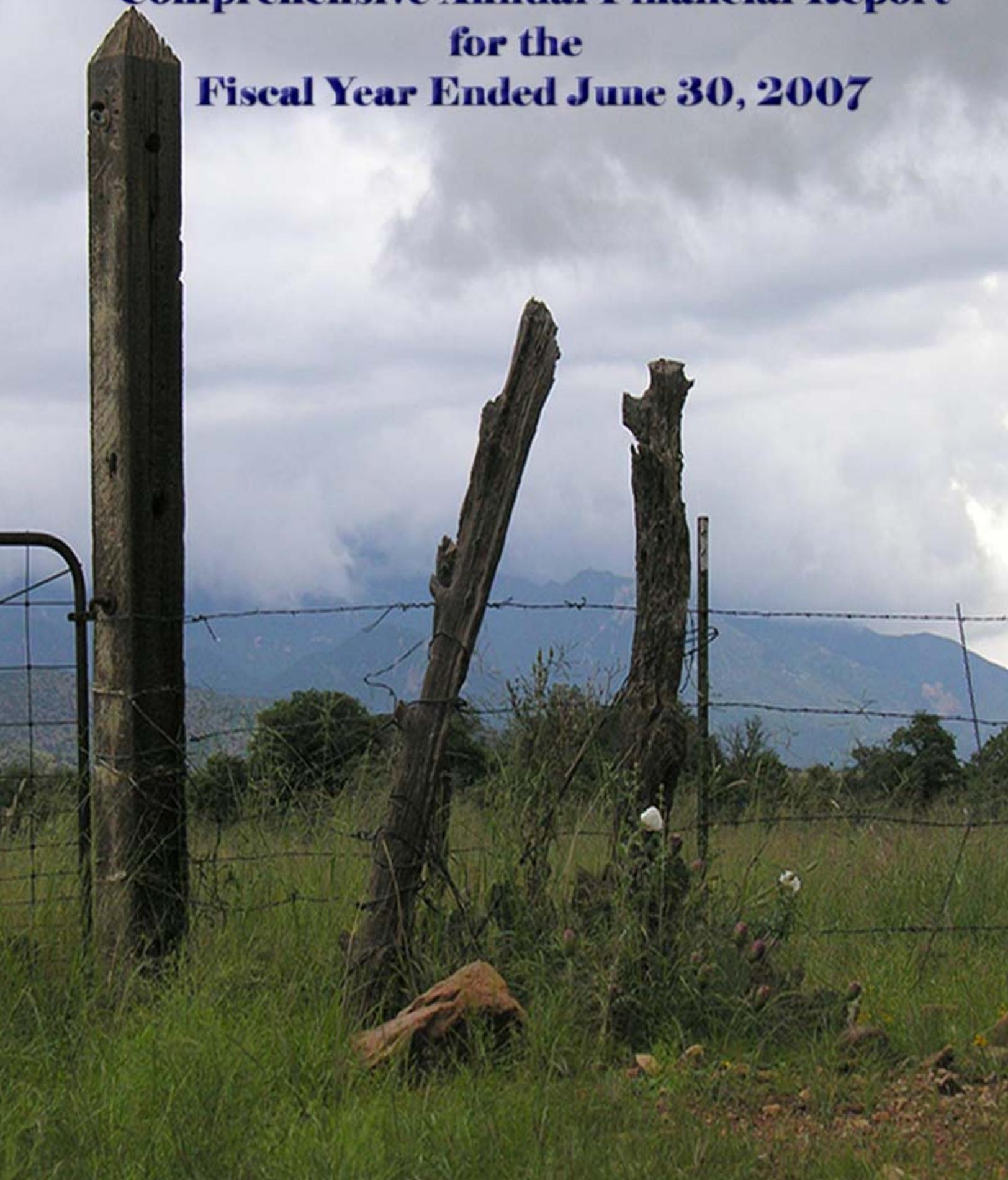


Santa Cruz County, AZ

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007



SANTA CRUZ COUNTY, ARIZONA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 2007**

BOARD OF SUPERVISORS

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CHAIRMAN
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DISTRICT #2

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**PREPARED BY THE
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SENIOR SECRETARY
ISABEL ALVAREZ

ACCOUNTING SPECIALIST
ROSIE PUJOL

ACCOUNTING SPECIALIST
SYLVIA BRENNER

Santa Cruz County
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2007

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ADMINISTRATIVE SERVICES SANTA CRUZ COUNTY

Jennifer K. St. John, CPA
Director

January 14, 2008

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, 2007. 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.

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 46,000 people. The neighboring community of Nogales, Sonora, Mexico has grown to an estimated population of 450,000.

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 1,700 trucks pass through Santa Cruz County's state-of-the-art commercial port, Mariposa Port of Entry, carrying approximately 60 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 has increased dramatically due to the construction of the new Ford Motor Plant in Hermosillo, Sonora, which is 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 County will 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

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. Just this year Congress approved \$9.8 million to design/remodel the Mariposa Port of Entry. Construction of this project will not start until 2009. In the meantime, U.S. Immigration and Customs Enforcement have implemented two new programs, Fast Lanes and SENTRI, to improve trade flow at the border.

The County began a major airport improvement project during the year that included Phase II rehabilitation of the primary parallel taxiway and installation of taxiway lighting and signage. Plans continue to fund additional land purchases and an erosion control project.

The county geographic information system (GIS) has continued to develop with training for technical and management staff providing new levels of proficiency. Data development, rectification, and quality assurance tasks have progressed throughout the year. Recent acquisition of 2007 aerial photography from the Department of Agriculture has increased the ability to visually gauge the type and location of development throughout the County.

The 1904 Courthouse in Nogales has become the center of post secondary education offering college courses to residents of Santa Cruz County. Santa Cruz County has contracted with Cochise College to provide 65 classes to over 880 students. The College currently has sixty-two international students. The College has opened a Nursing Skills Lab in the Courthouse annex and is training nine nursing students to receive their Registered Nurse (RN) degrees and nine students for their Nursing Assistant Certification. The Courthouse has also become a venue for various community organizations, including the Primeria Alta Historical Society, Santa Cruz Singers, Zonta Club, and the Santa Cruz Community Foundation.

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 consisted of widening and resurfacing the existing road throughout the length of the project to a new roadway width of 40 feet. Design plan included a three-lane configuration for the intersections of South River Road and Monte Vista Drive. As a part of the project, the Potrero Creek Bridge was replaced with a structure meeting current load and width standards. The project was awarded in June 2005 and completed on February 5, 2007, at a total cost to date of \$3.6 million.

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. Phase I of this project was completed during the current fiscal year at a cost of \$1.3 million.

The Calle Azulejo Flood Control Project is a county-funded project. The project consisted 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. This project was completed in January 2007 at a cost of approximately \$410 thousand.

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, 2007, 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 and Jail 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, 2006. This was the 17th 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 and Miller Allen 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

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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, 2006

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.



Oliver S. Cox

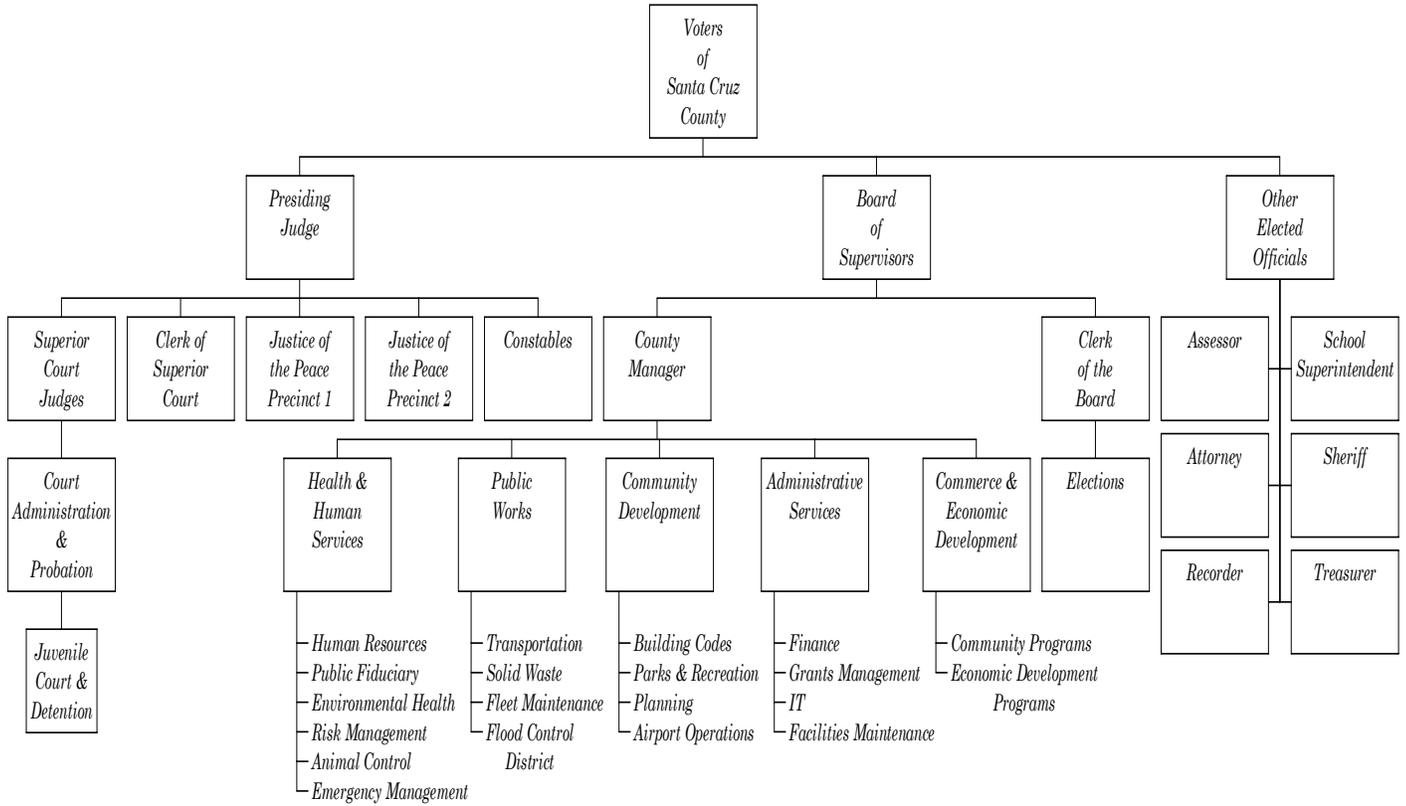
President

Jeffrey R. Enos

Executive Director

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Santa Cruz County Organizational Chart



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Financial Section

Independent Auditors' Report

The Auditor General of the State of Arizona

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, 2007, 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, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the County retroactively reported all major general infrastructure assets as part of the phased implementation requirements of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

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 58 are not required parts 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 required parts 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 the audit of the basic financial statements and, accordingly, we express no opinion on them.

In connection with our audit, nothing came to our attention that caused us to believe that the County failed to use highway user revenue fund monies received by the County pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the County solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

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.

Muller, Allen & Co., P.C.

January 23, 2008

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, 2007, the assets of the County exceeded liabilities by \$93,135,642 (net assets). Of this amount, \$14,006,347 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, \$5,115,037 is restricted for specific purposes (restricted net assets), and \$74,014,258 is invested in capital assets, net of related debt.
- The County's total net assets as reported in the Statement of Activities increased by \$10,702,694.
- At June 30, 2007, total assets were \$103,337,001 compared to \$90,985,154 at June 30, 2006. This is a \$12,351,847 or 13.6 percent increase over the prior fiscal year.
- At June 30, 2007, the governmental funds reported combined fund balances of \$21,071,684, or an increase in fund balance of \$1,020,264 in comparison with the prior year.
- At June 30, 2007, unreserved fund balance for the general fund was \$15,355,699, approximately 73 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 units included in the County's basic financial statements are the Santa Cruz County Flood Control District and the Santa Cruz County Jail 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*. The County reports five major governmental funds. Information is presented separately in the governmental funds balance sheet and in

Santa Cruz County Management's Discussion and Analysis

the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Road, WIA, Airport, and Jail District 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 31-49 of this report.

Required supplementary information presents budgetary comparison schedules for the General, Road, WIA, and Jail District funds of the County. It also includes a schedule of agent retirement plans' funding progress. Required supplementary information can be found on pages 52-58 of this report.

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, 2007, assets exceeded liabilities by \$93,135,642.

Santa Cruz County Management's Discussion and Analysis

Condensed Statement of Net Assets June 30, 2007 and 2006 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	<u>2007</u>	<u>2006*</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006*</u>
Current and other assets	\$25,234	\$23,860	\$2,253	\$1,630	\$27,487	\$25,490
Capital assets	<u>72,753</u>	<u>62,697</u>	<u>3,097</u>	<u>2,798</u>	<u>75,850</u>	<u>65,495</u>
Total assets	<u>97,987</u>	<u>86,557</u>	<u>5,350</u>	<u>4,428</u>	<u>103,337</u>	<u>90,985</u>
Current and other liabilities	2,596	2,136	61	105	2,657	2,241
Long-term liabilities	<u>3,186</u>	<u>2,496</u>	<u>4,358</u>	<u>3,815</u>	<u>7,544</u>	<u>6,311</u>
Total liabilities	<u>5,782</u>	<u>4,632</u>	<u>4,419</u>	<u>3,920</u>	<u>10,201</u>	<u>8,552</u>
Net Assets						
Invested in capital assets, net of related debt	71,338	61,931	2,676	2,474	74,014	64,405
Restricted net assets	5,115	5,882			5,115	5,882
Unrestricted net assets (deficits)	<u>15,752</u>	<u>14,112</u>	<u>(1,745)</u>	<u>(1,966)</u>	<u>14,007</u>	<u>12,146</u>
Total net assets (deficit)	<u>\$92,205</u>	<u>\$81,925</u>	<u>\$ 931</u>	<u>\$ 508</u>	<u>\$93,136</u>	<u>\$82,433</u>

* As restated—see Note 2 to Financial Statements

The largest portion (\$74,014 thousand or 79 percent) of the County's net assets reflects the investment in capital assets (e.g., land, buildings, infrastructure, 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.

Restricted net assets (\$5,115 thousand or 5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$14,007 thousand or 15 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 governmental activities, assets and liabilities that changed significantly over the prior year:

- Capital assets – the \$10 million increase was largely due to the construction projects related to the Airport improvements and the Old Tucson Road improvements.

Santa Cruz County Management's Discussion and Analysis

- Additional information on the County's capital assets can be found in Note 6 of the Notes to the Financial Statements on pages 40-42 of this report.

- Long-term liabilities – the increase of \$690 thousand was largely due to additional capital leases the County entered into during the fiscal year to purchase construction equipment for the Public Works Department. Additional information on the County's long-term liabilities can be found in Note 8 of the Notes to Financial Statements on pages 42-45 of this report.

- Invested in capital assets, net of related debt – the increase of \$9.4 million was due largely to the construction projects related to the Airport improvements and the Old Tucson Road improvements, as noted above.

The following provides an explanation of business-type activities, assets and liabilities that changed significantly over the prior year:

- Current and other assets – the \$623 thousand increase is due largely to the landfill reserve fund which is capturing money for landfill closure and postclosure care costs. The Rio Rico Landfill is expected to have enough capacity for another nine years before it has to start paying closure and postclosure care costs. Additional information on the Landfill closure and postclosure care costs can be found in Note 8 of the Notes to the Financial Statements on pages 42-45 of this report.

- Current and other liabilities – the \$44 thousand decrease resulted largely in a decrease of accounts payable at June 30th due to the County paying its bills in a more timely manner.

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:

Condensed Statement of Activities
For the Years Ended June 30, 2007 and 2006 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006*	2007	2006	2007	2006*
Revenues:						
Program revenues:						
Charges for services	\$ 5,091	\$ 5,629	\$2,137	\$1,838	\$ 7,228	\$ 7,467
Operating grants and contributions	16,051	14,317			16,051	14,317
Capital grants and contributions	1,351	1,578			1,351	1,578
General revenues:						
Property taxes	11,718	12,795			11,718	12,795
Share of state sales taxes	11,677	6,105			11,677	6,105
Payments in lieu of taxes	571	574			571	574
Shared revenue-state vehicle license tax	1,615	1,515			1,615	1,515
Grants and contributions not restricted to specific programs	842	796			842	796
Investment income	884	607	86	47	970	654
Miscellaneous	67	75			67	75
Capital contribution			1		1	
Total revenues	<u>49,867</u>	<u>43,991</u>	<u>2,224</u>	<u>1,885</u>	<u>52,091</u>	<u>45,876</u>
Expenses:						
General government	14,754	15,359			14,754	15,359
Public safety	8,789	8,129			8,789	8,129
Highways and streets	5,730	4,349			5,730	4,349
Health, welfare and sanitation	4,596	4,123			4,596	4,123
Education and economic opportunity	5,309	4,080			5,309	4,080
Recreation	302	347			302	347
Interest on long-term debt	52	35			52	35
Landfill			1,824	1,636	1,824	1,636
Loss on disposal	32				32	
Total expenses	<u>39,564</u>	<u>36,422</u>	<u>1,824</u>	<u>1,636</u>	<u>41,388</u>	<u>38,058</u>
Excess before transfers	<u>10,303</u>	<u>7,569</u>	<u>400</u>	<u>249</u>	<u>10,703</u>	<u>7,818</u>
Transfer in (out)	<u>(23)</u>	<u>—</u>	<u>23</u>	<u>—</u>	<u>—</u>	<u>—</u>
Changes in net assets	10,280	7,569	423	249	10,703	7,818
Net assets—beginning as restated	<u>81,925</u>	<u>74,356</u>	<u>508</u>	<u>259</u>	<u>82,433</u>	<u>74,615</u>
Net assets—ending	<u>\$92,205</u>	<u>\$81,925</u>	<u>\$ 931</u>	<u>\$ 508</u>	<u>\$93,136</u>	<u>\$82,433</u>

* As restated-see Note 2 to Financial Statements. Certain revenues were also reclassified to conform with current year presentation.

Santa Cruz County Management's Discussion and Analysis

Governmental activities – Net assets increased by approximately \$10.3 million from fiscal year 2006. Key elements of the change in net assets from governmental activities include:

- Revenue from “Operating grants and contributions” increased by \$1.7 million due to current year increases in federal and state funding for Public Works projects.
- Revenue from “Share of state sales taxes” increased by \$5.6 million due largely to the Santa Cruz County Jail District half cent sales tax that went into effect on July 1, 2006.
- Expenses for “Highways and streets” increased by \$1.4 million due largely to increases in salaries, retirement and health insurance premiums, and federal and state grant funded programs that were over budget.
- Expenses for “Education and economic opportunity” increased by \$1.2 million due largely to increases in salaries, retirement and health insurance premiums.

Business-type activities – Net assets increased by approximately \$423 thousand from fiscal year 2006.

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, 2007, the County's governmental funds reported combined fund balances of \$21,071,684, an increase of \$1,020,264 in comparison with the prior year. The entire combined fund balances, \$21,071,684, constitutes unreserved fund balance, which is available to meet the County's current and future needs.

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 \$15,355,699. Unreserved fund balance represents 73 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 \$2,547,723 due largely to the delay of the construction of the new administration building. Construction was scheduled and

Santa Cruz County Management's Discussion and Analysis

budgeted to begin during the fiscal year but due to increasing steel and concrete prices, construction was delayed as the project was not within the original budgeted amount.

The fund balance in the Road Fund decreased by \$521,361 over the prior year. The key factor in the decrease was unforeseen and unbudgeted expenditures related to the Old Tucson Road project which was completed during the fiscal year.

The fund balance in the WIA Fund increased by \$33,110 over the prior year primarily due to more timely reimbursements of federal grants.

The decrease in fund balance of the Airport Fund of \$443,754 is due to the completion of several Airport projects. Upon completion of these projects, the County did not receive all of the federal and state grant reimbursements related to the outlay of expenditures.

The increase in fund balance of the Jail District Fund of \$1,297,780 is due to the delay of construction of the new Adult and Juvenile Detention facility. Originally, the facility was scheduled to break ground during the fiscal year but increasing steel and concrete prices delayed the project as the County's construction budget was not balanced.

The decrease in fund balance in the Other Governmental Funds of \$1,893,234 is due to decreases in federal and state funding and slower reimbursements for these federal and state grants.

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)					
	Fiscal Year 2006-07		Fiscal Year 2005-06		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
<i>Revenues by Source</i>						
Taxes	\$13,709	27%	\$13,377	30%	\$ 332	2%
Intergovernmental	30,736	62	24,711	56	6,025	24
Licenses and permits	1,156	2	1,823	4	(667)	(37)
Charges for services	1,952	4	1,949	5	3	0
Fines and forfeits	1,207	2	1,148	3	59	5
Investment income	884	2	607	1	277	46
Rents	44	-	30	-	14	47
Miscellaneous	285	1	403	1	(118)	(29)
Totals	<u>\$49,973</u>	<u>100%</u>	<u>\$44,048</u>	<u>100%</u>	<u>\$5,925</u>	<u>13%</u>

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

- Intergovernmental – The increase of \$6 million was largely due to the funding and completion of several federal and state grant funded projects, especially within the Airport and Public Works departments.

Santa Cruz County Management's Discussion and Analysis

- Licenses and permits – The decrease of \$667 thousand was primarily due to a decrease in building permits throughout the County.

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

<i>Expenditures by Function</i>	Expenditures by Function Governmental Funds (In Thousands)					
	Fiscal Year 2006-07		Fiscal Year 2005-06		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General government	\$15,512	31%	\$14,369	37%	\$ 1,143	8%
Public safety	10,189	20	8,153	21	2,036	25
Highways and streets	10,818	22	4,533	12	6,285	139
Health, welfare and sanitation	4,723	10	4,177	11	546	13
Education and economic opportunity	5,275	11	4,069	10	1,206	30
Recreation	327	1	289	1	38	13
Capital outlay	2,683	5	2,304	6	379	16
Debt service	<u>143</u>	<u>-</u>	<u>1,013</u>	<u>2</u>	<u>(870)</u>	<u>(86)</u>
Totals	<u>\$49,670</u>	<u>100%</u>	<u>\$38,907</u>	<u>100%</u>	<u>\$10,763</u>	<u>28%</u>

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

- General government – The \$1.1 million increase is due largely to increases in salaries, retirement and health insurance premiums.
- Public safety – The \$2 million increase is due primarily to increases in inmate medical, transportation, and food costs.
- Highways and streets – The \$6.3 million increase is due largely to increases in salaries, retirement and health insurance premiums, and federal and state grant funded projects that were over budget.

General Fund Budgetary Highlights

The County did not amend the fiscal year 2006-07 adopted budget. General Fund actual expenditures were \$7.9 million under the adopted budget and actual revenues exceeded estimated revenues by \$2.6 million. The County conservatively estimated state shared tax revenues and collected prior year's property taxes in excess of what was anticipated and budgeted. As the State's economy recovered quicker than anticipated or budgeted, the County had a favorable revenue variance. The intergovernmental revenue favorable budget variance of \$1.3 million was largely due to the funding and completion of several federal and state grant funded projects that were not budgeted to be completed. The County Attorney exceeded

Santa Cruz County Management's Discussion and Analysis

its budget by \$150 thousand due to increases in indigent attorney and burial costs. The Board of Supervisor's had a favorable budget variance of \$1.3 million due largely to salary increases that are budgeted in the Board's budget but expensed in the applicable department's budgets. The Elections and Long-term Care Services departments exceeded their budgets by \$163 and \$473 thousand, respectively, due to increases in state mandated expenditures that were not funded nor budgeted. The Finance Department and Capital Outlay had favorable variances of \$1 million and \$4.7 million, respectively, due to the delay of the implementation of the County's new accounting system and the construction of the new Administration building.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2007, amounted to \$75.8 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 16 percent from the prior period due to the construction projects related to the Airport improvements and the Old Tucson Road improvements.

	Capital Assets (Net of Depreciation) (In Thousands)					
	Governmental Activities		Business-Type Activities		Total	
	<u>2007</u>	<u>2006*</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006*</u>
Land	\$22,145	\$21,844	\$ 230	\$ 230	\$22,375	\$22,074
Buildings	7,072	5,678	167	173	7,239	5,851
Improvements other than Buildings	2,181	1,864	1,814	1,739	3,995	3,603
Construction equipment and vehicles	2,890	1,908	886	655	3,776	2,563
Furniture and equipment	2,392	1,539			2,392	1,539
Construction in progress	4,590	2,903			4,590	2,903
Infrastructure	<u>31,483</u>	<u>26,961</u>			<u>31,483</u>	<u>26,961</u>
Totals	<u>\$72,753</u>	<u>\$62,697</u>	<u>\$3,097</u>	<u>\$2,797</u>	<u>\$75,850</u>	<u>\$65,494</u>

* As restated—see Note 2 to Financial Statements.

Additional information on the County's capital assets can be found in Note 6 of the Notes to Financial Statements on pages 40-42 of this report.

Santa Cruz County Management's Discussion and Analysis

Long-Term Debt

At June 30, 2007, the County had total long-term debt outstanding of \$1,835,725. This amount consists of capital leases of just under \$1.1 million, and long-term notes of \$742 thousand. The County made all scheduled debt payments totaling \$369 thousand. The County entered into new lease agreements totaling slightly over \$1.1 million. There were no changes to the County's credit ratings or debt limitations during the current fiscal year.

Additional information on the County's long-term debt can be found in Note 8 of the Notes to Financial Statements on pages 42–45 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 stabilized, the produce industry continues to struggle with inclement weather and other competing markets, creating some uncertainty in forecasting future financial activity.
- Nationally there is an increased focus on border security and, as a result, the US Department of Homeland Security is assigning more and more staff to the border. These law enforcement positions typically pay more than local jurisdictions, which impacts recruitment and retention resulting in increased turnover. Thus, local law enforcement is left critically short staffed and overworked.
- Property tax revenues continue to increase, unfortunately, recent state legislation has capped increases in assessed valuation. New construction is slowing but building permit revenues remain constant.
- Sales tax revenues remain largely unaffected by national trends due to vigorous cross-border trade.
- 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, the voters of Santa Cruz County approved the creation of a Jail District and the issuance of bonds to finance the construction of a new adult and juvenile detention facility. An architect and general contractor have been retained under a Construction Manager At-Risk contract. The County will also be financing the construction of new administrative facilities through certificates of participation.

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, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 18,805,980	\$ 2,107,212	\$ 20,913,192
Property taxes receivable (net of allowance for uncollectibles)	1,739,046		1,739,046
Due from other governmental units	4,497,994	35,343	4,533,337
Accounts receivable	140,148	110,734	250,882
Prepaid items	50,561		50,561
Capital assets, not being depreciated	26,734,965	229,996	26,964,961
Capital assets, being depreciated, net	<u>46,018,173</u>	<u>2,866,849</u>	<u>48,885,022</u>
Total assets	<u>97,986,867</u>	<u>5,350,134</u>	<u>103,337,001</u>
Liabilities			
Accounts payable	1,912,214	43,255	1,955,469
Accrued payroll and employee benefits	683,903	18,329	702,232
Noncurrent liabilities:			
Due within 1 year	1,154,638	139,623	1,294,261
Due in more than 1 year	<u>2,031,288</u>	<u>4,218,109</u>	<u>6,249,397</u>
Total liabilities	<u>5,782,043</u>	<u>4,419,316</u>	<u>10,201,359</u>
Net Assets			
Invested in capital assets, net of related debt	71,338,308	2,675,950	74,014,258
Restricted for:			
Highways and streets	1,212,970		1,212,970
Debt service	504,045		504,045
Other purposes	3,398,022		3,398,022
Unrestricted (deficit)	<u>15,751,479</u>	<u>(1,745,132)</u>	<u>14,006,347</u>
Total net assets	<u>\$ 92,204,824</u>	<u>\$ 930,818</u>	<u>\$ 93,135,642</u>

See accompanying notes to financial statements.

Santa Cruz County
Statement of Activities
Year Ended June 30, 2007

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	\$ 14,753,855	\$ 3,459,368	\$ 2,841,561	\$ 791,151	\$ (7,661,775)		\$ (7,661,775)
Public safety	8,789,108	853,561	2,207,675		(5,727,872)		(5,727,872)
Highways and streets	5,729,813	21,800	5,862,920		154,907		154,907
Health, welfare and sanitation	4,596,116	595,589	747,009		(3,253,518)		(3,253,518)
Education and economic opportunity	5,309,381	155,493	4,391,680		(762,208)		(762,208)
Recreation	301,643	4,980	28	559,665	263,030		263,030
Interest on long-term debt	51,584				(51,584)		(51,584)
Total governmental activities	<u>39,531,500</u>	<u>5,090,791</u>	<u>16,050,873</u>	<u>1,350,816</u>	<u>(17,039,020)</u>		<u>(17,039,020)</u>
Business-type activities:							
Landfill	<u>1,823,515</u>	<u>2,136,940</u>				\$ 313,425	<u>313,425</u>
Total business-type activities	<u>1,823,515</u>	<u>2,136,940</u>				<u>313,425</u>	<u>313,425</u>
Total primary government	<u>\$ 41,355,015</u>	<u>\$ 7,227,731</u>	<u>\$ 16,050,873</u>	<u>\$ 1,350,816</u>	<u>(17,039,020)</u>	<u>313,425</u>	<u>(16,725,595)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					11,703,061		11,703,061
Property taxes, levied for debt service					14,657		14,657
Share of state sales taxes - unrestricted					11,676,781		11,676,781
Payments in lieu of taxes					570,905		570,905
Shared revenues-state vehicle license tax					1,615,064		1,615,064
Grants and contributions not restricted to specific programs					842,457		842,457
Investment income					884,181	85,974	970,155
Miscellaneous					66,625		66,625
Capital contributions						750	750
Loss on disposal on capital assets					(32,166)		(32,166)
Transfers					<u>(22,525)</u>	<u>22,525</u>	
Total general revenues and transfers					<u>27,319,040</u>	<u>109,249</u>	<u>27,428,289</u>
Changes in net assets					10,280,020	422,674	10,702,694
Net assets—July 1, 2006 (restated)					<u>81,924,804</u>	<u>508,144</u>	<u>82,432,948</u>
Net assets—June 30, 2007					<u>\$ 92,204,824</u>	<u>\$ 930,818</u>	<u>\$ 93,135,642</u>

See accompanying notes to financial statements.

Santa Cruz County
Balance Sheet
Governmental Funds
June 30, 2007

	General Fund	Road Fund	WIA Fund
Assets			
Cash and cash equivalents	\$ 11,624,401	\$ 1,700,127	\$ 47,456
Property taxes receivable (net of allowances for uncollectibles)	1,431,787		
Due from other governmental units	807,292	93,048	918,712
Due from other funds	3,577,424		
Accounts receivable	110,747		
Prepaid items	43,405	250	
Total assets	\$ 17,595,056	\$ 1,793,425	\$ 966,168
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 588,318	\$ 396,361	\$ 61,918
Accrued payroll and employee benefits	371,580	49,166	24,270
Due to other funds			902,599
Deferred revenue	1,279,459		
Total liabilities	2,239,357	445,527	988,787
Fund balances (deficits):			
Unreserved, reported in:			
General fund	15,355,699		
Special revenue funds		1,347,898	(22,619)
Capital projects funds			
Debt service			
Total fund balances (deficits)	15,355,699	1,347,898	(22,619)
Total liabilities and fund balances	\$ 17,595,056	\$ 1,793,425	\$ 966,168

See accompanying notes to financial statements.

<u>Airport Fund</u>	<u>Jail District Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 397	\$ 1,331,313	\$ 4,102,286	\$ 18,805,980
		307,259	1,739,046
784,000	283,913	1,611,029	4,497,994
	64	29,337	3,577,424
		6,906	140,148
<u>\$ 784,397</u>	<u>\$ 1,615,290</u>	<u>\$ 6,056,817</u>	<u>\$ 28,811,153</u>
\$ 135,359	\$ 249,581	\$ 480,677	\$ 1,912,214
	67,929	170,958	683,903
784,000		1,890,825	3,577,424
		286,469	1,565,928
<u>919,359</u>	<u>317,510</u>	<u>2,828,929</u>	<u>7,739,469</u>
			15,355,699
	1,297,780	2,710,839	5,333,898
(134,962)		72,158	(62,804)
		444,891	444,891
<u>(134,962)</u>	<u>1,297,780</u>	<u>3,227,888</u>	<u>21,071,684</u>
<u>\$ 784,397</u>	<u>\$ 1,615,290</u>	<u>\$ 6,056,817</u>	<u>\$ 28,811,153</u>

Santa Cruz County
 Reconciliation of the Balance Sheet
 to the Statement of Net Assets
 Governmental Funds
 June 30, 2007

Total fund balances—governmental funds (page 19)		\$ 21,071,684
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 \$123,431,306 and the accumulated depreciation is \$50,678,168.		72,753,138
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.		1,565,928
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences payable	\$ (1,696,096)	
Long-term notes payable	(742,045)	
Obligations under capital leases	(672,785)	
Estimated liabilities for claims and judgments	<u>(75,000)</u>	
		<u>(3,185,926)</u>
Net assets of governmental activities (page 16)		<u>\$ 92,204,824</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, 2007

	<u>General Fund</u>	<u>Road Fund</u>	<u>WIA Fund</u>
Revenues:			
Taxes	\$ 11,804,810		
Intergovernmental	10,565,507	\$ 4,231,262	\$ 1,434,012
Licenses and permits	1,155,737		
Charges for services	1,333,081		
Fines and forfeits	598,699	21,800	
Investment income	596,743	100,966	
Rents	30,000		
Miscellaneous	200,137	6,865	6,948
Total revenues	<u>26,284,714</u>	<u>4,360,893</u>	<u>1,440,960</u>
Expenditures:			
Current:			
General government	11,818,609		
Public safety	4,454,674		
Highways and streets		5,504,069	
Health, welfare and sanitation	2,879,902		
Education and economic opportunity	1,220,954		1,411,289
Recreation	326,817		
Capital outlay	168,819		
Debt service:			
Principal	24,255	67,263	
Interest and other charges	36,009	15,575	
Total expenditures	<u>20,930,039</u>	<u>5,586,907</u>	<u>1,411,289</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,354,675</u>	<u>(1,226,014)</u>	<u>29,671</u>
Other financing sources (uses):			
Capital lease agreements		740,048	
Transfers in	2,824	28,564	19,415
Transfers out	<u>(2,809,776)</u>	<u>(63,959)</u>	<u>(15,976)</u>
Total other financing sources (uses)	<u>(2,806,952)</u>	<u>704,653</u>	<u>3,439</u>
Net change in fund balances	2,547,723	(521,361)	33,110
Fund balances (deficits), July 1, 2006, as restated	<u>12,807,976</u>	<u>1,869,259</u>	<u>(55,729)</u>
Fund balances (deficits), June 30, 2007	<u>\$ 15,355,699</u>	<u>\$ 1,347,898</u>	<u>\$ (22,619)</u>

See accompanying notes to financial statements.

<u>Airport Fund</u>	<u>Jail District Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 777,966	\$ 3,111,567	\$ 1,903,693 10,615,860	\$ 13,708,503 30,736,174
		618,610	1,155,737 1,951,691
		586,526	1,207,025
	11,402	175,070	884,181
		14,100	44,100
		71,450	285,400
<u>777,966</u>	<u>3,122,969</u>	<u>13,985,309</u>	<u>49,972,811</u>
		3,693,860	15,512,469
	3,525,189	2,209,028	10,188,891
		5,314,133	10,818,202
		1,843,115	4,723,017
		2,642,810	5,275,053
1,296,104		1,217,596	326,817 2,682,519
			91,518
<u>1,296,104</u>	<u>3,525,189</u>	<u>16,920,542</u>	<u>51,584</u> <u>49,670,070</u>
<u>(518,138)</u>	<u>(402,220)</u>	<u>(2,935,233)</u>	<u>302,741</u>
74,384	1,700,000	1,448,511	740,048 3,273,698
		(406,512)	(3,296,223)
<u>74,384</u>	<u>1,700,000</u>	<u>1,041,999</u>	<u>717,523</u>
(443,754)	1,297,780	(1,893,234)	1,020,264
<u>308,792</u>		<u>5,121,122</u>	<u>20,051,420</u>
<u>\$ (134,962)</u>	<u>\$ 1,297,780</u>	<u>\$ 3,227,888</u>	<u>\$ 21,071,684</u>

Santa Cruz County
 Reconciliation of the Statements of Revenues, Expenditures, and
 Changes in Fund Balances to the Statement of Activities
 Governmental Funds
 Year Ended June 30, 2007

Net change in fund balances—total governmental funds (page 23) \$ 1,020,264

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	\$ 12,880,591	
Less: current-year depreciation	<u>(2,791,741)</u>	10,088,850

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Statement of Net Assets.

Debt issued or incurred	(740,048)	
Principal repaid	<u>91,518</u>	(648,530)

In the Statement of Activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, any proceeds received would 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. (32,166)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when the financial resources are available.

Increase in compensated absences payable		(41,798)
--	--	----------

Collections of revenues in the governmental funds exceeded revenues reported in the Statement of Activities		<u>(106,600)</u>
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Change in net assets of governmental activities (page 17) \$ 10,280,020

See accompanying notes to financial statements.

Santa Cruz County
Statement of Net Assets
Proprietary Funds
June 30, 2007

	<u>Business-Type Activities— Enterprise Fund Landfill</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,107,212
Due from other governmental units	35,343
Accounts receivable	<u>110,734</u>
Total current assets	<u>2,253,289</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	229,996
Depreciable (net)	<u>2,866,849</u>
Total noncurrent assets	<u>3,096,845</u>
Total assets	<u>5,350,134</u>
Liabilities	
Current liabilities:	
Accounts payable	43,255
Accrued payroll and employee benefits	18,329
Obligations under capital leases—current portion	107,807
Landfill closure and postclosure care costs payable—current portion	5,596
Compensated absences payable—current portion	<u>26,220</u>
Total current liabilities	<u>201,207</u>
Noncurrent liabilities:	
Obligations under capital leases	313,088
Landfill closure and postclosure care costs payable	3,885,778
Compensated absences payable	<u>19,243</u>
Total noncurrent liabilities	<u>4,218,109</u>
Total liabilities	<u>4,419,316</u>
Net Assets	
Invested in capital assets, net of related debt	2,675,950
Unrestricted (deficit)	<u>(1,745,132)</u>
Total net assets	<u>\$ 930,818</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, 2007

	<u>Business-Type Activities— Enterprise Fund Landfill</u>
Operating revenues:	
Landfill fees	\$ 2,133,684
Intergovernmental revenues	<u>3,256</u>
Total operating revenues	<u>2,136,940</u>
 Operating expenses:	
Personal services	605,381
Professional services	19,510
Supplies	167,992
Utilities	37,703
Repairs and maintenance	145,027
Recycling program	79,050
Insurance	13,588
Landfill closure and postclosure care costs	447,737
Depreciation	288,294
Other	<u>9,772</u>
Total operating expenses	<u>1,814,054</u>
Operating income	<u>322,886</u>
 Nonoperating revenues (expenses):	
Investment income	85,974
Interest expense on capital leases	<u>(9,461)</u>
Total nonoperating expenses	<u>76,513</u>
Income before transfers and capital contributions	399,399
Capital contributions	750
Transfers in	<u>22,525</u>
Total transfers and capital contributions	<u>23,275</u>
Increase in net assets	<u>422,674</u>
Total net assets, July 1, 2006	<u>508,144</u>
Total net assets, June 30, 2007	<u>\$ 930,818</u>

See accompanying notes to financial statements.

Santa Cruz County
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2007

	<u>Business-Type Activities— Enterprise Fund Landfill</u>
Cash flows from operating activities	
Receipts from customers	\$ 2,115,532
Payments to suppliers and providers of goods and services	(523,298)
Payments to employees	<u>(600,377)</u>
Net cash provided by operating activities	<u>991,857</u>
 Cash flows from noncapital financing activities	
Cash transfers from other funds	<u>22,525</u>
Net cash provided by noncapital financing activities	<u>22,525</u>
 Cash flows from capital and related financing activities	
Purchases of capital assets	(212,438)
Principal paid on capital leases	(277,130)
Interest paid on capital leases	<u>(9,461)</u>
Net cash used for capital and related financing activities	<u>(499,029)</u>
 Cash flows from investing activities	
Interest received on investments	<u>85,974</u>
Net cash provided by investing activities	<u>85,974</u>
 Net increase in cash and cash equivalents	601,327
Cash and cash equivalents, July 1, 2006	<u>1,505,885</u>
Cash and cash equivalents, June 30, 2007	<u><u>\$ 2,107,212</u></u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 322,886
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	288,294
Changes in assets and liabilities:	
Increase in:	
Accounts receivable	(25,223)
Accrued payroll and employee benefits	2,198
Compensated absences payable	2,806
Landfill closure and postclosure care costs payable	442,332
Decrease in:	
Accounts payable	(45,251)
Due from other governmental units	<u>3,815</u>
Net cash provided by operating activities	<u>\$ 991,857</u>

Noncash Investing, Capital and Noncapital Financing Activities:

Landfill:

Capital assets valued at \$374,991 were obtained as follows: (1) \$374,241 via capital leases and (2) \$750 via a capital contribution.

See accompanying notes to financial statements.

Santa Cruz County
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Investment Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 14,509,561	\$ 1,831,434
Investments	18,389,874	-
Interest receivable	61,814	-
Total assets	32,961,249	\$ 1,831,434
Liabilities		
Due to other governmental units	-	\$ 668,030
Deposits held for others	-	1,163,404
Total liabilities	-	\$ 1,831,434
Net Assets		
Held in trust for investment trust participants	\$ 32,961,249	

See accompanying notes to financial statements.

Santa Cruz County
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2007

	<u>Investment Trust Funds</u>
Additions	
Contributions from participants	\$ 123,528,521
Investment income	<u>870,690</u>
Total additions	<u>124,399,211</u>
 Deductions	
Distributions to participants	<u>109,446,241</u>
Total deductions	<u>109,446,241</u>
Changes in net assets	14,952,970
Net assets, July 1, 2006	<u>18,008,279</u>
Net assets, June 30, 2007	<u>\$ 32,961,249</u>

See accompanying notes to financial statements.

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Santa Cruz County
Notes to Financial Statements
June 30, 2007

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).

For the year ended June 30, 2007, the County implemented the provisions of GASB Statement No. 34, *Basic Financial Statements—Management’s Discussion and Analysis—for State and Local Governments* that requires at the applicable transition date the retroactive capitalization and reporting of all major general infrastructure 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 government-wide financial statements to emphasize they are legally separate from the County. Each 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 the board of directors	Blended	Not available
Santa Cruz County Jail District	A tax-levying district that acquires, constructs, operates, maintains, and finances county jails and jail systems; the County board of supervisors serves as the 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

Santa Cruz County
Notes to Financial Statements
June 30, 2007

that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

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 programs or functions. 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, 2007

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 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 Airport Fund accounts for the financial resources to be used for the County's acquisition or construction of major airport related capital facilities.

The Jail District Fund is the primary operating fund of the Jail District. It accounts for all financial resources of the Jail District except those required to be accounted for in another fund.

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 and nonpooled 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, with the exception of agency funds, and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus. 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, 2007

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 they become both 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. The County's major revenue sources that are susceptible to accrual are property taxes, intergovernmental, charges for services, and investment income. 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 postclosure 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 follow 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. All 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, 2007, 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, 2007

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 and personal 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.

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

H. Investment Income

Investment income 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.

Santa Cruz County
Notes to Financial Statements
June 30, 2007

Employees may accumulate up to 320 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 government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year end.

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 – Beginning Balances Restated

As required by GASB Statement No. 34, net assets on the government-wide Statement of Activities as of July 1, 2006, has been restated for the County's major general infrastructure assets acquired prior to the year ended June 30, 2003, the fiscal year in which the County implemented GASB Statement No. 34, consisting of road networks and flood control networks that were constructed, purchased, donated to the County, or that received substantial improvements subsequent to July 1, 1980. In addition, the Santa Cruz County's School Superintendent has served as the sole board member for the Santa Cruz Accommodation School District, and the District is not a legally separate entity. However, in prior years, the District was excluded from the County's financial statements because the District's legal structure was misunderstood. Therefore beginning fund balances and net assets were restated to correct the error. Beginning balances, including the implementation of GASB 34 and the correction of error follow:

Net assets as of June 30, 2006, as previously reported	\$43,379,099
General infrastructure assets, net of accumulated depreciation	38,939,704
Net assets of accommodation school as of June 30, 2006	<u>(393,999)</u>
Net assets as of July 1, 2006, as restated	<u>\$81,924,804</u>
Fund balances of Governmental Funds as of June 30, 2006, as previously reported	\$ 20,445,419
Fund balance of accommodation school as of June 30, 2006	<u>(393,999)</u>
Fund balances of Governmental Funds as of July 1, 2007, as restated	<u>\$ 20,051,420</u>

Santa Cruz County
Notes to Financial Statements
June 30, 2007

Note 3 – Stewardship, Compliance, and Accountability

Deficit fund balances—At June 30, 2007, the following funds reported deficits in fund balances:

<u>Fund</u>	<u>Deficit</u>
Governmental Funds	
Accommodation School	\$337,305
Waste Tire Fund	111
Animal Control	57,672
Old Courthouse	1,817
WIA	22,619
Airport	134,962
Law Library	26,068

These deficits resulted from operations during the year or unexpected/unplanned events but are expected to be corrected through normal operations in fiscal year 2007-2008 or through transfers from the General Fund.

For the fiscal year ended June 30, 2007, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

<u>Department</u>	<u>Fund</u>	<u>Excess</u>
Governmental Funds:		
Central Permits	General	\$ 11,202
County Attorney	General	150,178
Elections	General	162,846
Information Technology	General	20,440
Long-term Care Services	General	472,800
Recorder	General	5,838
Treasurer	General	16,311
Juvenile Detention	General	16
Drug Education	General	956
Homeland Security	Homeland Security	1,003,976
Sexually Transmitted Diseases	Health Services	70,159
Superior Court	Juvenile Services	154,703
Animal Control	Animal Control	69,651
Superior Court	Law Library	2,437
Waste Tire	Waste Tire	26,491

Santa Cruz County
Notes to Financial Statements
June 30, 2007

The majority of these exceeded budgets were caused by unexpected expenditures, unusual or unplanned events, or expenditures made as a result of unanticipated revenues. The County is evaluating whether these excesses should be considered in next year's budget or if another solution is possible to avoid this situation again.

Note 4 – 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, 2007

Deposits—At June 30, 2007, the carrying amount of the County's deposits was \$6,345,753 and the bank balance was \$5,813,258. The County does not have a policy related to custodial credit risk.

Investments—The County's investments at June 30, 2007, were as follows:

Investment Type	Fair Value
State Treasurer's investment pool 5	\$30,903,706
U.S. agency securities	18,172,152
Money Market Mutual Funds	<u>217,722</u>
Total	<u>\$49,293,580</u>

The State Board of Investment provides oversight for the State Treasurer's pools. 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, 2007, 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	\$30,903,706
U.S. agency securities	Aaa	Moody's	18,172,152
Money Market Mutual Funds	Unrated	Not applicable	<u>217,722</u>
Total			<u>\$49,293,580</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, 2007, the County had \$18,172,152 of U.S. agency securities and \$217,722 in Money Market Mutual Funds 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, 2007, of 5 percent or more in the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and the Federal Home Loan Bank. These investments were 7 percent, 13 percent, and 16 percent, respectively, of the County's total investments.

Interest rate risk—The County does not have a formal investment policy with respect to interest rate risk. At June 30, 2007, the County had the following investments in debt securities:

Santa Cruz County
Notes to Financial Statements
June 30, 2007

Investment	Amount	Weighted Average Maturity (In Years)
State Treasurer's investment pool 5	\$30,903,706	0.21
U.S. agency securities	18,172,152	1.53
Money Market Mutual Funds	<u>217,722</u>	0.1
	<u>\$49,293,580</u>	

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

Cash, deposits, and investments:

Cash on hand	\$ 4,728
Amount of deposits	6,345,753
Amount of investments	<u>49,293,580</u>
Total	<u>\$55,644,061</u>

Statement of Net Assets:

	Governmental Activities	Business-Type Activities	Investment Trust Funds	Agency Funds	Total
Cash and cash equivalents	\$18,805,980	\$2,107,212	\$14,509,561	\$1,831,434	\$37,254,187
Investments			<u>18,389,874</u>		<u>18,389,874</u>
Total	<u>\$18,805,980</u>	<u>\$2,107,212</u>	<u>\$32,899,435</u>	<u>\$1,831,434</u>	<u>\$55,644,061</u>

Note 5 – Due From Other Governmental Units

Amounts due from other governmental units at June 30, 2007, in the General Fund include \$664,833 in sales taxes and \$142,459 in auto lieu tax from the State of Arizona. Amounts due from other governmental units in the Road Fund include \$93,048 in highway user taxes from the State of Arizona. Amounts due from other governmental units in the Jail District Fund include \$283,913 in Jail Taxes due from the State of Arizona. Amounts due from other governmental units in the WIA Fund, and other Governmental Funds include \$918,712, and \$1,611,029, respectively, for federal and state reimbursement grants. Amounts due from other governmental units in the Airport Fund include \$784,000 due from federal and state construction grants. Amounts due from other governmental units in the Enterprise Fund consist of \$35,343 due from the Cities of Nogales and Patagonia for landfill fees.

Note 6 – Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

Santa Cruz County
Notes to Financial Statements
June 30, 2007

	Balance July 1, 2006 (as restated)	Increases	Decreases	Balance June 30, 2007
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$21,843,592	\$ 301,486		\$22,145,078
Construction in progress	<u>2,902,819</u>	<u>7,949,424</u>	<u>\$6,262,356</u>	<u>4,589,887</u>
Total capital assets not being depreciated	<u>24,746,411</u>	<u>8,250,910</u>	<u>6,262,356</u>	<u>26,734,965</u>
Capital assets being depreciated:				
Buildings	10,316,743	1,675,282		11,992,025
Improvements other than buildings	2,558,342	403,616		2,961,958
Construction equipment and vehicles	7,364,395	1,733,534	227,941	8,869,988
Furniture and equipment	3,671,848	1,609,437	53,956	5,227,329
Infrastructure	<u>62,174,873</u>	<u>5,470,168</u>		<u>67,645,041</u>
Total	<u>86,086,201</u>	<u>10,892,037</u>	<u>281,897</u>	<u>96,696,341</u>
Less accumulated depreciation for:				
Buildings	4,638,837	281,599		4,920,436
Improvements other than buildings	693,911	87,503		781,414
Construction equipment and vehicles	5,456,536	722,650	199,424	5,979,762
Furniture and equipment	2,132,984	752,225	50,307	2,834,902
Infrastructure	<u>35,213,890</u>	<u>947,764</u>		<u>36,161,654</u>
Total	<u>48,136,158</u>	<u>2,791,741</u>	<u>249,731</u>	<u>50,678,168</u>
Total capital assets being depreciated, net	<u>37,950,043</u>	<u>8,100,296</u>	<u>32,166</u>	<u>46,018,173</u>
Governmental activities capital assets, net	<u>\$62,696,454</u>	<u>\$16,351,206</u>	<u>\$6,294,522</u>	<u>\$72,753,138</u>
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	2,046,345	\$ 127,405		2,173,750
Construction equipment and vehicles	<u>1,829,213</u>	<u>460,024</u>	<u>\$ 17,240</u>	<u>2,271,997</u>
Total	<u>4,121,625</u>	<u>587,429</u>	<u>17,240</u>	<u>4,691,814</u>
Less accumulated depreciation for:				
Buildings	72,973	6,152		79,125
Improvements other than buildings	307,088	52,392		359,480
Construction equipment and vehicles	<u>1,173,850</u>	<u>229,750</u>	<u>17,240</u>	<u>1,386,360</u>
Total	<u>1,553,911</u>	<u>288,294</u>	<u>17,240</u>	<u>1,824,965</u>

Santa Cruz County
Notes to Financial Statements
June 30, 2007

	Balance July 1, 2006 (as restated)	Increases	Decreases	Balance June 30, 2007
Total capital assets being depreciated, net	<u>2,567,714</u>	<u>299,135</u>	_____	<u>2,866,849</u>
Business-type activities capital assets, net	<u>\$ 2,797,710</u>	<u>\$ 299,135</u>	_____	<u>\$ 3,096,845</u>

The July 1, 2006, governmental activities capital asset balances were restated to include major general infrastructure assets of the County, as described in Note 2.

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 731,490
Public safety	719,445
Highways and streets	1,188,418
Health, welfare and sanitation	97,600
Education and economic opportunity	45,328
Recreation	<u>9,460</u>
Total governmental activities depreciation expense	<u>\$2,791,741</u>
Business-Type Activities:	
County Landfills	<u>\$ 288,294</u>
Total business-type activities depreciation expense	<u>\$ 288,294</u>

Note 7 – Construction Commitments

The County had major contractual commitments related to various capital projects at June 30, 2007, for the construction of flood, airport, road and new facilities projects. At June 30, 2007, the County had spent \$4,589,887 on these projects and had remaining contractual commitments with contractors of \$9,767,972. The projects are being financed through federal and state grants, highway user revenues collected, as well as planned revenue bond and certificate of participation issuances.

Note 8 – Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due within 1 year
Governmental activities					
Obligations under capital leases		\$ 740,048	\$ 67,263	\$ 672,785	\$ 138,804
Long-term notes payable	\$ 766,300		24,255	742,045	24,495
Compensated absences payable	1,654,298	852,626	810,828	1,696,096	991,339
Estimated liabilities for claims and judgments	<u>75,000</u>	_____	_____	<u>75,000</u>	_____

Santa Cruz County
Notes to Financial Statements
June 30, 2007

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2007</u>	<u>Due within 1 year</u>
Governmental activities long-term liabilities	\$2,495,598	\$1,592,674	\$902,346	\$3,185,926	\$1,154,638
Business-type activities					
Obligations under capital leases	\$ 323,784	\$ 374,241	\$277,130	\$ 420,895	\$ 107,807
Compensated absences payable	42,657	29,319	26,513	45,463	26,220
Landfill closure and postclosure care costs payable	<u>3,449,042</u>	<u>447,737</u>	<u>5,405</u>	<u>3,891,374</u>	<u>5,596</u>
Business-type activities long-term liabilities	<u>\$3,815,483</u>	<u>\$ 851,297</u>	<u>\$309,048</u>	<u>\$4,357,732</u>	<u>\$ 139,623</u>

Obligations under capital leases—The County has acquired 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
Construction equipment and vehicles	\$740,048	\$1,232,609
Less: accumulated depreciation	<u>(79,291)</u>	<u>(529,144)</u>
Carrying value	<u>\$660,757</u>	<u>\$ 703,465</u>

The following schedule details debt service requirements to maturity for the County's obligations under capital leases at June 30, 2007:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2008	\$165,677	\$129,976
2009	165,677	129,977
2010	165,677	104,174
2011	165,677	108,162
2012	<u>82,838</u>	<u> </u>
Total minimum lease payments	745,546	472,289
Less amount representing interest	<u>(72,761)</u>	<u>(51,394)</u>
Present value of net minimum lease payments	<u>\$672,785</u>	<u>\$420,895</u>

Long-term notes payable—The County has a long-term note payable agreement that will be used to match federal funds for the purchase and renovation of a building. The total match of the note payable is \$766,300 and the future minimum payments required under the contract at June 30, 2007, including interest of 4.86 percent, are as follows:

Santa Cruz County
Notes to Financial Statements
June 30, 2007

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 24,495	\$ 35,769
2009	25,699	34,564
2010	26,964	33,300
2011	28,290	31,974
2012	29,682	30,582
2013-2017	171,799	129,520
2018-2022	218,420	82,899
2023-2026	<u>216,696</u>	<u>24,361</u>
Total	<u>\$742,045</u>	<u>\$402,969</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 they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will not be paid until near or after the date that the landfills stop 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.

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$3,891,374 reported as landfill closure and postclosure care liability at June 30, 2007, represents the cumulative amount reported to date based on the use of 66 percent of the estimated capacity of the landfills. The County will recognize the remaining estimated cost of closure and postclosure care of \$2,004,647 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 2007. 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

Santa Cruz County
Notes to Financial Statements
June 30, 2007

judgments are generally paid from the fund that accounts for the activity that gave rise to the claim. During fiscal year 2007, the County paid for compensated absences as follows: 53 percent from the General Fund, 8 percent from the Road Fund, 3 percent from the WIA Fund, 9 percent from the Jail District Fund, and 24 percent from the Other Governmental Funds, and 3 percent from the Enterprise Funds.

Note 9 – 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.

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 per occurrence for property claims and \$5,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$100 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. 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 every 5 years. Both pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation.

Note 10 – 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.

Santa Cruz County
Notes to Financial Statements
June 30, 2007

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.

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, 2007, active ASRS members and the County were each required by statute to contribute at the actuarially determined rate of 9.1 percent (8.6 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, 2007, 2006, and 2005 were \$977,347, \$737,724, and \$532,622, 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

Santa Cruz County
Notes to Financial Statements
June 30, 2007

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, 2007, 2006, and 2005 were \$107,017, \$121,380, and \$54,008, respectively, which were equal to the required contributions for the year.

Agent Plans—For the year ended June 30, 2007, 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 13.59 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, 2007, and related information follows:

	PSPRS	CORP
Contribution rates:		
County	13.59%	2%
Plan members	7.65%	8.5%
Annual pension costs	\$238,489	\$33,623
Contributions made	\$238,489	\$33,623

The current-year annual required contributions for both the PSPRS and CORP were determined as part of their June 30, 2005, actuarial valuations using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.50 percent investment rate of return and (b) projected salary increases ranging from 5.50 percent to 8.50 percent per year. (B) included an inflation component of 5.00 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 7-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, 2005, was 30 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	2007	\$238,489	100.0%	\$0
	2006	268,303	100.0	0
	2005	252,438	100.0	0
CORP	2007	\$ 33,623	100.0%	\$0
	2006	23,958	100.0	0
	2005	10,850	100.0	0

Santa Cruz County
Notes to Financial Statements
June 30, 2007

Note 11 – Interfund Balances and Activity

Interfund receivables and payables—Interfund balances at June 30, 2007, were as follows:

	Payable to
Payable from	General Fund
WIA Fund	\$ 902,599
Capital Projects Airport Fund	784,000
Other Governmental Funds	<u>1,890,825</u>
Total governmental funds	<u><u>\$3,577,424</u></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, 2007, were as follows:

	Transfer to							Total
Transfer from	General Fund	Road Fund	WIA Fund	Airport Fund	Jail District Fund	Other Governmental Funds	Enterprise Fund	
General Fund		\$21,064	\$ 5,613	\$74,384	\$1,700,000	\$1,008,715		\$2,809,776
Road Fund						63,959		63,959
WIA Fund	\$2,174		13,802					15,976
Other governmental funds	<u>650</u>	<u>7,500</u>	_____	_____	_____	<u>375,837</u>	<u>\$22,525</u>	<u>406,512</u>
Total governmental funds	<u><u>\$2,824</u></u>	<u><u>\$28,564</u></u>	<u><u>\$19,415</u></u>	<u><u>\$74,384</u></u>	<u><u>\$1,700,000</u></u>	<u><u>\$1,448,511</u></u>	<u><u>\$22,525</u></u>	<u><u>\$3,296,223</u></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 12 – 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 Counties 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.

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.

Santa Cruz County
Notes to Financial Statements
June 30, 2007

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

All deposits and investments of County's primary government are included in the County Treasurer's investment pool, except for \$1,104,754 of deposits and \$15,147,496 of investments in the State Treasurer's investment pool 5, which are not included in the County Treasurer's investment pool. Therefore, the deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks exclusive of investments in the State Treasurer's investment pools. See Note 4 for disclosure of the County's deposit and investment risks.

Details of each major investment classification follow:

<u>Investment Type</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Agency Securities	\$18,145,804	3.0-7.1%	9/2007-12/2010	\$18,172,152
State Treasurer's Investment Pool	15,756,210	No stated interest rate	No stated maturity	15,756,210
Money Market Mutual Funds	217,722	No stated rate	No stated maturity	217,722

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

Statement of Net Assets:

Assets	\$ 37,516,907
Liabilities	-
Net assets	<u>\$ 37,516,907</u>

Net assets held in trust for:

Internal participants	\$ 5,446,390
External participants	<u>32,070,517</u>
Total net assets held in trust	<u>\$ 37,516,907</u>

Statement of Changes in Net Assets:

Total additions	\$136,619,494
Total deductions	<u>124,234,212</u>
Net increase	12,385,282
Net assets held in trust:	
July 1, 2006	<u>25,131,625</u>
June 30, 2007	<u>\$ 37,516,907</u>

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Required Supplementary Information

Santa Cruz County
 Required Supplementary Information
 Schedule of Agent Retirement Plans' Funding Progress
 June 30, 2007

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, 2007	\$3,908,433	\$7,564,154	\$(3,655,721)	51.7%	\$1,876,635	194.8%
June 30, 2006	5,099,486	7,499,778	(2,400,292)	68.0	1,767,159	135.8
June 30, 2005	4,488,809	6,676,281	(2,187,472)	67.2	1,688,154	129.6

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, 2007	\$ 1,896,284	\$1,253,272	\$643,012	151.3%	\$667,194	N/A
June 30, 2006	1,832,167	1,105,276	726,891	165.8	653,409	N/A
June 30, 2005	1,317,912	810,987	506,925	162.5	516,689	N/A

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Taxes	\$ 10,959,136	\$ 11,804,810	\$ 845,674
Intergovernmental	9,290,534	10,565,507	1,274,973
Licenses and permits	1,400,000	1,155,737	(244,263)
Charges for services	1,207,441	1,333,081	125,640
Fines and forfeits	540,000	598,699	58,699
Investment income	225,000	596,743	371,743
Miscellaneous	60,264	230,137	169,873
Total revenues	<u>23,682,375</u>	<u>26,284,714</u>	<u>2,602,339</u>
Expenditures			
Current:			
General government:			
Adult Probation	584,918	407,581	177,337
Airport	77,691	52,338	25,353
Assessor	855,163	782,147	73,016
Board of Supervisors	3,377,053	2,042,731	1,334,322
Central Permits	11,202	11,202	(11,202)
Clerk of Superior Court	732,792	703,008	29,784
County Attorney	1,055,046	1,205,224	(150,178)
Elections	235,669	398,515	(162,846)
Finance	1,620,632	607,723	1,012,909
GIS	197,562	42,094	155,468
Grounds and Maintenance	1,246,869	1,102,208	144,661
Information Technology	486,647	507,087	(20,440)
Justice Court	799,698	781,951	17,747
Planning and Zoning	365,114	357,614	7,500
Public Fiduciary	574,254	333,013	241,241
Recorder	457,229	463,067	(5,838)
Superior Court	1,664,931	1,530,788	134,143
Treasurer	474,007	490,318	(16,311)
Total general government	<u>14,805,275</u>	<u>11,818,609</u>	<u>2,986,666</u>
Public safety:			
Constable	76,250	60,669	15,581
Building Codes	675,453	534,484	140,969
Emergency Services	163,892	156,992	6,900

(Continued)

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2007
(Concluded)

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Juvenile Detention		\$ 16	\$ (16)
Sheriff	\$ 3,683,409	3,683,286	123
Constable #2	<u>24,762</u>	<u>19,227</u>	<u>5,535</u>
Total public safety	<u>4,623,766</u>	<u>4,454,674</u>	<u>169,092</u>
Health, welfare and sanitation:			
Long-term care services	1,822,600	2,295,400	(472,800)
Medical indigent	<u>586,800</u>	<u>584,502</u>	<u>2,298</u>
Total health,welfare and sanitation	<u>2,409,400</u>	<u>2,879,902</u>	<u>(470,502)</u>
Education and economic opportunity:			
Drug education	64,904	65,860	(956)
School superintendent	<u>1,429,806</u>	<u>1,155,094</u>	<u>274,712</u>
Total education and economic opportunity	<u>1,494,710</u>	<u>1,220,954</u>	<u>273,756</u>
Recreation—Parks	<u>581,594</u>	<u>326,817</u>	<u>254,777</u>
Capital outlay	<u>4,900,150</u>	<u>168,819</u>	<u>4,731,331</u>
Debt service	<u> </u>	<u>60,264</u>	<u>(60,264)</u>
Total expenditures	<u>28,814,895</u>	<u>20,930,039</u>	<u>7,884,856</u>
Excess (deficiency) of revenues over under expenditures	<u>(5,132,520)</u>	<u>5,354,675</u>	<u>10,487,195</u>
Other financing sources (uses):			
Transfers in		2,824	2,824
Transfers out	<u>(3,476,040)</u>	<u>(2,809,776)</u>	<u>666,264</u>
Total other financing sources (uses)	<u>(3,476,040)</u>	<u>(2,806,952)</u>	<u>669,088</u>
Net change in fund balance	(8,608,560)	2,547,723	11,156,283
Fund balance, July 1, 2006	<u>8,608,560</u>	<u>12,807,976</u>	<u>4,199,416</u>
Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ 15,355,699</u>	<u>\$ 15,355,699</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
Road Fund
Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 4,275,125	\$ 4,231,262	\$ (43,863)
Fines and forfeits		21,800	21,800
Investment income		100,966	100,966
Miscellaneous		6,865	6,865
Total revenues	<u>4,275,125</u>	<u>4,360,893</u>	<u>85,768</u>
Expenditures			
Current:			
Highways and streets—Road	6,370,030	5,504,069	865,961
Debt Service		82,838	(82,838)
Total expenditures	<u>6,370,030</u>	<u>5,586,907</u>	<u>783,123</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,094,905)</u>	<u>(1,226,014)</u>	<u>868,891</u>
Other financing sources (uses):			
Capital lease agreements		740,048	740,048
Transfers in	7,500	28,564	21,064
Transfers out		(63,959)	(63,959)
Total other financing sources (uses)	<u>7,500</u>	<u>704,653</u>	<u>697,153</u>
Net change in fund balance	(2,087,405)	(521,361)	1,566,044
Fund balance, July 1, 2006	<u>2,087,405</u>	<u>1,869,259</u>	<u>(218,146)</u>
Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ 1,347,898</u>	<u>\$ 1,347,898</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 WIA Fund
 Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 1,533,187	\$ 1,434,012	\$ (99,175)
Miscellaneous	<u> </u>	<u>6,948</u>	<u>6,948</u>
Total revenues	<u>1,533,187</u>	<u>1,440,960</u>	<u>(92,227)</u>
 Expenditures			
Current:			
Education and economic opportunity:			
WIA Department	<u>1,554,275</u>	<u>1,411,289</u>	<u>142,986</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>(21,088)</u>	<u>29,671</u>	<u>50,759</u>
 Other financing sources (uses):			
Transfers in		19,415	19,415
Transfers out	<u> </u>	<u>(15,976)</u>	<u>(15,976)</u>
Total other financing sources (uses)	<u> </u>	<u>3,439</u>	<u>3,439</u>
 Net change in fund balance	(21,088)	33,110	54,198
 Fund balance, July 1, 2006	<u>21,088</u>	<u>(55,729)</u>	<u>(76,817)</u>
 Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ (22,619)</u>	<u>\$ (22,619)</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
Jail District Fund
Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 2,600,000	\$ 3,111,567	\$ 511,567
Investment income	<u> </u>	<u>11,402</u>	<u>11,402</u>
Total revenues	<u>2,600,000</u>	<u>3,122,969</u>	<u>522,969</u>
 Expenditures			
Current:			
Public safety—Jail	<u>4,700,000</u>	<u>3,525,189</u>	<u>1,174,811</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,100,000)</u>	<u>(402,220)</u>	<u>1,697,780</u>
 Other financing sources (uses):			
Transfers in	<u>2,100,000</u>	<u>1,700,000</u>	<u>(400,000)</u>
Net change in fund balance		1,297,780	1,297,780
Fund balance, July 1, 2006	<u> </u>	<u> </u>	<u> </u>
Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ 1,297,780</u>	<u>\$ 1,297,780</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2007

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, 2007, expenditures exceeded final budgeted amounts at the department level (the legal level of budgetary control) as follows:

Fund/Department	Excess
<u>General Fund:</u>	
Central Permits	\$ 11,202
County Attorney	150,178
Elections	162,846
Information Technology	20,440
Long-term care services	472,800
Recorder	5,838
Treasurer	16,311
Juvenile Detention	16
Drug Education	956

The excesses were primarily the result of unexpected expenditures or expenditures made as a result of unanticipated revenues, or both. When departments exceed their annual budget, the County closely monitors departmental spending and discusses the overage with the departments in subsequent budget meetings with the County Manager and Finance.

Combining and Individual
Fund Statements and Schedules

Santa Cruz County
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Fund</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 3,587,116	\$ 72,158	\$ 443,012	\$ 4,102,286
Property taxes receivable (net of allowance for uncollectible)	248,105		59,154	307,259
Due from other governmental units	1,338,757	269,952	2,320	1,611,029
Accounts receivable	29,153		184	29,337
Prepaid items	6,906			6,906
Total assets	<u>\$ 5,210,037</u>	<u>\$ 342,110</u>	<u>\$ 504,670</u>	<u>\$ 6,056,817</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 480,052		\$ 625	\$ 480,677
Accrued payroll and employee benefits	170,958			170,958
Due to other funds	1,620,873	\$ 269,952		1,890,825
Deferred revenue	227,315		59,154	286,469
Total liabilities	<u>2,499,198</u>	<u>269,952</u>	<u>59,779</u>	<u>2,828,929</u>
Fund balances:				
Unreserved	2,710,839	72,158	444,891	3,227,888
Total fund balances	<u>2,710,839</u>	<u>72,158</u>	<u>444,891</u>	<u>3,227,888</u>
Total liabilities and fund balances	<u>\$ 5,210,037</u>	<u>\$ 342,110</u>	<u>\$ 504,670</u>	<u>\$ 6,056,817</u>

Santa Cruz County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2007

	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total
Revenues				
Taxes	\$ 1,889,036		\$ 14,657	\$ 1,903,693
Intergovernmental	8,683,769	\$ 1,932,091		10,615,860
Charges for services	618,610			618,610
Fines and forfeits	586,526			586,526
Investment income	152,628		22,442	175,070
Rents	14,100			14,100
Miscellaneous	71,450			71,450
Total revenues	12,016,119	1,932,091	37,099	13,985,309
Expenditures				
Current:				
General government	3,693,860			3,693,860
Public safety	2,209,028			2,209,028
Highways and streets	3,890,610	1,423,523		5,314,133
Health, welfare and sanitation	1,843,115			1,843,115
Education and economic opportunity	2,642,810			2,642,810
Capital outlay		1,216,971	625	1,217,596
Total expenditures	14,279,423	2,640,494	625	16,920,542
Excess (deficiency) of revenues over (under) expenditures	(2,263,304)	(708,403)	36,474	(2,935,233)
Other financing sources (uses):				
Transfers in	1,218,148	230,363		1,448,511
Transfers out	(240,109)	(166,403)		(406,512)
Total other financing sources (uses)	978,039	63,960		1,041,999
Net change in fund balances	(1,285,265)	(644,443)	36,474	(1,893,234)
Fund balances, July 1, 2006, as restated	3,996,104	716,601	408,417	5,121,122
Fund balances, June 30, 2007	\$ 2,710,839	\$ 72,158	\$ 444,891	\$ 3,227,888

Santa Cruz County
Combining Balance Sheet
Nonmajor Special Revenue Funds
Year Ended June 30, 2007

	<u>Criminal Justice Enhancement</u>	<u>Homeland Security</u>	<u>Probation Services</u>	<u>Health Services</u>
Assets				
Cash and cash equivalents	\$ 798,562	\$ 57,625	\$ 284,933	\$ 224,386
Property taxes receivable (net of allowance for uncollectible)				
Due from other governmental units	670,896	237,228	916	96,326
Accounts receivable	5,440		149	6,790
Prepaid items				600
Total assets	<u>\$ 1,474,898</u>	<u>\$ 294,853</u>	<u>\$ 285,998</u>	<u>\$ 328,102</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 35,867	\$ 18,790	\$ 6,089	\$ 28,191
Accrued payroll and employee benefits	47,057	1,328	35,724	18,185
Due to other funds	665,547	236,911		96,326
Deferred revenue				
Total liabilities	<u>748,471</u>	<u>257,029</u>	<u>41,813</u>	<u>142,702</u>
Fund balances:				
Unreserved	<u>726,427</u>	<u>37,824</u>	<u>244,185</u>	<u>185,400</u>
Total fund balances (deficit)	<u>726,427</u>	<u>37,824</u>	<u>244,185</u>	<u>185,400</u>
Total liabilities and fund balances	<u>\$ 1,474,898</u>	<u>\$ 294,853</u>	<u>\$ 285,998</u>	<u>\$ 328,102</u>

<u>Flood</u>	<u>Juvenile Services</u>	<u>Retrieval Conversion</u>	<u>Accommodation School</u>	<u>Other</u>	<u>Total</u>
\$ 545,589	\$ 248,114	\$ 534,933		\$ 892,974	\$ 3,587,116
248,105					248,105
5,960	187,842	34		139,555	1,338,757
8,417		4,893		3,464	29,153
				6,306	6,906
<u>\$ 808,071</u>	<u>\$ 435,956</u>	<u>\$ 539,860</u>		<u>\$ 1,042,299</u>	<u>\$ 5,210,037</u>
\$ 307,936	\$ 36,310	\$ 17,925		28,944	480,052
14,351	33,011	378		20,924	170,958
	187,721		\$ 337,305	97,063	1,620,873
<u>227,315</u>					<u>227,315</u>
<u>549,602</u>	<u>257,042</u>	<u>18,303</u>	<u>337,305</u>	<u>146,931</u>	<u>2,499,198</u>
<u>258,469</u>	<u>178,914</u>	<u>521,557</u>	<u>(337,305)</u>	<u>895,368</u>	<u>2,710,839</u>
<u>258,469</u>	<u>178,914</u>	<u>521,557</u>	<u>(337,305)</u>	<u>895,368</u>	<u>2,710,839</u>
<u>\$ 808,071</u>	<u>\$ 435,956</u>	<u>\$ 539,860</u>	<u>\$ -</u>	<u>\$ 1,042,299</u>	<u>\$ 5,210,037</u>

Santa Cruz County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2007

	<u>Criminal Justice Enhancement</u>	<u>Homeland Security</u>	<u>Probation Services</u>	<u>Health Services</u>
Revenues:				
Taxes				
Intergovernmental	\$ 1,044,492	\$ 1,363,703	\$ 857,264	\$ 643,899
Charges for services	27,210		97,160	247,233
Fines and forfeits	409,157			
Investment income	23,566		12,520	7,345
Rents				
Miscellaneous		3,438	1,830	
Total revenues	<u>1,504,425</u>	<u>1,367,141</u>	<u>968,774</u>	<u>898,477</u>
Expenditures:				
Current:				
General government	882,793		1,001,582	
Public safety	730,864	1,292,183		
Highways and streets				
Health, welfare and sanitation				1,064,036
Education and economic opportunity				
Total expenditures	<u>1,613,657</u>	<u>1,292,183</u>	<u>1,001,582</u>	<u>1,064,036</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(109,232)</u>	<u>74,958</u>	<u>(32,808)</u>	<u>(165,559)</u>
Other financing sources (uses):				
Transfers in	243,512	767	11,127	162,463
Transfers out	<u>(80,040)</u>	<u>(767)</u>	<u>(9,448)</u>	
Total other financing sources (uses)	<u>163,472</u>		<u>1,679</u>	<u>162,463</u>
Net change in fund balances	54,240	74,958	(31,129)	(3,096)
Fund balances (deficit), July 1, 2006	<u>672,187</u>	<u>(37,134)</u>	<u>275,314</u>	<u>188,496</u>
Fund balances (deficit), June 30, 2007	<u>\$ 726,427</u>	<u>\$ 37,824</u>	<u>\$ 244,185</u>	<u>\$ 185,400</u>

<u>Flood</u>	<u>Juvenile Services</u>	<u>Retrieval Conversion</u>	<u>Accommodation School</u>	<u>Other</u>	<u>Total</u>
\$ 1,619,915	\$ 135,410			\$ 133,711	\$ 1,889,036
259,232	1,233,343		\$ 2,153,870	1,127,966	8,683,769
	22,304	\$ 151,935		72,768	618,610
		177,369			586,526
89,563	3,763	15,487	46	338	152,628
				14,100	14,100
490			24,300	41,392	71,450
<u>1,969,200</u>	<u>1,394,820</u>	<u>344,791</u>	<u>2,178,216</u>	<u>1,390,275</u>	<u>12,016,119</u>
	937,942	226,206		645,337	3,693,860
				185,981	2,209,028
3,890,610					3,890,610
				779,079	1,843,115
	365,981		2,121,522	155,307	2,642,810
<u>3,890,610</u>	<u>1,303,923</u>	<u>226,206</u>	<u>2,121,522</u>	<u>1,765,704</u>	<u>14,279,423</u>
<u>(1,921,410)</u>	<u>90,897</u>	<u>118,585</u>	<u>56,694</u>	<u>(375,429)</u>	<u>(2,263,304)</u>
	31,363			768,916	1,218,148
	(29,918)	(85,523)		(34,413)	(240,109)
	1,445	(85,523)		734,503	978,039
(1,921,410)	92,342	33,062	56,694	359,074	(1,285,265)
<u>2,179,879</u>	<u>86,572</u>	<u>488,495</u>	<u>(393,999)</u>	<u>536,294</u>	<u>3,996,104</u>
<u>\$ 258,469</u>	<u>\$ 178,914</u>	<u>\$ 521,557</u>	<u>\$ (337,305)</u>	<u>\$ 895,368</u>	<u>\$ 2,710,839</u>

Santa Cruz County
Combining Balance Sheet
Nonmajor Capital Projects Funds
Year Ended June 30, 2007

	<u>Capital Projects Construction</u>	<u>Capital Projects Other</u>	<u>Total</u>
Assets			
Cash and cash equivalents		\$ 72,158	\$ 72,158
Due from other governments	<u>\$ 269,952</u>	<u> </u>	<u>269,952</u>
Total assets	<u>\$ 269,952</u>	<u>\$ 72,158</u>	<u>\$ 342,110</u>
Liabilities and fund balances			
Liabilities:			
Due to other funds	<u>\$ 269,952</u>	<u> </u>	<u>\$ 269,952</u>
Total liabilities	<u>269,952</u>	<u> </u>	<u>269,952</u>
Fund balances:			
Unreserved	<u> </u>	<u>\$ 72,158</u>	<u>72,158</u>
Total fund balance	<u> </u>	<u>72,158</u>	<u>72,158</u>
Total liabilities and fund balance	<u>\$ 269,952</u>	<u>\$ 72,158</u>	<u>\$ 342,110</u>

Santa Cruz County
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances
Nonmajor Capital Projects Funds
Year Ended June 30, 2007

	<u>Capital Projects Construction</u>	<u>Capital Projects Other</u>	<u>Total</u>
Revenues:			
Intergovernmental	\$ 1,372,426	\$ 559,665	\$ 1,932,091
Expenditures:			
Highways and Streets	1,423,523		1,423,523
Capital outlay		1,216,971	1,216,971
Total expenditures	<u>1,423,523</u>	<u>1,216,971</u>	<u>2,640,494</u>
Excess (deficiency) of revenues over (under) expenditures	(51,097)	(657,306)	(708,403)
Other financing sources (uses)			
Transfers in	51,097	179,266	230,363
Transfers out		<u>(166,403)</u>	<u>(166,403)</u>
Total other financing sources (uses)	<u>51,097</u>	<u>12,863</u>	<u>63,960</u>
Net change in fund balance		(644,443)	(644,443)
Fund balance, July 1, 2006	<u> </u>	<u>716,601</u>	<u>716,601</u>
Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ 72,158</u>	<u>\$ 72,158</u>

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

Nonmajor Special Revenue Funds

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 Criminal Justice Enhancement Fund
 Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 1,084,776	\$ 1,044,492	\$ (40,284)
Charges for services	25,800	27,210	1,410
Fines and forfeits	303,570	409,157	105,587
Investment income	<u> </u>	<u>23,566</u>	<u>23,566</u>
Total revenues	<u>1,414,146</u>	<u>1,504,425</u>	<u>90,279</u>
Expenditures			
Current:			
General government	1,396,878	882,793	514,085
Public safety	<u>884,943</u>	<u>730,864</u>	<u>154,079</u>
Total expenditures	<u>2,281,821</u>	<u>1,613,657</u>	<u>668,164</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(867,675)</u>	<u>(109,232)</u>	<u>758,443</u>
Other financing sources (uses):			
Transfers in	311,735	243,512	(68,223)
Transfers out	<u>(161,989)</u>	<u>(80,040)</u>	<u>81,949</u>
Total other financing sources (uses)	<u>149,746</u>	<u>163,472</u>	<u>13,726</u>
Net change in fund balance	(717,929)	54,240	772,169
Fund balance, July 1, 2006	<u>717,929</u>	<u>672,187</u>	<u>(45,742)</u>
Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ 726,427</u>	<u>\$ 726,427</u>

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 Homeland Security Fund
 Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 275,000	\$ 1,363,703	\$ 1,088,703
Miscellaneous	<u> </u>	<u> 3,438</u>	<u> 3,438</u>
Total revenues	<u>275,000</u>	<u>1,367,141</u>	<u>1,092,141</u>
 Expenditures			
Current:			
Public safety	<u>288,207</u>	<u>1,292,183</u>	<u>(1,003,976)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,207)</u>	<u>74,958</u>	<u>88,165</u>
 Other financing sources (uses):			
Transfers in		767	767
Transfers out	<u> </u>	<u> (767)</u>	<u> (767)</u>
Total other financing sources (uses)	<u> </u>	<u> </u>	<u> </u>
 Net change in fund balance	<u>(13,207)</u>	<u>74,958</u>	<u>88,165</u>
 Fund balance, July 1, 2006	<u>13,207</u>	<u>(37,134)</u>	<u>(50,341)</u>
 Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ 37,824</u>	<u>\$ 37,824</u>

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 Probation Services Fund
 Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 793,842	\$ 857,264	\$ 63,422
Charges for services	74,200	97,160	22,960
Investment income	6,000	12,520	6,520
Miscellaneous	<u>1,300</u>	<u>1,830</u>	<u>530</u>
Total revenues	<u>875,342</u>	<u>968,774</u>	<u>93,432</u>
Expenditures			
Current:			
General government	<u>1,196,385</u>	<u>1,001,582</u>	<u>194,803</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(321,043)</u>	<u>(32,808)</u>	<u>288,235</u>
Other financing sources (uses):			
Transfers in	5,937	11,127	5,190
Transfers out	<u>(3,457)</u>	<u>(9,448)</u>	<u>(5,991)</u>
Total other financing sources (uses)	<u>2,480</u>	<u>1,679</u>	<u>(801)</u>
Net change in fund balance	(318,563)	(31,129)	287,434
Fund balance, July 1, 2006	<u>318,563</u>	<u>275,314</u>	<u>(43,249)</u>
Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ 244,185</u>	<u>\$ 244,185</u>

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 Health Services Fund
 Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 442,255	\$ 643,899	\$ 201,644
Charges for services	250,000	247,233	(2,767)
Investment income	<u> </u>	<u>7,345</u>	<u>7,345</u>
Total revenues	<u>692,255</u>	<u>898,477</u>	<u>206,222</u>
 Expenditures			
Current:			
Health, welfare and sanitation	<u>993,877</u>	<u>1,064,036</u>	<u>(70,159)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(301,622)</u>	<u>(165,559)</u>	<u>136,063</u>
 Other financing sources (uses):			
Transfers in	<u>66,373</u>	<u>162,463</u>	<u>96,090</u>
Net change in fund balance	(235,249)	(3,096)	232,153
Fund balance, July 1, 2006	<u>235,249</u>	<u>188,496</u>	<u>(46,753)</u>
Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ 185,400</u>	<u>\$ 185,400</u>

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 Flood Services Fund
 Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Property taxes	\$ 1,624,203	\$ 1,619,915	\$ (4,288)
Intergovernmental	1,345,642	259,232	(1,086,410)
Investment income		89,563	89,563
Miscellaneous		<u>490</u>	<u>490</u>
Total revenues	<u>2,969,845</u>	<u>1,969,200</u>	<u>(1,000,645)</u>
Expenditures			
Current:			
Public safety	<u>5,248,690</u>	<u>3,890,610</u>	<u>1,358,080</u>
Excess of revenues over (under) expenditures	<u>(2,278,845)</u>	<u>(1,921,410)</u>	<u>357,435</u>
Net change in fund balance	(2,278,845)	(1,921,410)	357,435
Fund balance, July 1, 2006	<u>2,278,845</u>	<u>2,179,879</u>	<u>(98,966)</u>
Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ 258,469</u>	<u>\$ 258,469</u>

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
Juvenile Services Fund
Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Property taxes	\$ 72,088	\$ 135,410	\$ 63,322
Intergovernmental	928,955	1,233,343	304,388
Charges for services	20,200	22,304	2,104
Investment income	<u>1,000</u>	<u>3,763</u>	<u>2,763</u>
Total revenues	<u>1,022,243</u>	<u>1,394,820</u>	<u>372,577</u>
Expenditures			
Current:			
General government	1,047,085	937,942	109,143
Education and economic opportunity	<u>102,135</u>	<u>365,981</u>	<u>(263,846)</u>
Total expenditures	<u>1,149,220</u>	<u>1,303,923</u>	<u>(154,703)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(126,977)</u>	<u>90,897</u>	<u>217,874</u>
Other financing sources (uses):			
Transfers in		31,363	31,363
Transfers out	<u> </u>	<u>(29,918)</u>	<u>(29,918)</u>
Total other financing sources (uses)	<u> </u>	<u>1,445</u>	<u>1,445</u>
Net change in fund balance	<u>(126,977)</u>	<u>92,342</u>	<u>219,319</u>
Fund balance, July 1, 2006	<u>126,977</u>	<u>86,572</u>	<u>(40,405)</u>
Fund deficit, June 30, 2007	<u>\$ -</u>	<u>\$ 178,914</u>	<u>\$ 178,914</u>

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
Retrieval Services Fund
Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Charges for services	\$ 105,200	\$ 151,935	\$ 46,735
Fines and forfeits	170,752	177,369	6,617
Investment income	<u>1,500</u>	<u>15,487</u>	<u>13,987</u>
Total revenues	<u>277,452</u>	<u>344,791</u>	<u>67,339</u>
Expenditures			
Current:			
Public safety	<u>685,964</u>	<u>226,206</u>	<u>459,758</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(408,512)</u>	<u>118,585</u>	<u>527,097</u>
Other financing sources (uses):			
Transfers out	<u>(77,700)</u>	<u>(85,523)</u>	<u>(7,823)</u>
Net change in fund balances	(486,212)	33,062	519,274
Fund balance, July 1, 2006	<u>486,212</u>	<u>488,495</u>	<u>2,283</u>
Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ 521,557</u>	<u>\$ 521,557</u>

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 Accommodation School Fund
 Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 201,641	\$ 2,153,870	\$ 1,952,229
Investment income		46	46
Miscellaneous	<u>3,035</u>	<u>24,300</u>	<u>21,265</u>
Total revenues	<u>204,676</u>	<u>2,178,216</u>	<u>1,973,540</u>
Expenditures			
Current:			
Education and economic opportunity	<u>2,933,986</u>	<u>2,121,522</u>	<u>812,464</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,729,310)</u>	<u>56,694</u>	<u>2,786,004</u>
Net change in fund balances	(2,729,310)	56,694	2,786,004
Fund balance, July 1, 2006	<u>(291,138)</u>	<u>(393,999)</u>	<u>(102,861)</u>
Fund balance, June 30, 2007	<u><u>\$ (3,020,448)</u></u>	<u><u>\$ (337,305)</u></u>	<u><u>\$ 2,683,143</u></u>

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
Animal Control
Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 257,616	\$ 237,331	\$ (20,285)
Investment income		148	148
Miscellaneous	<u> </u>	<u>11,279</u>	<u>11,279</u>
Total revenues	<u>257,616</u>	<u>248,758</u>	<u>(8,858)</u>
Expenditures			
Current:			
Health, welfare and sanitation—			
Animal Control	<u>514,809</u>	<u>584,460</u>	<u>(69,651)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(257,193)</u>	<u>(335,702)</u>	<u>(78,509)</u>
Other financing sources (uses):			
Transfers in	<u>241,616</u>	<u>294,513</u>	<u>52,897</u>
Net change in fund balance	(15,577)	(41,189)	(25,612)
Fund balance, July 1, 2006	<u>15,577</u>	<u>(16,483)</u>	<u>(32,060)</u>
Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ (57,672)</u>	<u>\$ (57,672)</u>

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 Case Management Fund
 Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 85,739	\$ 91,776	\$ 6,037
Investment income		4,075	4,075
Miscellaneous	<u> </u>	<u>690</u>	<u>690</u>
Total revenues	<u>85,739</u>	<u>96,541</u>	<u>10,802</u>
 Expenditures			
Current:			
Health, welfare and sanitation	<u>201,863</u>	<u>105,100</u>	<u>96,763</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(116,124)</u>	<u>(8,559)</u>	<u>(107,656)</u>
Net change in fund balance	(116,124)	(8,559)	107,565
Fund balance, July 1, 2006	<u>116,124</u>	<u>124,959</u>	<u>8,835</u>
Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ 116,400</u>	<u>\$ 116,400</u>

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 Child Visitation Fund
 Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Investment income	<u> </u>	<u>\$ 1,280</u>	<u>\$ 1,280</u>
Expenditures			
Current:			
General government	<u>38,598</u>	<u> </u>	<u>38,598</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(38,598)</u>	<u>1,280</u>	<u>39,878</u>
Net change in fund balance	(38,598)	1,280	39,878
Fund balance, July 1, 2006	<u>38,598</u>	<u>37,096</u>	<u>(1,502)</u>
Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ 38,376</u>	<u>\$ 38,376</u>

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 Law Library Fund
 Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Investment income	\$ <u> -</u>	\$ <u> 47</u>	\$ <u> 47</u>
Expenditures			
Current:			
General government	<u>26,000</u>	<u>28,437</u>	<u>(2,437)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,000)</u>	<u>(28,390)</u>	<u>(2,390)</u>
Other financing sources (uses):			
Transfers in	<u>11,000</u>	<u>3,709</u>	<u>(7,291)</u>
Net change in fund balance	(15,000)	(24,681)	(9,681)
Fund balance, July 1, 2006	<u>15,000</u>	<u>(1,387)</u>	<u>(16,387)</u>
Fund deficit, June 30, 2007	<u>\$ <u> -</u></u>	<u>\$ <u>(26,068)</u></u>	<u>\$ <u>(26,068)</u></u>

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 Literacy Coordinator Fund
 Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Other financing sources:			
Transfers in	\$ -	\$ 11	\$ 11
Net change in fund balance	_____	_____ 11	_____ 11
Fund deficit, July 1, 2006	_____	_____ (11)	_____ (11)
Fund deficit, June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
Old Courthouse Fund
Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 169,675	\$ 89,033	\$ (80,642)
Investment income (loss)		(8,273)	(8,273)
Rents	<u>7,500</u>	<u>14,100</u>	<u>6,600</u>
Total revenues	<u>177,175</u>	<u>94,860</u>	<u>(82,315)</u>
Expenditures			
Current:			
General government	<u>571,700</u>	<u>535,679</u>	<u>36,021</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(394,525)</u>	<u>(440,819)</u>	<u>(46,294)</u>
Other financing Sources (uses):			
Transfers in	<u>394,525</u>	<u>442,256</u>	<u>47,731</u>
Net change in fund balance	-	1,437	1,437
Fund deficit, July 1, 2006	<u>-</u>	<u>(3,254)</u>	<u>(3,254)</u>
Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ (1,817)</u>	<u>\$ (1,817)</u>

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 School Forest Fees Fund
 Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 87,014	\$ 84,363	\$ (2,651)
Investment income	<u> </u>	<u>1,176</u>	<u>1,176</u>
Total revenues	<u>87,014</u>	<u>85,539</u>	<u>(1,475)</u>
 Expenditures			
Current:			
Education and economic opportunity	<u>89,084</u>	<u>16,063</u>	<u>73,021</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,070)</u>	<u>69,476</u>	<u>71,546</u>
 Other financing sources (uses):			
Transfers out	<u>(7,500)</u>	<u>(7,500)</u>	<u>-</u>
Net change in fund balance	(9,570)	61,976	71,546
Fund balance, July 1, 2006	<u>9,570</u>	<u>9,572</u>	<u>2</u>
Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ 71,548</u>	<u>\$ 71,548</u>

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 Waste Tire Fund
 Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 40,000	\$ 70,251	\$ 30,251
Investment income		171	171
Total revenues	<u>40,000</u>	<u>70,422</u>	<u>30,422</u>
 Expenditures			
Current:			
Health, welfare and sanitation	<u>63,028</u>	<u>89,519</u>	<u>(26,491)</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>(23,028)</u>	<u>(19,097)</u>	<u>3,931</u>
 Other financing sources (uses):			
Transfers out	<u> </u>	<u>(22,525)</u>	<u>(22,525)</u>
 Net change in fund balance	(23,028)	(41,622)	(18,594)
 Fund balance, July 1, 2006	<u>23,028</u>	<u>41,511</u>	<u>18,483</u>
 Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ (111)</u>	<u>\$ (111)</u>

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

Major and Nonmajor Capital Projects Fund

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 Capital Projects—Airport Fund
 Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	<u>\$ 2,340,000</u>	<u>\$ 777,966</u>	<u>\$ (1,562,034)</u>
Expenditures			
Current:			
Capital outlay	<u>2,403,397</u>	<u>1,296,104</u>	<u>1,107,293</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(63,397)</u>	<u>(518,138)</u>	<u>(454,741)</u>
Other financing sources (uses):			
Transfers in	<u>63,000</u>	<u>74,384</u>	<u>11,384</u>
Net change in fund balance	(397)	(443,754)	(443,357)
Fund balance, July 1, 2006	<u>397</u>	<u>308,792</u>	<u>308,395</u>
Fund deficit, June 30, 2007	<u>\$ -</u>	<u>\$ (134,962)</u>	<u>\$ (134,962)</u>

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 Capital Projects—Construction Fund
 Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	<u>\$ 3,171,650</u>	<u>\$ 1,372,426</u>	<u>\$ (1,799,224)</u>
Expenditures			
Current:			
Highways and streets	<u>3,171,650</u>	<u>1,423,523</u>	<u>1,748,127</u>
Excess (deficiency) of revenues over (under) expenditures	<u> </u>	<u>(51,097)</u>	<u>(51,097)</u>
Other financing sources (uses):			
Transfers in	<u> </u>	<u>51,097</u>	<u>51,097</u>
Net change in fund balance	-	-	-
Fund balance, July 1, 2006	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
Capital Projects—Other Fund
Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 689,622	\$ 559,665	\$ (129,957)
Expenditures			
Capital outlay	<u>1,500,648</u>	<u>1,216,971</u>	<u>283,677</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(811,026)</u>	<u>(657,306)</u>	<u>153,720</u>
Other financing sources (uses):			
Transfers in	75,000	179,266	104,266
Transfers out	<u> </u>	<u>(166,403)</u>	<u>(166,403)</u>
Total other financing sources (uses)	<u>75,000</u>	<u>12,863</u>	<u>(62,137)</u>
Net change in fund balance	(736,026)	(644,443)	91,583
Fund balance, July 1, 2006	<u>736,026</u>	<u>716,601</u>	<u>(19,425)</u>
Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ 72,158</u>	<u>\$ 72,158</u>

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

Nonmajor Debt Service Fund

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
Debt Service Fund
Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Taxes	\$ -	\$ 14,657	\$ 14,657
Investment income	-	<u>22,442</u>	<u>22,442</u>
Total revenues	<u>-</u>	<u>37,099</u>	<u>37,099</u>
Expenditures			
Capital outlay	<u>850,543</u>	<u>625</u>	<u>849,918</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(850,543)</u>	<u>36,474</u>	<u>887,017</u>
Other financing sources (uses):			
Transfers in	450,000	-	(450,000)
Net change in fund balance	(400,543)	36,474	437,017
Fund balance, July 1, 2006	<u> </u>	<u>408,417</u>	<u>408,417</u>
Fund balance, June 30, 2007	<u>\$ (400,543)</u>	<u>\$ 444,891</u>	<u>\$ 845,434</u>

Investment Trust and Agency Funds

Santa Cruz County
Combining Statement of Fiduciary Net Assets
Investment Trust Funds
June 30, 2007

	Treasurer's Investment Pool	Individual Investment Accounts	Total
Assets			
Cash and cash equivalents	\$ 13,618,929	\$ 890,632	\$ 14,509,561
Investments	18,389,874		18,389,874
Interest receivable	61,714	100	61,814
Total assets	\$ 32,070,517	\$ 890,732	\$ 32,961,249
Net Assets			
Held in trust for investment trust participants	\$ 32,070,517	\$ 890,732	\$ 32,961,249

Santa Cruz County
Combining Statement of Changes in Fiduciary Net Assets
Agency Funds
June 30, 2007

	<u>Property Tax Collection</u>	<u>Special Purpose</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 849,704	\$ 981,730	\$ 1,831,434
Total assets	<u>\$ 849,704</u>	<u>\$ 981,730</u>	<u>\$ 1,831,434</u>
Liabilities			
Due to other governmental units	\$ 668,030		\$ 668,030
Deposits held for others	<u>181,674</u>	<u>\$ 981,730</u>	<u>1,163,404</u>
Total liabilities	<u>\$ 849,704</u>	<u>\$ 981,730</u>	<u>\$ 1,831,434</u>

Santa Cruz County
Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
Year Ended June 30, 2007

	Treasurer's Investment Pool	Individual Investment Accounts	Total
Additions			
Contributions from participants	\$ 122,745,009	\$ 783,512	\$ 123,528,521
Interest on investments	868,683	2,007	870,690
Total additions	123,613,692	785,519	124,399,211
Deductions			
Distributions to participants	109,382,292	63,949	109,446,241
Changes in net assets	14,231,400	721,570	14,952,970
Net assets—July 1, 2006	17,839,117	169,162	18,008,279
Net assets—June 30, 2007	\$ 32,070,517	\$ 890,732	\$ 32,961,249

Santa Cruz County
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2007

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Property Tax Collection:				
Assets				
Cash and cash equivalents	\$ 920,784	\$ 2,413,197	\$ 2,484,277	\$ 849,704
Liabilities				
Due to other governmental units	\$ 696,526	\$ 35,728	\$ 64,224	\$ 668,030
Deposits held for other parties	224,258	2,377,469	2,420,053	181,674
Total liabilities	<u>\$ 920,784</u>	<u>\$ 2,413,197</u>	<u>\$ 2,484,277</u>	<u>\$ 849,704</u>
Fire District:				
Assets				
Cash and cash equivalents	\$ 77,678	\$ 294,247	\$ 371,925	-
Liabilities				
Due to other governmental units	\$ 77,678	\$ 294,247	\$ 371,925	-
Special Purpose:				
Assets				
Cash and cash equivalents	\$ 1,046,318	\$ 981,730	\$ 1,046,318	\$ 981,730
Cash and investments held by trustee	547,000		547,000	
Total assets	<u>\$ 1,593,318</u>	<u>\$ 981,730</u>	<u>\$ 1,593,318</u>	<u>\$ 981,730</u>
Liabilities				
Deposits held for other parties	\$ 1,593,318	\$ 981,730	\$ 1,593,318	\$ 981,730
Total—All Agency Funds				
Assets				
Cash and cash equivalents	\$ 2,044,780	\$ 3,689,174	\$ 3,902,520	\$ 1,831,434
Cash and investments held by trustee	547,000		547,000	
Total assets	<u>\$ 2,591,780</u>	<u>\$ 3,689,174</u>	<u>\$ 4,449,520</u>	<u>\$ 1,831,434</u>
Liabilities				
Due to other governmental units	\$ 774,204	\$ 329,975	\$ 436,149	\$ 668,030
Deposits held for other parties	1,817,576	3,359,199	4,013,371	1,163,404
Total liabilities	<u>\$ 2,591,780</u>	<u>\$ 3,689,174</u>	<u>\$ 4,449,520</u>	<u>\$ 1,831,434</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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Governmental funds capital assets:		
Infrastructure	\$ 67,645,041	\$ 62,174,873
Land	22,145,078	21,843,592
Buildings	11,992,025	10,316,743
Improvements other than buildings	2,961,958	2,558,342
Construction equipment and vehicles	8,869,988	7,364,395
Furniture and equipment	5,227,329	3,671,848
Construction in progress	4,589,887	2,902,819
Total governmental funds capital assets	\$ 123,431,306	\$ 110,832,612
 Investments in governmental funds capital assets by source:		
General Fund	\$ 13,692,032	\$ 12,695,763
Special Revenue Funds	89,902,818	80,790,559
Capital Projects Funds	19,836,456	17,346,290
Total governmental funds capital assets	\$ 123,431,306	\$ 110,832,612

Santa Cruz County
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 Year Ended June 30, 2007

Function and Activity	Land	Buildings	Improvements Other than Buildings	Construction Equipment and Vehicles	Furniture and Equipment	Construction in Progress	Infrastructure	Total
General government	\$ 4,109,821	\$ 9,693,769	\$ 2,109,724	\$ 966,956	\$ 2,412,900	\$ 2,003,796	\$ 3,439,397	\$ 24,736,363
Public safety		1,819,253		2,009,999	2,408,564	551,052	4,801,072	11,589,940
Highways and streets	15,207,213	244,502	852,234	5,270,518	92,851	2,035,039	59,404,572	83,106,929
Health, welfare and sanitation		148,149		511,034	127,577			786,760
Recreation	2,828,044	86,352		54,452	8,453			2,977,301
Education				57,029	176,984			234,013
Total	<u>\$ 22,145,078</u>	<u>\$ 11,992,025</u>	<u>\$ 2,961,958</u>	<u>\$ 8,869,988</u>	<u>\$ 5,227,329</u>	<u>\$ 4,589,887</u>	<u>\$ 67,645,041</u>	<u>\$ 123,431,306</u>

Santa Cruz County
 Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity
 Year Ended June 30, 2007

Function and Activity	Governmental Funds Capital Assets July 1, 2006 (as restated)	Additions	Deductions	Governmental Funds Capital Assets June 30, 2007
General government	\$ 20,766,408	\$ 4,651,628	\$ 681,673	\$ 24,736,363
Public safety	9,671,993	2,119,228	201,281	11,589,940
Highways and streets	77,552,229	12,108,709	5,661,299	83,999,639
Health, welfare and sanitation	562,259	224,501		786,760
Recreation	2,056,710	27,881		2,084,591
Education	223,013	11,000		234,013
Total governmental funds capital assets	<u>\$ 110,832,612</u>	<u>\$ 19,142,947</u>	<u>\$ 6,544,253</u>	<u>\$ 123,431,306</u>

Statistical Section

FINANCIAL TRENDS:

Financial trends schedules provide readers an understanding and assessment of government's financial position over time. This information is a source of historical and comparative data. Financial trends summarize for users an entity's economic direction and financial performance during a specified time period.

Santa Cruz County
Net Assets By Component
Last Five Fiscal Years
(Amounts in Thousands)
(Accrual Basis of Accounting)

	Fiscal Year				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental Activities					
Invested in capital assets, net of related debt	\$ 71,338	\$ 23,757	\$ 20,734	\$ 18,317	\$ 16,488
Restricted for:					
Highways and streets	1,213	4,153	2,925	1,419	1,787
Capital projects				31	29
Debt service	504	485	348	675	472
Other purposes	3,398	1,244	1,101		
Unrestricted	<u>15,752</u>	<u>13,740</u>	<u>9,855</u>	<u>10,512</u>	<u>6,118</u>
Total governmental activities net assets	<u>92,205</u>	<u>43,379</u>	<u>34,963</u>	<u>30,954</u>	<u>24,894</u>
Business-Type Activities					
Invested in capital assets, net of related debt	2,676	2,474	2,438	2,393	
Restricted for:					
Highways and streets					
Capital projects					
Debt service					
Other purposes					
Unrestricted	<u>(1,745)</u>	<u>(1,966)</u>	<u>(2,179)</u>	<u>(2,847)</u>	<u>-</u>
Total business-type activities net assets	<u>931</u>	<u>508</u>	<u>259</u>	<u>(454)</u>	<u>-</u>
Primary Government					
Invested in capital assets, net of related debt	74,014	26,231	23,172	20,710	16,488
Restricted for:					
Highways and streets	1,213	4,153	2,925	1,419	1,787
Capital projects				31	29
Debt service	504	485	348	675	472
Other purposes	3,398	1,244	1,101		
Unrestricted (deficit)	<u>14,007</u>	<u>11,774</u>	<u>7,676</u>	<u>7,665</u>	<u>6,118</u>
Total primary government net assets (deficit)	<u>\$ 93,136</u>	<u>\$ 43,887</u>	<u>\$ 35,222</u>	<u>\$ 30,500</u>	<u>\$ 24,894</u>

NOTE 1: Santa Cruz County implemented GASB 34 in 2003; Government-wide information presented here begins that year.

NOTE 2: In accordance with GASB 34, the County capitalized in fiscal year 2007 all major infrastructure assets acquired subsequent to July 1, 1980 and prior to June 30, 2003. Prior year information presented herein has not been restated to reflect this and other prior period adjustment made during fiscal year 2007.

SOURCE: Comprehensive Annual Financial Reports for the relevant year.

Santa Cruz County
Changes in Net Assets
Last Five Fiscal Years
(Amounts in Thousands)
(Accrual Basis of Accounting)

	Fiscal Year				
	2007	2006	2005	2004	2003
Expenses					
Governmental activities:					
General government	\$ 14,754	\$ 14,592	\$ 12,283	\$ 11,810	\$ 10,129
Public safety	8,789	8,049	7,758	6,822	5,758
Highways and streets	5,730	4,349	4,548	4,636	3,409
Health, welfare and sanitation	4,596	4,123	3,826	3,527	4,935
Education and economic opportunity	5,309	4,080	4,986	4,432	3,999
Recreation	302	347	271	209	154
Interest on long-term debt	52	35	59	84	108
Total governmental activities expenses	<u>39,532</u>	<u>35,575</u>	<u>33,731</u>	<u>31,520</u>	<u>28,492</u>
Business-type activities:					
Landfill	1,824	1,636	1,626	1,350	-
Total business-type activities expenses	<u>1,824</u>	<u>1,636</u>	<u>1,626</u>	<u>1,350</u>	<u>-</u>
Total primary government expenses	<u>41,356</u>	<u>37,211</u>	<u>35,357</u>	<u>32,870</u>	<u>28,492</u>
Program Revenues					
Governmental activities:					
Charges for services					
General government	3,459	2,785	2,102	2,087	1,824
Public safety	854	2,216	1,659	1,241	1,002
Highways and streets	22	-	6	-	52
Health, welfare and sanitation	596	623	615	545	1,974
Education and economic opportunity	155	-	253	118	80
Recreation	5	5	11	7	22
Operating grants and contributions	16,051	14,317	12,113	12,707	11,323
Capital grants and contributions	1,351	1,578	1,108	2,818	101
Total governmental activities program revenues	<u>22,493</u>	<u>21,524</u>	<u>17,867</u>	<u>19,523</u>	<u>16,378</u>
Program Revenues					
Business-type activities:					
Charges for services					
Landfill	2,137	1,838	1,885	1,829	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type program revenues	<u>2,137</u>	<u>1,838</u>	<u>1,885</u>	<u>1,829</u>	<u>-</u>
Total primary government program revenues	<u>\$ 24,630</u>	<u>\$ 23,362</u>	<u>\$ 19,752</u>	<u>\$ 21,352</u>	<u>\$ 16,378</u>

(continued)

Santa Cruz County
Changes in Net Assets
Last Five Fiscal Years
(Amounts in Thousands)
(Accrual Basis of Accounting)
(continued)

	Fiscal Year				
	2007	2006	2005	2004	2003
Net (expense) revenue					
Governmental activities	\$ (17,039)	\$ (14,051)	\$ (15,864)	\$ (11,997)	\$ (12,114)
Business-type activities	313	202	259	479	-
Total Governmental activities net (expense) revenue	<u>(16,726)</u>	<u>(13,849)</u>	<u>(15,605)</u>	<u>(11,518)</u>	<u>(12,114)</u>
General revenues and other changes in net assets					
Governmental activities:					
Taxes					
Property taxes	11,718	12,795	12,140	10,044	9,820
Share of state sales taxes	11,677	7,620	6,416	5,595	5,828
Payments in lieu of taxes	571	574	614	621	591
Vehicle lieu tax unrestricted*	1,615				
Unrestricted grants and contributions	842	796	765	573	550
Investment earnings	884	607	307	212	(113)
Miscellaneous	67	75	61	59	52
Transfers	(23)		(429)		
Loss on disposal	(32)	-	-	-	-
Total governmental activities	<u>27,319</u>	<u>22,467</u>	<u>19,874</u>	<u>17,104</u>	<u>16,728</u>
Business-type activities:					
Investment earnings	86	46	19	6	
Miscellaneous			6	13	
Transfers	23		429		
Capital Contributions	1	-	-	-	-
Total business-type activities	<u>110</u>	<u>46</u>	<u>454</u>	<u>19</u>	<u>-</u>
Total primary government	<u>27,429</u>	<u>22,513</u>	<u>20,328</u>	<u>17,123</u>	<u>16,728</u>
Changes in net assets					
Governmental activities	10,280	8,416	4,010	5,107	4,614
Business-type activities	423	248	713	498	-
Total primary government	<u>\$ 10,703</u>	<u>\$ 8,664</u>	<u>\$ 4,723</u>	<u>\$ 5,605</u>	<u>\$ 4,614</u>

NOTE 1: Santa Cruz County implemented GASB 34 in 2003; Government-wide information presented here begins that year.

NOTE 2: In accordance with GASB 34, the County capitalized in fiscal year 2007 all major infrastructure assets acquired subsequent to July 1, 1980 and prior to June 30, 2003. Prior year information presented herein has not been restated to reflect this and other prior period adjustment made during fiscal year 2007.

SOURCE: Comprehensive Annual Financial Reports for the relevant year.

* During Prior FY Vehicle lieu tax unrestricted was reported under Operating Grants & Contributions

Santa Cruz County
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Amounts in Thousands)
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>15,356</u>	<u>12,808</u>	<u>10,648</u>	<u>8,839</u>	<u>7,371</u>	<u>3,784</u>	<u>3,794</u>	<u>2,310</u>	<u>1,758</u>	<u>1,013</u>
Subtotal general fund	<u>\$ 15,356</u>	<u>\$ 12,808</u>	<u>\$ 10,648</u>	<u>\$ 8,839</u>	<u>\$ 7,371</u>	<u>\$ 3,784</u>	<u>\$ 3,794</u>	<u>\$ 2,310</u>	<u>\$ 1,758</u>	<u>\$ 1,013</u>
All other governmental funds										
Reserved for:										
Prepaid items					1					
Unreserved, reported in:										
Special revenue funds (deficits)	5,334	6,204	4,010	3,411	3,269	2,891	1,215	1,661	1,699	1,245
Capital projects funds (deficits)	(63)	1,025	(414)	(392)	(46)	(249)	41	53	181	281
Debt service	<u>445</u>	<u>408</u>	<u>295</u>	<u>596</u>	<u>395</u>	<u>253</u>	<u>134</u>	<u>66</u>	<u>27</u>	<u>55</u>
Total all other governmental funds	<u>\$ 5,716</u>	<u>\$ 7,637</u>	<u>\$ 3,891</u>	<u>\$ 3,615</u>	<u>\$ 3,619</u>	<u>\$ 2,895</u>	<u>\$ 1,390</u>	<u>\$ 1,780</u>	<u>\$ 1,907</u>	<u>\$ 1,581</u>

SOURCE: Comprehensive Annual Financial Reports for the relevant year.

Santa Cruz County
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Amounts in Thousands)
(Modified Accrual Basis of Accounting)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Revenues:										
Taxes	\$ 13,709	\$ 13,377	\$ 12,581	\$ 11,698	\$ 11,048	\$ 10,149	\$ 9,089	\$ 8,394	\$ 8,151	\$ 6,793
Intergovernmental	30,736	24,711	21,833	21,324	16,727	18,771	15,697	14,565	13,806	12,541
Licenses and permits	1,156	1,823	1,298	878	648	464	380	416	415	248
Charges for services	1,952	1,949	1,398	1,385	2,679	1,711	1,702	1,465	1,373	1,097
Fines and forfeits	1,207	1,148	1,027	1,071	965	812	837	771	885	590
Investment income	884	607	306	212	(113)	186	300	264	219	229
Rents	44	30	30	33	30	15		8	8	8
Contributions					1	2	3	2	20	26
Miscellaneous	285	403	218	175	237	161	329	382	127	104
Total revenues	<u>49,973</u>	<u>44,048</u>	<u>38,691</u>	<u>36,776</u>	<u>32,222</u>	<u>32,271</u>	<u>28,337</u>	<u>26,267</u>	<u>25,004</u>	<u>21,636</u>
Expenditures:										
Current:										
General government	15,512	14,369	11,711	12,061	9,869	10,758	9,681	8,777	8,329	7,804
Public safety	10,189	8,153	8,019	6,683	5,747	5,429	5,162	4,945	4,263	4,112
Highways and streets	10,818	4,533	5,069	4,755	3,651	4,755	4,812	3,251	2,715	2,417
Health, welfare and sanitation	4,723	4,177	3,821	3,570	4,946	4,851	4,772	4,773	4,626	4,510
Education and economic opportunity	5,275	4,069	5,009	4,430	4,037	3,303	2,069	2,216	2,142	2,415
Recreation	327	289	285	207	151	152	143	375	96	97
Capital outlay	2,683	2,304	1,165	3,130	1,099	2,014	1,418	1,927	2,148	439
Debt service:										
Principal	91	978	1,040	480	455	435	415	390	380	365
Interest and other charges	52	35	59	84	108	130	150	168	185	203
Total expenditures	<u>49,670</u>	<u>38,907</u>	<u>36,178</u>	<u>35,400</u>	<u>30,063</u>	<u>31,827</u>	<u>28,622</u>	<u>26,822</u>	<u>24,884</u>	<u>22,362</u>
Excess (deficiency) of revenues over (under) expenditures	<u>303</u>	<u>5,141</u>	<u>2,513</u>	<u>1,376</u>	<u>2,159</u>	<u>444</u>	<u>(285)</u>	<u>(555)</u>	<u>120</u>	<u>(726)</u>
Other financing sources (uses):										
Proceeds from capital lease	740			51	1,022	407	778	27	945	
Transfers in	3,273	838	564	698	653	936	777	445	714	910
Transfers out	(3,296)	(838)	(993)	(698)	(653)	(936)	(777)	(445)	(714)	(910)
Proceeds from long-term notes	-	766	-	-	-	644	600	405	-	-
Total other financing sources (uses)	<u>717</u>	<u>766</u>	<u>(429)</u>	<u>51</u>	<u>1,022</u>	<u>1,051</u>	<u>1,378</u>	<u>432</u>	<u>945</u>	<u>-</u>
Net change in fund balances	<u>\$ 1,020</u>	<u>\$ 5,907</u>	<u>\$ 2,084</u>	<u>\$ 1,427</u>	<u>\$ 3,181</u>	<u>\$ 1,495</u>	<u>\$ 1,093</u>	<u>\$ (123)</u>	<u>\$ 1,065</u>	<u>\$ (726)</u>
Debt service as a percentage of noncapital expenditures	0.30%	2.77%	3.26%	1.83%	2.00%	1.90%	2.08%	2.24%	2.49%	2.59%

SOURCE: Comprehensive Annual Financial Reports for the relevant year

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
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	28,121,571
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
2005-06 ⁽²⁾	13,376,664	24,711,234	1,822,794	1,949,422	1,148,059	606,507	30,000	402,839	44,047,519
2006-07 ⁽²⁾	13,708,503	30,427,184	1,155,737	1,951,691	1,207,025	884,162	44,100	264,647	49,643,049

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
 General Government Revenues By Source
 (As a Percentage of Total)
 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
1997-98 ⁽¹⁾	31.48	58.12	1.15	5.08	2.74	0.93	0.04	0.46	100.00
1998-99 ⁽¹⁾	33.64	53.83	1.71	5.67	3.65	0.86	0.03	0.61	100.00
1999-00 ⁽¹⁾	32.94	54.08	1.63	5.75	3.02	1.04	0.03	1.51	100.00
2000-01 ⁽²⁾	32.32	55.05	1.35	6.05	2.98	1.07	0	1.18	100.00
2001-02 ⁽²⁾	31.45	58.17	1.44	5.30	2.52	0.57	0.05	0.50	100.00
2002-03 ⁽²⁾	34.29	51.91	2.01	8.31	3.00	(0.35)	0.09	0.74	100.00
2003-04 ⁽²⁾	31.81	57.98	2.39	3.77	2.91	0.58	0.09	0.47	100.00
2004-05 ⁽²⁾	32.54	56.39	3.36	3.62	2.66	0.79	0.08	0.56	100.00
2005-06 ⁽²⁾	30.37	56.10	4.14	4.43	2.61	1.37	0.07	0.91	100.00
2006-07 ⁽²⁾	27.43	61.50	2.31	3.91	2.42	1.77	0.09	0.57	100.00

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
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
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
2005-06 ⁽²⁾	14,369,156	8,153,189	4,533,009	4,177,390	4,068,513	289,157	1,013,108	36,603,522
2006-07 ⁽²⁾	15,512,469	10,188,891	10,818,202	4,723,017	5,275,053	326,817	143,102	46,987,551

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 Expenditures By Function
 (As a Percentage of Total)
 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
1997-98 ⁽¹⁾	35.60	18.76	11.02	20.57	11.02	0.44	2.59	100.00
1998-99 ⁽¹⁾	36.63	18.75	11.94	20.35	9.42	0.42	2.49	100.00
1999-00 ⁽¹⁾	35.26	19.86	13.06	19.17	8.90	1.51	2.24	100.00
2000-01 ⁽²⁾	35.59	18.97	17.68	17.54	7.61	0.53	2.08	100.00
2001-02 ⁽²⁾	36.09	18.21	15.95	16.27	11.08	0.51	1.89	100.00
2002-03 ⁽²⁾	34.07	19.84	12.61	17.08	13.94	0.52	1.94	100.00
2003-04 ⁽²⁾	37.38	20.71	14.74	11.06	13.73	0.64	1.74	100.00
2004-05 ⁽²⁾	33.45	22.90	14.48	10.91	14.31	0.81	3.14	100.00
2005-06 ⁽²⁾	39.26	22.27	12.38	11.41	11.12	0.79	2.77	100.00
2006-07 ⁽²⁾	33.01	21.69	23.02	10.05	11.23	0.70	0.30	100.00

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.

REVENUE CAPACITY:

Revenue capacity information is intended to assist users' understanding and assessment of the factors affecting a government's ability to generate own-source revenues. Intergovernmental Agreements and Property Taxes are the largest revenue sources for Santa Cruz County. Intergovernmental contributors include Federal and State Government Entities, Local Municipalities, and School Districts. Property Taxes are based on the annual assessment of property by Santa Cruz County's Assessor or the Arizona Department of Revenue.

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

Fiscal Year	Commercial Property	Residential Property	Vacant Land	Other	Taxable Net Assessed Value	Total Direct Tax Rate	Estimated Limited Value	Assessed Value as a Percentage of Limited Value
97-98	75,425	56,593	37,245	1,904	171,167	3.4748	1,214,648	14.09%
98-99	76,623	61,431	37,764	1,821	177,639	4.0719	1,270,596	13.98%
99-00	79,138	67,785	36,772	1,602	185,297	4.0719	1,371,767	13.51%
00-01	83,338	74,674	37,429	1,689	197,130	4.0719	1,458,893	13.51%
01-02	97,310	83,148	35,311	134	215,903	4.2719	1,590,882	13.57%
02-03	99,899	91,491	36,523	150	228,063	4.3719	1,701,682	13.40%
03-04	105,172	97,412	37,332	159	240,075	4.3719	1,791,502	13.40%
04-05	102,538	106,854	38,298	165	247,855	4.3719	1,890,755	13.11%
05-06	106,185	114,051	40,657	196	261,091	4.0602	2,011,601	12.98%
06-07	111,208	126,820	41,918	209	280,155	4.0165	2,176,915	12.87%

SOURCES: Annual Budget, Abstract of the Assessment Roll published by Arizona Department of Revenue obtained through 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		
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	3.0000	1.8931	0.4560
2005-06	3.3487	0.6115	0.1000	0.0000	2.6414	2.7854	3.2500	1.8090	0.4358
2006-07	3.3050	0.6115	0.1000	0.0000	2.6400	2.7500	3.2500	1.7394	0.0000

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		
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
2005-06	3.2983	4.6492	5.9349	7.8257	6.6384	7.3603
2006-07	3.0535	4.4570	4.8545	7.4907	6.5803	7.3749

SOURCE: Annual budgets.

Santa Cruz County
Principal Property Taxpayers
Last Ten Years
(Amounts in Thousands)

Taxpayer	2007			2006			2005			2004			2003		
	Net Assesed Value	Rank	Percent of Total Net Assesed Secondary Value	Net Assesed Value	Rank	Percent of Total Net Assesed Secondary Value	Net Assesed Value	Rank	Percent of Total Net Assesed Secondary Value	Net Assesed Value	Rank	Percent of Total Net Assesed Secondary Value	Net Assesed Value	Rank	Percent of Total Net Assesed Secondary Value
Unisource Energy Corporation *	13,790.00	1	4.69%	12,909.00	1	4.85%	11,622.00	1	4.58%	-	-	-	20,049.00	1	8.53%
Qwest Corporation *	5,356.00	4	1.82%	4,916.00	2	1.85%	5,774.00	2	2.28%	5,744.00	2	2.33%	5,893.00	2	2.51%
Wal-Mart Stores, Inc	7,768.00	2	2.64%	3,641.00	4	1.37%	3,387.00	3	1.34%	3,648.00	4	1.48%	1,927.00	6	0.82%
Delta Properties LLP	6,034.00	3	2.05%	4,103.00	3	1.54%	3,310.00	4	1.30%	4,391.00	3	1.78%	4,436.00	3	1.89%
Union Pacific Railroad	-	-	-	2,229.00	7	0.84%	2,198.00	5	0.87%	1,925.00	6	0.78%	2,075.00	5	0.88%
Mariposa Shopping Center LP *	3,586.00	7	1.22%	3,120.00	5	1.17%	2,068.00	6	0.82%	1,578.00	8	0.64%	1,578.00	7	0.67%
Tubac Management Co, LLC	4,373.00	5	1.49%	-	-	-	-	-	-	-	-	-	-	-	-
Nogales Plaza Shopping Center LP	-	-	-	1,995.00	8	0.75%	1,884.00	7	0.74%	-	-	-	-	-	-
Vatere LLC	-	-	-	2,291.00	6	0.86%	1,631.00	9	0.64%	2,506.00	5	1.02%	2,412.00	4	1.03%
Loma Linda Mall LLC *	-	-	-	1,391.00	10	0.52%	1,257.00	10	0.50%	-	-	-	1,118.00	10	0.48%
Tucson Electric Power Co	-	-	-	-	-	-	-	-	-	12,239.00	1	4.97%	-	-	-
Rio Rico Properties	-	-	-	-	-	-	-	-	-	1,810.00	7	0.73%	1,152.00	9	0.49%
Edwards/PCF-Nogales LLC	-	-	-	-	-	-	-	-	-	1,118.00	9	0.45%	-	-	-
PFC-Torrance LLC	-	-	-	-	-	-	-	-	-	1,118.00	10	0.45%	-	-	-
Panousopoulos Constantine & Nelida	-	-	-	-	-	-	1,834.00	8	0.72%	-	-	-	1,267.00	8	0.54%
Westrust Southwest Retail Partners LLC	-	-	-	-	-	-	-	-	-	-	-	-	1,118.00	-	0.48%
HGC/MW Dev Lim Part	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Home Depot USA Inc	4,084.00	6	1.39%	1,591.00	9	0.60%	-	-	-	-	-	-	-	-	-
Pilot Travel Centers LLC	3,195.00	9	1.09%	-	-	-	-	-	-	-	-	-	-	-	-
Copperfield LLC	3,307.00	8	1.12%	-	-	-	-	-	-	-	-	-	-	-	-
Naumann/Hobbs Material Handling	2,343.00	10	0.80%	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 53,836.00		18.31%	\$ 38,186.00		14.35%	\$ 34,965.00		13.79%	\$ 36,077.00		14.63%	\$ 43,025.00		18.32%

*Name Changed

SOURCE: Arizona Department of Revenue, Central Information Services

(continued)

Santa Cruz County
Principal Property Taxpayers
Last Ten Years
(Amounts in Thousands)

Taxpayer	2002			2001			2000			1999			1998		
	Net Assessed Value	Rank	Percent of Total Net Assessed Secondary Value	Net Assessed Value	Rank	Percent of Total Net Assessed Secondary Value	Net Assessed Value	Rank	Percent of Total Net Assessed Secondary Value	Net Assessed Value	Rank	Percent of Total Net Assessed Secondary Value	Net Assessed Value	Rank	Percent of Total Net Assessed Secondary Value
Unisource Energy Corporation *	19,676.00	1	8.77%	21,117.00	1	10.47%	11,045.00	1	5.80%	11,045.00	1	6.10%	38,276.00	1	22.01%
Qwest Corporation *	4,667.00	2	2.08%	4,416.00	2	2.19%	4,503.00	2	2.36%	4,503.00	2	2.49%	4,294.00	2	2.47%
Wal-Mart Stores, Inc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Delta Properties LLP	3,830.00	3	1.71%	3,265.00	3	1.62%	2,928.00	3	1.54%	-	-	-	-	-	-
Union Pacific Railroad	1,750.00	7	0.78%	1,781.00	7	0.88%	2,032.00	6	1.07%	1,707.00	4	0.94%	1,943.00	5	1.12%
Mariposa Shopping Center LP *	1,578.00	8	0.70%	1,578.00	8	0.78%	1,578.00	8	0.83%	1,488.00	5	0.82%	-	-	-
Tubac Management Co, LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nogales Plaza Shopping Center LP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vatere LLC	2,135.00	6	0.95%	2,463.00	4	1.22%	-	-	-	-	-	-	-	-	-
Loma Linda Mall LLC *	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tucson Electric Power Co	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rio Rico Properties	2,280.00	4	1.02%	2,439.00	5	1.21%	2,289.00	4	1.20%	1,109.00	8	0.61%	4,213.00	3	2.42%
Edwards/PCF-Nogales LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PFC-Torrance LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Panousopoulos Constantine & Nelida	1,320.00	10	0.59%	1,492.00	9	0.74%	1,470.00	9	0.77%	1,349.00	6	0.75%	1,126.00	8	0.65%
Westrust Southwest Retail Partners LLC	2,237.00	5	1.00%	2,237.00	6	1.11%	2,238.00	5	1.18%	2,809.00	3	1.55%	-	-	-
HGC/MW Dev Lim Part	1,526.00	9	0.68%	-	-	-	1,679.00	7	0.88%	1,139.00	7	0.63%	1,139.00	7	0.65%
Newhall Nogales General Printshop	-	-	-	1,331.00	10	0.66%	-	-	-	-	-	-	1,331.00	6	0.77%
Rio Rico Utilities	-	-	-	-	-	-	964.00	10	0.51%	952.00	9	0.53%	854.00	9	0.49%
Mayer Alberto Family Limited	-	-	-	-	-	-	-	-	-	916.00	10	0.51%	-	-	-
Omega Nogales Property*	-	-	-	-	-	-	-	-	-	-	-	-	2,809.00	4	1.62%
Royal Sterilization Systems	-	-	-	-	-	-	-	-	-	-	-	-	694.00	10	0.40%
Total	<u>\$ 40,999.00</u>		18.28%	<u>\$ 42,119.00</u>		20.88%	<u>\$ 30,726.00</u>		16.13%	<u>\$ 27,017.00</u>		14.93%	<u>\$ 56,679.00</u>		32.60%

*Name Changed

SOURCE: Arizona Department of Revenue, Central Information Services

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)		
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	816,824
2005-06	8,743,144	1,445,214	265,934	0	1,711,148	10,454,292	8,852,604	1,827,341	10,679,945	102.16	1,808,008
2006-07	9,259,136	1,624,203	294,247	0	1,918,450	11,177,586	9,320,098	1,927,503	11,247,601	100.63	1,739,046

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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
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	13.40
2004-05 Primary	247,855	1,890,755	13.11
2004-05 Secondary	253,681	1,933,114	13.12
2005-06 Primary	261,091	2,011,601	12.98
2005-06 Secondary	265,934	2,044,045	13.01
2006-07 Primary	280,155	2,176,915	12.87
2006-07 Secondary	294,247	2,283,668	12.88

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

DEBT CAPACITY:

Debt capacity information is intended to assist users' understanding and assessment of a government's debt burden and ability to issue debt. Understanding debt capacity allows users to assess an entity's economic condition.

Santa Cruz County
Ratios of Outstanding Debt by Type
To Personal Income and Per Capita
Last Ten Years
(Dollar Amounts in Thousands)

Fiscal Year	Governmental Activities			Business- Type <u>Activities</u> Capital Leases	Total Primary Government	Personal Income	Percentage of Personal Income	Population	Debt Per Capita
	General Obligation Bonds	Capital Leases	Long- Term Notes Payable						
1997-1998	3,595	602	522	0	4,719	592,899	.80%	36,809	128
1998-1999	3,215	1,020	478	0	4,713	623,024	.76%	37,713	125
1999-2000	2,825	789	836	0	4,450	650,679	.68%	38,567	115
2000-2001	2,410	1,221	785	0	4,416	683,879	.65%	39,038	113
2001-2002	1,975	1,290	949	0	4,214	678,762	.62%	39,604	106
2002-2003	1,520	1,741	784	0	4,045	729,208	.55%	40,088	101
2003-2004	1,040	748	616	631	3,035	779,232	.39%	40,777	74
2004-2005	0	532	447	496	1,475	810,401 ⁽¹⁾	.18%	42,150	35
2005-2006	0	0	766	324	1,090	842,817 ⁽¹⁾	.13%	45,303 ⁽¹⁾	24
2006-2007	0	673	742	421	1,836	916,034 ⁽¹⁾	.20%	46,545 ⁽¹⁾	39

NOTE:

⁽¹⁾ Projected Estimate

SOURCE: 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
1997-98	36,809	173,898	3,595	55	3,540	0.02	0.10
1998-99	37,713	181,072	3,215	27	3,188	0.02	0.08
1999-00	38,567	190,410	2,825	66	2,759	0.01	0.07
2000-01	39,038	201,652	2,410	134	2,276	0.01	0.06
2001-02	39,604	224,373	1,975	253	1,722	0.01	0.04
2002-03	40,088	235,056	1,520	360	1,160	0.01	0.03
2003-04	40,777	246,303	1,040	480	560	0.00	0.01
2004-05	42,150	253,681	0	0	0	0.00	0.00
2005-06	46,495	265,934	0	0	0	0.00	0.00
2006-07	46,545 ⁽¹⁾	294,247	0	0	0	0.00	0.00

NOTE:

⁽¹⁾ Projected Estimate

SOURCE: Annual budget and debt retirement schedule.

Santa Cruz County
 Computation of Direct and Overlapping Debt
 Governmental Activities, Debt Outstanding
 June 30, 2007
 (Amounts in Thousands)

<u>Governmental Unit</u>	Net Debt Outstanding	Percent Applicable to Santa Cruz	Amount Applicable to Santa Cruz
Debt Repaid with property tax			
School District	\$ 7,230	100	\$ 7,230
Other Debt			
Santa Cruz County – Governmental Capital Lease	673	100	673
Santa Cruz County – Governmental Notes Payable	742	100	742
Santa Cruz County – Landfill Capital Lease	421	100	421

NOTE: Overlapping governments are those that coincide with the geographic boundaries of the County. All overlapping governments are 100% within the County's boundaries. This schedule estimates the portion of the outstanding debt borne by the residents and businesses of Santa Cruz County. When considering the County's ability to issue and repay long-term debt, the process should recognize the entire debt burden by the residents and businesses therein. However, this does not imply that every taxpayer is a resident of each government and therefore is responsible for the repayment of debt of each overlapping government.

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

Santa Cruz County
 Legal Debt Margin
 Last Ten Years
 (Dollar Amounts in Thousands)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Assessed Value	\$173,898	\$181,072	\$190,410	\$201,652	\$224,373	\$235,056	\$246,303	\$253,681	\$265,934	\$294,247
Legal Debt Margin										
Debt Limit (15% of assessed value)	26,085	27,161	28,562	30,248	33,656	35,258	36,945	38,052	39,890	44,137
Debt applicable to limit:										
General obligation bonds	3,595	3,215	2,825	2,410	1,975	1,520	1,040	0	0	0
Less: Net Assets reserved for repayment of general obligation bonds	<u>(55)</u>	<u>(27)</u>	<u>(66)</u>	<u>(134)</u>	<u>(253)</u>	<u>(395)</u>	<u>(596)</u>	<u>(295)</u>	<u>(408)</u>	<u>(445)</u>
Total net debt applicable to the limit	<u>3,540</u>	<u>3,188</u>	<u>2,759</u>	<u>2,276</u>	<u>1,722</u>	<u>1,125</u>	<u>444</u>	<u>(295)</u>	<u>(408)</u>	<u>(445)</u>
Legal Debt Limit Margin	<u>55</u>	<u>27</u>	<u>66</u>	<u>134</u>	<u>253</u>	<u>395</u>	<u>596</u>	<u>(295)</u>	<u>(408)</u>	<u>(445)</u>
Total net debt applicable to the limit as a percentage of debt limit	13.57%	11.74%	9.66%	7.52%	5.12%	3.19%	1.20%	(.78)%	(1.02)%	(1.01)%

SOURCE: Basic Financial Statements

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
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
2005-06 ⁽²⁾	978	35	1,013	14,369	0.07
2006-07 ⁽²⁾	92	52	144	15,512	0.009

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.

DEMOGRAPHIC AND ECONOMIC INFORMATION:

Demographic and economic information provides users an understanding of certain aspects of the environment and conditions in which a government operates. It provides comparative financial statement data over time and across governments.

This information helps readers assess a government's condition by providing knowledge on community expansion, population, changes in personal income, and unemployment. This data is useful to readers who assess economic condition.

Santa Cruz County
Demographic Statistics-Economic Indicators
Last Ten Years

Year	Population	Per Capita Income	Personal Income	School Enrollment	Civilian Labor Force	Unemployment Rate
1998	36,809	16,107	592,899	8,913 ⁽²⁾	14,225	17.7
1999	37,713	16,520	623,024	9,085 ⁽³⁾	12,900	16.7
2000	38,567	16,871	650,679	9,434 ⁽⁴⁾	12,525	13.5
2001	39,038	17,518	683,879	9,324 ⁽⁵⁾	13,425	7.6
2002	39,604	17,139	678,762	10,288 ⁽⁶⁾	13,225	9.1
2003	40,088	18,190	729,208	10,171 ⁽⁷⁾	14,475	12.4
2004	40,777	19,110	779,232	10,528 ⁽⁸⁾	15,025	11.9
2005	42,150	19,901	838,841	10,510 ⁽⁹⁾	16,075	11.4
2006	46,495	18,853	876,588 ⁽¹⁾	10,510 ⁽¹⁰⁾	16,550	8.0
2007	46,545 ⁽¹⁾	19,681 ⁽¹⁾	916,034 ⁽¹⁾	11,183 ⁽¹¹⁾	16,100	6.7

NOTES:

- (1) Projected Estimate.
- (2) School enrollment as of June 30, 1998.
- (3) School enrollment as of June 9, 1999.
- (4) School enrollment as of June 9, 2000.
- (5) School enrollment as of June 9, 2001.
- (6) School enrollment as of January 31, 2002.
- (7) School enrollment as of November 5, 2003.
- (8) School enrollment as of August 25, 2004.
- (9) School enrollment as of April 27, 2005.
- (10) School enrollment as of January 18, 2006.
- (11) School enrollment as of September 27, 2006.

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
Principal Employers
Last Ten Years
June 30, 2007

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Employer	2007			2006			2005			2004			2003		
	Employees	Rank	Percent of Total Work Force	Employees	Rank	Percent of Total Work Force	Employees	Rank	Percent of Total Work Force	Employees	Rank	Percent of Total Work Force	Employees	Rank	Percent of Total Work Force
Nogales Unified School District #1	695	2	4.3%	1,341	1	8.1%	727	1	4.5%	747	1	5.0%	745	1	5.1%
US Border Patrol	975	1	6.1%	537	3	3.2%	529	2	3.3%	433	3	2.9%	388	3	2.7%
Super Wal-Mart	644	3	4.0%	640	2	3.9%	475	3	3.0%	605	2	4.0%	492	2	3.4%
US Customs and Border Protection	359	6	2.2%	387	6	2.3%	411	5	2.6%	400	4	2.7%	279	7	1.9%
Santa Cruz County	418	5	2.6%	415	5	2.5%	363	6	2.3%	361	5	2.4%	347	5	2.4%
Santa Cruz Valley Unified School District #35	430	4	2.7%	437	4	2.6%	425	4	2.6%	359	6	2.4%	355	4	2.5%
City of Nogales	307	7	1.9%	304	7	1.8%	293	7	1.8%	302	7	2.0%	323	6	2.2%
Carondelet Health Network - Holy Cross Hospital	242	8	1.5%	249	8	1.5%	249	8	1.5%	179	8	1.2%	193	8	1.3%
Mariposa Community Health Center, Inc.	198	9	1.2%	193	9	1.2%	189	9	1.2%	186	9	1.2%	180	9	1.2%
Tubac Golf Resort	180	10	1.1%	N/A	N/A	N/A									
Canchola Group	N/A	N/A	N/A	80	10	0.5%	140	10	0.9%	155	10	1.0%	133	10	0.9%
Total	4,448		27.6%	4,583		27.7%	3,801		23.6%	3,727		24.8%	3,435		23.7%
Total Work Force	16,100			16,550			16,075			15,025			14,475		

Employer	2002			2001			2000			1999			1998		
	Employees	Rank	Percent of Total Work Force	Employees	Rank	Percent of Total Work Force	Employees	Rank	Percent of Total Work Force	Employees	Rank	Percent of Total Work Force	Employees	Rank	Percent of Total Work Force
Nogales Unified School District #1	745	1	5.6%	675	1	5.0%	847	1	6.8%	606	1	4.7%	604	1	4.2%
US Border Patrol	388	3	2.9%	384	2	2.9%	320	4	2.6%	255	7	2.0%	221	7	1.6%
Super Wal-Mart	467	2	3.5%	278	7	2.1%	258	7	2.1%	252	8	2.0%	200	8	1.4%
US Customs and Border Protection	279	7	2.1%	279	6	2.1%	279	6	2.2%	283	5	2.2%	279	4	2.0%
Santa Cruz County	346	4	2.6%	342	3	2.5%	325	3	2.6%	299	3	2.3%	294	3	2.1%
Santa Cruz Valley Unified School District #35	336	5	2.5%	330	4	2.5%	318	5	2.5%	312	2	2.4%	306	2	2.2%
City of Nogales	317	6	2.4%	322	5	2.4%	340	2	2.7%	280	6	2.2%	273	5	1.9%
Carondelet Health Network - Holy Cross Hospital	221	8	1.7%	221	8	1.6%	239	8	1.9%	298	4	2.3%	269	6	1.9%
Mariposa Community Health Center, Inc.	175	9	1.3%	162	9	1.2%	150	9	1.2%	137	9	1.1%	130	10	0.9%
Canchola Group	147	10	1.1%	110	10	0.8%	115	10	0.9%	105	10	0.8%	158	9	1.1%
Total	3,421		25.9%	3,103		23.1%	3,191		25.5%	2,827		21.9%	2,734		19.2%
Total Work Force	13,225			13,425			12,525			12,900			14,225		

Santa Cruz County
Employment Statistics
Last Ten Years
June 30, 2007

Type of Employment	2007		2006		2005		2004		2003	
	Employees	Percent of Total								
Goods-Producing	1,100	8.2%	825	6.0%	1,025	8.0%	1,350	10.7%	1,350	11.0%
Trade, Transportation, and Utilities	4,925	36.5%	5,650	40.9%	5,150	40.3%	5,100	40.3%	4,975	40.5%
Other Private Service-Producing	4,075	30.2%	4,025	29.2%	3,325	26.0%	2,825	22.3%	2,775	22.6%
Federal Government	1,400	10.4%	1,300	9.4%	1,200	9.4%	1,175	9.3%	1,100	9.0%
State Government	<u>1,975</u>	<u>14.7%</u>	<u>2,025</u>	<u>14.6%</u>	<u>2,075</u>	<u>16.2%</u>	<u>2,200</u>	<u>17.4%</u>	<u>2,075</u>	<u>16.9%</u>
	<u>13,475</u>	<u>100.0%</u>	<u>13,825</u>	<u>100.0%</u>	<u>12,775</u>	<u>100.0%</u>	<u>12,650</u>	<u>100.0%</u>	<u>12,275</u>	<u>100.0%</u>

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Type of Employment	2002		2001		2000		1999		1998	
	Employees	Percent of Total								
Goods-Producing	1,325	11.2%	1,400	11.5%	1,400	11.5%	1,250	11.1%	1,375	12.2%
Trade, Transportation, and Utilities	4,500	38.1%	4,750	39.1%	5,575	46.0%	5,500	48.7%	5,675	50.3%
Other Private Service-Producing	2,900	24.6%	3,025	25.0%	2,000	16.4%	1,825	16.2%	1,825	16.2%
Federal Government	1,125	9.5%	1,075	8.8%	1,000	8.2%	1,000	8.8%	825	7.3%
State Government	<u>1,975</u>	<u>16.7%</u>	<u>1,900</u>	<u>15.6%</u>	<u>2,150</u>	<u>17.7%</u>	<u>1,725</u>	<u>15.3%</u>	<u>1,575</u>	<u>14.0%</u>
	<u>11,825</u>	<u>100.0%</u>	<u>12,150</u>	<u>100.0%</u>	<u>12,125</u>	<u>100.0%</u>	<u>11,300</u>	<u>100.0%</u>	<u>11,275</u>	<u>100.0%</u>

SOURCES: Arizona Economic Indicators Fall Edition, published by the University of Arizona-Economic and Business Research Arizona Workforce Informer Website

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

Year	Persons			Vehicles
	United States Citizens	Aliens	Total	
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
2006	N/A ⁽¹⁾	N/A ⁽¹⁾	16,596,888	3,353,681
2007	N/A ⁽¹⁾	N/A ⁽¹⁾	16,546,042	3,296,351

NOTE:

⁽¹⁾ Information not available.

SOURCE: United States Customs and Border Protection.

Santa Cruz County
Demographic Statistics-
Sales, Construction, and Bank Deposits
Last Ten Years
(Dollar Amounts in Thousands)

Year	Sales ⁽¹⁾		Con- struction Awards	Number of Dwelling Units Awarded	Bank Deposits
	Construction	Retail Trade			
1998	42,153	276,794	49,712	536	566,682
1999	57,409	281,140	50,940	556	626,795
2000	47,377	313,267	68,637	528	528,395
2001	46,129	333,886	49,005	319	565,385
2002	46,895	342,025	40,939	379	571,175
2003	53,167	357,472	58,470	446	598,614
2004	70,471	389,224	72,466	794	713,000
2005	61,301	434,479	173,864	932	657,083
2006	115,792	491,800	174,049	1,152	757,872
2007	120,801	533,154	109,653	764	794,000

NOTE:

⁽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.
Federal Deposit Insurance Corporation Web site.

OPERATING INFORMATION:

Operating information provides contextual information about a government's operations and resources. Examples of operating information include basic information on the capital resources used during government operations; and service information that helps evaluate the entity's size. This allows users to understand and assess a government's economic condition when using financial information.

Santa Cruz County
Employees By Function
Last Ten Years
June 30, 2007

Governmental Activities								Business-Type Activities	Total Employees in all Functions
Fiscal Year	General Government	Public Safety	Highways and Streets	Health and Welfare	Recreation	Education and Economic Opportunity	Total	Sanitation Landfill Enterprise	
97-98	136	82	32	23	2	8	283	11	294
98-99	140	82	32	23	2	8	287	12	299
99-00	148	84	39	26	2	12	311	14	325
00-01	157	83	39	22	3	25	329	13	342
01-02	151	89	36	22	3	30	331	15	346
02-03	160	87	37	15	2	32	333	14	347
03-04	131	122	36	18	3	37	347	14	361
04-05	153	95	37	15	5	47	352	12	364
05-06	169	108	41	20	6	57	401	14	415
06-07	195.25	110	40.25	21	7	26.5	400	18	418

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SOURCE: Santa Cruz County Payroll Voucher Supplements

Santa Cruz County
Operating Indicators
Last Ten Fiscal Years

YEAR OF INCORPORATION:	1899
FORM OF GOVERNMENT:	Body political county of State of Arizona Pursuant to Arizona Revised Statutes
AREA:	1,246 Square miles

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	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
MILES OF STREETS										
Paved	408.43	407.68	407.60	398.34	391.93	392.36	392.36	392.36	357.00	351.00
Unpaved	321.91	322.57	322.57	329.33	334.98	336.60	336.60	336.60	337.51	341.40
REGISTERED VOTERS										
Democrat	22,146	21,267	21,334	19,332	17,644	17,066	16,457	15,966	16,291	15,748
Republican	54.87%	56.24%	57.42%	58.76%	60.05%	61.18%	63.16%	64.70%	65.00%	65.35%
	19.49%	20.14%	20.63%	20.51%	20.72%	20.62%	21.12%	21.14%	22.61%	23.12%
NUMBER OF JUDICIAL COURTS										
Superior Court Department	1	1	1	1	1	1	1	1	1	1
Justice of Peace Courts	2	2	2	2	2	2	2	2	2	2
FLOOD PROTECTION										
Flood control district	1	1	1	1	1	1	1	1	1	1
Number of employees	9	8	8	9	9	11	11	11	6	6
SHERIFF PROTECTION										
Number of stations	4	4	4	4	3	4	4	4	4	3
Number of employees	79	88	79	79	76	73	71	68	68	66
Major crimes	430	415	306	215	96	173	393	384	232	302
Vehicular patrol units	27	30	25	22	22	56	52	47	20	50
SANITARY LANDFILLS										
Number of landfills	2	2	2	2	2	2	2	2	2	2
NUMBER OF PARKS										
Neighborhood parks	8	8	8	7	7	6	5	5	4	4

SOURCE: Santa Cruz County Departments: Public Works, Records, Court Administration, Flood Control District, Sheriff, Landfill Enterprise, Recreation

Santa Cruz County
Capital Assets Used in the Operation of Governmental Funds
Last Ten Fiscal Years
June 30, 2007
(Amounts in Thousands)

	2007	2006*	2005	2004	2003
Governmental funds capital assets					
Infrastructure	\$ 67,645	\$ 62,175	\$ 2,746	\$ 443	\$ -
Land	22,145	21,844	6,619	6,596	5,703
Buildings	11,992	10,317	10,303	10,303	10,210
Improvements other than buildings	2,962	2,558	2,429	2,429	2,429
Construction equipment and vehicles	8,870	7,364	6,676	6,242	5,880
Furniture and equipment	5,227	3,672	3,026	2,537	2,113
Construction in progress	4,590	2,903	1,461	2,353	319
Total governmental funds capital assets	<u>\$ 123,431</u>	<u>\$ 110,833</u>	<u>\$ 33,260</u>	<u>\$ 30,903</u>	<u>\$ 26,654</u>

Investments in governmental funds capital assets by source

General Fund	\$ 13,692	\$ 12,696	\$ 11,972	\$ 11,744	\$ 11,423
Special Revenue Funds*	89,903	80,791	6,033	4,904	4,026
Capital Projects Funds	19,836	17,346	15,255	14,255	11,205
Total governmental funds capital assets	<u>\$ 123,431</u>	<u>\$ 110,833</u>	<u>\$ 33,260</u>	<u>\$ 30,903</u>	<u>\$ 26,654</u>

	2002	2001	2000	1999	1998
Governmental funds capital assets					
Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -
Land	5,826	5,756	5,681	4,588	4,139
Buildings	10,094	9,978	9,987	9,631	8,957
Improvements other than buildings	4,245	2,310	2,282	1,745	1,555
Construction equipment and vehicles	6,255	7,530	6,252	5,215	4,540
Furniture and equipment	1,752	1,261	1,203	954	848
Construction in progress	673	290	64	591	551
Total governmental funds capital assets	<u>\$ 28,845</u>	<u>\$ 27,125</u>	<u>\$ 25,469</u>	<u>\$ 22,724</u>	<u>\$ 20,590</u>

Investments in governmental funds capital assets by source

General Fund	\$ 12,394	\$ 11,750	\$ 10,753	\$ 9,523	\$ 8,660
Special Revenue Funds	5,322	4,809	4,383	3,743	3,297
Capital Projects Funds	11,129	10,566	10,333	9,458	8,633
Total governmental funds capital assets	<u>\$ 28,845</u>	<u>\$ 27,125</u>	<u>\$ 25,469</u>	<u>\$ 22,724</u>	<u>\$ 20,590</u>

SOURCE: Comprehensive Annual Financial Reports for the relevant year

*Amounts restated: GASB 34 Infrastructure