac. Construction was funded through a Heritage Grant from the Arizona State Parks Department.

The County completed a major airport improvement project during the year that included widening and overlay of the main runway and completion of the security fencing. In addition, construction of a concrete apron to be used for air freight or cargo activities and the construction of an access road with a controlled access gate was completed during this year. These projects are funded mostly through various state and federal grants. Plans continue to fund in phases of a significant taxiway rehabilitation project.

The Santa Cruz County Office of Emergency Management was awarded almost \$1.6 million for 2004 and 2005. With these funds, the communications project that was initiated last year will proceed as scheduled. Additional equipment will be purchased for first responders in the County. We are currently working on a tri-national exercise this year with the full-scale exercise to be conducted in 2007. About 80,000 participants are expected to participate in the full-scale exercise from local, state, and federal agencies from both the United States and Mexico.

The county geographic information system (GIS) has continued to develop over the past year with training for technical and management staff providing new levels of proficiency. Data development, rectification, and quality assurance tasks have progressed throughout the year to the point where interoperability is soon to be a reality. Additionally, the digital aerial photography acquired in 2004 continues to be used by a number of departments.

The 1904 Courthouse in Nogales has become the center of community-based partnerships offering services to residents of Santa Cruz County. Santa Cruz County Workforce Development, the Santa Cruz County Schools Department, and Literacy Volunteers of Santa Cruz County have partnered to provide English as a Second Language, GED preparation, job search seminars, computer lab with high-speed Internet connectivity, and other "One-Stop" services. With over 14,000 visits between July 2004 and June 2005, the prospect for continued growth in services for Santa Cruz County residents is promising.

The Old Tucson Road Safety Improvement Project is part of the Southeast Arizona Governments Organization (SEAGO) 5 year transportation improvement program funded through the Federal Highway Administration. The improvements consist of widening and resurfacing the existing road throughout the length of the project to a new roadway width of 40 feet. A three-lane configuration is projected for the intersections of South River Road and Monte Vista Drive, and possibly other intersections as needed to facilitate traffic movements. As a part of the project, the Potrero Creek Bridge will be replaced with a structure meeting current load and width standards. The project was awarded in June 2005, and the notice to proceed was given to the construction company on October 17, 2005. The project is expected to take approximately 210 days to complete and is anticipated being completed by June 2006. The project's base bid cost is \$3,229,527.

The Tubac Drainage project is located within the Village of Tubac. The proposed project addresses a number of drainage issues within the village that have been identified in a previous drainage study. The scope of work regards several alternatives identified in the Tubac Village Drainage Study as follows: the Tubac Low Water Crossing, the Calle Baca/Plaza Road Improvement, and reconstruction of Calle Solares and of Camino Otero at Burrell Street. These improvements range from removing and replacing existing pavement to installing multiple culverts and drainage swales. The project is estimated at \$148,500.

The Chula Vista Project is a federally funded, three part flood control plan formulated and recommended in the "Feasibility Report and Environmental Assessment." The purpose of this project is to provide flood protection up to the 100-year future condition event for the Chula Vista community located about 4 miles north of the U.S./Mexico boundary. The project consists of increasing the channel capacity and realigning of the Nogales Wash, and redirecting the majority of the Potrero Creek in to the Nogales Wash prior to the Chula Vista Subdivision. The project is currently estimated to cost \$15.7 million with the Santa Cruz County share ranging from \$1.5 to \$2.5 million. Construction is anticipated to begin in November of 2005.

The Calle Azulejo Flood Control Project is currently a county-funded project. The project will consist of the construction of a retention/detention basin and the reconstruction of a segment of road to reduce and handle flood waters in the Rio Rico Villas #13 Subdivision in Rio Rico, Arizona, approximately 7 miles north of the City of Nogales. Original design of the subdivision in the 1960s failed to take into account the flow of flood waters through the subdivision and stopped a drainage channel in the middle of the subdivision with no outlet for the flows. Over the years, monsoon storms have caused flooding within the area, with the latest events occurring on the 13th and 15th of August 2004 when more than a dozen homes were flooded on both days. The project is currently estimated to cost \$447,000, not including engineering design. Construction is anticipated to begin in the spring of 2006.

The South River Road Revegetation and Bank Protection Project is a grant funded project to install two lines of Kilner Jacks in the Santa Cruz River, adjacent to South River Road, approximately 2.5 miles to the northeast of the City of Nogales. Storms in October of 2000 resulted in minor flooding along the Santa Cruz River. Debris from dead vegetation within the channel resulted in a dam that redirected flows into the western bank at a high angle, resulting in the loss of nearly 800 feet of South River Road. The project is designed to provide additional protection for the road both in the area of the washout as well as the adjacent reach immediately upstream and downstream of the site.

The project is estimated to cost \$140,000 with the project partially funded by a State of Arizona grant for \$80,000, the remainder being the responsibility of the Santa Cruz County Flood Control District. Construction was completed in July of 2005 and the project was closed out.

Financial Management and Information

County management is responsible for establishing and maintaining an internal control structure designed to ensure that the County's assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management. We believe that the County's internal control structure adequately safeguards assets and provides reasonable assurance of the proper recording and integrity of financial statements and underlying financial transactions.

Independent Audit: State statutes require that the County issue annual financial statements, which shall be audited by the State of Arizona, Office of the Auditor General or its designee. The State Auditor's report on the financial statements of the governmental activities, each major fund, and the aggregate remaining funds are included as the first component of the financial section of this report.

Single Audit: As a recipient of federal and state financial assistance, the County is required to have an annual audit under the Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. OMB requirements also address the establishment and maintenance of an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. Tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as determining that the County has materially complied with applicable laws and regulations. The Single Audit Report is issued separately from this report and has not been completed for the fiscal year ended June 30, 2005, as of this date.

Budgeting Controls: The County also maintains budgetary controls, which are designed to help ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Supervisors. Budgetary control generally is maintained at the departmental level for all funds. Management further controls budgets by not allowing personnel savings to be reprogrammed to operating supplies and services within a department.

The Reporting Entity: The financial reporting entity includes all the funds of the primary government, Santa Cruz County, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the funds of the Santa Cruz County Flood Control District, whose Board of Directors is the County's Board of Supervisors, are blended and reported as a special revenue fund of the primary government.

Awards and Acknowledgements

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Santa Cruz County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the 15th consecutive year that Santa Cruz County has received this prestigious award. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to the GFOA Certificate of Achievement program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is only valid for a period of 1 year. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgments: The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the finance department. I would also like to thank every county department who assisted in and contributed to the preparation of this report. In addition, the staff of the Auditor General's Office provided excellent support and technical advice. I also wish to express my sincere appreciation to the board of supervisors, the county manager, and the deputy county manager for their interest and support in planning and conducting the financial operations of the County in a responsible manner.

Respectfully submitted,

Jennifer K. St. John, CPA
Administrative Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Santa Cruz County,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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



Nancy L. Ziehl

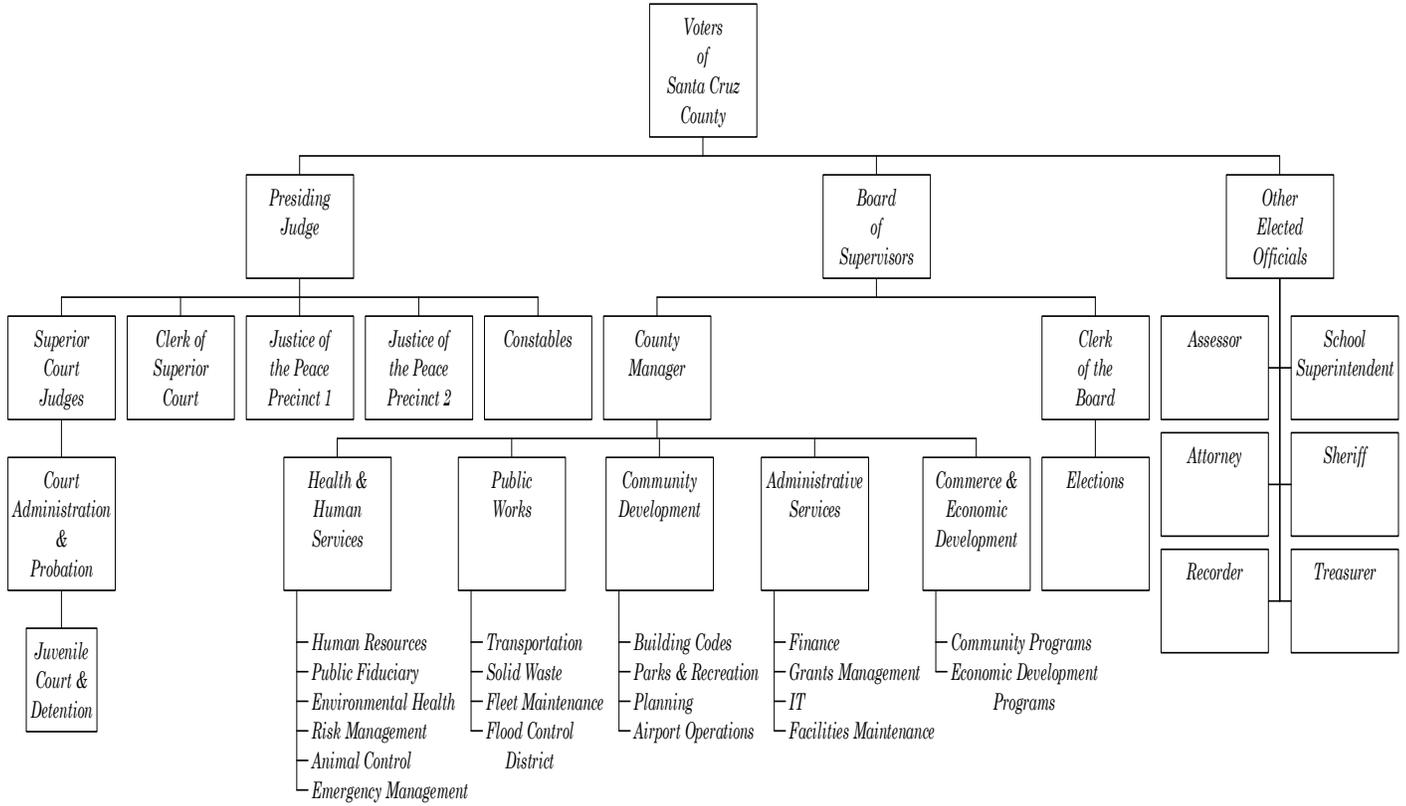
President

Jeffrey R. Egan

Executive Director

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Santa Cruz County Organizational Chart



Financial Section



**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Santa Cruz County, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Santa Cruz County as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Santa Cruz County as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, for the year ended June 30, 2005, which represents a change in accounting principle.

The Management's Discussion and Analysis on pages 3 through 13, the Schedule of Agent Retirement Plans' Funding Progress on page 52, and the Budgetary Comparison Schedules on pages 53 through 59 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport
Auditor General

December 9, 2005

Santa Cruz County Management's Discussion and Analysis

This discussion and analysis is intended to be an easily readable analysis of Santa Cruz County's (County) financial activities based on currently known facts, decisions, or conditions. This analysis focuses on current year activities and should be read in conjunction with the transmittal letter that begins on page v and with the County's basic financial statements following this section.

Financial Highlights

- At June 30, 2005, the assets of the County exceeded liabilities by \$35,190,085 (net assets). Of this amount, \$7,933,377 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, \$4,530,466 is restricted for specific purposes (restricted net assets), and \$22,726,242 is invested in capital assets, net of related debt.
- The County's total net assets as reported in the Statement of Activities increased by \$4,690,813.
- At June 30, 2005, total assets were \$43,249,188 compared to \$40,716,013 at June 30, 2004. This is a \$2,533,175 or 6.2 percent increase over the prior fiscal year.
- At June 30, 2005, the governmental funds reported combined fund balances of \$14,506,654, or an increase in fund balance of \$2,052,049, in comparison with the prior year.
- At June 30, 2005, unreserved fund balance for the general fund was \$10,647,931, approximately 56 percent of total general fund expenditures. In accordance with Arizona Revised Statutes §42-17151, this entire amount is budgeted to be spent in the next fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The *Statement of Net Assets* presents information on all County assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

Santa Cruz County Management's Discussion and Analysis

The *Statement of Activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenditures are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the County include general government, public safety, highways and streets, health, welfare and sanitation, education and economic opportunity, and recreation. The County has one business-type activity, which is the County Landfill.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. The blended component unit included in the County's basic financial statements is the Santa Cruz County Flood Control District.

The government-wide financial statements can be found on pages 16-17 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three classifications: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial 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 county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

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

Santa Cruz County Management's Discussion and Analysis

The County reports six major governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Road, Criminal Justice Enhancement, WIA, Juvenile Services, and Airport funds. Data from the other governmental funds (nonmajor) are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental fund financial statements can be found on pages 18-24 of this report.

Proprietary funds are maintained two ways. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses its enterprise fund to account for the landfills operated by the County. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County has no internal service funds. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The County's landfill operation is considered to be a major fund and is presented in the proprietary fund financial statements.

The proprietary fund financial statements can be found on pages 25-27 of this report.

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 County's own programs.

The fiduciary funds financial statements can be found on pages 28-29 of this report.

Notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-50 of this report.

Required supplementary information presents budgetary comparison schedules for the General, Road, Criminal Justice Enhancement, WIA, and Juvenile Services funds of the County. It also includes a schedule of agent retirement plans' funding progress. Required supplementary information can be found on pages 52-59 of this report.

Santa Cruz County
Management's Discussion and Analysis

Government-wide Financial Analysis

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, at June 30, 2005, assets exceeded liabilities by \$35,190,085.

Statement of Net Assets
June 30, 2005 and 2004 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$17,893	\$17,317	\$ 1,155	\$ 270	\$19,048	\$17,587
Capital assets	<u>21,266</u>	<u>20,105</u>	<u>2,935</u>	<u>3,024</u>	<u>24,201</u>	<u>23,129</u>
Total assets	<u>39,159</u>	<u>37,422</u>	<u>4,090</u>	<u>3,294</u>	<u>43,249</u>	<u>40,716</u>
Current and other liabilities	1,657	2,620	49	45	1,706	2,665
Long-term liabilities	<u>2,571</u>	<u>3,849</u>	<u>3,782</u>	<u>3,703</u>	<u>6,353</u>	<u>7,552</u>
Total liabilities	<u>4,228</u>	<u>6,469</u>	<u>3,831</u>	<u>3,748</u>	<u>8,059</u>	<u>10,217</u>
Net Assets						
Invested in capital assets, net of related debt	20,288	18,316	2,438	2,393	22,726	20,709
Restricted net assets	4,530	2,125			4,530	2,125
Unrestricted net assets (deficits)	<u>10,113</u>	<u>10,512</u>	<u>(2,179)</u>	<u>(2,847)</u>	<u>7,934</u>	<u>7,665</u>
Total net assets (deficit)	<u>\$34,931</u>	<u>\$30,953</u>	<u>\$ 259</u>	<u>\$ (454)</u>	<u>\$35,190</u>	<u>\$30,499</u>

The largest portion (\$22,726 or 65 percent) of the County's net assets reflects the investment in capital assets (e.g., land, buildings, machinery and equipment, and construction in progress), less accumulated depreciation and related debt still outstanding used to acquire those assets. The County uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, because the capital assets themselves will not be used to liquidate these liabilities.

Santa Cruz County Management's Discussion and Analysis

Restricted net assets (\$4,530 or 13 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$7,934 or 22 percent) may be used to meet the government's ongoing obligations to the citizens and creditors.

At the end of the current fiscal year, the County as a whole reported positive balances in all three categories of net assets.

The following provides an explanation of assets and liabilities that changed significantly over the prior year:

- Current and other liabilities – The \$959 thousand decrease was primarily due to significant decreases in accounts payable at June 30, 2005, relating to capital outlay expenditures recorded in the Airport Fund.
- Long-term liabilities – The decrease of \$1.2 million was primarily attributable to payments made by the County during the year to reduce the debt service requirements relating to general obligation bonds and capital lease obligations. Additional information on the County's long-term liabilities can be found in Note 6 of the Notes to Financial Statements on pages 42 - 44 of this report.

Santa Cruz County Management's Discussion and Analysis

Changes in Net Assets

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

Statement of Activities
For the Years Ended June 30, 2005 and 2004 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 4,646	\$ 3,998	\$1,891	\$1,829	\$ 6,537	\$ 5,827
Operating grants and contributions	12,081	12,706			12,081	12,706
Capital grants and contributions	1,108	2,818			1,108	2,818
General revenues:						
Property taxes	12,140	10,044			12,140	10,044
Share of state sales taxes	6,416	5,595			6,416	5,595
Payments in lieu of taxes	614	621			614	621
Grants and contributions not restricted to specific programs	765	573			765	573
Investment earnings	307	212	19	6	326	218
Miscellaneous	61	60		13	61	73
Transfers in			429		429	
Total revenues	38,138	36,627	2,339	1,848	40,477	38,475
Expenses:						
General government	12,283	11,810			12,283	11,810
Public safety	7,758	6,822			7,758	6,822
Highways and streets	4,548	4,636			4,548	4,636
Health, welfare and sanitation	3,826	3,527			3,826	3,527
Education and economic opportunity	4,986	4,432			4,986	4,432
Recreation	271	209			271	209
Interest on long-term debt	59	84			59	84
Landfill			1,626	1,350	1,626	1,350
Transfers out	429				429	
Total expenses	34,160	31,520	1,626	1,350	35,786	32,870
Changes in net assets	3,978	5,107	713	498	4,691	5,605
Net assets (deficit)—beginning	30,953	25,846	(454)	(952)	30,499	24,894
Net assets (deficit)—ending	\$34,931	\$30,953	\$ 259	\$ (454)	\$35,190	\$30,499

Governmental activities – Net assets increased by approximately \$4 million from fiscal year 2004. Key elements of the change in net assets from governmental activities include:

- Revenue from “Property taxes” increased by \$2.1 million due to increased assessed valuations and increased collection of delinquent taxes.

Santa Cruz County Management's Discussion and Analysis

- Revenue from "Share of state sales taxes" increased by \$821 thousand due to an unexpected rebound in the State's economy.
- Revenues from "Charges for services" increased by \$648 thousand due to a significant increase in housing starts, increasing the County's building permit revenues.
- Expenditures for "Public safety" increased by \$936 thousand due to increases in salaries, staffing levels, and increased federal and state grant funding.
- Expenditures for "Education and economic opportunity" increased by \$554 thousand due to increased federal and state funding.

Business-type activities – Net assets increased by approximately \$700 thousand from fiscal year 2004. Key elements of the change in net assets from business-type activities include:

- Revenue from "Transfers in" increased by \$429 thousand due to the transfer from the General Fund to offset negative cash in the Landfill fund.
- Expenditures for "Landfill" increased by \$276 thousand due to increases in the landfill closure and post closure costs and a first-time charge of indirect costs.

Governmental Funds

Financial Analysis of the County's Funds

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

Governmental Funds – Governmental activities are contained in the general, special revenue, debt service, and capital projects funds. The focus of the County's governmental funds is to provide information of near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2005, the County's governmental funds reported combined fund balances of \$14,506,654, an increase of \$2,052,049 in comparison with the prior year. Approximately 98 percent of the combined fund balances, \$14,211,555, constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is reserved, indicating that it is not available for new spending because it has been committed for debt service expenditures.

The General Fund is the County's primary operating fund. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$10,647,931. Unreserved fund balance represents 56 percent of total General Fund expenditures. This ratio indicates a strong fund balance position in comparison to expenditures.

During the fiscal year, the fund balance of the County's General Fund increased by \$1,809,347 due largely to the increased revenues from new construction. In addition, assessed valuation and prior years' property tax collections increased over the prior fiscal year.

Santa Cruz County Management's Discussion and Analysis

The fund balance in the WIA Fund and Juvenile Services Fund decreased by \$57,023 and \$341,351, respectively, over the prior year. Key factors in the decreases were decreases in federal funding and the inability to obtain timely reimbursements for federal grants.

The fund balance in the Road Fund increased by \$44,177 over the prior year. A key factor in the increase was increased HURF funding from the State of Arizona.

The increases in fund balance in the Criminal Justice Enhancement Fund and Other Governmental Funds of \$186,731 and \$435,262, respectively, are due to increases in federal and state funding, and the County requesting timely reimbursements for federal and state grants.

The Airport Fund's balance decreased \$25,094 from the prior fiscal year. Activity in the Airport Fund reduced significantly during the current fiscal year as most of the airport projects were substantially, if not fully, completed during the prior fiscal year.

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

Revenues Classified by Source Governmental Funds (In Thousands)						
<i>Revenues by Source</i>	Fiscal Year 2004-05		Fiscal Year 2003-04		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$12,581	34%	\$11,698	32%	\$ 883	8%
Intergovernmental	21,801	56	21,324	58	477	2
Licenses and permits	1,298	3	878	3	420	48
Charges for services	1,399	4	1,385	4	14	1
Fines and forfeits	1,027	3	1,071	3	(44)	(4)
Investment income	306	0	212	0	94	44
Rents	30	0	33	0	(3)	(9)
Miscellaneous	218	0	175	0	43	25
Totals	<u>\$38,660</u>	<u>100%</u>	<u>\$36,776</u>	<u>100%</u>	<u>\$1,884</u>	<u>5</u>

The following provides an explanation of revenues, by source, that changed significantly over the prior year:

- Taxes – The increase of \$883 thousand was primarily due to the collection of prior years' property taxes and the increase in the assessed property valuation.
- Intergovernmental – The increase of \$477 thousand was primarily due to increased federal funding in Homeland Security and Educational grants.
- Licenses and permits – The increase of \$420 thousand was primarily due to the increase in building permits.

Santa Cruz County Management's Discussion and Analysis

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

Expenditures by Function Governmental Funds (In Thousands)						
<i>Expenditures by Function</i>	Fiscal Year 2004-05		Fiscal Year 2003-04		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General government	\$11,711	32%	\$12,061	34%	\$ (350)	(3)%
Public safety	8,019	22	6,683	19	1,336	20
Highways and streets	5,069	14	4,755	13	314	7
Health, welfare and sanitation	3,821	11	3,570	10	251	7
Education and economic opportunity	5,009	14	4,430	12	579	13
Recreation	285	1	207	1	78	38
Capital outlay	1,165	3	3,130	9	(1,965)	(63)
Debt service	1,099	3	564	2	535	95
Totals	<u>\$36,178</u>	<u>100%</u>	<u>\$35,400</u>	<u>100%</u>	<u>\$ 778</u>	<u>2</u>

The increase in expenditures for public safety is due to increased federal and state funding in Homeland Security grants.

The increase in expenditures for education and economic opportunity is due to increased federal funding in Educational grants.

The decrease in capital outlay expenditures is due to a decrease in federal and state funding for airport projects as the majority of the County's airport projects were completed or substantially completed during the prior fiscal year.

General Fund Budgetary Highlights

The County did not amend the fiscal year 2004-05 adopted budget. General Fund actual expenditures were in excess of \$3 million under the adopted budget and actual revenues exceeded estimated revenues by \$2.9 million. The County conservatively estimated revenues and the economic downturn anticipated in the estimate did not materialize. Further, housing starts within the County exploded during the current fiscal year causing an unexpected increase in building permit revenue. The Sheriff's Office exceeded its budget by \$478 thousand, which was due primarily to an unexpected increase in inmate population, causing prisoner meals and medical care expenditures to significantly exceed budgeted amounts. Finally, the Sheriff's Office had been understaffed in the prior fiscal year, and with the salary increases given during the fiscal year, the County was able to fully staff the Sheriff's Office, resulting in unbudgeted salary and employee-related expenditures. The Recorder's Office also exceeded its budget by \$94 thousand, which was due to two unexpected and unbudgeted elections that took place during the fiscal year.

Santa Cruz County Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2005, amounted to \$24.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, construction equipment and vehicles, furniture and equipment, construction in progress, and infrastructure. The County's investment in capital assets increased by 5 percent from the prior period. Major capital asset events during the current fiscal year included the following:

- Construction in progress decreased by \$892 thousand and infrastructure increased by \$2.2 million primarily due to completion of various improvement projects at the Nogales International Airport during fiscal year 2004-05.

	Capital Assets (Net of Depreciation) (In Thousands)					
	Governmental Activities		Business-Type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 6,619	\$ 6,596	\$ 230	\$ 230	\$ 6,849	\$ 6,826
Buildings	5,922	6,180	179	186	6,101	6,366
Improvements other than buildings	1,797	1,857	1,791	1,833	3,588	3,690
Construction equipment and vehicles	1,654	1,689	735	775	2,389	2,464
Furniture and equipment	1,140	991			1,140	991
Construction in progress	1,461	2,353			1,461	2,353
Infrastructure	<u>2,673</u>	<u>439</u>			<u>2,673</u>	<u>439</u>
Totals	<u>\$21,266</u>	<u>\$20,105</u>	<u>\$2,935</u>	<u>\$3,024</u>	<u>\$24,201</u>	<u>\$23,129</u>

Additional information on the County's capital assets can be found in Note 5 of the Notes to Financial Statements on pages 40 and 41 of this report.

Long-Term Debt

At June 30, 2005, the County had total long-term debt outstanding of \$1,474,523. This amount consists of capital leases of more than \$1 million, and long-term notes of \$447 thousand. The County made all scheduled debt payments totaling \$1.7 million, which included \$530 thousand of early debt retirement for the County's general obligation bonds, and entered into new lease agreements totaling \$107 thousand. There were no changes to the County's credit ratings or debt limitations during the current fiscal year.

Santa Cruz County Management's Discussion and Analysis

Additional information on the County's long-term debt can be found in Note 6 of the Notes to Financial Statements on pages 42 – 44 of this report.

Economic Factors and Next Year's Budget

- The produce industry has a significant role in the region's economy; unfortunately, it is an extremely unpredictable industry. While the current economic climate has improved, the produce industry continues to struggle, creating some uncertainty in forecasting future financial activity.
- Unemployment rates continue to reach all-time highs and exceeded 11 percent this past year. Recovery from the recession will likely track behind national levels due to a limited employment base and seasonal employment tied to the produce industry.
- Property tax revenues are expected to increase due to increases in assessed valuation and significant new construction. Building permit revenues have also increased significantly with the upsurge in housing starts.
- Sales tax revenues remain largely unaffected by national trends due to vigorous cross-border trade.
- The County's contribution to the state retirement system is expected to increase another 25% beginning July 1, 2006.
- State-shared revenues are expected to remain stable while the County's contributions to state programs such as AHCCCS and ALTCS continue to rise.
- Lastly, all border communities are keenly aware of the upcoming presidential election in Mexico and the impact it will have on the Mexican economy. More than likely, the traditional ruling party will take back control of the office, which will try to restore many of the policy changes developed by the current administration. Communities along the U.S./Mexico border are bracing for a recession in Mexico.

Request for Information

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Santa Cruz County Finance Department, 2150 N. Congress Drive, Room 118, Nogales, AZ 85621.

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Basic Financial Statements

Santa Cruz County
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$12,658,156	\$ 1,037,031	\$13,695,187
Property taxes receivable (net of allowances for uncollectibles)	816,824		816,824
Due from other governmental units	4,293,597	51,912	4,345,509
Accounts receivable	115,877	66,890	182,767
Prepaid items	8,136		8,136
Capital assets:			
Nondepreciable	8,080,241	229,996	8,310,237
Depreciable (net)	<u>13,185,854</u>	<u>2,704,674</u>	<u>15,890,528</u>
Total assets	<u>39,158,685</u>	<u>4,090,503</u>	<u>43,249,188</u>
Liabilities			
Accounts payable	1,067,603	38,793	1,106,396
Due to other governmental units	166,271		166,271
Accrued payroll and employee benefits	423,050	10,331	433,381
Noncurrent liabilities:			
Due within 1 year	1,164,780	197,811	1,362,591
Due in more than 1 year	<u>1,406,247</u>	<u>3,584,217</u>	<u>4,990,464</u>
Total liabilities	<u>4,227,951</u>	<u>3,831,152</u>	<u>8,059,103</u>
Net Assets			
Invested in capital assets, net of related debt	20,734,193	2,438,591	23,172,784
Restricted for:			
Highways and streets	2,924,718		2,924,718
Capital projects			
Debt service	348,402		348,402
Other purposes	1,068,519		1,068,519
Unrestricted (deficit)	<u>9,854,902</u>	<u>(2,179,240)</u>	<u>7,675,662</u>
Total net assets	<u>\$34,930,734</u>	<u>\$ 259,351</u>	<u>\$35,190,085</u>

See accompanying notes to financial statements.

Santa Cruz County
Statement of Activities
Year Ended June 30, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 12,283,241	\$ 2,101,576	\$ 2,377,640	\$ 1,070,329	\$ (6,733,696)		\$ (6,733,696)
Public safety	7,758,098	1,658,618	2,031,750		(4,067,730)		(4,067,730)
Highways and streets	4,547,610	6,400	3,997,543		(543,667)		(543,667)
Health, welfare and sanitation	3,825,898	615,205	258,258		(2,952,435)		(2,952,435)
Education and economic opportunity	4,985,756	253,086	3,415,594		(1,317,076)		(1,317,076)
Recreation	271,254	11,212		37,513	(222,529)		(222,529)
Interest on long-term debt	59,220				(59,220)		(59,220)
Total governmental activities	<u>33,731,077</u>	<u>4,646,097</u>	<u>12,080,785</u>	<u>1,107,842</u>	<u>(15,896,353)</u>		<u>(15,896,353)</u>
Business-type activities:							
Landfill	<u>1,625,732</u>	<u>1,885,125</u>				<u>259,393</u>	<u>259,393</u>
Total business-type activities	<u>1,625,732</u>	<u>1,885,125</u>				<u>259,393</u>	<u>259,393</u>
Total primary government	<u>\$ 35,356,809</u>	<u>\$ 6,531,222</u>	<u>\$ 12,080,785</u>	<u>\$ 1,107,842</u>	<u>(15,896,353)</u>	<u>259,393</u>	<u>(15,636,960)</u>
General revenues:							
Taxes							
Property taxes, levied for general purpose					11,364,417		11,364,417
Property taxes, levied for debt service					775,792		775,792
Share of state sales taxes					6,415,846		6,415,846
Payments in lieu of taxes					614,189		614,189
Grants and contributions not restricted to specific programs					764,835		764,835
Investment earnings					306,476	18,969	325,445
Miscellaneous					61,249	6,000	67,249
Transfers					<u>(429,241)</u>	<u>429,241</u>	
Total general revenues and transfers					<u>19,873,563</u>	<u>454,210</u>	<u>20,327,773</u>
Changes in net assets					3,977,210	713,603	4,690,813
Net assets (deficit) - July 1, 2004					<u>30,953,524</u>	<u>(454,252)</u>	<u>30,499,272</u>
Net assets - June 30, 2005					<u>\$ 34,930,734</u>	<u>\$ 259,351</u>	<u>\$ 35,190,085</u>

See accompanying notes to financial statements.

Santa Cruz County
Balance Sheet
Governmental Funds
June 30, 2005

	<u>General Fund</u>	<u>Road Fund</u>	<u>Criminal Justice Enhancement Fund</u>	<u>WIA Fund</u>
Assets				
Cash and cash equivalents	\$ 7,406,719	\$1,477,417	\$ 550,436	\$ 51,002
Property taxes receivable (net of allowances for uncollectibles)	637,778			
Due from other governmental units	570,367	394,336	673,645	909,156
Due from other funds	3,127,143			
Accounts receivable	87,797	858	386	5,000
Prepaid items	3,776			3,910
Total assets	<u>\$11,833,580</u>	<u>\$1,872,611</u>	<u>\$1,224,467</u>	<u>\$ 969,068</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 393,233	\$ 198,610	\$ 25,225	\$ 85,831
Due to other governmental units		82,775		44,039
Accrued payroll and employee benefits	261,295	32,335	16,721	19,259
Due to other funds			654,644	902,291
Deferred revenue	531,121		210,719	354,680
Total liabilities	<u>1,185,649</u>	<u>313,720</u>	<u>907,309</u>	<u>1,406,100</u>
Fund Balances:				
Reserved for:				
Debt service				
Unreserved, reported in:				
General fund	10,647,931			
Special revenue funds (deficit)		1,558,891	317,158	(437,032)
Capital projects funds (deficits)				
Total fund balances (deficits)	<u>10,647,931</u>	<u>1,558,891</u>	<u>317,158</u>	<u>(437,032)</u>
Total liabilities and fund balances	<u>\$11,833,580</u>	<u>\$1,872,611</u>	<u>\$1,224,467</u>	<u>\$ 969,068</u>

See accompanying notes to financial statements.

Juvenile Services Fund	Airport Fund	Other Governmental Funds	Total
\$ 144,065		\$3,028,517	\$12,658,156
		179,046	816,824
310,690	\$ 698,506	736,897	4,293,597
			3,127,143
		21,836	115,877
		450	8,136
<u>\$ 454,755</u>	<u>\$ 698,506</u>	<u>\$3,966,746</u>	<u>\$21,019,733</u>
\$ 59,372	\$ 214,329	\$ 91,003	\$ 1,067,603
39,457			166,271
43,310		50,130	423,050
305,837	698,506	565,865	3,127,143
<u>254,430</u>	<u>194,670</u>	<u>183,392</u>	<u>1,729,012</u>
<u>702,406</u>	<u>1,107,505</u>	<u>890,390</u>	<u>6,513,079</u>
		295,099	295,099
			10,647,931
(247,651)		2,786,567	3,977,933
	(408,999)	(5,310)	(414,309)
<u>(247,651)</u>	<u>(408,999)</u>	<u>3,076,356</u>	<u>14,506,654</u>
<u>\$ 454,755</u>	<u>\$ 698,506</u>	<u>\$3,966,746</u>	<u>\$21,019,733</u>

Santa Cruz County
 Reconciliation of the Balance Sheet
 to the Statement of Net Assets
 Governmental Funds
 June 30, 2005

Total fund balances - governmental funds (page 19)		\$14,506,654
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$33,260,410 and the accumulated depreciation is \$11,994,315.		21,266,095
Some of the county's property tax receivables and due from other governmental units are not available to pay for current-period expenditures and therefore, are deferred in the funds.		1,729,012
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.		
Compensated absences payable	\$(1,517,583)	
Obligations under capital leases	(531,902)	
Long-term notes payable	(446,542)	
Estimated liabilities for claims and judgments	<u>(75,000)</u>	<u>(2,571,027)</u>
Net assets of governmental activities (page 16)		<u>\$34,930,734</u>

See accompanying notes to financial statements.

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Santa Cruz County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005

	<u>General Fund</u>	<u>Road Fund</u>	<u>Criminal Justice Enhancement Fund</u>	<u>WIA Fund</u>
Revenues:				
Taxes	\$10,395,785			
Intergovernmental	8,279,517	\$3,997,543	\$1,258,290	\$1,973,155
Licenses and permits	1,298,251			
Charges for services	717,693		24,393	
Fines and forfeits	607,800		266,525	
Investment income	191,261	33,451	8,340	
Rents				
Miscellaneous	102,051	25,553	5,683	11,998
Total revenues	<u>21,592,358</u>	<u>4,056,547</u>	<u>1,563,231</u>	<u>1,985,153</u>
Expenditures:				
Current:				
General government	9,182,874		598,702	
Public safety	5,840,556		959,262	
Highways and streets		4,019,870		
Health, welfare and sanitation	2,528,120			
Education and economic opportunity	1,092,503			2,042,176
Recreation	285,075			
Capital outlay				
Debt service:				
Principal				
Interest and other charges				
Total expenditures	<u>18,929,128</u>	<u>4,019,870</u>	<u>1,557,964</u>	<u>2,042,176</u>
Excess (deficiency) of revenues over expenditures	<u>2,663,230</u>	<u>36,677</u>	<u>5,267</u>	<u>(57,023)</u>
Other financing sources (uses):				
Transfers in	19,949	7,500	181,467	
Transfers out	(873,832)		(3)	
Total other financing sources (uses)	<u>(853,883)</u>	<u>7,500</u>	<u>181,464</u>	
Net change in fund balances	1,809,347	44,177	186,731	(57,023)
Fund balances (deficits), July 1, 2004	<u>8,838,584</u>	<u>1,514,714</u>	<u>130,427</u>	<u>(380,009)</u>
Fund balances (deficits), June 30, 2005	<u>\$10,647,931</u>	<u>\$1,558,891</u>	<u>\$ 317,158</u>	<u>\$ (437,032)</u>

See accompanying notes to financial statements.

<u>Juvenile Services Fund</u>	<u>Airport Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 63,276		\$2,121,840	\$12,580,901
1,956,182	\$1,070,329	3,265,975	21,800,991
			1,298,251
31,931		624,433	1,398,450
		152,333	1,026,658
2,740		70,686	306,478
		30,000	30,000
26,260		46,488	218,033
<u>2,080,389</u>	<u>1,070,329</u>	<u>6,311,755</u>	<u>38,659,762</u>
843,264		1,085,788	11,710,628
		1,219,128	8,018,946
		1,049,280	5,069,150
		1,293,122	3,821,242
1,582,181		291,998	5,008,858
			285,075
	1,126,318	39,035	1,165,353
			-
		1,040,000	1,040,000
		59,220	59,220
<u>2,425,445</u>	<u>1,126,318</u>	<u>6,077,571</u>	<u>36,178,472</u>
<u>(345,056)</u>	<u>(55,989)</u>	<u>234,184</u>	<u>2,481,290</u>
5,235	30,895	318,774	563,820
(1,530)		(117,696)	(993,061)
<u>3,705</u>	<u>30,895</u>	<u>201,078</u>	<u>(429,241)</u>
(341,351)	(25,094)	435,262	2,052,049
93,700	(383,905)	2,641,094	12,454,605
<u>\$ (247,651)</u>	<u>\$ (408,999)</u>	<u>\$3,076,356</u>	<u>\$14,506,654</u>

Santa Cruz County
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances to the Statement of Activities
 Governmental Funds
 Year Ended June 30, 2005

Net change in fund balances —total governmental funds (page 23) \$2,052,049

Amounts reported for governmental activities in the Statement of Activities are different because:

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.

Capital outlays	\$ 2,517,244	
Less: current-year depreciation	<u>1,337,296</u>	1,179,948

In the Statement of Activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the capital assets sold. (18,798)

Some expenses in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.

Change in compensated absences		(148,372)
--------------------------------	--	-----------

The repayment of the principal on long-term debt consumes the current financial resources of the governmental funds.

Principal repayments:		
General obligation bonds payable	1,040,000	
Long-term notes payable	169,486	
Obligations under capital leases	<u>216,381</u>	1,425,867

Collections of revenues in the governmental funds exceeded revenues reported in the Statement of Activities. Deferred revenues decreased by this amount this year. (513,484)

Change in net assets of governmental activities (page 17) \$3,977,210

See accompanying notes to financial statements.

Santa Cruz County
Statement of Net Assets
Proprietary Funds
June 30, 2005

	<u>Business-Type Activities— Enterprise Fund Landfill</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,037,031
Due from other governmental units	51,912
Accounts receivable	<u>66,890</u>
Total current assets	<u>1,155,833</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	229,996
Depreciable (net)	<u>2,704,674</u>
Total noncurrent assets	<u>2,934,670</u>
Total assets	<u>4,090,503</u>
Liabilities	
Current liabilities:	
Accounts payable	38,793
Accrued payroll and employee benefits	10,331
Obligations under capital leases—current portion	172,295
Landfill closure and postclosure care costs payable—current portion	5,110
Compensated absences payable—current portion	<u>20,406</u>
Total current liabilities	<u>246,935</u>
Noncurrent liabilities:	
Obligations under capital leases	323,784
Landfill closure and postclosure care costs payable	3,238,206
Compensated absences payable	<u>22,227</u>
Total noncurrent liabilities	<u>3,584,217</u>
Total liabilities	<u>3,831,152</u>
Net Assets	
Invested in capital assets, net of related debt	2,438,591
Unrestricted (deficit)	<u>(2,179,240)</u>
Total net assets	<u>\$ 259,351</u>

See accompanying notes to financial statements.

Santa Cruz County
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2005

	<u>Business-Type Activities— Enterprise Fund Landfill</u>
Operating revenues:	
Landfill fees	\$1,885,125
Intergovernmental revenues	<u>6,000</u>
Total operating revenues	<u>1,891,125</u>
 Operating expenses:	
Personal services	500,867
Professional services	50,755
Supplies	128,061
Utilities	29,895
Repairs and maintenance	161,527
Recycling program	83,981
Insurance	17,578
Landfill closure and postclosure care costs	206,997
Depreciation	222,087
Indirect costs	130,481
Other	<u>71,220</u>
Total operating expenses	<u>1,603,449</u>
 Operating income	<u>287,676</u>
 Nonoperating revenues (expenses):	
Investment income	18,969
Interest expense on capital leases	<u>(22,283)</u>
Total nonoperating expenses	<u>(3,314)</u>
 Income before transfers	284,362
 Transfers in	<u>429,241</u>
 Increase in net assets	<u>713,603</u>
 Deficit, July 1, 2004	<u>(454,252)</u>
Total net assets, June 30, 2005	<u><u>\$ 259,351</u></u>

See accompanying notes to financial statements.

Santa Cruz County
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2005

	<u>Business-Type Activities— Enterprise Fund Landfill</u>
Cash flows from operating activities	
Receipts from customers	\$1,923,941
Payments to suppliers and providers of goods and services	(670,619)
Payments to employees	<u>(492,885)</u>
Net cash provided by operating activities	<u>760,437</u>
 Cash flows from noncapital financing activities	
Cash transfers from other funds	<u>429,241</u>
Net cash provided by noncapital financing activities	<u>429,241</u>
 Cash flows from capital and related financing activities	
Purchases of capital assets	(26,033)
Principal paid on capital leases	(241,750)
Interest paid on capital leases	<u>(22,283)</u>
Net cash used for capital and related financing activities	<u>(290,066)</u>
 Cash flows from investing activities	
Interest received on investments	<u>18,969</u>
Net cash provided by investing activities	<u>18,969</u>
 Net increase in cash and cash equivalents	918,581
Cash and cash equivalents, July 1, 2004	<u>118,450</u>
Cash and cash equivalents, June 30, 2005	<u>\$1,037,031</u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 287,676
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	222,087
Changes in assets and liabilities:	
Increase in:	
Accounts payable	2,879
Accrued payroll and employee benefits	1,347
Compensated absences payable	6,635
Landfill closure and post-closure care costs payable	206,997
Accounts receivable	(48,909)
Decrease in:	
Due from other governmental units	<u>81,725</u>
Net cash provided by operating activities	<u>\$ 760,437</u>
 Noncash investing, capital, and noncapital financing activities:	
Acquisition of assets under capital lease agreements	\$ 107,170

See accompanying notes to financial statements.

Santa Cruz County
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Investment Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 5,357,847	\$2,157,135
Investments	8,598,926	
Cash and investments held by trustee		436,000
Interest receivable	44,885	
Total assets	14,001,658	2,593,135
Liabilities		
Due to other governmental units		\$ 805,936
Deposits held for others		1,787,199
Total liabilities		\$2,593,135
Net Assets		
Held in trust for investment trust participants	\$14,001,658	

See accompanying notes to financial statements.

Santa Cruz County
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2005

	Investment Trust Funds
Additions	
Contributions from participants	\$102,575,408
Income on investments	230,128
Total additions	102,805,536
 Deductions	
Distributions to participants	100,008,911
Total deductions	100,008,911
Change in net assets	2,796,625
Net assets, July 1, 2004	11,205,033
Net assets, June 30, 2005	\$ 14,001,658

See accompanying notes to financial statements.

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Santa Cruz County
Notes to Financial Statements
June 30, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Santa Cruz County conform to U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

During the year ended June 30, 2005, the County implemented the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. GASB Statement No. 40 establishes and modifies the risk disclosures about the County's deposits and investments. The implementation of GASB Statement No. 40 required only additional disclosures and had no effect on reported amounts for deposits, investments, net assets, or changes in net assets.

A. Reporting Entity

The County is a general purpose local government that is governed by a separately elected board of three county supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County. The blended component unit discussed below has a June 30 year-end. The County has no discretely presented component units.

The following describes the County's component unit:

Component Unit	Description; Criteria for Inclusion	Reporting Method	For Separate Financial Statements
Santa Cruz County Flood Control District	A tax-levying district that provides flood control systems; County board of supervisors serves as board of directors	Blended	Not available

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the County as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Santa Cruz County
Notes to Financial Statements
June 30, 2005

Government-wide statements—provide information about the primary government (the County) and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County also allocates indirect expenses to various funds and departments. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided,
- operating grants and contributions, and
- capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund financial statements—provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund revenues are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as user charges in which each party receives and gives up essentially equal values, are operating revenues. Other revenues, such as investment income, result from transactions in which the parties do not exchange equal values. Revenues generated by ancillary activities are also reported as nonoperating revenues. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered to be nonoperating expenses.

Santa Cruz County
Notes to Financial Statements
June 30, 2005

The County reports the following major governmental funds:

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

The Road Fund accounts for monies from specific revenue sources that are restricted for road maintenance and operations and for pavement preservation.

The Criminal Justice Enhancement Fund accounts for various public safety and criminal justice programs that provide crime prevention, criminal apprehension, and prosecution.

The Workforce Investment Act (WIA) Fund accounts for federal programs to help educate and train low-income youth and adults to improve the quality of the workforce.

The Juvenile Services Fund accounts for various federal and state programs that provide educational opportunities, training, and court-related activities to the juveniles within the County.

The Airport Fund accounts for Federal Aviation Administration grant monies, with matching state and county monies to be spent for airport safety and capacity improvements at the Nogales International Airport.

The County reports the following major enterprise fund:

The Landfill Fund accounts for sanitation fee revenues and expenditures related to the operation of the Rio Rico and Sonoita Landfills as well as the Tubac Transfer station.

The County reports the following fund types:

The Investment Trust Funds accounts for pooled assets held and invested by the County Treasurer on behalf of the County's departments and other governmental entities.

The Agency Funds account for assets held by the County as an agent for the State and various local governments, and for property taxes collected and distributed to the State, local school districts, and special districts.

C. Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Santa Cruz County
Notes to Financial Statements
June 30, 2005

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and post-closure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The County applies grant resources to such programs before using general revenues.

The County's business-type activities and enterprise fund follows FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The County has chosen the option not to follow FASB Statements and Interpretations issued after November 30, 1989.

D. Cash and Investments

For purposes of its statement of cash flows, the County considers cash on hand, demand deposits, cash on deposit with the County Treasurer, and only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of 1 year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

E. Inventories and Prepaid Items

Inventories of the governmental and proprietary funds consist of expendable supplies held for consumption and are recorded at the time of purchase as expenditures/expenses in the funds from which the purchases were made, and because the amounts on hand at June 30, 2005, were immaterial, they are not included in the Statement of Net Assets or the Balance Sheet.

Santa Cruz County
Notes to Financial Statements
June 30, 2005

The County uses the consumption method to record certain payments to vendors that reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. Property Tax Calendar

The County levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and becomes delinquent 30 days later.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

G. Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$10,000	N/A	N/A
Construction in progress	10,000	N/A	N/A
Buildings	10,000	Straight line	15-40 years
Improvements other than buildings	10,000	Straight line	40 years
Construction equipment and vehicles	5,000	Straight line	5-7 years
Furniture and equipment	5,000	Straight line	5-7 years
Infrastructure	10,000	Straight line	35 years

Santa Cruz County
Notes to Financial Statements
June 30, 2005

H. Investment Earnings

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments.

I. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 240 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative, but are forfeited upon termination of employment. However, for employees who terminate with a minimum of 5 years of continuous service and have accumulated sick leave hours in excess of 240 hours, sick leave benefits do vest and, therefore, are accrued. Such eligible terminating employees are compensated for actual sick leave at a percentage in proportion to years of service provided.

Note 2 – Stewardship, Compliance, and Accountability

At June 30, 2005, the following funds reported deficits in fund balances:

Fund	Deficit
Governmental Funds	
WIA	\$437,032
Juvenile Services	247,651
Airport	408,999
Animal Control	6,304
School Forest Fees	625
Law Library	1,087
Recreation	5,310

These deficits resulted from operations during the year, but are expected to be corrected through normal operations in fiscal year 2005-2006 or through transfers from the General Fund.

Santa Cruz County
Notes to Financial Statements
June 30, 2005

Note 3 – Deposits and Investments

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; interest earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; and specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be rated P1 by Moody's investors service or A1 or better by Standard and Poor's rating service.
2. Corporate bonds, debentures, and notes must be rated A or better by Moody's investors service or Standard and Poor's rating service.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk

Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk

Statutes do not include any requirements for concentration of credit risk.

Interest rate risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk

Statutes do not allow foreign investments.

Santa Cruz County
Notes to Financial Statements
June 30, 2005

Deposits—At June 30, 2005, the carrying amount of the County's deposits was \$5,057,029 and the bank balance was \$7,900,350. The County does not have a policy related to custodial credit risk.

Investments—The County's investments at June 30, 2005, were as follows:

Investment Type	Fair Value
State Treasurer's investment pool 5	\$15,624,766
U.S. agency securities	8,103,731
U.S. Treasury securities	495,195
Money Market Mutual Fund	<u>436,000</u>
Total	<u>\$24,659,692</u>

The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares, and the participant's shares are not identified with specific investments.

Credit Risk—The County does not have a formal investment policy with respect to credit risk. As of June 30, 2005, credit risk for the County's investments was as follows:

Investment Type	Rating	Rating Agency	Amount
State Treasurer's investment pool 5	Unrated	Not applicable	\$15,624,766
U.S. agency securities	AAA	Standard & Poors	8,103,731
Money Market Mutual Fund	Unrated	Not applicable	<u>436,000</u>
Total			<u>\$24,164,497</u>

Custodial credit risk—For an investment, custodial credit risk is the risk that in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal investment policy with respect to custodial credit risk. At June 30, 2005, the County had \$436,000 in a Money Market Mutual Fund held by the counterparty not in the County's name.

Concentration of credit risk—The County does not have a formal investment policy with respect to concentration of credit risk. The County had investments at June 30, 2005, of 5 percent or more in the Federal National Mortgage Association and the Federal Home Loan Bank. These investments were 10.37 percent and 19.04 percent, respectively, of the County's total investments.

Santa Cruz County
Notes to Financial Statements
June 30, 2005

Interest rate risk—The County does not have a formal investment policy with respect to interest rate risk. At June 30, 2005, the County had the following investments in debt securities:

Investment	Amount	Weighted Average Maturity (In Years)
State Treasurer's investment pool 5	\$15,624,766	0.22
U.S. agency securities	8,103,731	2.42
U.S. Treasury securities	495,195	1.38
Money Market Mutual Fund	<u>436,000</u>	0.25
	<u>\$24,659,692</u>	

As of June 30, 2005, \$500,155 or 2.06 percent of the County's investment in debt securities were in U.S. Agency Step-Up Note Securities that were considered highly sensitive to interest rate changes. These securities are the type where the issuer can call the security on certain specified dates. If the security is not called, the interest rate is increased by a specified amount. Also, prevailing interest rates may go up faster than the increases in the coupon interest rate.

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Assets follows:

Cash, deposits, and investments:

Cash on hand	\$ 528,374
Amount of deposits	5,057,029
Amount of investments	<u>24,659,692</u>
Total	<u>\$30,245,095</u>

Statement of Net Assets:

	Governmental Activities	Business-Type Activities	Investment Trust Funds	Agency Funds	Total
Cash and cash equivalents	\$12,658,156	\$1,037,031	\$ 5,357,847	\$ 2,157,135	\$21,210,169
Investments			8,598,926		8,598,926
Cash and investments held by trustee				<u>436,000</u>	<u>436,000</u>
Total	<u>\$12,658,156</u>	<u>\$1,037,031</u>	<u>\$13,956,773</u>	<u>\$2,593,135</u>	<u>\$30,245,095</u>

Santa Cruz County
Notes to Financial Statements
June 30, 2005

Note 4 – Due From Other Governmental Units

Amounts due from other governmental units at June 30, 2005, in the General Fund include \$388,417 in sales taxes and \$129,660 in auto lieu tax from the State of Arizona. Amounts due from other governmental units in the Road Fund include \$394,336 in highway user taxes from the State of Arizona. Amounts due from other governmental units in the Criminal Justice Enhancement Fund, WIA Fund, Juvenile Services Fund, Airport Fund, and other Governmental Funds include \$673,645, \$909,156, \$310,690, \$698,506, and \$736,897, respectively, for federal reimbursement grants. The remaining balances results from various grants and contracts with other governmental units. Amounts due from other governmental units in the Enterprise Fund consist of \$51,912 due from the City of Nogales and Patagonia for landfill fees.

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,596,104	\$ 22,777		\$ 6,618,881
Construction in progress (estimated cost to complete \$6,310,500)	<u>2,353,282</u>	<u>1,433,551</u>	<u>\$2,325,473</u>	<u>1,461,360</u>
Total capital assets not being depreciated	<u>8,949,386</u>	<u>1,456,328</u>	<u>2,325,473</u>	<u>8,080,241</u>
Capital assets being depreciated:				
Buildings	10,302,943			10,302,943
Improvements other than buildings	2,429,575			2,429,575
Construction equipment and vehicles	6,241,466	595,538	160,663	6,676,341
Furniture and equipment	2,537,454	488,155		3,025,609
Infrastructure	<u>443,005</u>	<u>2,302,696</u>		<u>2,745,701</u>
Total	<u>21,954,443</u>	<u>3,386,389</u>	<u>160,663</u>	<u>25,180,169</u>
Less accumulated depreciation for:				
Buildings	4,123,385	257,574		4,380,959
Improvements other than buildings	572,432	60,739		633,171
Construction equipment and vehicles	4,552,331	611,630	141,865	5,022,096
Furniture and equipment	1,547,142	338,710		1,885,852
Infrastructure	<u>3,594</u>	<u>68,643</u>		<u>72,237</u>
Total	<u>10,798,884</u>	<u>1,337,296</u>	<u>141,865</u>	<u>11,994,315</u>
Total capital assets being depreciated, net	<u>11,155,559</u>	<u>2,049,093</u>	<u>18,798</u>	<u>13,185,854</u>
Governmental activities capital assets, net	<u>\$20,104,945</u>	<u>\$3,505,421</u>	<u>\$2,344,271</u>	<u>\$21,266,095</u>

Santa Cruz County
Notes to Financial Statements
June 30, 2005

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 229,996	_____	_____	\$ 229,996
Total capital assets not being depreciated	<u>229,996</u>	_____	_____	<u>229,996</u>
Capital assets being depreciated:				
Buildings	246,067			246,067
Improvements other than buildings	2,037,618	\$ 8,727		2,046,345
Construction equipment and vehicles	<u>1,704,774</u>	<u>124,476</u>	<u>\$13,456</u>	<u>1,815,794</u>
Total	<u>3,988,459</u>	<u>133,203</u>	<u>13,456</u>	<u>4,108,206</u>
Less accumulated depreciation for:				
Buildings	60,670	6,152		66,822
Improvements other than buildings	204,770	51,159		255,929
Construction equipment and vehicles	<u>929,461</u>	<u>164,776</u>	<u>13,456</u>	<u>1,080,781</u>
Total	<u>1,194,901</u>	<u>222,087</u>	<u>13,456</u>	<u>1,403,532</u>
Total capital assets being depreciated, net	<u>2,793,558</u>	<u>(88,884)</u>	_____	<u>2,704,674</u>
Business-type activities capital assets, net	<u>\$3,023,554</u>	<u>\$ (88,884)</u>	=====	<u>\$2,934,670</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 560,816
Public safety	366,685
Highways and streets	335,343
Health, welfare and sanitation	35,555
Education and economic opportunity	35,718
Recreation	<u>3,179</u>
Total governmental activities depreciation expense	<u>\$1,337,296</u>
Business-Type Activities:	
County Landfills	<u>\$ 222,087</u>
Total business-type activities depreciation expense	<u>\$ 222,087</u>

Santa Cruz County
Notes to Financial Statements
June 30, 2005

Note 6 – Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Due within 1 year
Governmental activities					
General obligation bonds payable	\$1,040,000		\$1,040,000		
Capital leases payable	748,283		216,381	\$ 531,902	\$ 222,077
Long-term notes payable	616,028		169,486	446,542	171,580
Compensated absences payable	1,369,211	\$848,377	700,005	1,517,583	771,123
Estimated liabilities for claims and judgments	<u>75,000</u>			<u>75,000</u>	
Governmental activities long-term liabilities	<u>\$3,848,522</u>	<u>\$848,377</u>	<u>\$2,125,872</u>	<u>\$2,571,027</u>	<u>\$1,164,780</u>
Business-type activities					
Capital leases payable	\$ 630,659	\$107,170	\$ 241,750	\$ 496,079	\$ 172,295
Compensated absences payable	35,998	29,061	22,426	42,633	20,406
Landfill closure and postclosure care costs payable	<u>3,036,319</u>	<u>211,887</u>	<u>4,890</u>	<u>3,243,316</u>	<u>5,110</u>
Business-type activities long-term liabilities	<u>\$3,702,976</u>	<u>\$348,118</u>	<u>\$ 269,066</u>	<u>\$3,782,028</u>	<u>\$ 197,811</u>

Obligations under capital leases—The County has acquired a building, furniture and equipment, and construction equipment and vehicles under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Buildings	\$ 310,000	
Furniture and equipment	361,703	
Construction equipment and vehicles	1,979,239	\$ 920,717
Less: accumulated depreciation	<u>(2,021,969)</u>	<u>(382,369)</u>
Carrying value	<u>\$ 628,973</u>	<u>\$ 538,348</u>

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2005:

Santa Cruz County
Notes to Financial Statements
June 30, 2005

Year Ending June 30	Governmental Activities	Business-Type Activities
2006	\$239,273	\$192,016
2007	186,285	251,362
2008	99,794	37,812
2009	35,400	37,811
2010	<u> </u>	<u>12,010</u>
Total minimum lease payments	560,752	531,011
Less amount representing interest	<u>(28,850)</u>	<u>(34,932)</u>
 Present value of net minimum lease payments	 <u>\$531,902</u>	 <u>\$496,079</u>

Long-term notes payable—The County has long-term notes payable that consist of agreements for emergency road repairs and the development of air park infrastructure at a total purchase price of \$1,064,215. The future minimum payments required under the contracts at June 30, 2005, including interest varying from 3.11 to 5.20 percent, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2006	\$171,580	\$17,467
2007	102,611	11,310
2008	46,106	8,073
2009	48,550	5,628
2010	51,125	3,054
2011-2015	<u>26,570</u>	<u>519</u>
Total	<u>\$446,542</u>	<u>\$46,051</u>

Landfill closure and postclosure care costs—State and federal laws and regulations require the County to place a final cover on its three landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosures care costs will not be paid until near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs in each period that the County operates the landfill. These costs will be paid from the Enterprise Fund.

Santa Cruz County
Notes to Financial Statements
June 30, 2005

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$3,243,316 reported as landfill closure and postclosure care liability at June 30, 2005, represents the cumulative amount reported to date based on the use of 63 percent of the estimated capacity of the landfills. The County will recognize the remaining estimated cost of closure and postclosure care of \$2,332,890 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2005. The County closed one landfill in 1994 and expects to close the remaining two landfills in 2016 and 2058, and the actual cost may be higher due to inflation, changes in technology, or changes in regulations.

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that assure the County can meet the costs of landfill closure, postclosure, and corrective action when needed. The County is in compliance with these requirements.

Insurance claims—The County provides life, health, and disability benefits to its employees and their dependents through the Arizona Local Government Employee Benefit Trust, currently composed of six member counties. The Trust provides the benefits through a self-funding agreement with its participants and administers the program. The County is responsible for paying the premium and requires its employees to contribute a portion of that premium. If it withdraws from the Trust, the County is responsible for any claims' run-out costs, including claims reported but not settled, claims incurred but not reported, and administrative costs. If the Trust were to terminate, the County would be responsible for its proportional share of any Trust deficit.

Compensated absences and claims and judgments—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. Claims and judgments are generally paid from the fund that accounts for the activity that gave rise to the claim. During fiscal year 2005, the County paid for compensated absences as follows: 59 percent from the General Fund, 8 percent from the Road Fund, 5 percent from the Criminal Justice Enhancement Fund, 4 percent from the WIA Fund, 9 percent from the Juvenile Services Fund, 12 percent from the Other Governmental Funds, and 3 percent from the Enterprise Funds.

Note 7 – Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance for all such risks of loss relating to the ownership of Nogales International Airport, and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 years. Other risks of loss are covered by the County's participation in the Arizona Counties Property and Casualty Pool, the Arizona Counties Workers' Compensation Pool, and the Arizona Local Government Employee Benefit Trust, which is described above.

Santa Cruz County
Notes to Financial Statements
June 30, 2005

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium based on its exposure in relation to the exposure of the other participants, and a deductible of \$5,000 for each occurrence. The County is also responsible for any payments in excess of the maximum coverage of \$100 million per occurrence for property claims and \$10 million per occurrence for liability claims. A county must participate in the pool at least 3 years after becoming a member; however, it may withdraw after the initial 3-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties with workers' compensation coverage, as required by law, and risk management services. The County is responsible for paying a premium based on an experience-rating formula that allocates pool expenditures and liabilities among the members.

The Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool receive independent audits annually and an audit by the Arizona Department of Insurance triennially. Both pools accrue liability for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation.

Note 8 – Retirement Plans

Plan Descriptions—The County contributes to the four plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer-defined benefit pension plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer-defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or participating political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Santa Cruz County
Notes to Financial Statements
June 30, 2005

The *Corrections Officer Retirement Plan* (CORP) is an agent multiple-employer-defined benefit pension plan that covers certain employees of the State of Arizona's Department of Corrections and Department of Juvenile Corrections, and county employees whose primary duties require direct inmate contact. The CORP is governed by The Fund Manager of PSPRS and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The *Elected Officials Retirement Plan* (EORP) is a cost-sharing multiple-employer-defined benefit pension plan that covers State of Arizona and county elected officials and judges, and elected officials of participating cities. The EORP is governed by The Fund Manager of PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan:

ASRS

3300 North Central Avenue
P.O. Box 33910
Phoenix, AZ 85067-3910
(602) 240-2000 or
(800) 621-3778

PSPRS, CORP, AND EORP

3010 East Camelback Road, Suite 200
Phoenix, AZ 85016-4416
(602) 255-5575

Funding Policy—The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates.

Cost-Sharing Plans—For the year ended June 30, 2005, active ASRS members and the County were each required by statute to contribute at the actuarially determined rate of 5.7 percent (5.2 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The County's contributions to ASRS for the years ended June 30, 2005, 2004, and 2003 were \$532,622, \$491,109, and \$188,934, respectively, which were equal to the required contributions for the year.

In addition, active EORP members were required by statute to contribute 7 percent of the members' annual covered payroll. The County was required to remit a designated portion of certain court fees plus additional contributions of 6 percent of the members' annual covered payroll, as determined by actuarial valuation. The County's contributions to EORP for the years ended June 30, 2005 and 2004 were \$54,008 and \$51,883, respectively, which were equal to the required contribution for the year. The County had no required contribution to EORP for the fiscal year ended June 30, 2003.

Santa Cruz County
Notes to Financial Statements
June 30, 2005

Agent Plans—For the year ended June 30, 2005, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 15.93 percent. Active CORP members were required by statute to contribute 8.5 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 2 percent.

Annual Pension Costs—The County's pension cost for the two agent plans for the year ended June 30, 2005, and related information follows:

	PSPRS	CORP
Contribution rates:		
County	15.93%	2%
Plan members	7.65%	8.5%
Annual pension costs	\$252,438	\$10,850
Contributions made	\$252,438	\$10,850

The current-year annual required contributions for both the PSPRS and CORP were determined as part of their June 30, 2003, actuarial valuations using the entry-age actuarial cost method. The actuarial assumptions included (a) 9 percent investment rate of return and (b) projected salary increases ranging from 6.5 percent to 9.5 percent per year. Both (a) and (b) included an inflation component of 5.5 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 4-year period. The unfunded (excess) actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2003, was 20 years.

Trend Information—Annual pension cost information for the current and 2 preceding years follows for each of the agent plans:

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	2005	\$252,438	100.0%	\$0
	2004	201,629	100.0	0
	2003	141,693	100.0	0
CORP	2005	\$10,850	100.0%	\$0
	2004	9,476	100.0	0
	2003	7,723	100.0	0

Santa Cruz County
Notes to Financial Statements
June 30, 2005

Note 9 – Interfund Balances and Activity

Interfund receivables and payables—Interfund balances at June 30, 2005, were as follows:

	Payable to
Payable from	General Fund
Criminal Justice Enhancement Fund	\$ 654,644
WIA Fund	902,291
Juvenile Services Fund	305,837
Airport Fund	698,506
Other Governmental Funds	<u>565,865</u>
Total governmental funds	<u>\$3,127,143</u>

The interfund balances resulted from time lags between the dates that interfund goods and services are provided or reimbursable expenditures occur.

Interfund transfers—for the year ended June 30, 2005, were as follows:

	Transfer to							
	General Fund	Road Fund	Criminal Justice Enhancement Fund	Juvenile Services Fund	Airport Fund	Other Governmental Funds	Enterprise Fund	Total
Transfer from								
General Fund			\$101,898	\$5,235	\$30,895	\$306,563	\$429,241	\$873,832
Other Governmental Funds	\$19,946	\$7,500	79,569			10,681		117,696
Juvenile Services Fund						1,530		1,530
Criminal Justice Enhancement Fund	<u>3</u>							<u>3</u>
Total governmental funds	<u>\$19,949</u>	<u>\$7,500</u>	<u>\$181,467</u>	<u>\$5,235</u>	<u>\$30,895</u>	<u>\$318,774</u>	<u>\$429,241</u>	<u>\$993,061</u>

The principal purpose of interfund transfers was to provide grant matches or to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 10 – County Treasurer’s Investment Pool

Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The Treasurer has a fiduciary responsibility to administer those and the County monies under his stewardship. The Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the Treasurer determines the fair value of those pooled investments annually at June 30.

Santa Cruz County
Notes to Financial Statements
June 30, 2005

The County Treasurer's investment pool is not registered with the Securities and Exchange Commission as an investment company and there is no regulatory oversight of its operations. The pool's structure does not provide for shares and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments.

The Treasurer allocates interest earnings to each of the pool's participants.

At June 30, 2005, the carrying amount of the County Treasurer's investment pool deposits was \$2,944,779 and the bank balance was \$5,688,992. Further, the pool includes all of the County's primary governments investments in U.S. Treasury Securities and U.S. Agency Securities, and represents forty percent of the monies of the County's primary governments investments in the State Treasurer's investment pool 5. For credit and interest rate risks for the County Treasurer's investment pool see Note 1. In addition, the County Treasurer's investment pool had investments at June 30, 2005, of 5 percent or more in the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association. These investments were 31 percent, 7 percent, and 17 percent, respectively, of total pool's investments.

Details of each major investment classification follow:

Investment Type	Principal	Interest Rate	Maturities	Fair Value
U.S. Agency Securities	\$8,103,731	1.90-4.25%	12/05-04/10	\$8,103,731
State Treasurer's Investment Pool	6,183,419	No stated interest rate	No stated maturity	6,183,419
U.S. Treasury Securities	495,195	Zero Coupon Strips	11/06	495,195

Santa Cruz County
Notes to Financial Statements
June 30, 2005

A condensed statement of the investment pool's net assets and changes in net assets follows:

Statement of Net Assets:

Assets	\$ 18,250,770
Liabilities	
Net assets	<u>\$ 18,250,770</u>

Net assets held in trust for:

Internal participants	\$ 4,446,905
External participants	<u>13,803,865</u>
Total net assets held in trust	<u>\$ 18,250,770</u>

Statement of Changes in Net Assets:

Total additions	\$133,096,460
Total deductions	<u>130,162,648</u>
Net increase	2,933,812
Net assets held in trust:	
July 1, 2004	<u>15,316,958</u>
June 30, 2005	<u>\$ 18,250,770</u>

Note 11 – Subsequent Events

In August 2005, Santa Cruz County purchased new accounting software from New World Systems. New World Systems is a leading provider of enterprise-wide software solutions for the public sector. The accounting system and subsequent contract was valued at \$500,000 and includes the financial management, payroll, and human resources modules designed to help improve internal processes and maximize resources.

Further, county government is beginning to address the impact growth and the demand services are having on buildings and facilities. Most notably, the County's justice infrastructure is in poor condition and requires major renovation and expansion. On November 8, 2005, the Santa Cruz County electorate approved the creation of a Jail District to finance the construction of a new jail, which will triple the capacity of the existing facility.

Required Supplementary Information

Santa Cruz County
 Required Supplementary Information
 Schedule of Agent Retirement Plans' Funding Progress
 June 30, 2005

Public Safety Personnel Retirement System

<u>Actual Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Funding (Liability) Excess (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Unfunded Liability as Percentage of Covered Payroll ((a-b)/c)</u>
June 30, 2005	\$4,488,809	\$6,905,005	\$(2,416,196)	65.0%	\$1,688,154	143.1%
June 30, 2004	4,300,555	6,061,462	(1,760,907)	70.9	1,570,793	112.1
June 30, 2003	4,281,102	5,618,218	(1,337,116)	76.2	1,159,807	115.3

Corrections Officer Retirement Plan

<u>Actual Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Funding (Liability) Excess (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Unfunded Liability as Percentage of Covered Payroll ((a-b)/c)</u>
June 30, 2005	\$1,317,912	\$810,987	\$506,925	162.5%	\$516,689	N/A
June 30, 2004	1,239,425	661,943	577,482	187.2	456,666	N/A
June 30, 2003	1,227,649	582,221	645,428	210.9	395,222	N/A

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Taxes	\$ 9,799,918	\$10,395,785	\$ 595,867
Intergovernmental	6,796,653	8,279,517	1,482,864
Licenses and permits	750,000	1,298,251	548,251
Charges for services	620,123	717,693	97,570
Fines and forfeits	628,000	607,800	(20,200)
Investment income	50,000	191,261	141,261
Miscellaneous	<u> </u>	<u>102,051</u>	<u>102,051</u>
Total revenues	<u>18,644,694</u>	<u>21,592,358</u>	<u>2,947,664</u>
Expenditures			
Current:			
General government:			
Adult Probation	696,437	399,064	297,373
Airport	166,721	118,004	48,717
Assessor	624,544	575,380	49,164
Board of Supervisors	3,454,350	1,631,939	1,822,411
Clerk of Superior Court	616,769	609,378	7,391
County Attorney	836,760	853,908	(17,148)
Elections	150,733	149,809	924
Finance	1,011,226	507,997	503,229
Grounds and Maintenance	1,167,002	894,521	272,481
Information Technology	271,854	241,899	29,955
Justice Court	669,481	705,965	(36,484)
Planning and Zoning	320,626	296,913	23,713
Public Fiduciary	234,036	210,957	23,079
Recorder	305,298	399,473	(94,175)
Superior Court	1,468,644	1,242,165	226,479
Treasurer	<u>431,997</u>	<u>345,502</u>	<u>86,495</u>
Total general government	<u>12,426,478</u>	<u>9,182,874</u>	<u>3,243,604</u>
Public safety:			
Constable	45,982	44,580	1,402
Building Codes	366,015	373,574	(7,559)
Emergency Services	165,750	180,571	(14,821)
Juvenile Detention	541,735	547,841	(6,106)
Sheriff	4,203,013	4,681,461	(478,448)
Constable #2	<u>19,260</u>	<u>12,529</u>	<u>6,731</u>
Total public safety	<u>5,341,755</u>	<u>5,840,556</u>	<u>(498,801)</u>

(Continued)

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2005
 (Concluded)

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Health, welfare and sanitation:			
Long-term care services	\$ 1,934,900	\$ 1,924,900	\$ 10,000
Medical indigent	676,420	545,493	130,927
Mental health services	<u>88,000</u>	<u>57,727</u>	<u>30,273</u>
Total health, welfare and sanitation	<u>2,699,320</u>	<u>2,528,120</u>	<u>171,200</u>
Education and economic opportunity:			
Drug education	64,630	61,062	3,568
School superintendent	<u>1,247,029</u>	<u>1,031,441</u>	<u>215,588</u>
Total education and economic opportunity	<u>1,311,659</u>	<u>1,092,503</u>	<u>219,156</u>
Recreation—Parks	<u>511,124</u>	<u>285,075</u>	<u>226,049</u>
Total expenditures	<u>22,290,336</u>	<u>18,929,128</u>	<u>3,361,208</u>
Excess (deficiency) of revenues over expenditures	<u>(3,645,642)</u>	<u>2,663,230</u>	<u>6,308,872</u>
Other financing sources (uses):			
Transfers in	563,926	19,949	(543,977)
Transfers out	<u>(665,937)</u>	<u>(873,832)</u>	<u>(207,895)</u>
Total other financing sources and (uses)	(102,011)	(853,883)	(751,872)
Net change in fund balance	(3,747,653)	1,809,347	5,557,000
Fund balance, July 1, 2004	<u>3,747,653</u>	<u>8,838,584</u>	<u>5,090,931</u>
Fund balance, June 30, 2005	<u>\$ -</u>	<u>\$10,647,931</u>	<u>\$10,647,931</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 Road Fund
 Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$3,582,996	\$3,997,543	\$ 414,547
Investment income		33,451	33,451
Miscellaneous		<u>25,553</u>	<u>25,553</u>
Total revenues	<u>3,582,996</u>	<u>4,056,547</u>	<u>473,551</u>
Expenditures			
Current:			
Highways and streets—Road	<u>4,761,816</u>	<u>4,019,870</u>	<u>741,946</u>
Excess (deficiency) of revenues over expenditures	<u>(1,178,820)</u>	<u>36,677</u>	<u>1,215,497</u>
Other financing sources (uses):			
Transfers in	7,500	7,500	
Transfers out	<u>(200,000)</u>		<u>200,000</u>
Total other financing sources (uses)	<u>(192,500)</u>	<u>7,500</u>	<u>200,000</u>
Net change in fund balance	<u>(1,371,320)</u>	<u>44,177</u>	<u>1,415,497</u>
Fund balance, July 1, 2004	<u>1,371,320</u>	<u>1,514,714</u>	<u>143,394</u>
Fund balance, June 30, 2005	<u>\$ -</u>	<u>\$1,558,891</u>	<u>\$1,558,891</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 Criminal Justice Enhancement Fund
 Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$1,056,191	\$1,258,290	\$ 202,099
Charges for services	28,247	24,393	(3,854)
Fines and forfeits	158,000	266,525	108,525
Investment income		8,340	8,340
Miscellaneous		<u>5,683</u>	<u>5,683</u>
Total revenues	<u>1,242,438</u>	<u>1,563,231</u>	<u>320,793</u>
Expenditures			
Current:			
General government:			
County Attorney	685,998	566,161	119,837
Clerk of Superior Court	2,501		2,501
Superior Court	290,564		290,564
Probation Department	<u>32,021</u>	<u>32,541</u>	<u>(520)</u>
Total general government	<u>1,011,084</u>	<u>598,702</u>	<u>412,382</u>
Public safety:			
Sheriff	800,467	910,801	(110,334)
Nogales Police	15,000	170	14,830
Metro Task Force	10,000	38,557	(28,557)
Other Agencies	<u>14,500</u>	<u>9,734</u>	<u>4,766</u>
Total public safety	<u>839,967</u>	<u>959,262</u>	<u>(119,295)</u>
Total expenditures	<u>1,851,051</u>	<u>1,557,964</u>	<u>293,087</u>
Excess (deficiency) of revenues over expenditures	<u>(608,613)</u>	<u>5,267</u>	<u>613,880</u>
Other financing sources (uses):			
Transfers in	159,334	181,467	22,133
Transfers out	<u>(76,634)</u>	<u>(3)</u>	<u>76,631</u>
Total other financing sources (uses)	<u>82,700</u>	<u>181,464</u>	<u>98,764</u>
Net change in fund balance	<u>(525,913)</u>	<u>186,731</u>	<u>712,644</u>
Fund balance, July 1, 2004	<u>525,913</u>	<u>130,427</u>	<u>(395,486)</u>
Fund balance, June 30, 2005	<u>\$ -</u>	<u>\$ 317,158</u>	<u>\$ 317,158</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 WIA Fund
 Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$1,448,945	\$1,973,155	\$ 524,210
Miscellaneous	<u> </u>	<u>11,998</u>	<u>11,998</u>
Total revenues	<u>1,448,945</u>	<u>1,985,153</u>	<u>536,208</u>
 Expenditures			
Current:			
Education and economic opportunity:			
WIA Department	<u>1,471,805</u>	<u>2,042,176</u>	<u>(570,371)</u>
Total expenditures	<u>1,471,805</u>	<u>2,042,176</u>	<u>(570,371)</u>
 Excess (deficiency) of revenues over expenditures	<u>(22,860)</u>	<u>(57,023)</u>	<u>(34,163)</u>
 Fund balance, July 1, 2004	<u>22,860</u>	<u>(380,009)</u>	<u>(402,869)</u>
 Fund balance, June 30, 2005	<u>\$ -</u>	<u>\$ (437,032)</u>	<u>\$(437,032)</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
Juvenile Services Fund
Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Property taxes	\$ 81,629	\$ 63,276	\$ (18,353)
Intergovernmental	2,402,142	1,956,182	(445,960)
Charges for services	25,700	31,931	6,231
Investment income	5,400	2,740	(2,660)
Miscellaneous	<u>2,265</u>	<u>26,260</u>	<u>23,995</u>
Total revenues	<u>2,517,136</u>	<u>2,080,389</u>	<u>(436,747)</u>
Expenditures			
Current:			
General government:			
Superior Court	47,845	84,394	(36,549)
Probation	867,637	757,544	110,093
School Superintendent	<u>3,225</u>	<u>1,326</u>	<u>1,899</u>
Total general government	<u>918,707</u>	<u>843,264</u>	<u>75,443</u>
Education and economic opportunity—			
School Superintendent	<u>1,811,671</u>	<u>1,582,181</u>	<u>229,490</u>
Total expenditures	<u>2,730,378</u>	<u>2,425,445</u>	<u>304,933</u>
Excess (deficiency) of revenues over expenditures	<u>(213,242)</u>	<u>(345,056)</u>	<u>(131,814)</u>
Other financing sources (uses):			
Transfers in	41,621	5,235	(36,386)
Transfers out	<u> </u>	<u>(1,530)</u>	<u>(1,530)</u>
Total other financing sources (uses)	<u>41,621</u>	<u>3,705</u>	<u>(37,916)</u>
Net change in fund balance	<u>(171,621)</u>	<u>(341,351)</u>	<u>(169,730)</u>
Fund balance, July 1, 2004	<u>171,621</u>	<u>93,700</u>	<u>(77,921)</u>
Fund deficit, June 30, 2005	<u>\$ -</u>	<u>\$ (247,651)</u>	<u>\$(247,651)</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
 Required Supplementary Information
 Notes to Budgetary Comparison Schedules
 June 30, 2005

Note 1 – Budgeting and Budgetary Control

A.R.S. requires the County to prepare and adopt a balanced budget annually for each governmental fund. The Board of Supervisors must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors' approval.

Note 2 – Expenditures In Excess of Appropriations

For the year ended June 30, 2005, expenditures exceeded final budgeted amounts at the department level (the legal level of budgetary control) as follows:

Fund/Department	Excess
<u>General Fund:</u>	
County Attorney	17,148
Justice Court	36,484
Recorder	94,175
Building Codes	7,559
Emergency Services	14,821
Juvenile Detention	6,106
Sheriff	478,448
 <u>Criminal Justice Enhancement Fund:</u>	
Probation Department	520
Sheriff	110,334
Metro Task Force	28,557
 <u>WIA Fund:</u>	
WIA Department	570,371
 <u>Juvenile Services Fund:</u>	
Superior Court	36,549

The excesses were primarily the result of unexpected expenditures or expenditures made as a result of unanticipated revenues, or both.

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Combining and Individual
Fund Statements and Schedules

Santa Cruz County
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$2,745,669		\$282,848	\$3,028,517
Property taxes receivable (net of allowance for uncollectible)	115,258		63,788	179,046
Due from other governmental units	727,844	\$ 6,467	2,586	736,897
Accounts receivable	21,836			21,836
Prepaid items	450			450
Total assets	<u>\$3,611,057</u>	<u>\$ 6,467</u>	<u>\$349,222</u>	<u>\$3,966,746</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 84,873	\$ 5,310	\$ 820	\$ 91,003
Accrued payroll and employee benefits	50,130			50,130
Due to other funds	559,398	6,467		565,865
Deferred revenue	130,089		53,303	183,392
Total liabilities	<u>824,490</u>	<u>11,777</u>	<u>54,123</u>	<u>890,390</u>
Fund Balances:				
Reserved for:				
Debt Service			295,099	295,099
Unreserved	2,786,567	(5,310)		2,781,257
Total fund balances(deficit)	<u>2,786,567</u>	<u>(5,310)</u>	<u>295,099</u>	<u>3,076,356</u>
Total liabilities and fund balances	<u>\$3,611,057</u>	<u>\$ 6,467</u>	<u>\$349,222</u>	<u>\$3,966,746</u>

Santa Cruz County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2005

	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Revenues				
Taxes	\$1,346,048		\$ 775,792	\$2,121,840
Intergovernmental	3,228,462	\$37,513		3,265,975
Charges for services	624,433			624,433
Fines and forfeits	152,333			152,333
Investment income	48,536		22,150	70,686
Rents	30,000			30,000
Miscellaneous	46,488			46,488
Total revenues	<u>5,476,300</u>	<u>37,513</u>	<u>797,942</u>	<u>6,311,755</u>
Expenditures				
Current:				
General government	1,085,788			1,085,788
Public safety	1,219,128			1,219,128
Highways and streets	1,049,280			1,049,280
Health, welfare and sanitation	1,293,122			1,293,122
Education and economic opportunity	291,998			291,998
Capital outlay		39,035		39,035
Debt Service:				
Principal retirement			1,040,000	1,040,000
Interest and other charges			59,220	59,220
Total expenditures	<u>4,939,316</u>	<u>39,035</u>	<u>1,099,220</u>	<u>6,077,571</u>
Excess (deficiency) of revenues over expenditures	<u>536,984</u>	<u>(1,522)</u>	<u>(301,278)</u>	<u>234,184</u>
Other financing sources (uses):				
Transfers in	290,588	28,186		318,774
Transfers out	<u>(93,443)</u>	<u>(24,253)</u>		<u>(117,696)</u>
Total other financing sources (uses)	<u>197,145</u>	<u>3,933</u>		<u>201,078</u>
Net change in fund balances	734,129	2,411	(301,278)	435,262
Fund balances (deficit), July 1, 2004	<u>2,052,438</u>	<u>(7,721)</u>	<u>596,377</u>	<u>2,641,094</u>
Fund balances (deficit), June 30, 2005	<u>\$2,786,567</u>	<u>\$ (5,310)</u>	<u>\$ 295,099</u>	<u>\$3,076,356</u>

Santa Cruz County
Combining Balance Sheet
Nonmajor Special Revenue Funds
Year Ended June 30, 2005

	<u>Homeland Security</u>	<u>Probation Services</u>	<u>Health Services</u>	<u>Flood</u>
Assets				
Cash and cash equivalents	\$ 25,532	\$362,888	\$133,046	\$1,521,171
Property taxes receivable (net of allowance for uncollectible)				115,258
Due from other governmental units	447,275	484	63,556	83,326
Accounts receivable		176	15,457	
Prepaid items			450	
Total assets	<u>\$472,807</u>	<u>\$363,548</u>	<u>\$212,509</u>	<u>\$1,719,755</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 24,968	\$ 9,686	\$ 13,185	\$ 12,153
Accrued payroll and employee benefits	712	21,103	7,914	8,566
Due to other funds	428,415		53,888	
Deferred revenue			34,544	95,545
Total liabilities	<u>454,095</u>	<u>30,789</u>	<u>109,531</u>	<u>116,264</u>
Fund balances:				
Unreserved	<u>18,712</u>	<u>332,759</u>	<u>102,978</u>	<u>1,603,491</u>
Total fund balances (deficit)	<u>18,712</u>	<u>332,759</u>	<u>102,978</u>	<u>1,603,491</u>
Total liabilities and fund balances	<u>\$472,807</u>	<u>\$363,548</u>	<u>\$212,509</u>	<u>\$1,719,755</u>

<u>Retrieval Conversion</u>	<u>Other</u>	<u>Total</u>
\$402,750	\$300,282	\$2,745,669
		115,258
1	133,202	727,844
1,736	4,467	21,836
		450
<u>\$404,487</u>	<u>\$437,951</u>	<u>\$3,611,057</u>

\$ 12,262	\$ 12,619	\$ 84,873
330	11,505	50,130
1,204	75,891	559,398
		130,089
<u>13,796</u>	<u>100,015</u>	<u>824,490</u>

<u>390,691</u>	<u>337,936</u>	<u>2,786,567</u>
390,691	337,936	2,786,567
<u>\$404,487</u>	<u>\$437,951</u>	<u>\$3,611,057</u>

Santa Cruz County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2005

	<u>Homeland Security</u>	<u>Probation Services</u>	<u>Health Services</u>	<u>Flood</u>
Revenues:				
Taxes				\$1,345,865
Intergovernmental	\$1,342,114	\$765,766	\$400,561	
Charges for services		78,832	267,206	
Fines and forfeits				
Investment income	2	6,778	2,093	30,308
Rents				
Miscellaneous	<u>55</u>	<u>3,139</u>	<u>1,001</u>	<u>6,399</u>
Total revenues	<u>1,342,171</u>	<u>854,515</u>	<u>670,861</u>	<u>1,382,572</u>
Expenditures:				
Current:				
General government		839,039		
Public safety	1,072,541			
Highways and streets				1,049,280
Health, welfare and sanitation			730,501	
Education and economic opportunity				
Total expenditures	<u>1,072,541</u>	<u>839,039</u>	<u>730,501</u>	<u>1,049,280</u>
Excess (deficiency) of revenues over expenditures	<u>269,630</u>	<u>15,476</u>	<u>(59,640)</u>	<u>333,292</u>
Other financing sources (uses):				
Transfers in		10,598	105,987	
Transfers out		<u>(6,375)</u>		
Total other financing sources (uses)		<u>4,223</u>	<u>105,987</u>	
Net change in fund balances	269,630	19,699	46,347	333,292
Fund balances (deficit), July 1, 2004	<u>(250,918)</u>	<u>313,060</u>	<u>56,631</u>	<u>1,270,199</u>
Fund balances (deficit), June 30, 2005	<u>\$ 18,712</u>	<u>\$332,759</u>	<u>\$102,978</u>	<u>\$1,603,491</u>

<u>Retrieval Conversion</u>	<u>Other</u>	<u>Total</u>
	\$ 183	\$1,346,048
\$ 21,393	698,628	3,228,462
106,461	171,934	624,433
152,333		152,333
5,989	3,366	48,536
	30,000	30,000
	35,894	46,488
<u>286,176</u>	<u>940,005</u>	<u>5,476,300</u>
201,609	45,140	1,085,788
	146,587	1,219,128
		1,049,280
	562,621	1,293,122
	291,998	291,998
<u>201,609</u>	<u>1,046,346</u>	<u>4,939,316</u>
<u>84,567</u>	<u>(106,341)</u>	<u>536,984</u>
11,805	162,198	290,588
<u>(79,568)</u>	<u>(7,500)</u>	<u>(93,443)</u>
<u>(67,763)</u>	<u>154,698</u>	<u>197,145</u>
16,804	48,357	734,129
<u>373,887</u>	<u>289,579</u>	<u>2,052,438</u>
<u>\$390,691</u>	<u>\$ 337,936</u>	<u>\$2,786,567</u>

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

Nonmajor Special Revenue Funds

Santa Cruz County
Homeland Security—Schedule of Revenues, Expenditures, and
Changes in Fund Balance—Budget and Actual
Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$2,048,833	\$1,342,114	\$(706,769)
Interest		2	2
Miscellaneous		55	55
Total revenues	<u>2,048,883</u>	<u>1,342,171</u>	<u>(706,712)</u>
 Expenditures			
Current:			
Public safety—Emergency Services	<u>2,074,388</u>	<u>1,072,541</u>	<u>1,001,847</u>
Excess (deficiency) of revenues over expenditures	<u>(25,505)</u>	<u>269,630</u>	<u>295,135</u>
 Fund balance, July 1, 2004	<u>25,505</u>	<u>(250,918)</u>	<u>(276,423)</u>
 Fund balance, June 30, 2005	<u>\$ -</u>	<u>\$ 18,712</u>	<u>\$ 18,712</u>

Santa Cruz County
 Probation Services—Schedule of Revenues, Expenditures, and
 Changes in Fund Balance—Budget and Actual
 Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 763,676	\$765,766	\$ 2,090
Charges for services	99,400	78,832	(20,568)
Interest		6,778	6,778
Miscellaneous	<u>1,300</u>	<u>3,139</u>	<u>1,839</u>
Total revenues	<u>864,376</u>	<u>854,515</u>	<u>(9,861)</u>
Expenditures			
Current:			
General government—Probation	<u>1,218,482</u>	<u>839,039</u>	<u>379,443</u>
Excess (deficiency) of revenues over expenditures	<u>(354,106)</u>	<u>15,476</u>	<u>369,582</u>
Other financing sources:			
Transfers in	23,725	10,598	(13,127)
Transfers out	<u> </u>	<u>(6,375)</u>	<u>(6,375)</u>
Total other financing sources (uses)	<u>23,725</u>	<u>4,223</u>	<u>(19,502)</u>
Net change in fund balance	<u>(330,381)</u>	<u>19,699</u>	<u>350,080</u>
Fund balance, July 1, 2004	<u>330,381</u>	<u>313,060</u>	<u>(17,321)</u>
Fund balance, June 30, 2005	<u>\$ -</u>	<u>\$332,759</u>	<u>\$332,759</u>

Santa Cruz County
 Health Services—Schedule of Revenues, Expenditures, and
 Changes in Fund Balance—Budget and Actual
 Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 482,272	\$400,561	\$ (81,711)
Charges for services	200,000	267,206	67,206
Investment income		2,093	2,093
Miscellaneous		1,001	1,001
Total revenues	<u>682,272</u>	<u>670,861</u>	<u>(11,411)</u>
Expenditures			
Current:			
Health, welfare and sanitation			
Tuberculosis	78,892	41,091	37,801
Human Immunodeficiency Virus (HIV) Testing	42,159	14,761	27,398
Environmental Health	755,728	612,027	143,701
Sexually Transmitted Diseases Program	4,200	1,780	2,420
Nutrition	12,750	11,688	1,062
Women, Infants, and Children	25,807	23,656	2,151
Immunization	<u>27,816</u>	<u>25,498</u>	<u>2,318</u>
Total expenditures	<u>947,352</u>	<u>730,501</u>	<u>216,851</u>
Excess (deficiency) of revenues over expenditures	<u>(265,080)</u>	<u>(59,640)</u>	<u>205,440</u>
Other financing sources:			
Transfers in	124,465	105,987	(18,478)
Net change in fund balance	<u>(140,615)</u>	<u>46,347</u>	<u>186,962</u>
Fund balance, July 1, 2004	<u>140,615</u>	<u>56,631</u>	<u>(83,984)</u>
Fund balance, June 30, 2005	<u>\$ -</u>	<u>\$102,978</u>	<u>\$102,978</u>

Santa Cruz County
Flood—Schedule of Revenues, Expenditures, and
Changes in Fund Balance—Budget and Actual
Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Property taxes	\$1,376,005	\$1,345,865	\$ (30,140)
Intergovernmental	325,000		(325,000)
Investment income	150,000	30,308	(119,692)
Miscellaneous		6,399	6,399
Total revenues	<u>1,851,005</u>	<u>1,382,572</u>	<u>(468,433)</u>
Expenditures			
Current:			
Highways and streets—Flood District	<u>1,362,268</u>	<u>1,049,280</u>	<u>312,988</u>
Excess of revenues over expenditures	<u>488,737</u>	<u>333,292</u>	<u>155,445</u>
Other financing sources:			
Transfers out	<u>(163,926)</u>		<u>163,926</u>
Net change in fund balance	<u>324,811</u>	<u>333,292</u>	<u>8,481</u>
Fund balance, July 1, 2004	<u>(324,811)</u>	<u>1,270,199</u>	<u>1,595,010</u>
Fund balance, June 30, 2005	<u>\$ -</u>	<u>\$1,603,491</u>	<u>\$1,603,491</u>

Santa Cruz County
Retrieval Conversion—Schedule of Revenues, Expenditures, and
Changes in Fund Balance—Budget and Actual
Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 52,181	\$ 21,393	\$ (30,788)
Charges for services	87,000	106,461	19,461
Fines and forfeits	118,000	152,333	34,333
Investment income	5,989	5,989	5,989
Total revenues	<u>257,181</u>	<u>286,176</u>	<u>28,995</u>
Expenditures			
Current:			
General government			
Assessor	107,099	63,361	43,738
Clerk of Superior Court	82,067	7,299	74,768
Justice Court #1	117,387	13,049	104,338
Justice Court #2	6,355	6,355	6,355
Recorder	72,849	88,819	(15,970)
Superior Court	148,441	24,990	123,451
Treasurer	<u>21,951</u>	<u>4,091</u>	<u>17,860</u>
Total expenditures	<u>556,149</u>	<u>201,609</u>	<u>354,540</u>
Excess (deficiency) of revenues over expenditures	<u>(298,968)</u>	<u>84,567</u>	<u>383,535</u>
Other financing sources (uses):			
Transfers in	3,669	11,805	8,136
Transfers out	<u>(77,700)</u>	<u>(79,568)</u>	<u>(1,868)</u>
Total other financing sources (uses)	<u>(74,031)</u>	<u>(67,763)</u>	<u>6,268</u>
Net change in fund balances	<u>(372,999)</u>	<u>16,804</u>	<u>389,803</u>
Fund balance, July 1, 2004	<u>372,999</u>	<u>373,887</u>	<u>888</u>
Fund balance, June 30, 2005	<u>\$ -</u>	<u>\$390,691</u>	<u>\$390,691</u>

Santa Cruz County
Animal Control—Schedule of Revenues, Expenditures, and
Changes in Fund Balance—Budget and Actual
Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 212,830	\$ 235,732	\$ 22,902
Charges for services	30,000	32,466	2,466
Investment income		1	1
Miscellaneous		50	50
Total revenues	<u>242,830</u>	<u>268,249</u>	<u>25,419</u>
Expenditures			
Current:			
Health, welfare and sanitation—			
Animal Control	<u>417,216</u>	<u>419,224</u>	<u>(2,008)</u>
Excess (deficiency) of revenues over expenditures	<u>(174,386)</u>	<u>(150,975)</u>	<u>23,411</u>
Other financing sources:			
Transfers in	<u>174,386</u>	<u>157,198</u>	<u>(17,188)</u>
Net change in fund balance		6,223	6,223
Fund balance, July 1, 2004	<u> </u>	<u>(12,527)</u>	<u>(12,527)</u>
Fund balance, June 30, 2005	<u>\$ -</u>	<u>\$ (6,304)</u>	<u>\$ (6,304)</u>

Santa Cruz County
 Jail Enhancement—Schedule of Revenues, Expenditures and
 Changes in Fund Balance—Budget and Actual
 Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Taxes	\$ 36,750	\$ 183	\$ (36,567)
Intergovernmental	120,000	191,470	71,470
Charges for services	20,000	11,078	(8,922)
Investment income		544	544
Miscellaneous	<u>20,000</u>	<u>35,844</u>	<u>15,844</u>
Total revenues	<u>196,750</u>	<u>239,119</u>	<u>42,369</u>
Expenditures			
Current:			
Public safety—Sheriff	229,633	146,587	83,046
Education and economic opportunity— School Superintendent	<u>43,898</u>	<u>6,980</u>	<u>36,918</u>
Total expenditures	<u>273,531</u>	<u>153,567</u>	<u>119,964</u>
Excess (deficiency) of revenues over expenditures	<u>(76,781)</u>	<u>85,552</u>	<u>162,333</u>
Fund balance, July 1, 2004	<u>76,781</u>	<u>73,320</u>	<u>(3,461)</u>
Fund balance, June 30, 2005	<u>\$ -</u>	<u>\$158,872</u>	<u>\$158,872</u>

Santa Cruz County
 Child Support and Visitation—Schedule of Revenues,
 Expenditures, and Changes in Fund Balance—Budget and Actual
 Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Charges for services	\$ 1,900	\$ 1,515	\$ (385)
Investment income		580	580
Total revenues	<u>1,900</u>	<u>2,095</u>	<u>195</u>
Expenditures			
Current:			
General government—Superior Court	<u>34,408</u>	_____	<u>34,408</u>
Excess (deficiency) of revenues over expenditures	<u>(32,508)</u>	<u>2,095</u>	<u>34,603</u>
Fund balance, July 1, 2004	<u>32,508</u>	<u>32,509</u>	<u>1</u>
Fund balance, June 30, 2005	<u>\$ -</u>	<u>\$34,604</u>	<u>\$34,604</u>

Santa Cruz County
Case Management—Schedule of Revenues, Expenditures, and
Changes in Fund Balance—Budget and Actual
Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$76,557	\$ 87,139	\$ 10,582
Investment income	<u> </u>	<u>1,823</u>	<u>1,823</u>
Total revenues	<u>76,557</u>	<u>88,962</u>	<u>12,405</u>
 Expenditures			
Current:			
Health, welfare and sanitation—			
Medical Assistance	<u>167,940</u>	<u>69,485</u>	<u>98,455</u>
Excess (deficiency) of revenues over expenditures	<u>(91,383)</u>	<u>19,477</u>	<u>110,860</u>
Fund balance, July 1, 2004	<u>91,383</u>	<u>97,076</u>	<u>5,693</u>
Fund balance, June 30, 2005	<u>\$ -</u>	<u>\$116,553</u>	<u>\$116,553</u>

Santa Cruz County
School Forest Fees—Schedule of Revenues, Expenditures, and
Changes in Fund Balance—Budget and Actual
Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$87,014	\$105,487	\$18,473
Investment income		326	326
Total revenues	<u>87,014</u>	<u>105,813</u>	<u>18,799</u>
 Expenditures			
Current:			
Education and economic opportunity— School Superintendent	<u>138,581</u>	<u>148,609</u>	<u>(10,028)</u>
Excess (deficiency) of revenues over expenditures	<u>(51,567)</u>	<u>42,796</u>	<u>8,771</u>
 Other financing uses:			
Transfers out	<u>(7,500)</u>	<u>(7,500)</u>	<u> </u>
Net change in fund balance	<u>(59,067)</u>	<u>(50,296)</u>	<u>8,771</u>
Fund balance, July 1, 2004	<u>59,067</u>	<u>49,671</u>	<u>(9,396)</u>
Fund deficit, June 30, 2005	<u>\$ -</u>	<u>\$ (625)</u>	<u>\$ (625)</u>

Santa Cruz County
 Law Library—Schedule of Revenues, Expenditures, and
 Changes in Fund Balance—Budget and Actual
 Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Charges for services	\$15,000	\$17,537	\$ 2,537
Investment income	<u> </u>	<u> (13)</u>	<u> (13)</u>
Total revenues	<u>15,000</u>	<u>17,524</u>	<u>2,524</u>
 Expenditures			
Current:			
General Government—Superior Court	<u>20,000</u>	<u>22,396</u>	<u>(2,396)</u>
Excess (deficiency) of revenues over expenditures	<u>(5,000)</u>	<u>(4,872)</u>	<u>128</u>
 Other financing uses:			
Transfers in	<u>5,000</u>	<u>5,000</u>	<u> </u>
Net change in fund balance	<u> </u>	<u>128</u>	<u>128</u>
Fund deficit, July 1, 2004	<u> </u>	<u>(1,215)</u>	<u>(1,215)</u>
Fund deficit, June 30, 2005	<u>\$ -</u>	<u>\$ (1,087)</u>	<u>\$ (1,087)</u>

Santa Cruz County
 Old Courthouse—Schedule of Revenues, Expenditures, and
 Changes in Fund Balance—Budget and Actual
 Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 91,675	\$ -	\$ (91,675)
Investment income		(41)	(41)
Rents	<u>30,000</u>	<u>30,000</u>	
Total revenues	<u>121,675</u>	<u>29,959</u>	<u>(91,716)</u>
Expenditures			
Current:			
General Government—Old Courthouse	<u>223,100</u>	<u>22,744</u>	<u>200,356</u>
Excess (deficiency) of revenues over expenditures	<u>(101,425)</u>	<u>7,215</u>	<u>108,640</u>
Other financing uses:			
Transfers in	<u>101,425</u>		<u>(101,425)</u>
Net change in fund balance		<u>7,215</u>	<u>7,215</u>
Fund deficit, July 1, 2004		<u>(1,440)</u>	<u>(1,440)</u>
Fund balance, June 30, 2005	<u>\$ -</u>	<u>\$ 5,775</u>	<u>\$ 5,775</u>

Santa Cruz County
Waste Tire Grant—Schedule of Revenues, Expenditures, and
Changes in Fund Balance—Budget and Actual
Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$65,000	\$78,800	\$13,800
Investment income		146	146
Total revenues	<u>65,000</u>	<u>78,946</u>	<u>13,946</u>
 Expenditures			
Current:			
Health, welfare and sanitation—			
Rio Rico Landfill	<u>71,460</u>	<u>73,912</u>	<u>(2,452)</u>
Excess of revenues over expenditures	<u>(6,460)</u>	<u>5,034</u>	<u>11,494</u>
Fund balance, July 1, 2004	<u>6,460</u>	<u>25,114</u>	<u>18,654</u>
Fund balance, June 30, 2005	<u>\$ -</u>	<u>\$30,148</u>	<u>\$30,148</u>

Santa Cruz County
 Literacy Coordinator—Schedule of Revenues, Expenditures, and
 Changes in Fund Balance—Budget and Actual
 Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Charges for services	\$141,080	\$109,338	\$(31,742)
Expenditures			
Current:			
Education and economic opportunity— School Superintendent	<u>141,080</u>	<u>136,409</u>	<u>4,671</u>
Excess (deficiency) of revenues over expenditures	<u> </u>	<u>(27,071)</u>	<u>(27,071)</u>
Fund balance, July 1, 2004	<u> </u>	<u>27,071</u>	<u>27,071</u>
Fund balance, June 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Major Capital Projects Fund

Santa Cruz County
 Airport—Schedule of Revenues, Expenditures, and
 Changes in Fund Balance—Budget and Actual
 Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	<u>\$3,927,281</u>	<u>\$1,070,329</u>	<u>\$(2,856,952)</u>
Expenditures			
Current:			
Capital Outlay—Airport	<u>4,093,847</u>	<u>1,126,318</u>	<u>(2,967,529)</u>
Excess (deficiency) of revenues over expenditures	<u>(166,566)</u>	<u>(55,989)</u>	<u>110,577</u>
Other financing sources:			
Transfers in	<u>110,396</u>	<u>30,895</u>	<u>(79,501)</u>
Net change in fund balance	<u>(56,170)</u>	<u>(25,094)</u>	<u>31,076</u>
Fund deficit, July 1, 2004	<u>56,170</u>	<u>(383,905)</u>	<u>(440,075)</u>
Fund deficit, June 30, 2005	<u>\$ -</u>	<u>\$ (408,999)</u>	<u>\$ (408,999)</u>

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

Nonmajor Capital Projects Fund

Santa Cruz County
Recreation—Schedule of Revenues, Expenditures, and
Changes in Fund Balance—Budget and Actual
Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	<u>\$221,858</u>	<u>\$ 37,513</u>	<u>\$(184,345)</u>
Expenditures			
Current:			
Capital Outlay	<u>271,858</u>	<u>39,035</u>	<u>232,823</u>
Excess (deficiency) of revenues over expenditures	<u>(50,000)</u>	<u>(1,522)</u>	<u>48,478</u>
Other financing sources (uses):			
Transfers in	50,000	28,186	(21,814)
Transfers out	<u> </u>	<u>(24,253)</u>	<u>(24,253)</u>
Total other financing sources (uses)	<u>50,000</u>	<u>3,933</u>	<u>(46,067)</u>
Net change in fund balance	<u> </u>	<u>2,411</u>	<u>2,411</u>
Fund deficit, July 1, 2004	<u> </u>	<u>(7,721)</u>	<u>(7,721)</u>
Fund deficit, June 30, 2005	<u>\$ -</u>	<u>\$ (5,310)</u>	<u>\$ (5,310)</u>

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

Nonmajor Debt Service Fund

Santa Cruz County
Debt Service—Schedule of Revenues, Expenditures, and
Changes in Fund Balance—Budget and Actual
Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Taxes	\$ 790,724	\$ 775,792	\$ (14,932)
Investment income	<u> </u>	<u>22,150</u>	<u>22,150</u>
Total revenues	<u>790,724</u>	<u>797,942</u>	<u>7,218</u>
 Expenditures			
Debt service:			
Principal retirement	1,299,490	1,040,000	259,490
Interest and other charges	<u>57,730</u>	<u>59,220</u>	<u>(1,490)</u>
Total expenditures	<u>1,357,220</u>	<u>1,099,220</u>	<u>258,000</u>
 Excess (deficiency) of revenues over expenditures	 <u>(566,496)</u>	 <u>(301,278)</u>	 <u>265,218</u>
 Fund balance, July 1, 2004	 <u>566,496</u>	 <u>596,377</u>	 <u>29,881</u>
 Fund balance, June 30, 2005	 <u>\$ -</u>	 <u>\$ 295,099</u>	 <u>\$295,099</u>

Investment Trust and Agency Funds

Santa Cruz County
Combining Statement of Fiduciary Net Assets
Investment Trust Funds
June 30, 2005

	<u>Treasurer's Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 5,160,054	\$197,793	\$ 5,357,847
Investments	8,598,926		8,598,926
Interest receivable	44,885		44,885
Total assets	<u>\$13,803,865</u>	<u>\$197,793</u>	<u>\$14,001,658</u>
Net Assets			
Held in trust for investment trust participants	<u>\$13,803,865</u>	<u>\$197,793</u>	<u>\$14,001,658</u>

Santa Cruz County
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2005

	<u>Property Tax Collection</u>	<u>Fire District</u>	<u>Special Purpose</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$851,029	\$87,181	\$1,218,925	\$2,157,135
Cash and investments held by trustee			436,000	436,000
Total assets	<u>\$851,029</u>	<u>\$87,181</u>	<u>\$1,654,925</u>	<u>\$2,593,135</u>
Liabilities				
Due to other governmental units	\$718,755	\$87,181		\$ 805,936
Deposits held for others	132,274		1,654,925	1,787,199
Total liabilities	<u>\$851,029</u>	<u>\$87,181</u>	<u>\$1,654,925</u>	<u>\$2,593,135</u>

Santa Cruz County
Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
Year Ended June 30, 2005

	<u>Treasurer's Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total</u>
Additions			
Contributions from participants	\$102,485,689	\$ 89,719	\$102,575,408
Interest on investments	<u>228,528</u>	<u>1,600</u>	<u>230,128</u>
Total additions	<u>102,714,217</u>	<u>91,319</u>	<u>102,805,536</u>
 Deductions			
Distributions to participants	<u>99,922,971</u>	<u>85,940</u>	<u>100,008,911</u>
 Changes in net assets	 2,791,246	 5,379	 2,796,625
 Net assets—July 1, 2004	 <u>11,012,619</u>	 <u>192,414</u>	 <u>11,205,033</u>
 Net assets—June 30, 2005	 <u>\$ 13,803,865</u>	 <u>\$197,793</u>	 <u>\$ 14,001,658</u>

Santa Cruz County
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2005

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Property Tax Collection:				
Assets				
Cash and cash equivalents	\$ 671,453	\$2,781,721	\$2,602,145	\$ 851,029
Liabilities				
Due to other governmental units	\$ 559,696	\$2,761,204	\$2,602,145	\$ 718,755
Deposits held for other parties	111,757	20,517		132,274
Total liabilities	<u>\$ 671,453</u>	<u>\$2,781,721</u>	<u>\$2,602,145</u>	<u>\$ 851,029</u>
Fire District:				
Assets				
Cash and cash equivalents	\$ 80,806	\$ 169,279	\$ 162,904	\$ 87,181
Liabilities				
Due to other governmental units	\$ 80,806	\$ 169,279	\$ 162,904	\$ 87,181
Special Purpose:				
Assets				
Cash and cash equivalents	\$ 725,154	\$ 899,880	\$ 406,109	\$1,218,925
Cash and investments held by trustee		436,000		436,000
Total assets	<u>\$ 725,154</u>	<u>\$1,335,880</u>	<u>\$ 406,109</u>	<u>\$1,654,925</u>
Liabilities				
Deposits held for other parties	\$ 725,154	\$1,335,880	\$ 406,109	\$1,654,925
Total—All Agency Funds				
Assets				
Cash and cash equivalents	\$1,477,413	\$3,850,880	\$3,171,158	\$2,157,135
Cash and investments held by trustee		436,000		436,000
Total assets	<u>\$1,477,413</u>	<u>\$4,286,880</u>	<u>\$3,171,158</u>	<u>\$2,593,135</u>
Liabilities				
Due to other governmental units	\$ 640,502	\$2,930,483	\$2,765,049	\$ 805,936
Deposits held for other parties	836,911	1,356,397	406,109	1,787,199
Total liabilities	<u>\$1,477,413</u>	<u>\$4,286,880</u>	<u>\$3,171,158</u>	<u>\$2,593,135</u>

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Capital Assets Used in the Operation of Governmental
Funds

Santa Cruz County
 Capital Assets Used in the Operation of Governmental Funds
 Comparative Schedule by Source
 June 30, 2005 and 2004

	2005	2004
Governmental funds capital assets:		
Infrastructure	\$ 2,745,701	\$ 443,005
Land	6,618,881	6,596,104
Buildings	10,302,943	10,302,943
Improvements other than buildings	2,429,575	2,429,575
Construction equipment and vehicles	6,676,341	6,241,466
Furniture and equipment	3,025,609	2,537,454
Construction in progress	1,461,360	2,353,282
Total governmental funds capital assets	\$33,260,410	\$30,903,829
 Investments in governmental funds capital assets by source:		
General Fund	\$11,972,306	\$11,744,491
Special Revenue Funds	6,032,982	4,904,159
Capital Projects Funds	15,255,122	14,255,179
Total governmental funds capital assets	\$33,260,410	\$30,903,829

Santa Cruz County
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 Year Ended June 30, 2005

Function and Activity	Land	Buildings	Improvements Other than Buildings	Construction Equipment and Vehicles	Furniture and Equipment	Construction in Progress	Infrastructure	Total
General government	\$ 3,809,821	\$ 8,008,487	\$ 1,977,715	\$ 697,577	\$ 1,521,524	\$ 679,976	\$ 2,745,701	\$ 19,440,801
Public safety		1,819,253		1,591,756	1,188,056			4,599,065
Highways and streets	967,443	240,702	451,860	4,043,550	81,472	768,523		6,553,550
Health, welfare and sanitation		148,149		227,019	72,457			447,625
Recreation	1,841,617	86,352		28,057	8,453	12,861		1,977,340
Education				88,382	153,647			242,029
 Total	 <u>\$ 6,618,881</u>	 <u>\$ 10,302,943</u>	 <u>\$ 2,429,575</u>	 <u>\$ 6,676,341</u>	 <u>\$ 3,025,609</u>	 <u>\$ 1,461,360</u>	 <u>\$ 2,745,701</u>	 <u>\$ 33,260,410</u>

Santa Cruz County
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended June 30, 2005

Function and Activity	Governmental Funds Capital Assets <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	Governmental Funds Capital Assets <u>June 30, 2005</u>
General government	\$18,290,669	\$3,452,828	\$2,302,696	\$19,440,801
Public safety	4,131,260	605,864	138,059	4,599,065
Highways and streets	5,938,056	638,271	22,777	6,553,550
Health, welfare and sanitation	439,330	30,899	22,604	447,625
Recreation	1,921,305	56,035		1,977,340
Education	<u>183,209</u>	<u>58,820</u>	<u> </u>	<u>242,029</u>
Total governmental funds capital assets	<u>\$30,903,829</u>	<u>\$4,842,717</u>	<u>\$2,486,136</u>	<u>\$33,260,410</u>

Statistical Section

Santa Cruz County
General Government Expenditures By Function
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Highways and Streets	Health, Welfare and Sanitation	Education and Economic Opportunity	Recreation	Debt Service	Total
1995-96 ⁽¹⁾	\$ 6,621,311	\$3,588,249	\$2,809,036	\$3,311,230	\$1,457,323	\$137,413	\$ 567,886	\$18,492,448
1996-97 ⁽¹⁾	7,388,349	3,891,295	2,360,871	3,988,960	2,056,895	96,128	567,971	20,350,469
1997-98 ⁽¹⁾	7,804,516	4,112,307	2,417,027	4,509,819	2,415,599	96,840	567,505	21,923,613
1998-99 ⁽¹⁾	8,327,949	4,262,875	2,715,266	4,626,194	2,142,245	95,889	565,326	22,735,744
1999-00 ⁽¹⁾	8,777,360	4,943,688	3,251,114	4,773,391	2,216,010	375,407	557,975	24,894,945
2000-01 ⁽²⁾	9,681,412	5,162,176	4,811,564	4,771,920	2,068,935	142,964	564,931	27,203,902
2001-02 ⁽²⁾	10,758,141	5,428,538	4,754,708	4,850,726	3,303,198	152,015	564,656	29,811,982
2002-03 ⁽²⁾	9,868,573	5,746,799	3,651,617	4,946,608	4,037,183	150,626	562,631	28,964,037
2003-04 ⁽²⁾	12,060,892	6,682,806	4,755,173	3,569,856	4,430,356	206,567	564,270	32,269,920
2004-05 ⁽²⁾	11,710,628	8,018,946	5,069,150	3,821,242	5,008,858	285,075	1,099,220	35,013,119

NOTES:

- (1) Includes the General Fund, Special Revenue Funds, Debt Service Fund, and the Private Industry Council (discretely presented component unit). Expenditures reported as capital outlay are not included.
- (2) Includes the General Fund, Special Revenue Funds, and Debt Service Fund. Expenditures reported as capital outlay are not included.

SOURCE: Basic financial statements.

Santa Cruz County
General Government Revenues By Source
Last Ten Fiscal Years

Fiscal Year	Taxes	Intergovernmental Revenues	Licenses and Permits	Charges for Services	Fines and Forfeits	Investment Income	Rents	Contributions and Miscellaneous	Total
1995-96 ⁽¹⁾	\$ 6,076,136	\$11,082,776	\$ 183,081	\$ 923,863	\$ 535,166	\$ 192,820	\$11,200	\$119,322	\$19,124,364
1996-97 ⁽¹⁾	6,520,323	11,753,973	224,964	954,759	606,083	171,874	8,475	94,253	20,334,704
1997-98 ⁽¹⁾	6,792,874	12,540,779	247,856	1,096,579	590,423	201,704	8,425	99,902	21,578,542
1998-99 ⁽¹⁾	8,151,288	13,045,484	415,161	1,373,323	884,693	208,715	8,400	147,217	24,234,281
1999-00 ⁽¹⁾	8,393,625	13,781,349	416,327	1,465,321	769,863	263,859	8,400	384,856	25,483,600
2000-01 ⁽²⁾	9,089,430	15,480,611	380,183	1,702,029	837,859	299,608	0	331,851	28,121,071
2001-02 ⁽²⁾	10,149,300	18,771,323	463,603	1,711,073	812,058	185,369	14,524	163,291	32,270,541
2002-03 ⁽²⁾	11,047,960	16,727,344	648,236	2,678,823	965,193	(113,151)	30,000	237,327	32,221,732
2003-04 ⁽²⁾	11,697,379	21,323,727	878,249	1,385,361	1,071,318	212,222	32,593	175,012	36,775,861
2004-05 ⁽²⁾	12,580,901	21,800,991	1,298,251	1,398,450	1,026,658	306,478	30,000	218,033	38,659,762

NOTES:

(1) Includes the General Fund, Special Revenue Funds, Debt Service Fund, and the Private Industry Council (discretely presented component unit).

(2) Includes the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Fund.

SOURCE: Basic financial statements.

Santa Cruz County
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Primary Property Taxes	Secondary Property Taxes				Total Property Tax Levy	Property Taxes Collected			Percent of Levy	Outstanding Delinquent Taxes Receivable(2)
		Flood Control	Fire District	Debt Service Fund	Total		Primary	Secondary	Total(1)		
1995-96	\$4,210,914	\$592,495	\$168,643	\$530,216	\$1,291,354	\$5,502,268	\$4,193,902	\$1,285,475	\$5,479,377	99.58%	\$ 614,250
1996-97	4,402,897	603,914	170,855	537,169	1,311,938	5,714,835	4,277,572	1,296,505	5,574,077	97.54	725,396
1997-98	4,875,688	316,021	173,898	546,734	1,036,653	5,912,341	4,722,448	1,061,559	5,784,007	97.83	724,881
1998-99	5,770,881	645,590	181,072	564,354	1,391,016	7,161,897	5,406,241	1,311,885	6,718,126	93.80	910,369
1999-00	6,019,737	684,849	190,411	593,509	1,468,769	7,488,506	5,831,139	1,430,038	7,261,177	96.96	860,219
2000-01	6,404,168	718,592	201,652	628,549	1,548,793	7,952,961	6,081,744	1,477,337	7,559,081	95.05	849,620
2001-02	7,014,033	1,159,128	224,373	699,372	2,082,873	9,096,906	6,646,502	1,919,407	8,565,909	94.16	1,187,156
2002-03	7,637,148	1,230,454	235,056	732,668	2,198,178	9,835,326	6,857,507	1,980,608	8,838,115	89.86	1,663,463
2003-04	8,039,398	1,287,798	246,303	767,728	2,301,829	10,341,227	7,634,314	2,025,959	9,660,273	93.42	1,383,224
2004-05	8,299,918	1,376,005	253,681	790,724	2,420,410	10,720,328	7,534,395	2,179,289	9,713,684	90.61	2,052,465

NOTES:

- (1) Property taxes collected include both current-year levy collections and outstanding delinquent taxes receivable collections.
- (2) Amount was obtained from applicable years' financial statements and represents primary and secondary county tax levies receivable, net of uncollectible as of fiscal year-end.

SOURCE: Annual budgets.

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

Fiscal Year	Net Assessed Value	Estimated Actual Value	Ratio of Net Assessed to Estimated Actual Value
1995-96 Primary	\$160,482	\$1,108,966	14.47%
1995-96 Secondary	170,493	1,182,774	14.41
1996-97 Primary	166,241	1,168,892	14.22
1996-97 Secondary	170,855	1,209,992	14.12
1997-98 Primary	171,167	1,214,648	14.09
1997-98 Secondary	173,898	1,240,400	14.02
1998-99 Primary	177,639	1,270,596	13.98
1998-99 Secondary	181,072	1,298,822	13.94
1999-00 Primary	185,297	1,371,767	13.51
1999-00 Secondary	190,410	1,418,095	13.43
2000-01 Primary	197,130	1,458,893	13.51
2000-01 Secondary	201,652	1,495,744	13.48
2001-02 Primary	215,903	1,590,882	13.57
2001-02 Secondary	224,373	1,660,243	13.51
2002-03 Primary	228,063	1,701,682	13.40
2002-03 Secondary	235,056	1,755,656	13.39
2003-04 Primary	240,075	1,791,502	13.40
2003-04 Secondary	246,303	1,838,350	13.50
2004-05 Primary	247,855	1,890,755	13.11
2004-05 Secondary	253,681	1,933,114	13.12

SOURCE: Tax Certification reports from Arizona Department of Revenue, Division of Property and Special Taxes, obtained from the Assessor's Office.

Santa Cruz County
Property Tax Rates—Direct and Overlapping Governments
Last Ten Fiscal Years
(Per \$100 of Assessed Value)

Fiscal Year	Santa Cruz County				Fire Districts			State of Arizona	Education Assistance
	County-Wide	Flood Control District	Fire District	Debt Service	Tubac	Rio Rico	Nogales Suburban		
1995-96	\$2.6485	\$0.4119	\$0.1000	\$0.3144	\$1.3135	\$1.4860	\$3.7322	\$3.3300	\$0.5300
1996-97	2.6485	0.4119	0.1000	0.3144	1.6585	1.6336	3.8800	2.2000	0.5300
1997-98	2.8485	0.2119	0.1000	0.3144	1.9184	1.7708	3.8813	2.2000	0.5300
1998-99	3.2487	0.4115	0.1000	0.3117	1.8427	1.9152	3.8330	2.2000	0.5300
1999-00	3.2487	0.4115	0.1000	0.3117	2.6168	2.0979	3.8073	2.1654	0.5217
2000-01	3.2487	0.4115	0.1000	0.3117	2.6085	2.2117	3.8154	2.1265	0.5123
2001-02	3.2487	0.6115	0.1000	0.3117	2.5901	2.2035	3.6850	2.0647	0.4974
2002-03	3.3487	0.6115	0.1000	0.3117	2.6142	2.2627	3.6657	2.0296	0.4889
2003-04	3.3487	0.6115	0.1000	0.3117	2.6231	2.7677	3.6621	1.9583	0.4717
2004-05	3.3487	0.6115	0.1000	0.3117	2.6262	2.7826	3.6747	1.8931	0.4560

SOURCE: Annual budgets.

Santa Cruz County
Property Tax Rates—Direct and Overlapping Governments—
School Districts
Last Ten Fiscal Years
(Per \$100 of Assessed Value)

Fiscal Year	Patagonia Union High School #20	Elementary Schools			Santa Cruz Valley Unified #35	Nogales Unified #1
		Patagonia #6	Sonoita #25	Santa Cruz #28		
1995-96	\$4.6601	\$2.9953	\$8.5457	\$9.4440	\$8.0921	\$7.1635
1996-97	3.9142	2.7792	7.6880	8.2032	8.0759	7.2044
1997-98	4.4567	2.7792	7.6897	8.8124	9.5308	7.0218
1998-99	4.4559	2.7758	7.6881	8.3102	9.2809	7.1452
1999-00	4.4549	2.7709	7.3342	8.3102	9.2809	6.7444
2000-01	4.4009	2.9293	7.1844	8.8315	9.1006	7.4978
2001-02	4.4347	3.7098	7.0119	8.5546	8.0142	6.8810
2002-03	3.5614	3.9804	6.1064	8.2479	7.5792	6.8164
2003-04	3.5633	4.9468	6.1031	8.1364	7.1726	7.0520
2004-05	3.5465	4.9368	6.1021	7.9880	6.7652	6.8507

SOURCE: Annual budgets.

Santa Cruz County
Principal Taxpayers
June 30, 2005
(Amounts in Thousands)

Taxpayer	Estimated 2005 Secondary Assessed Valuation	Percent of County's 2005 Secondary Assessed Valuation
Unisource Enery Corporation	\$11,622	4.58%
Qwest Corporation	5,774	2.28
Wal-Mart Stores, Inc	3,387	1.34
Delta Properties LLP	3,310	1.30
Union Pacific Railroad	2,198	0.87
Mariposa Shopping Center LP	2,068	0.82
Nogales Plaza Shopping Center LP	1,884	0.74
Delta Properties LLP	1,834	0.72
Vatere LLC	1,631	0.64
Loma Linda Mall LLC	<u>1,257</u>	<u>0.50</u>
Total	<u>\$34,965</u>	<u>13.79%</u>

NOTE: Amounts above represent assessment values for purposes of computing property tax assessments.

SOURCE: "Top 10 Taxpayers" list published by Arizona Department of Revenue.

Santa Cruz County
Computation of Legal Debt Margin
June 30, 2005
(Amounts in Thousands)

Secondary assessed valuation	<u>\$253,681</u>
Legal debt limitation ⁽¹⁾	\$ 38,052
Deduct bond outstanding	<u>0</u>
Legal debt margin	<u>\$ 38,052</u>

NOTE:

⁽¹⁾ Legal debt limit is 15 percent of secondary assessed valuation.

SOURCE: Annual budget and
basic financial statements.

Santa Cruz County
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years
(Amounts in Thousands)

Fiscal Year	Population	Secondary Assessed Value	Gross Bonded Debt	Debt Service Monies Available for Principal	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1995-96	35,325	\$170,493	\$4,305	\$ 75	\$4,230	0.02	0.12
1996-97	36,525	170,855	3,960	58	3,902	0.02	0.11
1997-98	37,750	173,898	3,595	55	3,540	0.02	0.09
1998-99	39,000	181,072	3,215	27	3,188	0.02	0.08
1999-00	39,325	190,410	2,825	66	2,759	0.01	0.07
2000-01	39,325	201,652	2,410	134	2,276	0.01	0.06
2001-02	39,840	224,373	1,975	253	1,722	0.01	0.04
2002-03	40,890	235,056	1,520	360	1,160	0.01	0.03
2003-04	41,350	246,303	1,040	480	560	0.00	0.01
2004-05	42,150	253,681	0	0	0	0.00	0.00

SOURCE: Annual budget and debt retirement schedule.

Santa Cruz County
Ratio of Annual Debt Service Expenditures for
General Bonded Debt to Total General Government Expenditures
Last Ten Fiscal Years
(Amounts in Thousands)

Fiscal Year	Principal	Interest	Total Debt Service	Total General Government Expenditures	Ratio of Debt Service to Total General Government Expenditures
1995-96 ⁽¹⁾	\$325	\$241	\$566	\$ 6,621	0.09
1996-97 ⁽¹⁾	345	223	568	7,388	0.08
1997-98 ⁽¹⁾	365	203	568	7,805	0.07
1998-99 ⁽¹⁾	380	185	565	8,328	0.07
1999-00 ⁽¹⁾	390	168	558	8,777	0.06
2000-01 ⁽²⁾	415	150	565	9,681	0.06
2001-02 ⁽²⁾	435	130	565	10,758	0.05
2002-03 ⁽²⁾	455	108	563	9,869	0.06
2003-04 ⁽²⁾	480	84	564	12,061	0.05
2004-05 ⁽²⁾	1,040	59	1,099	11,711	0.09

NOTES:

- (1) Includes the General Fund, Special Revenue Funds, Debt Service Fund, and the Private Industry Council (discretely presented component unit).
- (2) Includes the General Fund, Special Revenue Funds, and Debt Service Fund.

SOURCE: Basic financial statements.

Santa Cruz County
 Computation of Direct and Overlapping Debt
 June 30, 2004
 (Amounts in Thousands)

Jurisdiction	Net Debt Outstanding	Percent Applicable to Santa Cruz	Amount Applicable to Santa Cruz
Santa Cruz County	\$ 0	100%	\$ 0
School District	13,850	100	13,850

SOURCE: Report of Indebtedness – published by Arizona Department of Revenue.

Santa Cruz County
Demographic Statistics
Last Ten Years

Year	Population	Per Capita Income	School Enrollment	Civilian Labor Force	Unemployment Rate
1996	35,325	\$14,282	8,794 ⁽²⁾	15,440	25.6
1997	36,525	15,009	9,083 ⁽³⁾	14,220	20.7
1998	37,750	15,938	8,913 ⁽⁴⁾	14,225	17.7
1999	39,000	16,496	9,085 ⁽⁵⁾	12,900	16.7
2000	39,325	17,373	9,434 ⁽⁶⁾	12,525	13.5
2001	39,325	17,964	9,324 ⁽⁷⁾	13,425	7.6
2002	39,840	17,902	10,288 ⁽⁸⁾	13,225	9.1
2003	40,890	17,964	10,171 ⁽⁹⁾	14,475	12.4
2004	41,350	N/A ⁽¹⁾	10,528 ⁽¹⁰⁾	15,025	11.9
2005	42,150	N/A ⁽¹⁾	10,510 ⁽¹¹⁾	16,075	11.4

NOTES:

- ⁽¹⁾ Information not available.
- ⁽²⁾ School enrollment as of April 8, 1996.
- ⁽³⁾ School enrollment as of January 31, 1997.
- ⁽⁴⁾ School enrollment as of June 30, 1998.
- ⁽⁵⁾ School enrollment as of June 9, 1999.
- ⁽⁶⁾ School enrollment as of June 9, 2000.
- ⁽⁷⁾ School enrollment as of June 9, 2001.
- ⁽⁸⁾ School enrollment as of January 31, 2002.
- ⁽⁹⁾ School enrollment as of November 5, 2003.
- ⁽¹⁰⁾ School enrollment as of August 25, 2004.
- ⁽¹¹⁾ School enrollment as of April 27, 2005.

SOURCES: Annual reports of the Superintendent of Public Instruction; Bureau of Economic Analysis—United States Department of Commerce; Arizona Workforce Informer Web site.

Santa Cruz County
Demographic Statistics—International Border Crossing
Last Ten Years

Year	Persons			Vehicles
	United States Citizens	Aliens	Total	
1996	2,914,902	10,252,094	13,166,996	3,632,280
1997	2,904,345	11,104,174	14,008,519	3,831,323
1998	2,958,124	11,712,371	14,670,495	3,958,508
1999	2,842,501	11,652,432	14,494,933	4,449,626
2000	3,146,755	12,715,067	15,861,822	4,840,233
2001	2,845,166	11,243,340	14,088,506	4,847,408
2002	2,792,955	11,609,578	14,402,533	4,227,673
2003	2,909,467	12,064,912	14,974,379	3,713,387
2004	3,150,402	13,955,605	17,106,007	3,722,759
2005	N/A ⁽¹⁾	N/A ⁽¹⁾	15,328,674	3,709,989

(1) Information not available.

SOURCE: United States Customs.

Santa Cruz County
Demographic Statistics—
Sales, Construction, Bank Deposits, and Property Value
Last Ten Years
(Amounts in Thousands)

Year	Sales ⁽¹⁾		Construction		Bank Deposits	Assessed Property Value		
	Construction	Retail Trade	Construction Awards	Number of Dwelling Units Awarded		Commercial	Residential	Non-taxable
1996	38,428	230,057	49,245	503	459,441	59,162	50,111	13,233
1997	35,217	252,331	41,833	539	512,695	60,332	54,063	14,637
1998	42,153	276,794	49,712	536	566,682	62,106	57,621	17,631
1999	57,409	281,140	50,940	556	626,795	62,593	62,368	16,845
2000	47,377	313,267	68,637	528	528,395	65,390	69,595	20,847
2001	46,129	333,886	49,005	319	565,385	69,126	75,764	21,516
2002	46,895	342,025	40,939	379	571,175	66,852	83,148	22,635
2003	53,167	357,472	58,470	446	598,614	70,753	91,491	23,836
2004	70,471	389,224	72,466	794	713,000	73,813	97,412	24,460
2005	61,301	434,479	173,864	932	657,083	78,329	106,854	26,050

NOTES:

⁽¹⁾ Information reported for fiscal years ended June 30.

SOURCES: Abstract of the Assessment Roll, obtained through the Assessor's Office.
 Arizona Economic Indicators published by the University of Arizona—Economic and Business Research Program.
 Report of building or zoning permits issued and local public construction.
 Annual Budget, Abstract of the Assessment Roll published by the Arizona Department of Revenue obtained through the Assessor's Office.
 Federal Deposit Insurance Corporation Web site.

Santa Cruz County
Employment Statistics
June 30, 2005

Type of Employment	Employees	Percent of Total
Goods-producing	1,025	8.0%
Trade, Transportation, and Utilities	5,150	40.3
Other Private Service—Producing	3,325	26.1
Federal Government	1,200	9.4
State Government	<u>2,075</u>	<u>16.2</u>
	<u>12,775</u>	<u>100.0%</u>

SOURCE: Arizona Economic Indicators as of Fall 2005, published by the University of Arizona—Economic and Business Research Program.

Santa Cruz County
Miscellaneous Statistical Data
Year Ended June 30, 2005

YEAR OF INCORPORATION:	1899
FORM OF GOVERNMENT:	Body political county of State of Arizona Pursuant to Arizona Revised Statutes
AREA:	1,246 square miles
MILES OF STREETS:	
Paved	407.60
Unpaved	322.57
REGISTERED VOTERS:	21,334
Democrat	57.42%
Republican	20.63%
NUMBER OF FIDUCIAL COURTS:	
Superior Court Department	1
Justice of Peace Courts	2
FLOOD PROTECTION:	
Flood control district	1
Number of employees	8
SHERIFF PROTECTION:	
Number of stations	4
Number of employees	79
Major crimes	306
Vehicular patrol units	25
SANITARY LANDFILLS:	
Number of landfills	2
NUMBER OF PARKS:	
Neighborhood parks	8