

**REPORT HIGHLIGHTS**  
FINANCIAL STATEMENT AUDIT

**County Implements New Financial Reporting Standard**

**Subject**

Santa Cruz County issues a Comprehensive Annual Financial Report. The County is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether the County has met its responsibilities.

**Our Conclusion**

The information in the financial statements is fairly stated in all material respects and the financial statements can be relied on.

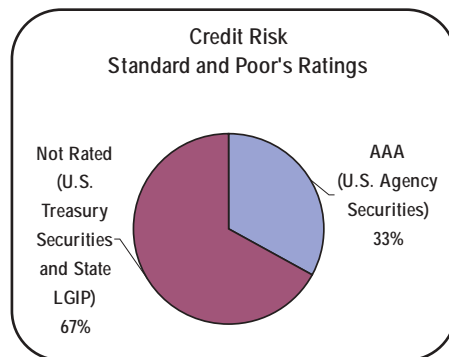
During fiscal year 2005, the County implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*. This reporting standard requires the County to disclose its investment policies and any investment and deposit risks related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. At June 30, 2005, the County's deposits and investments were exposed to the following risks:

**Credit risk:** This is the risk that an issuer of a debt security will not fulfill its obligations. Governments must disclose the credit quality ratings of investments in most debt securities. The County obtained credit quality ratings from Standard and Poor's Ratings Service. The County's investments received the highest ratings assigned by Standard and Poor's.

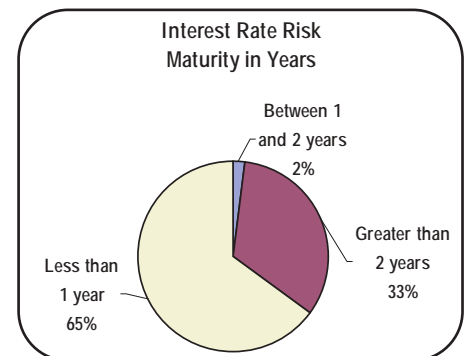
to this risk by type and fair value, and describe how they are held. At June 30, 2005, the County's deposits and investments totaled \$30.2 million, with \$436 thousand in a Money Market Mutual Fund exposed to custodial credit risk.

**Concentration risk:** This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Governments must generally disclose, by amount and issuer, investments in any one issuer that represents 5 percent or more of total investments. At June 30, 2005, the County had 19 percent invested in securities issued by the Federal Home Loan Bank and 10 percent invested in securities issued by the Federal National Mortgage Association.

**Interest rate risk:** This is the risk that changes in interest rates will adversely affect the value of an investment in debt securities. The County uses the weighted average maturity (WAM) method of disclosure. A significant portion, or 65 percent, of the County's debt securities that were subject to interest risk had a WAM of less than 1 year as shown in the chart below.



**Custodial risk:** This is the risk that a government will not be able to recover deposits if a depository financial institution fails, or recover the value of an investment in the possession of an outside party if the transaction fails. Governments must disclose deposits and investments subject



**2005**

Year Ended June 30, 2005

# County's Condensed Government-wide Financial Information

The tables below present summarized versions of the County's government-wide Statement of Net Assets and Statement

of Activities as of and for the years ended June 30, 2005 and 2004.

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

	Total Governmental and Business-type Activities	
	2005	2004
Current and other assets	\$19,048	\$17,587
Capital assets, net	<u>24,201</u>	<u>23,129</u>
Total assets	<u>43,249</u>	<u>40,716</u>
Current and other liabilities	1,706	2,665
Long-term liabilities	<u>6,353</u>	<u>7,552</u>
Total liabilities	<u>8,059</u>	<u>10,217</u>
Net assets		
Invested in capital assets, net of related debt	22,726	20,709
Restricted net assets	4,530	2,125
Unrestricted net assets	<u>7,934</u>	<u>7,665</u>
Total net assets	<u>\$35,190</u>	<u>\$30,499</u>

**Statement of Activities**  
Years Ended June 30, 2005 and 2004  
(In thousands)

	Total Governmental and Business-type Activities	
	2005	2004
Program revenues:		
Governmental activities	\$17,835	\$19,522
Business-type activities	1,891	1,829
General revenues:		
Governmental activities	20,303	17,105
Business-type activities	<u>448</u>	<u>19</u>
Total revenues	<u>40,477</u>	<u>38,475</u>
Expenses:		
Governmental activities	34,160	31,520
Business-type activities	<u>1,626</u>	<u>1,350</u>
Total expenses	<u>35,786</u>	<u>32,870</u>
Change in net assets	4,691	5,605
Net assets—beginning	<u>30,499</u>	<u>24,894</u>
Net assets—ending	<u>\$35,190</u>	<u>\$30,499</u>

## TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling  
**(602) 553-0333**



or by visiting our Web site at:  
[www.azauditor.gov](http://www.azauditor.gov)

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Year Ended June 30, 2005