

Santa Cruz County, AZ
Comprehensive Annual Financial Report
for the
Fiscal Year Ended June 30, 2008



SANTA CRUZ COUNTY, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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Santa Cruz County
 Comprehensive Annual Financial Report
 Fiscal Year Ended June 30, 2008

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ADMINISTRATIVE SERVICES SANTA CRUZ COUNTY

Jennifer K. St. John, CPA
Director

July 28, 2009

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, 2008. 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. Department of Homeland Security recently announced that it has received \$200 million to complete the planned expansion of the Mariposa Port of Entry to increase the number of traffic lanes for commercial trucks and personal vehicles. Construction of this project is expected to start in fiscal year 2010. 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 largely completed a major airport improvement project during the year that included rehabilitation of the primary parallel taxiway, installation of taxiway lighting and signage, and a new emergency generator to power the airfield lights in the event of a power outage. Future projects with remaining grant funding include repaving the main access road and installation of an emergency generator for the terminal building.

The County geographic information system (GIS) project continues with the completion of the parcel dataset anticipated in the coming year. Training for technical and management staff has also continued. Data development, rectification, and quality assurance tasks have progressed throughout the year and have included considerable work on roadway centerline data in support of new public safety emergency response software. Preliminary work in preparation for the 2010 census was accomplished.

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 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 \$55 million with the Santa Cruz County share ranging from \$5.1 to \$5.4 million. Phase I of this project was completed during fiscal year 2006 at a cost of \$1.359 million. Phase II is currently under construction.

The Rio Rico Pathway project was a federally funded one mile long multi-use pathway that runs along Pendleton Drive and Avenida Coatimundi. The pathway was funded through Arizona Department of Transportation (ADOT's) Transportation Enhancement Grant program. The pathway is a ten foot wide asphalt pathway with associated landscape and drainage improvements. Construction of improvements were just completed in May 2009 and the construction contract will extend through an additional landscape establishment period. The County's construction cost share of the \$280,000 project is \$15,960 in addition to the cost of construction administration which is estimated to be \$22,500 for a total of \$38,460.

The Santa Cruz DFIRM and Flood Map Modernization Project is a comprehensive effort to remap County flood risks using the latest flood modeling and digital mapping technologies. The Santa Cruz County Flood Control District became a FEMA Cooperating Technical Partner (CTP) to ensure local input into the process. This has allowed the District to have a direct hand in not only hiring of firms to perform the engineering studies and develop the maps, but also in the process of informing the public. Stantec Consulting, Inc. of Tucson, Arizona performed the engineering work and FEMA had Map IX-Mainland (a consortium of engineering companies) review the results to ensure they met FEMA's strict standards. FEMA has contracted with Michael Baker Corp. to perform the Post-Preliminary processing of the maps. Outreach is being conducted directly by the District. The new digital flood maps will provide detailed, property-specific flood risk data to guide construction and flood insurance decisions. With the planned release of these maps in Spring 2010, Santa Cruz County residents and business owners will have up-to-date, reliable, internet accessible data about the flood hazards they face. The District's cost share was \$496,000 of a \$1,496,000 total project cost. FEMA contributed the remaining \$1,000,000.

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.

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 the Santa Cruz County 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, 2007. This was the 18th 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.

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

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, 2007

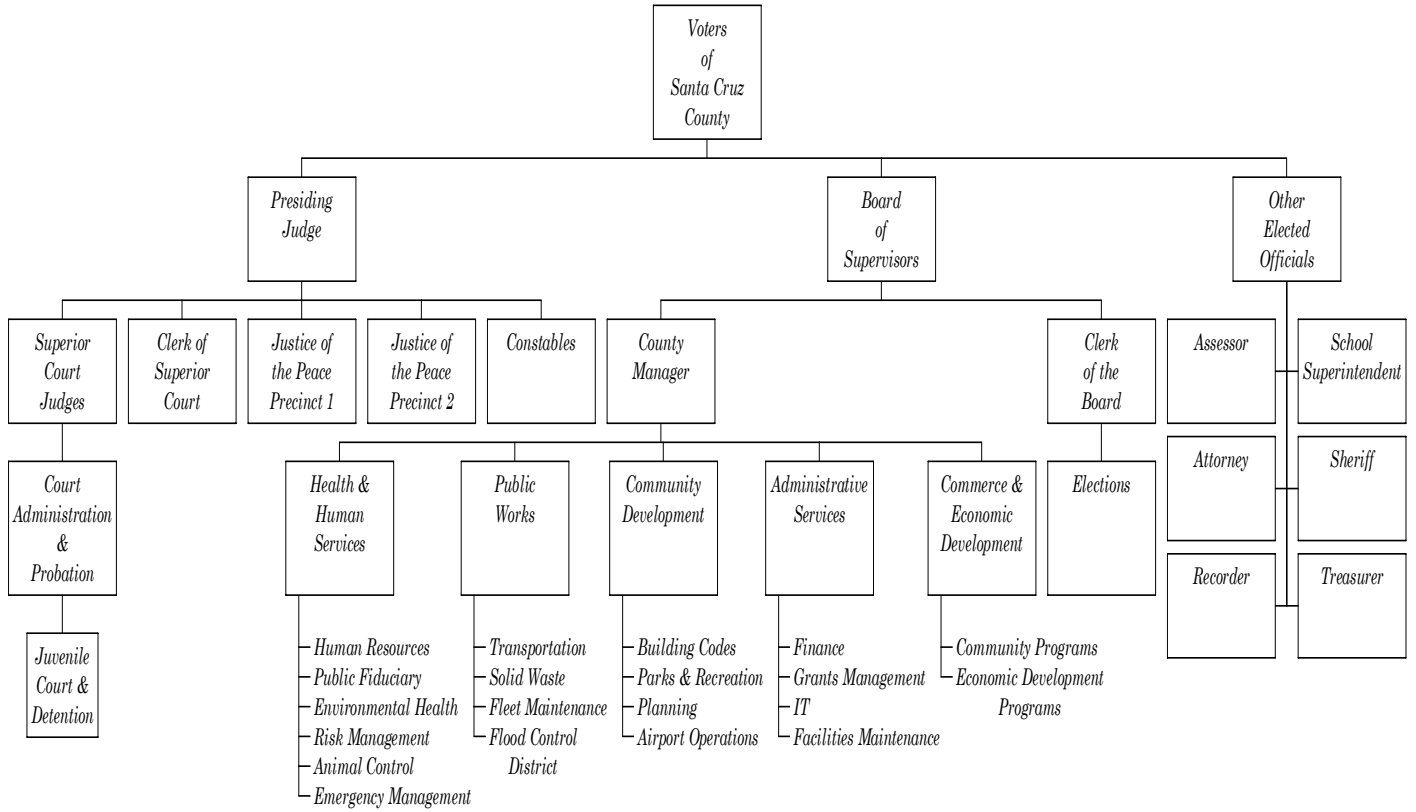
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

Santa Cruz County Organizational Chart



Financial Section

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Mark L. Landy, CPA
Stephen T. Harris, CPA
Thomas L. Friend, CPA
Robert N. Snyder, CPA

Robert L. Miller, CPA
(1931 - 1992)

Independent Auditor's 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, 2008, 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, 2008, 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 implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement Nos. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)*, for the year ended June 30, 2008, which represents a change in accounting principle.

The Management's Discussion and Analysis on pages 3 through 13, the Schedule of Agent Retirement Plans' Funding Progress on pages 56 and 57, and the Budgetary Comparison Schedules on pages 58 through 65 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 compliance.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2009 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.



July 28, 2009

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, 2008, the assets of the County exceeded liabilities by \$97,691,110 (net assets). Of this amount, \$11,549,188 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, \$8,462,842 is restricted for specific purposes (restricted net assets), and \$77,679,080 is invested in capital assets, net of related debt.
- The County's total net assets as reported in the Statement of Activities increased by \$3,796,083.
- At June 30, 2008, total assets were \$108,975,742 compared to \$104,096,386 at June 30, 2007. This is a \$4,879,356 or 4.7 percent increase over the prior fiscal year.
- At June 30, 2008, the governmental funds reported combined fund balances of \$21,874,100, or an increase in fund balance of \$43,031, in comparison with the prior year.
- At June 30, 2008, unreserved fund balance for the general fund was \$12,751,933, approximately 57 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 six major governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Road, WIA, Airport, Jail District, and Criminal Justice Enhancement funds. Data from the other governmental funds (nonmajor) are combined into a single, aggregated presentation. Individual fund data

Santa Cruz County Management's Discussion and Analysis

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 31-53 of this report.

Required supplementary information presents budgetary comparison schedules for the General, Road, WIA, Jail District, and Criminal Justice Enhancement funds of the County. It also includes a schedule of agent retirement plans' funding progress. Required supplementary information can be found on pages 56-65 of this report.

Santa Cruz County Management's Discussion and Analysis

Government-wide Financial Analysis

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, at June 30, 2008, assets exceeded liabilities by \$97,691,110.

Statement of Net Assets
June 30, 2008 and 2007 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007*	2008	2007	2008	2007*
Current and other assets	\$26,482	\$25,993	\$2,751	\$2,253	\$29,233	\$28,246
Capital assets	76,698	72,753	3,045	3,097	79,743	75,850
Total assets	<u>103,180</u>	<u>98,746</u>	<u>5,796</u>	<u>5,350</u>	<u>108,976</u>	<u>104,096</u>
Current and other liabilities	2,872	2,596	227	61	3,099	2,657
Long-term liabilities	3,767	3,186	4,419	4,358	8,186	7,544
Total liabilities	<u>6,639</u>	<u>5,782</u>	<u>4,646</u>	<u>4,419</u>	<u>11,285</u>	<u>10,201</u>
Net assets						
Invested in capital assets, net of related debt	74,969	71,338	2,710	2,676	77,679	74,014
Restricted net assets	8,463	5,115			8,463	5,115
Unrestricted net assets (deficits)	13,109	16,511	(1,560)	(1,745)	11,549	14,766
Total net assets (deficit)	<u>\$96,541</u>	<u>\$92,964</u>	<u>\$1,150</u>	<u>\$931</u>	<u>\$97,691</u>	<u>\$93,895</u>

*As restated – see Note 13 to Financial Statements.

The largest portion (\$77,679 or 80 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 (\$8,463 or 9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$11,549 or 11 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.

Santa Cruz County Management's Discussion and Analysis

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

- Current and other liabilities – the \$276 thousand increase was due to an increase in accounts payable at June 30th, the majority of which was related to payroll and employee related benefits.
- Long-term liabilities – the increase of \$581 thousand was largely due to additional capital leases the County entered into during the fiscal year to purchase equipment for the Public Works and Parks Departments. Additional information on the County's long-term liabilities can be found in Note 7 of the notes to financial statements on pages 42-45 of this report.
- Restricted net assets – the increase of \$3.3 million was due largely to the increase in fund balance from appropriations received in the County's Special Revenue Funds.
- Unrestricted net assets – the decrease of \$3.4 million was due largely to the overall decline of the economy. The County experienced a decrease in revenues while experiencing an increase in public safety expenditures.

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

- Current and other assets – the \$498 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 approximately seven years before we have to start paying closure and postclosure care costs. Additional information on the Landfill closure and postclosure care costs can be found in Note 7 of the notes to the financial statements on pages 42-45 of this report.
- Current and other liabilities – the \$166 thousand increase resulted largely in an increase of accounts payable at June 30th, the majority of which was related to payroll and employee related benefits.
- Unrestricted net assets (deficit) – the \$185 thousand decrease was primarily due to a slight increase in total revenues while expenditures increased a smaller percentage than expected.

Santa Cruz County Management's Discussion and Analysis

Changes in Net Assets

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

Statement of Activities
For the Years Ended June 30, 2008 and 2007 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007*	2008	2007	2008	2007*
Revenues:						
Program revenues:						
Charges for services	\$4,329	\$5,091	\$2,266	\$2,137	\$6,595	\$7,228
Operating grants and contributions	16,402	16,810			16,402	16,810
Capital grants and contributions	656	1,351			656	1,351
General revenues:						
Property taxes	12,276	11,718			12,276	11,718
Share of state sales taxes	8,035	11,677			8,035	11,677
Payments in lieu of taxes	578	571			578	571
Vehicle lieu unrestricted	1,592	1,615			1,592	1,615
Grants and contributions not restricted to specific programs	661	842			661	842
Investment income	771	884	90	86	861	970
Miscellaneous	252	67			252	67
Capital contributions				1		1
Total revenues	<u>45,552</u>	<u>50,626</u>	<u>2,356</u>	<u>2,224</u>	<u>47,908</u>	<u>52,850</u>
Expenses:						
General government	14,264	14,754			14,264	14,754
Public safety	12,960	8,789			12,960	8,789
Highways and streets	4,928	5,730			4,928	5,730
Health, welfare and sanitation	4,648	4,596			4,648	4,596
Education and economic opportunity	4,758	5,309			4,758	5,309
Recreation	354	302			354	302
Interest on long-term debt	63	52			63	52
Landfill			2,137	1,824	2,137	1,824
Loss on disposal		32				32
Total expenses	<u>41,975</u>	<u>39,564</u>	<u>2,137</u>	<u>1,824</u>	<u>44,112</u>	<u>41,388</u>
Excess before transfers	<u>3,577</u>	<u>11,062</u>	<u>219</u>	<u>400</u>	<u>3,796</u>	<u>11,462</u>
Transfers in (out)	<u>-</u>	<u>(23)</u>	<u>-</u>	<u>23</u>	<u>-</u>	<u>-</u>
Changes in net assets	3,577	11,039	219	423	3,796	11,462
Net assets—beginning	<u>92,964</u>	<u>81,925</u>	<u>931</u>	<u>508</u>	<u>93,895</u>	<u>82,433</u>
Net assets—ending	<u>\$96,541</u>	<u>\$92,964</u>	<u>\$1,150</u>	<u>\$ 931</u>	<u>\$97,691</u>	<u>\$93,895</u>

*As restated – see Note 13 to Financial Statements.

Santa Cruz County Management's Discussion and Analysis

Governmental activities – The change in net assets for fiscal year 2008 was approximately \$3.6 million, which represents a decrease of \$7.4 million from the 2007 amount. Key elements of this substantial decrease include:

- Revenue from “Charges for services” decreased by \$762 thousand due to decreases in building permits and other related housing revenues.
- Revenue from “Capital grants and contributions” decreased by \$695 thousand due to a reduction in federal and state funding, especially airport funded projects.
- Revenue from “Share of state sales taxes” decreased by \$3.6 million due largely to the overall decline in the economy. As a result, sales tax collected decreased significantly and unfunded, state mandated expenditures increased. These mandated expenditures generally reduce the County's sales tax distributions.
- Expenditures for “Public safety” increased by \$4.2 million due to unexpected and unbudgeted law enforcement federal and state grants and appropriations.
- Expenditures for “Highways and streets” decreased by \$802 thousand due largely to the decrease in revenues collected that fund this program thereby forcing a reduction in expenditures as there was no revenue stream to support additional expenditures.
- Expenditures for “Education and economic opportunity” decreased by \$551 thousand due to the reduction of federal and state funding, particularly our Workforce Investment Program.

Business-type activities – Net assets increased by approximately \$219 thousand from fiscal year 2007.

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, 2008, the County's governmental funds reported combined fund balances of \$21,874,100, an increase of \$43,031 in comparison with the prior year. The entire combined fund balances constitutes unreserved fund balance, which is available to meet the County's current and future needs.

Santa Cruz County Management's Discussion and Analysis

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 \$12,751,933. Unreserved fund balance represents 57 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 decreased by \$2,603,766 due largely to the declining economy, reduced revenues, and increased public safety expenditures.

The fund balance in the Road Fund increased by \$267,016 over the prior year. The key factor in the increase was the elimination of budgeted projects as the economy and revenue collections started to decline.

The fund balance in the Airport Fund decreased by \$204,223 from the prior year due to expenditures which may not be reimbursed from federal and state grants.

The fund balance in the Jail District Fund increased by \$896,805 over the prior year due to the collection of the County half cent sales tax passed by the voters in November 2005. This sales tax was implemented to pay the debt service for the construction of the new detention center however the first debt service payment is not due until August 1, 2009.

The fund balance in the Criminal Justice Enhancement Fund increased by \$147,700 over prior year's due to unbudgeted federal and state funding and more timely reimbursements of that funding.

The increase in fund balance in the Other Governmental Funds of \$1,521,897 was due to unbudgeted federal and state grants and more timely reimbursements of those 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 2007-08		Fiscal Year 2006-07*		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
<i>Revenues by Source</i>						
Taxes	\$13,889	31%	\$13,709	27%	\$ 180	1%
Intergovernmental	26,115	57	31,496	62	(5,381)	(17)
Licenses and permits	927	2	1,156	2	(229)	(20)
Charges for services	1,991	4	1,952	4	39	2
Fines and forfeits	933	2	1,207	2	(274)	(23)
Investment income	771	2	884	2	(113)	(13)
Rents	52	0	44	0	8	18
Miscellaneous	704	2	285	1	419	147
Totals	<u>\$45,382</u>	<u>100%</u>	<u>\$50,733</u>	<u>100%</u>	<u>(\$5,351)</u>	

*As restated – see Note 13 to Financial Statements.

Santa Cruz County Management's Discussion and Analysis

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

- Intergovernmental – The decrease of \$5.4 million was largely due to a decrease in sales tax collected, both state and local, and a decline in highway user revenues collected.

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

Expenditures by Function Governmental Funds (In Thousands)						
	Fiscal Year 2007-08		Fiscal Year 2006-07		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
<i>Expenditures by Function</i>						
General government	\$13,564	29%	\$15,512	31%	\$(1,948)	(13)%
Public safety	14,506	32	10,189	20	4,317	42
Highways and streets	3,836	8	10,818	22	(6,982)	(65)
Health, welfare and sanitation	4,542	10	4,723	10	(181)	(4)
Education and economic opportunity	4,732	10	5,275	11	(543)	(10)
Recreation	425	1	327	1	98	30
Capital outlay	3,985	9	2,683	5	1,302	49
Debt service	281	1	143	0	138	97
Totals	\$45,871	100%	\$49,670	100%	(\$3,799)	

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

- General government – The \$1.9 million decrease is due to the declining economy and reduction of sales tax revenues collected which forced a reduction in expenditures.
- Public safety – The \$4.3 million increase is due primarily to unbudgeted law enforcement federal and state grants.
- Highways and streets – The \$7 million decrease is due largely to the prior year completion of several large federal and state funded road and flood projects.
- Capital outlay – The \$1.3 million increase is due to the start of construction of the new Detention and Judicial Center.

Santa Cruz County
Management's Discussion and Analysis

General Fund Budgetary Highlights

The County did not amend the fiscal year 2007-08 adopted budget. Fiscal year 2008 general fund actual expenditures were \$11.4 million under the adopted budget and actual revenues exceeded estimated revenues by \$982 thousand. The County conservatively estimated revenues and collected prior year's property taxes in excess of what was anticipated and budgeted. The Assessor exceeded its budget by \$17 thousand due to a change in software systems. The County Attorney exceeded its budget by \$96 thousand due to increases in indigent attorney and burial costs. The Constable exceeded his budget by \$15 thousand due to an unexpected and unbudgeted increase in fuel costs.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2008, amounted to \$79.7 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. Major capital asset events during the current fiscal year included the following:

- Construction in progress increased by \$2.2 due to the start of construction of the new Detention and Judicial Center. Infrastructure increased by \$1.6 million due to the completion of several federal and state funded airport grants.

	Capital Assets (Net of Depreciation) (In Thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$22,151	\$22,145	\$ 230	\$ 230	\$22,381	\$22,375
Buildings	6,789	7,072	161	167	6,950	7,239
Improvements other than buildings	2,155	2,181	1,976	1,814	4,131	3,995
Construction equipment and vehicles	3,366	2,890	678	886	4,044	3,776
Furniture and equipment	2,318	2,392			2,318	2,392
Construction in progress	6,796	4,590			6,796	4,590
Infrastructure	33,123	31,483			33,123	31,483
Totals	<u>\$76,698</u>	<u>\$72,753</u>	<u>\$3,045</u>	<u>\$3,097</u>	<u>\$79,743</u>	<u>\$75,850</u>

Santa Cruz County Management's Discussion and Analysis

Additional information on the County's capital assets can be found in Note 5 of the notes to financial statements on pages 40-42 of this report.

Long-Term Debt

At June 30, 2008, the County had total long-term debt outstanding of \$2,063,636. This amount consists of capital leases of just over \$1.3 million, and long-term notes of \$718 thousand. The County made all scheduled debt payments totaling \$330 thousand. The County entered into new lease agreements totaling \$558 thousand. 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 7 of the notes to financial statements on pages 42-45 of this report.

Economic Factors and Next Year's Budget

- The volatility of the current economic climate has generated significant uncertainty in forecasting future financial activity. The County faces a less than favorable economic environment due to the budget deficit at the state level. State shared revenues are expected to be less than prior year while the County contributions to State programs such as AHCCCS and ALTCS continue to rise. Further, the State has yet to address their revenue shortfalls for fiscal year 2009 or their expected shortfalls in their fiscal year 2010 budget. Consequently, we are expecting cost shifts and other measures to be passed onto local government but the total impact has not yet been determined.
- 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 created global chaos, the produce industry is also struggling with market uncertainty because it is an industry that is very dependent on financing.
- 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.
- Property tax revenues continue to increase, unfortunately, recent state legislation has capped increases in assessed valuation. New construction has slowed dramatically and building permit revenues have dropped considerably.

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, 2008

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 19,425,746	\$ 2,566,308	\$ 21,992,054
Property taxes receivable (net of allowance for uncollectibles)	1,887,672	-	1,887,672
Due from other governmental units	5,067,038	55,039	5,122,077
Accounts receivable	99,963	129,959	229,922
Prepaid items	1,301	-	1,301
Capital assets			
Nondepreciable	28,947,249	229,996	29,177,245
Depreciable (net)	47,750,907	2,814,564	50,565,471
Total assets	<u>103,179,876</u>	<u>5,795,866</u>	<u>108,975,742</u>
Liabilities			
Accounts payable	2,053,200	204,729	2,257,929
Due to other governments	4,610	-	4,610
Accrued payroll and employee benefits	814,020	21,751	835,771
Noncurrent liabilities:			
Due within 1 year	1,215,315	148,379	1,363,694
Due in more than 1 year	2,551,608	4,271,020	6,822,628
Total Liabilities	<u>6,638,753</u>	<u>4,645,879</u>	<u>11,284,632</u>
Net Assets			
Invested in capital, net of related debt	74,968,914	2,710,166	77,679,080
Restricted for:			
Highways and streets	1,452,160	-	1,452,160
Debt Service	1,842,085	-	1,842,085
Other purposes	5,168,597	-	5,168,597
Unrestricted (deficit)	13,109,367	(1,560,179)	11,549,188
Total Net Assets	<u>\$ 96,541,123</u>	<u>\$ 1,149,987</u>	<u>\$ 97,691,110</u>

See accompanying notes to financial statements.

Santa Cruz County
Statement of Activities
Year Ended June 30, 2008

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	\$ 14,263,691	\$ 3,628,802	\$ 957,797	\$ 655,825	\$ (9,021,267)	-	\$ (9,021,267)
Public safety	12,960,528	261,991	5,731,545	-	(6,966,992)	-	(6,966,992)
Highway and streets	4,928,235	-	5,648,537	-	720,302	-	720,302
Health, welfare and sanitation	4,647,558	241,803	879,896	-	(3,525,859)	-	(3,525,859)
Education and economic opportunity	4,758,189	182,172	3,184,217	-	(1,391,800)	-	(1,391,800)
Recreation	353,768	13,764	-	-	(340,004)	-	(340,004)
Interest on long term debt	62,642	-	-	-	(62,642)	-	(62,642)
Total governmental activities	<u>41,974,611</u>	<u>4,328,532</u>	<u>16,401,992</u>	<u>\$ 655,825</u>	<u>(20,588,262)</u>	<u>-</u>	<u>(20,588,262)</u>
Business-type activities:							
Landfill	2,136,756	2,266,393	-	-	-	\$ 129,637	129,637
Total business-type activities	<u>2,136,756</u>	<u>2,266,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,637</u>	<u>129,637</u>
Total primary government	<u>\$ 44,111,367</u>	<u>\$ 6,594,925</u>	<u>\$ 16,401,992</u>	<u>\$ 655,825</u>	<u>(20,588,262)</u>	<u>129,637</u>	<u>(20,458,625)</u>
General Revenues:							
Taxes							
Property taxes, levied for general purpose					10,423,428	-	10,423,428
Property taxes, levied for debt service					1,852,942	-	1,852,942
Share of state sales taxes - unrestricted					8,035,035	-	8,035,035
Payments in lieu of taxes					577,647	-	577,647
Vehicle license taxes - unrestricted					1,592,289	-	1,592,289
Grants and contributions not restricted to specific programs					660,699	-	660,699
Investment income					770,585	89,532	860,117
Miscellaneous					252,551	-	252,551
Total general revenues					<u>24,165,176</u>	<u>89,532</u>	<u>24,254,708</u>
Change in net assets					3,576,914	219,169	3,796,083
Net Assets —July 1, 2007, as restated					<u>92,964,209</u>	<u>930,818</u>	<u>93,895,027</u>
Net Assets —June 30, 2008					<u>\$ 96,541,123</u>	<u>\$ 1,149,987</u>	<u>\$ 97,691,110</u>

See accompanying notes to financial statements.

Santa Cruz County
Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	Road Fund	WIA Fund
Assets			
Cash and cash equivalents	\$ 8,772,570	\$ 1,809,401	\$ 69,095
Property taxes receivable (net of allowances for uncollectibles)	1,553,396	-	-
Due from other governmental units	742,703	339,905	867,879
Due from other funds	3,874,083	-	-
Accounts receivable	64,751	26	114
Prepaid items	775	-	486
Total assets	\$ 15,008,278	\$ 2,149,332	\$ 937,574
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 382,373	\$ 474,031	\$ 58,709
Due to other governments	-	-	-
Accrued payroll and employee benefits	453,300	60,387	22,906
Due to other funds	-	-	860,976
Deferred revenue	1,420,672	-	-
Total liabilities	2,256,345	534,418	942,591
Fund balances (deficits):			
Unreserved, reported in:			
General fund	12,751,933	-	-
Special revenue funds	-	1,614,914	(5,017)
Capital projects funds	-	-	-
Debt service	-	-	-
Total fund balances (deficits)	12,751,933	1,614,914	(5,017)
Total liabilities and fund balances	\$ 15,008,278	\$ 2,149,332	\$ 937,574

See accompanying notes to financial statements.

Airport Fund	Jail District Fund	Criminal Justice Enhancement Fund	Other Governmental Funds	Total
\$ 397	\$ 2,461,236	\$ 952,180	\$ 5,360,867	\$ 19,425,746
-	-	-	334,276	1,887,672
796,761	257,276	1,104,675	957,839	5,067,038
-	-	-	-	3,874,083
-	1,008	26,137	7,927	99,963
-	-	40	-	1,301
<u>\$ 797,158</u>	<u>\$ 2,719,520</u>	<u>\$ 2,083,032</u>	<u>\$ 6,660,909</u>	<u>\$ 30,355,803</u>
\$ 339,582	\$ 434,143	\$ 41,583	\$ 322,779	\$ 2,053,200
-	-	-	4,610	4,610
-	90,792	46,455	140,180	814,020
796,761	-	1,120,867	1,095,479	3,874,083
-	-	-	315,118	1,735,790
<u>1,136,343</u>	<u>524,935</u>	<u>1,208,905</u>	<u>1,878,166</u>	<u>8,481,703</u>
-	-	-	-	12,751,933
(339,185)	2,194,585	874,127	2,930,405	7,269,829
-	-	-	60,385	60,385
-	-	-	1,791,953	1,791,953
<u>(339,185)</u>	<u>2,194,585</u>	<u>874,127</u>	<u>4,782,743</u>	<u>21,874,100</u>
<u>\$ 797,158</u>	<u>\$ 2,719,520</u>	<u>\$ 2,083,032</u>	<u>\$ 6,660,909</u>	<u>\$ 30,355,803</u>

Santa Cruz County
 Reconciliation of the Balance Sheet
 to the Statement of Net Assets
 Governmental Funds
 June 30, 2008

Total fund balances - governmental funds \$ 21,874,100

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 \$130,090,596 and the accumulated depreciation is \$53,392,440. 76,698,156

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. 1,735,790

Long term liabilities are not due and payable in the current period and, therefore are not reported in the funds.

Compensated absences payable	\$ (1,962,681)	
Obligations under long-term notes payable	(717,550)	
Obligations under capital leases	(1,011,692)	
Estimated liabilities for claims and judgments	<u>(75,000)</u>	
		<u>(3,766,923)</u>

Net assets of governmental activities (page 16) \$ 96,541,123

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, 2008

	<u>General Fund</u>	<u>Road Fund</u>	<u>WIA Fund</u>
Revenues:			
Taxes	\$ 11,845,854	\$ -	\$ -
Intergovernmental	9,381,460	4,553,793	1,179,041
Licenses and permits	927,316	-	-
Charges for services	1,421,383	-	-
Fines and forfeits	611,876	-	-
Investment income	519,209	69,285	-
Rents	52,000	-	-
Miscellaneous	482,538	18,353	-
Total revenues	<u>25,241,636</u>	<u>4,641,431</u>	<u>1,179,041</u>
Expenditures:			
Current:			
General government	12,193,462	-	19,200
Public safety	5,097,873	-	-
Highways and streets	-	3,836,048	-
Health, welfare and sanitation	2,863,345	-	-
Education and economic opportunity	1,421,208	-	1,268,065
Recreation	425,060	-	-
Capital outlay	324,938	472,712	22,095
Debt service:			
Principal	39,813	147,077	-
Interest	35,769	26,873	-
Total expenditures	<u>22,401,468</u>	<u>4,482,710</u>	<u>1,309,360</u>
Excess (deficiency) of revenues over expenditures	<u>2,840,168</u>	<u>158,721</u>	<u>(130,319)</u>
Other financing sources (uses):			
Capital lease agreements	95,470	91,761	-
Transfers-in	-	16,534	147,921
Transfers-out	(5,539,404)	-	-
Total other financing sources (uses)	<u>(5,443,934)</u>	<u>108,295</u>	<u>147,921</u>
Net change in fund balances	(2,603,766)	267,016	17,602
Fund balances (deficits), July 1, 2007, as restated	<u>15,355,699</u>	<u>1,347,898</u>	<u>(22,619)</u>
Fund balances (deficits), June 30, 2008	<u>\$ 12,751,933</u>	<u>\$ 1,614,914</u>	<u>\$ (5,017)</u>

See accompanying notes to financial statements.

<u>Airport Fund</u>	<u>Jail District Fund</u>	<u>Criminal Justice Enhancement Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 2,043,269	\$ 13,889,123
655,825	3,335,596	1,274,813	5,733,998	26,114,526
-	-	-	-	927,316
-	-	32,499	536,902	1,990,784
-	-	208,117	112,847	932,840
-	67,108	15,413	99,570	770,585
-	-	-	-	52,000
-	-	66,608	136,990	704,489
<u>655,825</u>	<u>3,402,704</u>	<u>1,597,450</u>	<u>8,663,576</u>	<u>45,381,663</u>
84,489	-	739,709	526,756	13,563,616
-	5,139,772	840,154	3,428,007	14,505,806
-	-	-	-	3,836,048
-	-	-	1,679,197	4,542,542
-	-	-	2,042,796	4,732,069
-	-	-	-	425,060
795,142	222,251	60,491	2,087,632	3,985,261
-	-	-	-	-
-	-	-	31,124	218,014
-	-	-	-	62,642
<u>879,631</u>	<u>5,362,023</u>	<u>1,640,354</u>	<u>9,795,512</u>	<u>45,871,058</u>
<u>(223,806)</u>	<u>(1,959,319)</u>	<u>(42,904)</u>	<u>(1,131,936)</u>	<u>(489,395)</u>
-	-	-	345,195	532,426
19,583	2,856,124	190,604	2,460,701	5,691,467
-	-	-	(152,063)	(5,691,467)
<u>19,583</u>	<u>2,856,124</u>	<u>190,604</u>	<u>2,653,833</u>	<u>532,426</u>
(204,223)	896,805	147,700	1,521,897	43,031
(134,962)	1,297,780	726,427	3,260,846	21,831,069
<u>\$ (339,185)</u>	<u>\$ 2,194,585</u>	<u>\$ 874,127</u>	<u>\$ 4,782,743</u>	<u>\$ 21,874,100</u>

Santa Cruz County
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances to the Statement of Activities
 Governmental Funds
 Year Ended June 30, 2008

Net change in fund balances—total governmental funds (page 23) \$ 43,031

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	\$ 7,088,161	
Less: current-year depreciation	<u>3,143,143</u>	3,945,018

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	(532,426)	
Principal repaid	<u>218,014</u>	(314,412)

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		(266,585)
--	--	-----------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		<u>169,862</u>
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Change in net assets of governmental activities (page 17) \$ 3,576,914

See accompanying notes to financial statements.

Santa Cruz County
Statement of Net Assets
Proprietary Funds
June 30, 2008

	<u>Business-Type Activities - Enterprise Fund Landfill</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,566,308
Due from other governmental units	55,039
Accounts receivable	129,959
Total current assets	<u>2,751,306</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	229,996
Depreciable (net)	2,814,564
Total noncurrent assets	<u>3,044,560</u>
Total assets	<u>5,795,866</u>
Liabilities	
Current liabilities:	
Accounts payable	204,729
Accrued payroll and employee benefits	21,751
Obligations under capital leases—current portion	118,469
Landfill closure and postclosure care costs payable—current portion	5,638
Compensated absences payable—current portion	24,272
Total current liabilities	<u>374,859</u>
Noncurrent liabilities:	
Obligations under capital leases	215,925
Landfill closure and postclosure care costs payable	4,038,270
Compensated absences payable	16,825
Total noncurrent liabilities	<u>4,271,020</u>
Total liabilities	<u>4,645,879</u>
Net Assets	
Invested in capital assets, net of related debt	2,710,166
Unrestricted (deficit)	(1,560,179)
Total net assets	<u>\$ 1,149,987</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, 2008

	<u>Business-Type Activities— Enterprise Fund Landfill</u>
Operating revenues:	
Landfill fees	\$ 2,244,018
Intergovernmental revenues	<u>22,375</u>
Total operating revenues	<u>2,266,393</u>
 Operating expenses:	
Personal services	648,799
Professional services	233,638
Supplies	240,051
Utilities	39,144
Repairs and maintenance	377,265
Recycling program	66,100
Insurance	16,798
Landfill closure and postclosure care costs	157,939
Depreciation	307,857
Other	<u>24,067</u>
Total operating expenses	<u>2,111,658</u>
 Operating income	 <u>154,735</u>
 Nonoperating revenues (expenses):	
Investment income	89,532
Interest expense on capital leases	<u>(25,098)</u>
Total nonoperating expenses	<u>64,434</u>
 Increase in net assets	 <u>219,169</u>
Total net assets, July 1, 2007	<u>930,818</u>
Total net assets, June 30, 2008	<u>\$ 1,149,987</u>

See accompanying notes to financial statements.

Santa Cruz County
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2008

	Business-Type Activities— Enterprise Fund Landfill
Cash flows from operating activities	
Receipts from customers	\$ 2,227,472
Payments to suppliers and providers of goods and services	(840,994)
Payments to employees	(649,743)
Net cash provided by operating activities	736,735
Cash flows from capital and related financing activities	
Purchases of capital assets	(230,194)
Principal paid on capital leases	(111,879)
Interest paid on capital leases	(25,098)
Net cash used for capital and related financing activities	(367,171)
Cash flows from investing activities	
Interest received on investments	89,532
Net cash provided by investing activities	89,532
Net increase in cash and cash equivalents	459,096
Cash and cash equivalents, July 1, 2007	2,107,212
Cash and cash equivalents, June 30, 2008	\$ 2,566,308
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 154,735
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	307,857
Changes in assets and liabilities:	
Increase in:	
Due from other governmental units	(19,696)
Accounts receivable	(19,225)
Accounts payable	161,474
Accrued payroll and employee benefits	3,422
Landfill closure and postclosure care costs payable	152,534
Decrease in:	
Compensated absences payable	(4,366)
Net cash provided by operating activities	\$ 736,735
Noncash investing, capital, and noncapital financing activities:	
Landfill:	
Capital assets valued at \$25,378 were acquired via capital leases.	

See accompanying notes to financial statements.

Santa Cruz County
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Investment Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 18,774,559	\$ 1,209,927
Investments	14,434,784	-
Interest receivable	43,516	-
Total assets	\$ 33,252,859	\$ 1,209,927
Liabilities		
Due to other governmental units	-	\$ 2,731
Deposits held for others	-	1,207,196
Total liabilities	-	\$ 1,209,927
Net Assets		
Held in trust for investment trust participants	\$ 33,252,859	

See accompanying notes to financial statements.

Santa Cruz County
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2008

	<u>Investment Trust Funds</u>
Additions	
Contributions from participants	\$ 121,225,610
Investment income	<u>675,478</u>
Total additions	<u>121,901,088</u>
 Deductions	
Distributions to participants	<u>121,609,478</u>
Total deductions	<u>121,609,478</u>
Changes in net assets	291,610
Net assets, July 1, 2007	<u>32,961,249</u>
Net assets, June 30, 2008	<u><u>\$ 33,252,859</u></u>

See accompanying notes to financial statements.

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Santa Cruz County
Notes to Financial Statements
June 30, 2008

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, 2008, the County implemented the provisions of GASB Statement Nos. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*; and 50, *Pension Disclosure (an amendment of GASB Statements No. 25 and No. 27)*. GASB Statement No. 45 establishes governmental employer accounting and financial reporting requirements for postemployment benefits other than pensions. GASB Statement No. 50 amends GASB Statement Nos. 25 and 27 to require governmental employers to present certain pension disclosures in the notes and additional required supplementary information.

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 units:

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; the 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 governing board	Blended	Not available

Santa Cruz County
Notes to Financial Statements
June 30, 2008

B. Basis of Presentation

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

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.

Santa Cruz County
Notes to Financial Statements
June 30, 2008

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 result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment income and revenues generated by ancillary activities. 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.

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

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 account for pooled and nonpooled assets held and invested by the County Treasurer on behalf of the other governmental entities.

Santa Cruz County
Notes to Financial Statements
June 30, 2008

The Agency Funds account for assets held by the County as a fiduciary for individuals and 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.

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 earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and post-closure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

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

The County's business-type activities and enterprise fund 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.

Santa Cruz County
Notes to Financial Statements
June 30, 2008

D. Cash and Investments

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

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

E. Inventories and Prepaid Items

Inventories of the governmental and proprietary funds consist of expendable supplies held for consumption and are recorded at the time of purchase as expenditures/expenses in the funds from which the purchases were made, and because the amounts on hand at June 30, 2008, were immaterial, they are not included in the Statement of Net Assets or the Balance Sheet.

The County uses the consumption method to record certain payments to vendors for costs applicable to future accounting periods, and these payments are recorded as prepaid items in both the 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, or estimated historical cost if historical records are not available. Donated assets are reported at estimated fair value at the time received.

Santa Cruz County
Notes to Financial Statements
June 30, 2008

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 Earnings

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

I. Compensated Absences

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

Employees may accumulate up to 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.

Santa Cruz County
Notes to Financial Statements
June 30, 2008

Note 2 – Stewardship, Compliance, and Accountability

Deficit fund balances—At June 30, 2008, the following funds reported deficits in fund balances:

<u>Fund</u>	<u>Deficit</u>
Governmental funds:	
Other governmental- Accommodation School	\$226,413
Airport Fund	339,185
Other governmental- Health	1,374
Other governmental- Homeland Security	19,432
WIA Fund	5,017
Other governmental- Animal Control	25,383
Other governmental- Law Library	26,050
Other governmental- Old Courthouse	4,010

These deficits resulted from operations during the current and prior years or unexpected/unplanned events but are expected to be corrected through normal operations (including program close-out procedures) in subsequent fiscal years or through transfers from the General Fund.

For the fiscal year ended June 30, 2008, 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:		
Assessor	General	\$ 17,476
County Attorney	General	96,428
Constable #1	General	15,431
Board of Supervisors	W.I.A	25,795
Justice Court	Criminal Justice Enhancement	4,875
Adult Probation	Criminal Justice Enhancement	4,843
Sheriff	Criminal Justice Enhancement	81,801
Public Safety	Juvenile Services	188,621
Animal Control	Animal Control	6,988
Landfill	Waste Tire	12,313
Debt Service	Debt Service	231,557

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

Santa Cruz County
Notes to Financial Statements
June 30, 2008

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 3 – Deposits and Investments

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

Credit risk

Statutes have the following requirements for credit risk:

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

Custodial credit risk

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

Concentration of credit risk

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

Interest rate risk

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

Foreign currency risk

Statutes do not allow foreign investments.

Santa Cruz County
Notes to Financial Statements
June 30, 2008

Deposits—At June 30, 2008, the carrying amount of the County’s deposits was \$10,781,766 and the bank balance was \$11,025,537. The County does not have a policy related to custodial credit risk.

Investments—The County’s investments at June 30, 2008, were as follows:

Investment Type	Fair Value
State Treasurer’s investment pool 5	\$31,190,046
U.S. agency securities	9,394,352
Money market mutual fund	<u>5,040,432</u>
Total	<u>\$45,624,830</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, 2008, 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	\$31,190,046
U.S. agency securities	Aaa	Moody’s	9,394,352
Money market mutual fund	Unrated	Not applicable	<u>5,040,432</u>
Total			<u>\$45,624,830</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, 2008, the County had \$9,394,352 of U.S. agency securities and \$5,040,432 in a 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, 2008, of 5 percent or more in the Federal National Mortgage Association and the Federal Home Loan Bank. These investments were 6 percent and 9 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, 2008, the County had the following investments in debt securities:

Santa Cruz County
Notes to Financial Statements
June 30, 2008

Investment	Amount	Weighted Average Maturity (In Years)
State Treasurer's investment pool 5	\$31,190,046	0.12
U.S. agency securities	9,394,352	2.14
Money market mutual fund	<u>5,040,432</u>	.01
	<u>\$45,624,830</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	10,781,766
Amount of investments	<u>45,624,830</u>
Total	<u>\$56,411,324</u>

Statement of Net Assets:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Investment Trust Funds</u>	<u>Agency Funds</u>	<u>Total</u>
Cash and cash equivalents	\$19,425,746	\$2,566,308	\$18,774,559	\$1,209,927	\$41,976,540
Investments			<u>14,434,784</u>		<u>14,434,784</u>
Total	<u>\$19,425,746</u>	<u>\$2,566,308</u>	<u>\$33,209,343</u>	<u>\$1,209,927</u>	<u>\$56,411,324</u>

Note 4 – Due From Other Governmental Units

Amounts due from other governmental units at June 30, 2008, in the General Fund include \$467,928 in sales taxes and \$139,694 in auto lieu tax from the State of Arizona. Amounts due from other governmental units in the Road Fund include \$337,072 in highway user taxes from the State of Arizona. Amounts due from other governmental units in the Criminal Justice Enhancement Fund, WIA Fund, and Other Governmental Funds include \$1,104,675, \$867,879, and \$957,839, respectively, for federal and state reimbursement grants. The remaining balances results from various grants and contracts with other governmental units. Amounts due from other governmental units in the Enterprise Fund consist of \$55,039 due from the City of Nogales and Town of Patagonia for landfill fees.

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

Santa Cruz County
Notes to Financial Statements
June 30, 2008

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$22,145,078	\$ 6,000		\$ 22,151,078
Construction in progress	<u>4,589,887</u>	<u>4,913,965</u>	<u>\$2,707,681</u>	<u>6,796,171</u>
Total capital assets not being depreciated	<u>26,734,965</u>	<u>4,919,965</u>	<u>2,707,681</u>	<u>28,947,249</u>
Capital assets being depreciated:				
Buildings	11,992,025	17,548		12,009,573
Improvements other than buildings	2,961,958	75,447		3,037,405
Construction equipment and vehicles	8,869,988	1,358,336	428,871	9,799,453
Furniture and equipment	5,227,329	713,955		5,941,284
Infrastructure	<u>67,645,041</u>	<u>2,710,591</u>		<u>70,355,632</u>
Total	<u>96,696,341</u>	<u>4,875,877</u>	<u>428,871</u>	<u>101,143,347</u>
Less accumulated depreciation for:				
Buildings	4,920,436	300,146		5,220,582
Improvements other than buildings	781,414	101,108		882,522
Construction equipment and vehicles	5,979,762	882,521	428,871	6,433,412
Furniture and equipment	2,834,902	788,714		3,623,616
Infrastructure	<u>36,161,654</u>	<u>1,070,654</u>		<u>37,232,308</u>
Total	<u>50,678,168</u>	<u>3,143,143</u>	<u>428,871</u>	<u>53,392,440</u>
Total capital assets being depreciated, net	<u>46,018,173</u>	<u>1,732,734</u>		<u>47,750,907</u>
Governmental activities capital assets, net	<u>\$72,753,138</u>	<u>\$6,652,699</u>	<u>\$2,707,681</u>	<u>\$76,698,156</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	2,173,750	\$215,839		2,389,589
Construction equipment and vehicles	<u>2,271,997</u>	<u>39,733</u>		<u>2,311,730</u>
Total	<u>4,691,814</u>	<u>255,572</u>		<u>4,947,386</u>
Less accumulated depreciation for:				
Buildings	79,125	6,156		85,281
Improvements other than buildings	359,480	54,625		414,105
Construction equipment and vehicles	<u>1,386,360</u>	<u>247,076</u>		<u>1,633,436</u>
Total	<u>1,824,965</u>	<u>307,857</u>		<u>2,132,822</u>
Total capital assets being depreciated, net	<u>2,866,849</u>	<u>(52,285)</u>		<u>2,814,564</u>
Business-type activities capital assets, net	<u>\$3,096,845</u>	<u>\$(52,285)</u>		<u>\$3,044,560</u>

Santa Cruz County
Notes to Financial Statements
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Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$792,173
Public safety	778,313
Highways and streets	1,405,216
Health, welfare and sanitation	117,123
Education and economic opportunity	26,120
Recreation	<u>24,198</u>
Total governmental activities depreciation expense	<u>\$3,143,143</u>
Business-Type Activities:	
County landfills	<u>\$ 307,857</u>
Total business-type activities depreciation expense	<u>\$ 307,857</u>

Note 6 – Construction Commitments

The County had major contractual commitments related to capital projects at June 30, 2008, for the construction of the Santa Cruz County Jail District Detention Facility Project, Santa Cruz County Court Facility Project, and various other capital projects. At June 30, 2008, the County had spent \$6,796,171 and had remaining contractual commitments of \$61,429,050. In August 2008 the County sold revenue bonds to finance the construction of the Judicial and Detention project.

Note 7 – Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2008:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>	<u>Due within 1 year</u>
Governmental activities					
Obligations under capital leases	\$ 672,785	\$ 532,426	\$ 193,519	\$ 1,011,692	\$ 138,804
Long-term notes payable	742,045		24,495	717,550	25,699
Compensated absences payable	1,696,096	988,463	721,878	1,962,681	1,050,812
Estimated liabilities for claims and judgments	<u>75,000</u>	_____	_____	<u>75,000</u>	_____
Governmental activities long-term liabilities	<u>\$3,185,926</u>	<u>\$1,520,889</u>	<u>\$939,892</u>	<u>\$3,766,923</u>	<u>\$1,215,315</u>
Business-type activities					
Obligations under capital leases	\$ 420,895	\$ 25,378	\$111,879	\$ 334,394	\$ 118,469
Compensated absences payable	45,463	22,475	26,841	41,097	24,272
Landfill closure and postclosure care costs payable	<u>3,891,374</u>	<u>157,939</u>	<u>5,405</u>	<u>4,043,908</u>	<u>5,638</u>
Business-type activities long-term liabilities	<u>\$4,357,732</u>	<u>\$205,792</u>	<u>\$144,125</u>	<u>\$4,419,399</u>	<u>\$148,379</u>

Santa Cruz County
Notes to Financial Statements
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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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Construction equipment and vehicles	\$1,272,494	\$ 1,257,967
Less: accumulated depreciation	<u>242,121</u>	<u>783,785</u>
Carrying value	<u>\$1,030,373</u>	<u>\$ 474,182</u>

The following schedule details debt service requirements to maturity for the County's obligations under capital leases at June 30, 2008:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2009	\$ 286,735	\$ 135,913
2010	286,734	110,113
2011	286,732	114,100
2012	203,896	5,938
2013	<u>51,221</u>	<u>495</u>
Total minimum lease payments	1,115,318	366,559
Less amount representing interest	<u>103,626</u>	<u>32,165</u>
Present value of net minimum lease payments	<u>\$ 1,011,692</u>	<u>\$334,394</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 principal of the note payable is \$717,550 and the future minimum payments required under the contract at June 30, 2008, including interest of 4.86 percent, are as follows:

Santa Cruz County
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<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 25,699	\$ 34,564
2010	26,964	33,300
2011	28,290	31,974
2012	29,682	30,582
2013	31,142	29,122
2014-2018	180,250	121,069
2019-2023	229,164	72,155
2024-2026	<u>166,359</u>	<u>14,434</u>
Total	<u>\$717,550</u>	<u>\$367,200</u>

Landfill closure and postclosure care costs—State and federal laws and regulations require the County to place a final cover on its three landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and 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 \$4,043,908 reported as landfill closure and postclosure care liability at June 30, 2008, represents the cumulative amount reported to date based on the use of 68 percent of the estimated capacity of the landfills. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,903,015 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 2008. 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 ensure 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

Santa Cruz County
Notes to Financial Statements
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administrative costs. If the Trust were to terminate, the County would be responsible for its proportional share of any Trust deficit.

Compensated absences and claims and judgments—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. Claims and judgments are generally paid from the fund that accounts for the activity that gave rise to the claim. During fiscal year 2008, the County paid for compensated absences as follows: 54 percent from the General Fund, 7 percent from the Road Fund, 3 percent from the WIA Fund, 6 percent from the Criminal Justice Enhancement Fund, 10 percent from the Jail District Fund, 17 percent from the Other Governmental Funds, and 3 percent from the Enterprise Funds.

Note 8 – 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 and the Arizona Counties Workers' Compensation Pool, which are described below, and the Arizona Local Government Employee Benefit Trust, which is described on page 44.

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.

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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 9 – Pensions and Other Postemployment Benefits

Plan Descriptions—The County contributes to the four plans described below. Benefits are established by state statute and the plans generally provide retirement, long-term disability, and health insurance premium benefits including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing, multiple-employer-defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability 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) administers an agent multiple-employer defined benefit pension plan and an agent, multiple-employer defined benefit health insurance premium 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) administers an agent multiple-employer-defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium 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) administers a cost-sharing, multiple-employer defined benefit pension plan and a cost-sharing, multiple-employer defined benefit health insurance premium plan that covers State of Arizona and county elected officials and judges,

Santa Cruz County
Notes to Financial Statements
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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. Because the health insurance premium plan benefit of the EORP is not established as a formal trust, the EORP is reported in accordance with GASB Statement No. 45 as an agent multiple-employer defined benefit plan. Accordingly, the disclosures that follow reflect the EORP as if it were an agent multiple-employer defined benefit plan.

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 for the ASRS, PSPRS, CORP, and EORP.

Cost-Sharing Plans—For the year ended June 30, 2008, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.6 percent (9.1 percent for retirement and 0.5 percent for long-term disability) of the members' annual covered payroll and the County was required by statute to contribute at the actuarially determined rate of 9.6 percent (8.05 percent for retirement, 1.05 percent for health insurance premium, and 0.5 percent for long-term disability) of the members' annual covered payroll.

The County's contributions for the current and two preceding years, all of which were equal to the required contributions for the year, were as follows:

<u>Year Ended June 30</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2008	\$ 844,789	\$ 110,191	\$ 52,469
2007	841,950	131,272	56,584
2006	621,037	121,624	53,857

Agent Plans—For the year ended June 30, 2008, 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 14.57 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.56 percent of covered payroll. Active CORP members were required by statute to contribute 7.96 percent of the members' annual covered payroll and the County was required

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to contribute 5.00 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.55 percent of covered payroll. Active EORP members were required by statute to contribute 7.00 percent of the members' annual covered payroll; and the County was required to remit a designated portion of certain court fees plus additional contributions at the actuarially determined rate of 12.84 percent of the members' annual covered payroll. The health insurance premium portion of the contribution rate for normal cost was actuarially set at 1.05 percent of covered payroll.

Actuarial methods and assumptions—The contribution requirements for the year ended June 30, 2008, were established by the June 30, 2006 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on 1) the plans as understood by the County and plans' members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial method and assumptions used to establish the fiscal year 2008 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	30 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% - 8.50% for PSPRS and CORP; 5.00% for EORP
Inflation rate	5.00%

Santa Cruz County
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June 30, 2008

Annual Pension/OPEB Cost—The County's pension/OPEB cost for the agent plans for the year ended June 30, 2008, and related information follows:

	PSPRS		CORP		EORP	
	Pension	Health Insurance	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	\$289,428	\$23,787	\$34,480	\$8,567	\$117,420	\$10,457
Contributions made	289,428	23,787	34,480	8,567	117,420	10,457

Trend Information—Annual pension cost information for the current and 2 preceding years follows for each of the agent plans. Annual OPEB cost information for the current year (i.e., transition year) is as follows. Information about preceding years will be added over the next 2 years.

Plan	Year Ended June 30	Annual Pension/OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/OPEB Obligation
PSPRS				
Pension	2008	\$289,428	100.0%	-
Health insurance	2008	23,787	100.0	-
Pension and health insurance	2007	238,489	100.0	-
	2006	268,303	100.0	-
CORP				
Pension	2008	\$34,480	100.0%	-
Health insurance	2008	8,567	100.0	-
Pension and health insurance	2007	33,623	100.0	-
	2006	23,958	100.0	-
EORP				
Pension	2008	\$117,420	100.0%	-
Health insurance	2008	10,457	100.0	-
Pension and health insurance	2007	107,017	100.0	-
	2006	121,380	100.0	-

Funded Status—The funded status of the plans as of the most recent valuation date, June 30, 2008, along with the actuarial assumptions and methods used in those valuations follow. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction,

Santa Cruz County
Notes to Financial Statements
June 30, 2008

in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Fund Manager obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and, therefore, actuarial information for the County, as a participating government is not available.

	PSPRS		CORP	
	Pension	Health Insurance	Pension	Health Insurance
Actuarial accrued liability (a)	\$8,292,376	\$ 213,193	\$ 1,393,710	\$ 28,842
Actuarial value of assets (b)	4,414,142	-	1,898,222	-
Unfunded actuarial accrued liability (funding excess) (a) – (b)	3,878,234	213,193	(504,512)	28,842
Funded ratio (b)/(a)	53.2%	0%	136.2%	0%
Covered payroll (c)	\$ 2,105,003	\$ 2,105,003	\$ 831,787	\$ 831,787
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((a)-(b))/(c)	184.2%	10.13%	-	3.47%

The actuarial methods and assumptions used are the same for all plans and related benefits, and for the most recent valuation date, are as follows:

Actuarial valuation date	June 30, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	28 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% - 9.00% for PSPRS and CORP; 5.00% for EORP
Inflation rate	5.50% for PSPRS; 5.00% for CORP and EORP

Note 10 – Interfund Balances and Activity

Interfund receivables and payables—Interfund balances at June 30, 2008, were as follows:

Santa Cruz County
Notes to Financial Statements
June 30, 2008

Payable from	<u>Payable to</u> General Fund
WIA Fund	\$860,976
Airport Fund	796,761
Criminal Justice Enhancement Fund	1,120,867
Nonmajor Governmental Funds	<u>1,095,479</u>
Total governmental funds	<u><u>\$3,874,083</u></u>

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

Interfund transfers—Interfund transfers for the year ended June 30, 2008, were as follows:

	Transfer to						Total
	Road Fund	WIA Fund	Airport Fund	Jail District Fund	Criminal Justice Enhancement Fund	Nonmajor Governmental Funds	
Transfer from							
General Fund	\$9,034	\$147,921	\$19,583	\$2,856,124	\$52,821	\$2,453,921	\$5,539,404
Nonmajor Governmental Funds	<u>7,500</u>	-	-	-	<u>137,783</u>	<u>6,780</u>	<u>152,063</u>
Total Primary Governmental Funds	<u><u>\$16,534</u></u>	<u><u>\$147,921</u></u>	<u><u>\$19,583</u></u>	<u><u>\$2,856,124</u></u>	<u><u>\$ 190,604</u></u>	<u><u>\$2,460,701</u></u>	<u><u>\$5,691,467</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 11 – County Treasurer’s Investment Pool

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

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

Santa Cruz County
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June 30, 2008

operations. The pool's structure does not provide for shares and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments.

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

All deposits and investments of County's primary government are included in the County Treasurer's investment pool, except for \$8,339,098 of deposits and \$13,135,084 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 3 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	\$9,225,000	1.7-7.1%	9/08-10/12	\$9,394,352
State Treasurer's investment pool	18,054,962	No stated interest rate	No stated maturity	18,054,962
Money market mutual fund	5,040,432	No stated interest rate	No stated maturity	5,040,432

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

Statement of Net Assets:

Assets	\$ 35,202,342
Liabilities	-
Net assets	<u>\$ 35,202,342</u>
Net assets held in trust for:	
Internal participants	\$ 2,884,573
External participants	<u>32,317,769</u>
Total net assets held in trust	<u>\$ 35,202,342</u>

Statement of Changes in Net Assets:

Total additions	\$130,679,664
Total deductions	<u>132,994,229</u>
Net (decrease)	<u>(2,314,565)</u>
Net assets held in trust:	
July 1, 2007	<u>37,516,907</u>
June 30, 2008	<u>\$ 35,202,342</u>

Santa Cruz County
Notes to Financial Statements
June 30, 2008

Note 12 –Subsequent Event

In August of 2008, Santa Cruz County issued \$59,855,000 of Greater Arizona Development Authority System revenue bonds. These bonds are secured by a pledge of the revenue collected for the Santa Cruz County Jail District and the Santa Cruz County half cent sales tax.

Note 13 –Beginning Balances Restated

As a result of an error in the prior year in which the County did not record a receivable relating to expenditures incurred from a federally funded grant, the net assets of the governmental activities and fund balances of governmental funds at July 1, 2007 have been restated from amounts previously reported as follows:

	Funds	
	Governmental Activities	Total Governmental Funds
Net assets/fund balance, June 30, 2007, as previously reported	\$92,204,824	\$21,071,684
The recognition of an intergovernmental receivable relating to the Cooperating Technical Partners program.	759,385	759,385
Net assets/fund balance, July 1, 2007, as restated	\$92,964,209	\$21,831,069

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Required Supplementary Information

Santa Cruz County
 Required Supplementary Information
 Schedule of Agent Retirement Plans' Funding Progress
 June 30, 2008

Public Safety Personnel Retirement System

<u>Plan</u>	<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>
Pension	June 30, 2008	\$ 4,414,142	\$ 8,292,376	\$ (3,878,234)	53.2%	\$ 2,105,003	184.2%
Health							
Insurance	June 30, 2008	-	213,193	(213,193)	0%	2,105,003	10.1%
Pension	June 30, 2007	3,908,433	7,564,154	(3,655,721)	51.7%	1,876,653	194.8%
Health							
Insurance	June 30, 2007	-	195,472	(195,472)	0%	1,876,653	10.4%
Pension	June 30, 2006	5,099,486	7,499,778	(2,400,292)	68.0%	1,767,159	135.8%
Health							
Insurance	June 30, 2006	-	218,086	(218,086)	0%	1,767,159	12.3%

Corrections Officer Retirement Plan

<u>Plan</u>	<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>
Pension	June 30, 2008	\$ 1,898,222	\$ 1,393,710	\$ 504,512	136.2%	\$ 831,787	-
Health							
Insurance	June 30, 2008	-	28,842	(28,842)	0%	831,787	3.5%
Pension	June 30, 2007	1,896,284	1,253,272	643,012	151.3%	667,194	-
Health							
Insurance	June 30, 2007	-	67,120	(67,120)	0%	667,194	10.1%
Pension	June 30, 2006	1,317,912	811,690	506,222	162.4%	516,689	-
Health							
Insurance	June 30, 2006	-	51,544	(51,544)	0%	516,689	10.0%

Santa Cruz County
Required Supplementary Information
Notes to Schedule of Agent Retirement Plans' Funding Progress
June 30, 2008

Note 1 – Actuarial Information Available

The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Fund Manager obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and, therefore, actuarial information for the County, as a participating government, is not available.

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Taxes	\$ 11,787,132	\$ 11,845,854	\$ 58,722
Intergovernmental	10,146,585	9,381,460	(765,125)
Licenses and permits	1,293,800	927,316	(366,484)
Charges for services	160,000	1,421,383	1,261,383
Fines and forfeits	420,000	611,876	191,876
Investment income	350,000	519,209	169,209
Rents	12,000	52,000	40,000
Miscellaneous	90,000	482,538	392,538
Total revenues	<u>24,259,517</u>	<u>25,241,636</u>	<u>982,119</u>
Expenditures			
Current:			
General government:			
Adult Probation	751,103	441,038	310,065
Airport	170,818	47,086	123,732
Assessor	933,053	950,529	(17,476)
Board of Supervisors	4,038,954	2,217,462	1,821,492
Central Permits	277,511	90,510	187,001
Clerk of Superior Court	773,121	738,699	34,422
County Attorney	1,311,583	1,408,011	(96,428)
Elections	275,810	163,299	112,511
Finance	2,108,361	954,453	1,153,908
GIS	302,434	95,503	206,931
Grounds and Maintenance	1,363,280	1,248,118	115,162
Information Technology	641,899	578,936	62,963
Justice Court	883,938	871,998	11,940
Planning and Zoning	478,038	353,596	124,442
Recorder	532,437	460,437	72,000
Superior Court	1,983,662	1,600,670	382,992
Treasurer	586,912	490,292	96,620
Total general government	<u>17,412,914</u>	<u>12,710,637</u>	<u>4,702,277</u>
Public safety:			
Constable #1	71,198	86,629	(15,431)
Building Codes	590,317	529,312	61,005
Emergency Services	166,559	132,919	33,640
Sheriff	3,980,954	3,887,972	92,982
Constable #2	27,398	19,446	7,952
Total public safety	<u>4,836,426</u>	<u>4,656,278</u>	<u>180,148</u>

(Continued)

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2008
 (Concluded)

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Health, welfare and sanitation:			
Public Fiduciary	2,988,328	2,863,345	124,983
Total health, welfare and sanitation	<u>2,988,328</u>	<u>2,863,345</u>	<u>124,983</u>
Education and economic opportunity:			
School superintendent	1,457,881	1,421,208	36,673
Drug education	78,579	-	78,579
Total education and economic opportunity	<u>1,536,460</u>	<u>1,421,208</u>	<u>115,252</u>
Recreation—Parks	<u>715,847</u>	<u>425,060</u>	<u>290,787</u>
Capital outlay	<u>6,251,000</u>	<u>229,470</u>	<u>6,021,530</u>
Total expenditures	<u>33,740,975</u>	<u>22,305,998</u>	<u>11,434,977</u>
Excess (deficiency) of revenues over expenditures	(9,481,458)	2,935,638	12,417,096
Other financing sources (uses):			
Transfers out	<u>(2,469,731)</u>	<u>(5,539,404)</u>	<u>(3,069,673)</u>
Total other financing sources (uses)	<u>(2,469,731)</u>	<u>(5,539,404)</u>	<u>(3,069,673)</u>
Net change in fund balance	(11,951,189)	(2,603,766)	9,347,423
Fund balance, July 1, 2007	<u>11,951,189</u>	<u>15,355,699</u>	<u>3,404,510</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ 12,751,933</u>	<u>\$ 12,751,933</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
Road Fund
Year Ended June 30, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 4,623,660	\$ 4,553,793	\$ (69,867)
Investment income	-	69,285	69,285
Miscellaneous	-	18,353	18,353
Total revenues	<u>4,623,660</u>	<u>4,641,431</u>	<u>17,771</u>
Expenditures:			
Current:			
Highways and streets—Road	<u>6,196,848</u>	<u>4,390,949</u>	<u>1,805,899</u>
Excess (deficiency) of revenues over expenditures	<u>(1,573,188)</u>	<u>250,482</u>	<u>1,823,670</u>
Other financing sources (uses):			
Transfers in	<u>7,500</u>	<u>16,534</u>	<u>9,034</u>
Total other financing sources (uses)	<u>7,500</u>	<u>16,534</u>	<u>9,034</u>
Net change in fund balance	(1,565,688)	267,016	1,832,704
Fund balance, July 1, 2007	<u>1,565,688</u>	<u>1,347,898</u>	<u>(217,790)</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ 1,614,914</u>	<u>\$ 1,614,914</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
 Required Supplementary Information
 Budgetary Comparison Schedule
 WIA Fund
 Year Ended June 30, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 1,714,700	\$ 1,179,041	\$ (535,659)
Total revenues	<u>1,714,700</u>	<u>1,179,041</u>	<u>(535,659)</u>
Expenditures:			
Current:			
General government:			
Board of Supervisors	<u>-</u>	<u>25,795</u>	<u>(25,795)</u>
Education and economic opportunity:			
Commerce Department	<u>1,733,847</u>	<u>1,283,565</u>	<u>450,282</u>
Total expenditures	<u>1,733,847</u>	<u>1,309,360</u>	<u>424,487</u>
Excess (deficiency) of revenues over expenditures	<u>(19,147)</u>	<u>(130,319)</u>	<u>(111,172)</u>
Other financing sources (uses):			
Transfers in	<u>-</u>	<u>147,921</u>	<u>147,921</u>
Total other financing sources (uses)	<u>-</u>	<u>147,921</u>	<u>147,921</u>
Net change in fund balance	(19,147)	17,602	36,749
Fund balance, July 1, 2007	<u>19,147</u>	<u>(22,619)</u>	<u>(41,766)</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ (5,017)</u>	<u>\$ (5,017)</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
Jail District Fund
Year Ended June 30, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 2,900,000	\$ 3,335,596	\$ 435,596
Investment income	-	67,108	67,108
Total revenues	<u>2,900,000</u>	<u>3,402,704</u>	<u>502,704</u>
Expenditures:			
Current:			
Public safety:			
Juvenile detention	1,887,304	1,553,798	333,506
Sheriff's office	4,094,708	3,808,225	286,483
Total expenditures	<u>5,982,012</u>	<u>5,362,023</u>	<u>619,989</u>
Excess (deficiency) of revenues over expenditures	<u>(3,082,012)</u>	<u>(1,959,319)</u>	<u>1,122,693</u>
Other financing sources (uses):			
Transfers in	<u>1,751,000</u>	<u>2,856,124</u>	<u>1,105,124</u>
Total other financing sources (uses)	<u>1,751,000</u>	<u>2,856,124</u>	<u>1,105,124</u>
Net change in fund balance	(1,331,012)	896,805	2,227,817
Fund balance, July 1, 2007	<u>1,331,012</u>	<u>1,297,780</u>	<u>(33,232)</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ 2,194,585</u>	<u>\$ 2,194,585</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
Required Supplementary Information
Budgetary Comparison Schedule
Criminal Justice Enhancement Fund
Year Ended June 30, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 982,882	\$ 1,274,813	\$ 291,931
Charges for services	23,500	32,499	8,999
Fines and forfeits	377,457	208,117	(169,340)
Investment income	120	15,413	15,293
Miscellaneous	-	66,608	66,608
Total revenues	1,383,959	1,597,450	213,491
Expenditures:			
Current:			
General government:			
County Attorney	930,117	742,253	187,864
Clerk of Superior Court	5,953	-	5,953
Justice Court	-	4,875	(4,875)
Superior Court	504,198	12,735	491,463
Juvenile Probation	48,856	-	48,856
Total general government	1,489,124	759,863	729,261
Public safety:			
Adult Probation	20,532	25,375	(4,843)
Sheriff's Office	770,313	852,114	(81,801)
Other Agencies	28,500	3,002	25,498
Total public safety	819,345	880,491	(61,146)
Total expenditures	2,308,469	1,640,354	668,115
Excess (deficiency) of revenues over expenditures	(924,510)	(42,904)	881,606
Other financing sources (uses):			
Transfers in	230,760	190,604	(40,156)
Transfers out	(103,455)	-	103,455
Total other financing sources (uses)	127,305	190,604	63,299
Net change in fund balance	(797,205)	147,700	944,905
Fund balance, July 1, 2007	797,205	726,427	(70,778)
Fund balance, June 30, 2008	\$ -	\$ 874,127	\$ 874,127

See accompanying notes to budgetary comparison schedules.

Santa Cruz County
 Required Supplementary Information
 Notes to Budgetary Comparison Schedules
 June 30, 2008

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 – Budgetary Basis of Accounting

The County's budget is prepared on a basis consistent with generally accepted accounting principles, except for the following unbudgeted item:

-Present value of net minimum capital lease payments.

The following schedule reconciles the excess of revenues over expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balances to the budgetary comparison schedules:

	General Fund	Road Fund
Excess of revenues over expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balances	\$2,840,168	\$158,721
Present value of net minimum capital lease payments	95,470	91,761
Excess of revenues over expenditures from the budgetary comparison schedules	\$2,935,638	\$250,482

Note 3 – Expenditures In Excess of Appropriations

For the year ended June 30, 2008, expenditures exceeded final budgeted amounts at the department level (the legal level of budgetary control) as follows:

Santa Cruz County
 Required Supplementary Information
 Notes to Budgetary Comparison Schedules
 June 30, 2008

Fund/Department	Excess
<u>General Fund:</u>	
Assessor	\$ 17,476
County Attorney	96,428
Constable #1	15,431
<u>WIA Fund:</u>	
Board of Supervisors	25,795
<u>Criminal Justice Enhancement Fund:</u>	
Justice Court	4,875
Adult Probation	4,843
Sheriff	81,801

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.

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Combining and Individual
Fund Statements and Schedules

Santa Cruz County
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total
Assets				
Cash and cash equivalents	\$ 3,394,523	\$ 60,385	\$ 1,905,959	\$ 5,360,867
Property taxes receivable (net of allowance for uncollectible)	279,500	-	54,776	334,276
Due from other governmental units	957,521	-	318	957,839
Accounts receivable	7,927	-	-	7,927
Total assets	<u>\$ 4,639,471</u>	<u>\$ 60,385</u>	<u>\$ 1,961,053</u>	<u>\$ 6,660,909</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 208,421	\$ -	\$ 114,358	\$ 322,779
Due to other governments	-	-	4,610	4,610
Accrued payroll and employee benefits	140,180	-	-	140,180
Due to other funds	1,095,479	-	-	1,095,479
Deferred revenue	264,986	-	50,132	315,118
Total liabilities	<u>1,709,066</u>	<u>-</u>	<u>169,100</u>	<u>1,878,166</u>
Fund balances:				
Reserved for:				
Debt service	-	-	1,791,953	1,791,953
Unreserved reported in:				
Special revenues funds	2,930,405	-	-	2,930,405
Capital Projects fund	-	60,385	-	60,385
Total fund balances	<u>2,930,405</u>	<u>60,385</u>	<u>1,791,953</u>	<u>4,782,743</u>
Total liabilities and fund balances	<u>\$ 4,639,471</u>	<u>\$ 60,385</u>	<u>\$ 1,961,053</u>	<u>\$ 6,660,909</u>

Santa Cruz County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2008

	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total
Revenues:				
Taxes	\$ 2,041,683	\$ -	\$ 1,586	\$ 2,043,269
Intergovernmental	5,733,998	-	-	5,733,998
Charges for services	536,902	-	-	536,902
Fines and forfeits	112,847	-	-	112,847
Investment income	79,525	-	20,045	99,570
Miscellaneous	136,990	-	-	136,990
Total revenues	<u>8,641,945</u>	<u>-</u>	<u>21,631</u>	<u>8,663,576</u>
Expenditures:				
Current:				
General government	523,276	3,480	-	526,756
Public safety	3,428,007	-	-	3,428,007
Health, welfare and sanitation	1,679,197	-	-	1,679,197
Education and economic opportunity	2,042,796	-	-	2,042,796
Capital outlay	1,404,770	8,293	674,569	2,087,632
Debt service:				
Principal	31,124	-	-	31,124
Total expenditures	<u>9,109,170</u>	<u>11,773</u>	<u>674,569</u>	<u>9,795,512</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(467,225)</u>	<u>(11,773)</u>	<u>(652,938)</u>	<u>(1,131,936)</u>
Other financing sources (uses):				
Capital lease agreements	345,195	-	-	345,195
Transfers in	460,701	-	2,000,000	2,460,701
Transfers out	(152,063)	-	-	(152,063)
Total other financing sources (uses)	<u>653,833</u>	<u>-</u>	<u>2,000,000</u>	<u>2,653,833</u>
Net change in fund balances	186,608	(11,773)	1,347,062	1,521,897
Fund balances, July 1, 2007, as restated	<u>2,743,797</u>	<u>72,158</u>	<u>444,891</u>	<u>3,260,846</u>
Fund balances, June 30, 2008	<u>\$ 2,930,405</u>	<u>\$ 60,385</u>	<u>\$ 1,791,953</u>	<u>\$ 4,782,743</u>

Santa Cruz County
Combining Balance Sheet
Nonmajor Special Revenue Funds
Year Ended June 30, 2008

	<u>Flood</u>	<u>Health Services</u>	<u>Homeland Security</u>	<u>Juvenile Services</u>
Assets				
Cash and cash equivalents	\$ 1,276,833	\$ 66,459	\$ 1,786	\$ 368,650
Property taxes receivable (net of allowance for uncollectible)	279,500	-	-	-
Due from other governmental units	2,428	78,031	473,410	224,357
Accounts receivable	191	1,690	-	-
Total assets	<u>\$ 1,558,952</u>	<u>\$ 146,180</u>	<u>\$ 475,196</u>	<u>\$ 593,007</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 11,056	\$ 47,675	\$ 15,000	\$ 64,293
Accrued payroll and employee benefits	18,771	23,871	6,218	31,674
Due to other funds	-	76,008	473,410	201,456
Deferred revenue	264,986	-	-	-
Total liabilities	<u>294,813</u>	<u>147,554</u>	<u>494,628</u>	<u>297,423</u>
Fund balances:				
Reserved for:				
Debt service				
Unreserve reported in:				
Special revenue funds	1,264,139	(1,374)	(19,432)	295,584
Total fund balances (deficit)	<u>1,264,139</u>	<u>(1,374)</u>	<u>(19,432)</u>	<u>295,584</u>
Total liabilities and fund balances	<u>\$ 1,558,952</u>	<u>\$ 146,180</u>	<u>\$ 475,196</u>	<u>\$ 593,007</u>

<u>Probation Services</u>	<u>Retrieval Conversion</u>	<u>Accommodation School</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 355,355	\$ 555,207	\$ -	\$ 770,233	\$ 3,394,523
-	-	-	-	279,500
361	39	-	178,895	957,521
106	2,712	-	3,228	7,927
<u>\$ 355,822</u>	<u>\$ 557,958</u>	<u>\$ -</u>	<u>\$ 952,356</u>	<u>\$ 4,639,471</u>
\$ 3,181	\$ 6,864	\$ -	\$ 60,352	\$ 208,421
35,791	2,005	-	21,850	140,180
-	-	226,413	118,192	1,095,479
-	-	-	-	264,986
<u>38,972</u>	<u>8,869</u>	<u>226,413</u>	<u>200,394</u>	<u>1,709,066</u>
316,850	549,089	(226,413)	751,962	2,930,405
<u>316,850</u>	<u>549,089</u>	<u>(226,413)</u>	<u>751,962</u>	<u>2,930,405</u>
<u>\$ 355,822</u>	<u>\$ 557,958</u>	<u>\$ -</u>	<u>\$ 952,356</u>	<u>\$ 4,639,471</u>

Santa Cruz County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2008

	<u>Flood</u>	<u>Health Services</u>	<u>Homeland Security</u>	<u>Juvenile Services</u>
Revenues:				
Taxes	\$ 1,851,356	-	-	\$ 114,571
Intergovernmental	335,358	\$ 506,663	\$ 288,735	1,165,741
Charges for services	-	184,878	-	20,268
Fines and forfeits	-	-	-	-
Investment income	35,437	3,693	6	4,485
Miscellaneous	-	5	-	-
Total revenues	<u>2,222,151</u>	<u>695,239</u>	<u>288,741</u>	<u>1,305,065</u>
Expenditures:				
Current:				
General government	-	-	-	199,357
Public safety	1,206,754	-	246,228	766,212
Health, welfare and sanitation	-	932,913	-	-
Education and economic opportunity	-	-	-	256,628
Capital outlay	1,083,183	71,776	100,451	-
Debt services:				
Principal	31,124	-	-	-
Total expenditures	<u>2,321,061</u>	<u>1,004,689</u>	<u>346,679</u>	<u>1,222,197</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(98,910)</u>	<u>(309,450)</u>	<u>(57,938)</u>	<u>82,868</u>
Other financing sources (uses):				
Capital lease agreements	345,195	-	-	-
Transfers in	-	122,676	682	33,802
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>345,195</u>	<u>122,676</u>	<u>682</u>	<u>33,802</u>
Net change in fund balances	246,285	(186,774)	(57,256)	116,670
Fund balances (deficit), July 1, 2007, as restated	<u>1,017,854</u>	<u>185,400</u>	<u>37,824</u>	<u>178,914</u>
Fund balances (deficit), June 30, 2008	<u>\$ 1,264,139</u>	<u>\$ (1,374)</u>	<u>\$ (19,432)</u>	<u>\$ 295,584</u>

<u>Probation Services</u>	<u>Retreival Conversion</u>	<u>Accommodation School</u>	<u>Other Governmental Funds</u>	<u>Total</u>
-	-	-	\$ 75,756	\$ 2,041,683
\$ 939,145	\$ 26,544	\$ 1,573,867	897,945	5,733,998
97,207	170,971	-	63,578	536,902
-	112,847	-	-	112,847
9,078	12,154	-	14,672	79,525
881	3,363	110,168	22,573	136,990
<u>1,046,311</u>	<u>325,879</u>	<u>1,684,035</u>	<u>1,074,524</u>	<u>8,641,945</u>
-	158,844	-	165,075	523,276
976,116	-	-	232,697	3,428,007
-	-	-	746,284	1,679,197
-	-	1,573,143	213,025	2,042,796
-	7,473	-	141,887	1,404,770
-	-	-	-	31,124
<u>976,116</u>	<u>166,317</u>	<u>1,573,143</u>	<u>1,498,968</u>	<u>9,109,170</u>
<u>70,195</u>	<u>159,562</u>	<u>110,892</u>	<u>(424,444)</u>	<u>(467,225)</u>
-	-	-	-	345,195
2,470	-	-	301,439	461,069
-	(132,030)	-	(20,401)	(152,431)
<u>2,470</u>	<u>(132,030)</u>	<u>-</u>	<u>281,038</u>	<u>653,833</u>
72,665	27,532	110,892	(143,406)	186,608
<u>244,185</u>	<u>521,557</u>	<u>(337,305)</u>	<u>895,368</u>	<u>2,743,797</u>
<u>\$ 316,850</u>	<u>\$ 549,089</u>	<u>\$ (226,413)</u>	<u>\$ 751,962</u>	<u>\$ 2,930,405</u>

Santa Cruz County
Combining Balance Sheet
Nonmajor Capital Projects Fund
Year Ended June 30, 2008

	Capital Projects Other	Total
Assets		
Cash and cash equivalents	\$ 60,385	\$ 60,385
Due from other governments	-	-
Total assets	\$ 60,385	\$ 60,385
Liabilities and fund balances		
Liabilities:		
Due to other funds	-	-
Total liabilities	-	-
Fund balances:		
Unreserved	\$ 60,385	\$ 60,385
Total fund balance	60,385	60,385
Total liabilities and fund balance	\$ 60,385	\$ 60,385

Santa Cruz County
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances
Nonmajor Capital Projects Fund
Year Ended June 30, 2008

	<u>Capital Projects Other</u>	<u>Total</u>
Revenues:		
Intergovernmental	\$ -	\$ -
Expenditures:		
Current:		
General government	3,480	3,480
Capital outlay	<u>8,293</u>	<u>8,293</u>
Total expenditures	<u>11,773</u>	<u>11,773</u>
Excess (deficiency) of revenues over (under) expenditures	(11,773)	(11,773)
Other financing sources (uses)		
Transfers in	-	-
Transfers out	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balance	(11,773)	(11,773)
Fund balance, July 1, 2007	<u>72,158</u>	<u>72,158</u>
Fund balance, June 30, 2008	<u>\$ 60,385</u>	<u>\$ 60,385</u>

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

Nonmajor Special Revenue Funds

Santa Cruz County
 Nonmajor Special Revenue Funds
 Flood Services Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Property taxes	\$ 1,900,641	\$ 1,851,356	\$ (49,285)
Intergovernmental	1,000,000	335,358	(664,642)
Investment income	-	35,437	35,437
Total revenues	<u>2,900,641</u>	<u>2,222,151</u>	<u>(678,490)</u>
Expenditures			
Current:			
Public safety	<u>3,446,230</u>	<u>2,321,061</u>	<u>1,125,169</u>
Total expenditures	<u>3,446,230</u>	<u>2,321,061</u>	<u>1,125,169</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(545,589)</u>	<u>(98,910)</u>	<u>(446,679)</u>
Other financing sources (uses):			
Capital lease agreements	<u>-</u>	<u>345,195</u>	<u>345,195</u>
Total other financing sources (uses)	<u>-</u>	<u>345,195</u>	<u>345,195</u>
Net change in fund balance	(545,589)	246,285	791,874
Fund balance, July 1, 2007, as restated	<u>545,589</u>	<u>1,017,854</u>	<u>472,265</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ 1,264,139</u>	<u>\$ 1,264,139</u>

Santa Cruz County
 Nonmajor Special Revenue Funds
 Health Services Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 467,350	\$ 506,663	\$ 39,313
Charges for service	225,000	184,878	(40,122)
Investment income	-	3,693	3,693
Miscellaneous	-	5	5
Total Revenues	692,350	695,239	2,889
Expenditures			
Current:			
Health, welfare & sanitation	1,055,309	1,004,689	50,620
Total expenditures	1,055,309	1,004,689	50,620
Excess (deficiency) of revenues over (under) expenditures	(362,959)	(309,450)	53,509
Other financing sources (uses):			
Transfers in	138,573	122,676	(15,897)
Total other financing sources (uses)	138,573	122,676	(15,897)
Net change in fund balance	(224,386)	(186,774)	37,612
Fund balance, July 1, 2007	224,386	185,400	(38,986)
Fund balance, June 30, 2008	\$ -	\$ (1,374)	\$ (1,374)

Santa Cruz County
 Nonmajor Special Revenue Funds
 Homeland Security Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental	\$ 854,951	\$ 288,735	\$ (566,216)
Fines and forfeits	12,000	-	(12,000)
Investment income	-	6	6
Total revenues	866,951	288,741	(578,210)
 Expenditures			
Current:			
Public safety	1,029,327	346,679	682,648
Total expenditures	1,029,327	346,679	682,648
 Excess (deficiency) of revenues over (under) expenditures	(162,376)	(57,938)	104,438
 Other financing sources (uses):			
Transfers in	-	682	682
Total other financing sources (uses)	-	682	682
 Net change in fund balance	(162,376)	(57,256)	105,120
 Fund balance, July 1, 2007	162,376	37,824	(124,552)
 Fund balance, June 30, 2008	\$ -	\$ (19,432)	\$ (19,432)

Santa Cruz County
Nonmajor Special Revenue Funds
Juvenile Services Fund
Budgetary Comparison Schedule
Year Ended June 30, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Taxes	\$ 72,088	\$ 114,571	\$ 42,483
Intergovernmental	1,182,641	1,165,741	(16,900)
Charges for service	20,200	20,268	68
Investment Income	1,000	4,485	3,485
Total revenues	<u>1,275,929</u>	<u>1,305,065</u>	<u>29,136</u>
Expenditures			
Current:			
General government	507,071	199,357	307,714
Public safety	577,591	766,212	(188,621)
Education and economic opportunity	439,350	256,628	182,722
Total expenditures	<u>1,524,012</u>	<u>1,222,197</u>	<u>301,815</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(248,083)</u>	<u>82,868</u>	<u>330,951</u>
Other financing sources (uses):			
Transfers in	-	33,802	33,802
Total other financing sources (uses)	<u>-</u>	<u>33,802</u>	<u>33,802</u>
Net change in fund balance	(248,083)	116,670	364,753
Fund balance, July 1, 2007	<u>248,083</u>	<u>178,914</u>	<u>(69,169)</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ 295,584</u>	<u>\$ 295,584</u>

Santa Cruz County
 Nonmajor Special Revenue Funds
 Probation Services Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental	\$ 895,026	\$ 939,145	\$ 44,119
Charges for service	80,400	97,207	16,807
Investment income	6,500	9,078	2,578
Miscellaneous	600	881	281
Total revenues	982,526	1,046,311	63,785
Expenditures			
Current:			
Public safety	1,269,929	976,116	293,813
Total expenditures	1,269,929	976,116	293,813
Excess (deficiency) of revenues over (under) expenditures	(287,403)	70,195	357,598
Other financing sources (uses):			
Transfers in	5,896	2,470	(3,426)
Transfers out	(3,426)	-	3,426
Total other financing sources (uses)	2,470	2,470	-
Net change in fund balance	(284,933)	72,665	357,598
Fund balance, July 1, 2007	284,933	244,185	(40,748)
Fund balance, June 30, 2008	\$ -	\$ 316,850	\$ 316,850

Santa Cruz County
 Nonmajor Special Revenue Funds
 Retrieval Conversion Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental revenue	\$ 70,000	\$ 26,544	\$ (43,456)
Charges for service	153,500	170,971	17,471
Fines and forfeits	12,800	112,847	100,047
Investment income	1,800	12,154	10,354
Miscellaneous	-	3,363	3,363
Total revenues	<u>238,100</u>	<u>325,879</u>	<u>87,779</u>
Expenditures			
Current:			
General government	<u>703,376</u>	<u>166,317</u>	<u>537,059</u>
Total expenditures	<u>703,376</u>	<u>166,317</u>	<u>537,059</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(465,276)</u>	<u>159,562</u>	<u>624,838</u>
Other financing sources (uses):			
Transfers out	<u>(69,657)</u>	<u>(132,030)</u>	<u>(62,373)</u>
Total other financing sources (uses)	<u>(69,657)</u>	<u>(132,030)</u>	<u>(62,373)</u>
Net change in fund balance	(534,933)	27,532	562,465
Fund balance, July 1, 2007	<u>534,933</u>	<u>521,557</u>	<u>(13,376)</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ 549,089</u>	<u>\$ 549,089</u>

Santa Cruz County
 Nonmajor Special Revenue Funds
 Accommodation School Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental	\$ 200,571	\$ 1,573,867	\$ 1,373,296
Miscellaneous	3,035	110,168	107,133
Total revenues	<u>203,606</u>	<u>1,684,035</u>	<u>1,480,429</u>
Expenditures			
Current:			
Education and economic opportunity	2,564,569	1,573,143	991,426
Total expenditures	<u>2,564,569</u>	<u>1,573,143</u>	<u>991,426</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,360,963)</u>	<u>110,892</u>	<u>2,471,855</u>
Net change in fund balances	(2,360,963)	110,892	2,471,855
Fund balance (deficit), July 1, 2007	<u>2,360,963</u>	<u>(337,305)</u>	<u>(2,698,268)</u>
Fund balance (deficit), June 30, 2008	<u>\$ -</u>	<u>\$ (226,413)</u>	<u>\$ (226,413)</u>

Santa Cruz County
 Nonmajor Special Revenue Funds
 Other Governmental—Animal Control
 Budgetary Comparison Schedule
 Year Ended June 30, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental	\$ 267,812	\$ 300,417	\$ 32,605
Charges for services	30,000	34,321	4,321
Miscellaneous	-	(43)	(43)
Total revenues	<u>297,812</u>	<u>334,695</u>	<u>36,883</u>
Expenditures			
Current:			
Health, welfare and sanitation	535,622	542,610	(6,988)
Total expenditures	<u>535,622</u>	<u>542,610</u>	<u>(6,988)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(237,810)</u>	<u>(207,915)</u>	<u>29,895</u>
Other financing sources (uses):			
Transfers in	237,810	240,204	2,394
Total other financing sources (uses)	<u>237,810</u>	<u>240,204</u>	<u>2,394</u>
Net change in fund balances	-	32,289	32,289
Fund balance, July 1, 2007	<u>-</u>	<u>(57,672)</u>	<u>(57,672)</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ (25,383)</u>	<u>\$ (25,383)</u>

Santa Cruz County
 Nonmajor Special Revenue Funds
 Other Governmental— Case Management Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 86,584	\$ 72,763	\$ (13,821)
Investment income	-	2,334	2,334
Total revenues	<u>86,584</u>	<u>75,097</u>	<u>(11,487)</u>
 Expenditures			
Current:			
Health, welfare and sanitation	<u>207,968</u>	<u>122,107</u>	<u>85,861</u>
Total expenditures	<u>207,968</u>	<u>122,107</u>	<u>85,861</u>
 Excess (deficiency) of revenue over (under) expenditures	<u>(121,384)</u>	<u>(47,010)</u>	<u>74,374</u>
 Net change in fund balances	(121,384)	(47,010)	74,374
 Fund balance, July 1, 2007	<u>121,384</u>	<u>116,400</u>	<u>(4,984)</u>
 Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ 69,390</u>	<u>\$ 69,390</u>

Santa Cruz County
 Nonmajor Special Revenue Funds
 Other Governmental— Child Visitation Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Charges for services	\$ 1,500	\$ 5,968	\$ 4,468
Investment income	-	936	936
Total revenues	<u>1,500</u>	<u>6,904</u>	<u>5,404</u>
Expenditures			
Current:			
General government	41,484	-	41,484
Total expenditures	<u>41,484</u>	<u>-</u>	<u>41,484</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,984)</u>	<u>6,904</u>	<u>46,888</u>
Net change in fund balances	(39,984)	6,904	46,888
Fund balance, July 1, 2007	<u>39,984</u>	<u>38,376</u>	<u>(1,608)</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ 45,280</u>	<u>\$ 45,280</u>

Santa Cruz County
 Nonmajor Special Revenue Funds
 Other Governmental— Law Library Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Charges for services	\$ 20,000	\$ 23,294	\$ 3,294
Investment income	-	58	58
Total revenues	<u>20,000</u>	<u>23,352</u>	<u>3,352</u>
Expenditures			
Current:			
General government	31,134	26,516	4,618
Total expenditures	<u>31,134</u>	<u>26,516</u>	<u>4,618</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,134)</u>	<u>(3,164)</u>	<u>7,970</u>
Other financing sources (uses):			
Transfers in	8,000	3,182	(4,818)
Transfers out	-	-	-
Total other financing sources (uses)	<u>8,000</u>	<u>3,182</u>	<u>(4,818)</u>
Net change in fund balances	(3,134)	18	3,152
Fund balance, July 1, 2007	<u>3,134</u>	<u>(26,068)</u>	<u>(29,202)</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ (26,050)</u>	<u>\$ (26,050)</u>

Santa Cruz County
 Nonmajor Special Revenue Funds
 Other Governmental— Old Courthouse Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 117,500	\$ 9,892	\$ (107,608)
Investment income (loss)	-	(739)	(739)
Total revenues	<u>117,500</u>	<u>9,153</u>	<u>(108,347)</u>
Expenditures			
Current:			
General government	274,500	68,387	206,113
Total expenditures	<u>274,500</u>	<u>68,387</u>	<u>206,113</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(157,000)</u>	<u>(59,234)</u>	<u>97,766</u>
Other financing sources (uses):			
Transfers in	157,000	57,041	(99,959)
Total other financing sources (uses)	<u>157,000</u>	<u>57,041</u>	<u>(99,959)</u>
Net change in fund balances	-	(2,193)	(2,193)
Fund balance, July 1, 2007	<u>-</u>	<u>(1,817)</u>	<u>(1,817)</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ (4,010)</u>	<u>\$ (4,010)</u>

Santa Cruz County
 Nonmajor Special Revenue Funds
 Other Governmental— School Forest Fees Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 79,646	\$ 86,672	\$ 7,026
Investment income	-	1,567	1,567
Miscellaneous	-	314	314
Total revenues	<u>79,646</u>	<u>88,553</u>	<u>8,907</u>
Expenditures			
Current:			
Education and economic opportunity	153,554	134,158	19,396
Total expenditures	<u>153,554</u>	<u>134,158</u>	<u>19,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(73,908)</u>	<u>(45,605)</u>	<u>28,303</u>
Other financing sources (uses):			
Transfers out	(7,500)	(7,500)	-
Total other financing sources (uses)	<u>(7,500)</u>	<u>(7,500)</u>	<u>-</u>
Net change in fund balances	(81,408)	(53,105)	28,303
Fund balance, July 1, 2007	<u>81,408</u>	<u>71,548</u>	<u>(9,860)</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ 18,443</u>	<u>\$ 18,443</u>

Santa Cruz County
 Nonmajor Special Revenue Funds
 Other Governmental— Waste Tire Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 80,000	\$ 106,719	\$ 26,719
Investment income (loss)	-	(333)	(333)
Total revenues	<u>80,000</u>	<u>106,386</u>	<u>26,386</u>
Expenditures			
Current:			
Health, Welfare	80,000	92,313	(12,313)
Total expenditures	<u>80,000</u>	<u>92,313</u>	<u>(12,313)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>14,073</u>	<u>14,073</u>
Net change in fund balances	-	14,073	14,073
Fund balance, July 1, 2007	<u>-</u>	<u>(111)</u>	<u>(111)</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ 13,962</u>	<u>\$ 13,962</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
 Budgetary Comparison Schedule
 Capital Projects—Airport Fund
 Year Ended June 30, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental	\$ 1,779,663	\$ 655,825	\$ (1,123,838)
Total revenues	1,779,663	655,825	(1,123,838)
Expenditures			
Current:			
Capital outlay	1,829,060	879,631	949,429
Total expenditures	1,829,060	879,631	949,429
Excess (deficiency) of revenues over (under) expenditures	(49,397)	(223,806)	(174,409)
Other financing sources (uses):			
Transfers in	49,000	19,583	(29,417)
Total other financing sources (uses)	49,000	19,583	(29,417)
Net change in fund balances	(397)	(204,223)	(203,826)
Fund balance, July 1, 2007	397	(134,962)	(135,359)
Fund balance, June 30, 2008	\$ -	\$ (339,185)	\$ (339,185)

Santa Cruz County
 Budgetary Comparison Schedule
 Capital Projects—Other Fund
 Year Ended June 30, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Rent	\$ 12,000	\$ -	\$ (12,000)
Total revenues	<u>12,000</u>	<u>-</u>	<u>(12,000)</u>
Expenditures			
Current:			
Capital outlay	84,158	11,773	72,385
Total expenditures	<u>84,158</u>	<u>11,773</u>	<u>72,385</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(72,158)</u>	<u>(11,773)</u>	<u>60,385</u>
Net change in fund balances	(72,158)	(11,773)	60,385
Fund balance, July 1, 2007	<u>72,158</u>	<u>72,158</u>	<u>-</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ 60,385</u>	<u>\$ 60,385</u>

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

Nonmajor Debt Service Fund

Santa Cruz County
 Budgetary Comparison Schedule
 Debt Service Fund
 Year Ended June 30, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Property taxes	\$ -	\$ 1,586	\$ 1,586
Investment income	-	20,045	20,045
Total revenues	<u>-</u>	<u>21,631</u>	<u>21,631</u>
Expenditures			
Current:			
Capital outlay	443,012	674,569	(231,557)
Total expenditures	<u>443,012</u>	<u>674,569</u>	<u>(231,557)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(443,012)</u>	<u>(652,938)</u>	<u>(209,926)</u>
Other financing sources (uses):			
Transfers in	-	2,000,000	2,000,000
Total other financing sources (uses)	<u>-</u>	<u>2,000,000</u>	<u>2,000,000</u>
Net change in fund balances	(443,012)	1,347,062	1,790,074
Fund balance, July 1, 2007	<u>443,012</u>	<u>444,891</u>	<u>1,879</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ 1,791,953</u>	<u>\$ 1,791,953</u>

Investment Trust and Agency Funds

Santa Cruz County
Combining Statement of Fiduciary Net Assets
Investment Trust Funds
June 30, 2008

Assets	<u>Treasurer's Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total</u>
Cash and cash equivalents	\$ 17,839,478	\$ 935,081	\$ 18,774,559
Investments	14,434,784	-	14,434,784
Interest Receivable	43,507	9	43,516
Total Assets	<u>\$ 32,317,769</u>	<u>\$ 935,090</u>	<u>\$ 33,252,859</u>
 Net Assets			
Held in trust for investment trust participants	<u>\$ 32,317,769</u>	<u>\$ 935,090</u>	<u>\$ 33,252,859</u>

Santa Cruz County
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2008

	Property Tax Collection	Special Purpose	Total
Assets			
Cash and cash equivalents	\$ 197,395	\$ 1,012,532	\$ 1,209,927
Total assets	\$ 197,395	\$ 1,012,532	\$ 1,209,927
Liabilities			
Due to other governmental units	\$ 2,731	-	\$ 2,731
Deposits held for others	194,664	\$ 1,012,532	1,207,196
Total liabilities	\$ 197,395	\$ 1,012,532	1,209,927

Santa Cruz County
Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
Year Ended June 30, 2008

	<u>Treasurer's Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total</u>
Additions			
Contributions from participants	\$ 121,167,330	\$ 58,280	\$ 121,225,610
Interest on investments	673,943	1,535	675,478
Total Additions	<u>121,841,273</u>	<u>59,815</u>	<u>121,901,088</u>
Deductions			
Distributions to participants	<u>121,594,021</u>	<u>15,457</u>	<u>121,609,478</u>
Changes in Net Assets	247,252	44,358	291,610
Net assets-July 1, 2007	<u>32,070,517</u>	<u>890,732</u>	<u>32,961,249</u>
Net assets-June 30, 2008	<u>\$ 32,317,769</u>	<u>\$ 935,090</u>	<u>\$ 33,252,859</u>

Santa Cruz County
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2008

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Property Tax Collection:				
Assets				
Cash and cash equivalents	\$ 849,704	\$ 1,498,085	\$ 2,150,394	\$ 197,395
Liabilities				
Due to other governmental units	\$ 668,030	\$ 24,543	\$ 689,842	\$ 2,731
Deposits held for other parties	181,674	1,473,542	1,460,552	194,664
Total Liabilities	<u>\$ 849,704</u>	<u>\$ 1,498,085</u>	<u>\$ 2,150,394</u>	<u>\$ 197,395</u>
Fire District:				
Assets				
Cash and cash equivalents	-	\$ 341,684	\$ 341,684	-
Liabilities				
Due to other governmental units	-	-	-	-
Special Purpose:				
Assets				
Cash and cash equivalents	\$ 981,730	\$ 1,012,532	\$ 981,730	\$ 1,012,532
Cash and investments held by trustee	-	-	-	-
Total assets	<u>\$ 981,730</u>	<u>\$ 1,012,532</u>	<u>\$ 981,730</u>	<u>\$ 1,012,532</u>
Liabilities				
Deposits held for other parties	\$ 981,730	\$ 1,012,532	\$ 981,730	\$ 1,012,532
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 1,831,434	\$ 2,852,301	\$ 3,473,808	\$ 1,209,927
Cash and investments held by trustee	-	-	-	-
Total assets	<u>\$ 1,831,434</u>	<u>\$ 2,852,301</u>	<u>\$ 3,473,808</u>	<u>\$ 1,209,927</u>
Liabilities				
Due to other governmental units	\$ 668,030	\$ 366,227	\$ 1,031,526	\$ 2,731
Deposits held for other parties	1,163,404	2,486,074	2,442,282	1,207,196
Total Liabilities	<u>\$ 1,831,434</u>	<u>\$ 2,852,301</u>	<u>\$ 3,473,808</u>	<u>\$ 1,209,927</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, 2008 and 2007

	2008	2007
Governmental funds capital assets:		
Infrastructure	\$ 70,355,632	\$ 67,645,041
Land	22,151,078	22,145,078
Buildings	12,009,573	11,992,025
Improvements other than buildings	3,037,405	2,961,958
Construction equipment and vehicles	9,799,453	8,869,988
Furniture and equipment	5,941,284	5,227,329
Construction in progress	6,796,171	4,589,887
Total governmental funds capital assets	\$ 130,090,596	\$ 123,431,306
 Investments in governmental funds capital assets by source:		
General Fund	\$ 14,402,428	\$ 13,692,032
Special Revenue Funds	95,843,419	89,902,818
Capital Projects Funds	19,844,749	19,836,456
Total governmental funds capital assets	\$ 130,090,596	\$ 123,431,306

Santa Cruz County
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 Year Ended June 30, 2008

Function and Activity	Land	Buildings	Improvements other than Buildings	Construction Equipment and Vehicles	Furniture and Equipment	Construction in Progress	Infrastructure	Total
General government	\$ 4,115,820	\$ 9,711,317	\$ 2,111,164	\$ 1,043,951	\$ 3,011,807	\$ (60,877)	\$ 6,141,078	\$ 26,074,260
Public safety	-	1,819,252	-	2,318,885	2,523,611	2,567,394	4,801,072	14,030,214
Highways and streets	15,207,214	244,502	926,241	5,713,509	92,852	4,289,654	59,413,482	85,887,454
Health, welfare, and sanitation	-	148,150	-	526,787	127,577	-	-	802,514
Recreation	2,828,044	86,352	-	149,942	8,453	-	-	3,072,791
Education	-	-	-	46,379	176,984	-	-	223,363
Total	<u>\$ 22,151,078</u>	<u>\$ 12,009,573</u>	<u>\$ 3,037,405</u>	<u>\$ 9,799,453</u>	<u>\$ 5,941,284</u>	<u>\$ 6,796,171</u>	<u>\$ 70,355,632</u>	<u>\$ 130,090,596</u>

Santa Cruz County
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended June 30, 2008

Function and Activity	Governmental Funds Capital Assets July 1, 2007	Additions	Deductions	Governmental Funds Capital Assets June 30, 2008
General government	\$ 24,736,363	\$ 4,095,973	\$ 2,758,076	\$ 26,074,260
Public safety	11,589,940	2,506,698	66,423	14,030,215
Highways and streets	83,999,639	3,043,534	263,010	86,780,163
Health, welfare, and sanitation	786,760	54,147	38,393	802,514
Recreation	2,084,591	95,490	-	2,180,081
Education and economic opportunity	234,013	-	10,650	223,363
Total governmental funds capital assets	<u>\$ 123,431,306</u>	<u>\$ 9,795,842</u>	<u>\$ 3,136,552</u>	<u>\$ 130,090,596</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				
	2008	2007	2006	2005	2004
Governmental Activities					
Invested in capital assets, net of related debt	\$ 74,969	\$ 71,338	\$ 23,757	\$ 20,734	\$ 18,317
Restricted for:					
Highways and streets	1,452	1,213	4,153	2,925	1,419
Capital projects	-	-	-	-	31
Debt service	1,842	504	485	348	675
Other purposes	5,169	3,398	1,244	1,101	-
Unrestricted (deficit)	13,109	15,751	13,740	9,855	10,512
Total governmental activities net assets (deficit)	<u>96,541</u>	<u>92,204</u>	<u>43,379</u>	<u>34,963</u>	<u>30,954</u>
Business-Type Activities					
Invested in capital assets, net of related debt	2,710	2,676	2,474	2,438	2,393
Restricted for:					
Highways and streets	-	-	-	-	-
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Other purposes	-	-	-	-	-
Unrestricted (deficit)	(1,560)	(1,745)	(1,966)	(2,179)	(2,847)
Total business-type activities net assets (deficit)	<u>1,150</u>	<u>931</u>	<u>508</u>	<u>259</u>	<u>(454)</u>
Primary Government					
Invested in capital assets, net of related debt	77,679	74,014	26,231	23,172	20,710
Restricted for:					
Highways and streets	1,452	1,213	4,153	2,925	1,419
Capital projects	-	-	-	-	31
Debt service	1,842	504	485	348	675
Other purposes	5,169	3,398	1,244	1,101	-
Unrestricted (deficit)	11,549	14,006	11,774	7,676	7,665
Total primary government net assets (deficit)	<u>\$ 97,691</u>	<u>\$ 93,135</u>	<u>\$ 43,887</u>	<u>\$ 35,222</u>	<u>\$ 30,500</u>

NOTE 1: 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 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				
	2008	2007	2006	2005	2004
Expenses					
Governmental activities:					
General government	\$ 14,264	\$ 14,754	\$ 14,592	\$ 12,283	\$ 11,810
Public safety	12,961	8,789	8,049	7,758	6,822
Highways and streets	4,928	5,730	4,349	4,548	4,636
Health, welfare and sanitation	4,647	4,596	4,123	3,826	3,527
Education and economic opportunity	4,758	5,309	4,080	4,986	4,432
Recreation	354	302	347	271	209
Interest on long-term debt	63	52	35	59	84
Total governmental activities expenses	<u>41,975</u>	<u>39,532</u>	<u>35,575</u>	<u>33,731</u>	<u>31,520</u>
Business-type activities:					
Landfill	2,137	1,824	1,636	1,626	1,350
Total business-type activities expenses	<u>2,137</u>	<u>1,824</u>	<u>1,636</u>	<u>1,626</u>	<u>1,350</u>
Total primary government expenses	<u>44,112</u>	<u>41,356</u>	<u>37,211</u>	<u>35,357</u>	<u>32,870</u>
Program Revenues					
Governmental activities:					
Charges for services					
General government	3,629	3,459	2,785	2,102	2,087
Public safety	262	854	2,216	1,659	1,241
Highways and streets	-	22	-	6	-
Health, welfare and sanitation	242	596	623	615	545
Education and economic opportunity	182	155	-	253	118
Recreation	14	5	5	11	7
Operating grants and contributions*	16,402	16,051	14,317	12,113	12,707
Capital grants and contributions	656	1,351	1,578	1,108	2,818
Total governmental activities program revenues	<u>21,387</u>	<u>22,493</u>	<u>21,524</u>	<u>17,867</u>	<u>19,523</u>
Business-type activities:					
Charges for services					
Landfill	2,266	2,137	1,838	1,885	1,829
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type program revenues	<u>2,266</u>	<u>2,137</u>	<u>1,838</u>	<u>1,885</u>	<u>1,829</u>
Total primary government program revenues	<u>\$ 23,653</u>	<u>\$ 24,630</u>	<u>\$ 23,362</u>	<u>\$ 19,752</u>	<u>\$ 21,352</u>

(continued)

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

	Fiscal Year				
	2008	2007	2006	2005	2004
Net (expense) revenue					
Governmental activities	\$ (20,588)	\$ (17,039)	\$ (14,051)	\$ (15,864)	\$ (11,997)
Business-type activities	129	313	202	259	479
Total primary government activities net (expense) revenue	<u>(20,459)</u>	<u>(16,726)</u>	<u>(13,849)</u>	<u>(15,605)</u>	<u>(11,518)</u>
General revenues and other changes in net assets					
Governmental activities:					
Taxes					
Property taxes	12,276	11,718	12,795	12,140	10,044
Share of state sales taxes	8,035	11,677	7,620	6,416	5,595
Payments in lieu of taxes	578	571	574	614	621
Vehicle lieu tax unrestricted*	1,592	1,615	-	-	-
Unrestricted grants and contributions	661	842	796	765	573
Investment earnings	771	884	607	307	212
Miscellaneous	252	67	75	61	59
Transfers	-	(23)	-	(429)	-
Loss on disposal	-	(32)	-	-	-
Total governmental activities	<u>24,165</u>	<u>27,319</u>	<u>22,467</u>	<u>19,874</u>	<u>17,104</u>
Business-type activities:					
Investment earnings	90	86	46	19	6
Miscellaneous	-	-	-	6	13
Transfers	-	23	-	429	-
Capital contributions	-	1	-	-	-
Total business-type activities	<u>90</u>	<u>110</u>	<u>46</u>	<u>454</u>	<u>19</u>
Total primary government	<u>24,255</u>	<u>27,429</u>	<u>22,513</u>	<u>20,328</u>	<u>17,123</u>
Changes in net assets					
Governmental activities	3,577	10,280	8,416	4,010	5,107
Business-type activities	219	423	248	713	498
Total primary government	<u>\$ 3,796</u>	<u>\$ 10,703</u>	<u>\$ 8,664</u>	<u>\$ 4,723</u>	<u>\$ 5,605</u>

NOTE 1: 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 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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	12,752	15,356	12,808	10,648	8,839	7,371	3,784	3,794	2,310	1,758
Subtotal general fund	<u>\$ 12,752</u>	<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>
All other governmental funds										
Reserved for:										
Prepaid items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds (deficits)	7,270	5,334	5,810	4,010	3,411	3,269	2,891	1,215	1,661	1,699
Capital projects funds (deficits)	60	(63)	1,025	(414)	(392)	(46)	(249)	41	53	181
Debt service	1,792	445	408	295	596	395	253	134	66	27
Total all other governmental funds	<u>\$ 9,122</u>	<u>\$ 5,716</u>	<u>\$ 7,243</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>

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)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenues:										
Taxes	\$ 13,889	\$ 13,709	\$ 13,377	\$ 12,581	\$ 11,698	\$ 11,048	\$ 10,149	\$ 9,089	\$ 8,394	\$ 8,151
Intergovernmental	26,115	30,736	24,711	21,833	21,324	16,727	18,771	15,697	14,565	13,806
Licenses and permits	927	1,156	1,823	1,298	878	648	464	380	416	415
Charges for services	1,991	1,952	1,949	1,398	1,385	2,679	1,711	1,702	1,465	1,373
Fines and forfeits	933	1,207	1,148	1,027	1,071	965	812	837	771	885
Investment income	771	884	607	306	212	(113)	186	300	264	219
Rents	52	44	30	30	33	30	15	-	8	8
Contributions	-	-	-	-	-	1	2	3	2	20
Miscellaneous	705	285	403	218	175	237	161	329	382	127
Total revenues	45,383	49,973	44,048	38,691	36,776	32,222	32,271	28,337	26,267	25,004
Expenditures:										
Current:										
General government	13,564	15,512	14,369	11,711	12,061	9,869	10,758	9,681	8,777	8,329
Public safety	14,506	10,189	8,153	8,019	6,683	5,747	5,429	5,162	4,945	4,263
Highways and streets	3,836	10,818	4,533	5,069	4,755	3,651	4,755	4,812	3,251	2,715
Health, welfare and sanitation	4,543	4,723	4,177	3,821	3,570	4,946	4,851	4,772	4,773	4,626
Education and economic opportunity	4,732	5,275	4,069	5,009	4,430	4,037	3,303	2,069	2,216	2,142
Recreation	425	327	289	285	207	151	152	143	375	96
Capital outlay	3,985	2,683	2,304	1,165	3,130	1,099	2,014	1,418	1,927	2,148
Debt service:										
Principal	218	91	978	1,040	480	455	435	415	390	380
Interest and other charges	63	52	35	59	84	108	130	150	168	185
Total expenditures	45,872	49,670	38,907	36,178	35,400	30,063	31,827	28,622	26,822	24,884
Excess (deficiency) of revenues over (under) expenditures	(489)	303	5,141	2,513	1,376	2,159	444	(285)	(555)	120
Other financing sources (uses):										
Capital lease agreements	532	740	-	-	51	1,022	407	778	27	945
Transfers in	5,691	3,273	838	564	698	653	936	777	445	714
Transfers out	(5,691)	(3,296)	(838)	(993)	(698)	(653)	(936)	(777)	(445)	(714)
Proceeds from long-term notes	-	-	766	-	-	-	644	600	405	-
Total other financing sources (uses)	532	717	766	(429)	51	1,022	1,051	1,378	432	945
Net change in fund balances	\$ 43	\$ 1,020	\$ 5,907	\$ 2,084	\$ 1,427	\$ 3,181	\$ 1,495	\$ 1,093	\$ (123)	\$ 1,065
Debt service as a percentage of noncapital expenditures	0.67%	0.30%	2.77%	3.14%	1.75%	1.94%	1.90%	2.08%	2.24%	2.49%

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
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	30,736,174	1,155,737	1,951,691	1,207,025	884,162	44,100	285,400	49,972,792
2007-08 ⁽²⁾	13,889,123	26,114,526	927,316	1,990,784	932,840	770,585	52,000	704,489	45,381,663

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
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
2007-08 ⁽²⁾	30.61	57.54	2.04	4.39	2.06	1.70	0.11	1.55	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
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
2007-08 ⁽²⁾	13,563,616	14,505,806	3,836,048	4,542,542	4,732,069	425,060	280,656	41,885,797

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
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
2007-08 ⁽²⁾	32.38	34.63	9.16	10.84	11.30	1.02	0.67	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
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	261,089	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%
07-08	120,000	147,112	45,386	233	312,731	3.8924	2,469,255	12.66%

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	Sonoita Elgin		
1998-99	3.2487	0.4115	0.1000	0.3117	1.8427	1.9152	3.8330	0.0000	2.2000	0.5300
1999-00	3.2487	0.4115	0.1000	0.3117	2.6168	2.0979	3.8073	0.0000	2.1654	0.5217
2000-01	3.2487	0.4115	0.1000	0.3117	2.6085	2.2117	3.8154	0.0000	2.1265	0.5123
2001-02	3.2487	0.6115	0.1000	0.3117	2.5901	2.2035	3.6850	0.0000	2.0647	0.4974
2002-03	3.3487	0.6115	0.1000	0.3117	2.6142	2.2627	3.6657	0.0000	2.0296	0.4889
2003-04	3.3487	0.6115	0.1000	0.3117	2.6231	2.7677	3.6621	0.0000	1.9583	0.4717
2004-05	3.3487	0.6115	0.1000	0.3117	2.6262	2.7826	3.0000	0.0000	1.8931	0.4560
2005-06	3.3487	0.6115	0.1000	0.0000	2.6414	2.7854	3.2500	0.0000	1.8090	0.4358
2006-07	3.3050	0.6115	0.1000	0.0000	2.6400	2.7500	3.2500	0.0000	1.7394	0.0000
2007-08	3.1809	0.6115	0.1000	0.0000	2.6398	2.7485	3.2500	1.4990	1.6020	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		
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
2007-08	2.4882	3.6476	4.6478	7.3503	6.8060	7.3555

SOURCE: Annual budgets.

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

Taxpayer	2008			2007			2006			2005			2004		
	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 *	15,211.00	1	4.45%	13,790.00	1	4.69%	12,909.00	1	4.85%	11,622.00	1	4.58%	-	-	-
Qwest Corporation *	4,467.00	3	1.31%	5,356.00	4	1.82%	4,916.00	2	1.85%	5,774.00	2	2.28%	5,744.00	2	2.33%
Wal-Mart Stores, Inc	3,824.00	5	1.12%	7,768.00	2	2.64%	3,641.00	4	1.37%	3,387.00	3	1.34%	3,648.00	4	1.48%
Delta Properties LLP	5,756.00	2	1.68%	6,034.00	3	2.05%	4,103.00	3	1.54%	3,310.00	4	1.30%	4,391.00	3	1.78%
Union Pacific Railroad	-	-	-	-	-	-	2,229.00	7	0.84%	2,198.00	5	0.87%	1,925.00	6	0.78%
Mariposa Shopping Center LP *	3,956.00	4	1.16%	3,586.00	7	1.22%	3,120.00	5	1.17%	2,068.00	6	0.82%	1,578.00	8	0.64%
Tubac Management Co, LLC	2,633.00	9	0.77%	4,373.00	5	1.49%	-	-	-	-	-	-	-	-	-
Nogales Plaza Shopping Center LP	2,182.00	10	0.64%	-	-	-	1,995.00	8	0.75%	1,884.00	7	0.74%	-	-	-
Vatere LLC	3,143.00	6	0.92%	-	-	-	2,291.00	6	0.86%	1,631.00	9	0.64%	2,506.00	5	1.02%
Loma Linda Mall LLC *	-	-	-	-	-	-	1,391.00	10	0.52%	1,257.00	10	0.50%	-	-	-
Tucson Electric Power Co	-	-	-	-	-	-	-	-	-	-	-	-	12,239.00	1	4.97%
Rio Rico Properties	2,827.00	8	0.83%	-	-	-	-	-	-	-	-	-	1,810.00	7	0.73%
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%	-	-	-
Westrust Southwest Retail Partners LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lawyers Title Agency of AZ LLC	2,938.00	7	0.86%	-	-	-	-	-	-	-	-	-	-	-	-
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	\$ 46,937.00		13.74%	\$ 53,836.00		18.31%	\$ 38,186.00		14.35%	\$ 34,965.00		13.79%	\$ 36,077.00		14.63%

(continued)

*Name Changed
Source: Santa Cruz County Assessor's Office

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

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Taxpayer	2003			2002			2001			2000			1999		
	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 *	20,049.00	1	8.53%	19,676.00	1	8.77%	21,117.00	1	10.47%	11,045.00	1	5.80%	11,045.00	1	6.10%
Qwest Corporation *	5,893.00	2	2.51%	4,667.00	2	2.08%	4,416.00	2	2.19%	4,503.00	2	2.36%	4,503.00	2	2.49%
Wal-Mart Stores, Inc	1,927.00	6	0.82%	-	-	-	-	-	-	-	-	-	-	-	-
Delta Properties LLP	4,436.00	3	1.89%	3,830.00	3	1.71%	3,265.00	3	1.62%	2,928.00	3	1.54%	-	-	-
Union Pacific Railroad	2,075.00	5	0.88%	1,750.00	7	0.78%	1,781.00	7	0.88%	2,032.00	6	1.07%	1,707.00	4	0.94%
Mariposa Shopping Center LP *	1,578.00	7	0.67%	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	2,412.00	4	1.03%	2,135.00	6	0.95%	2,463.00	4	1.22%	-	-	-	-	-	-
Loma Linda Mall LLC *	1,118.00	10	0.48%	-	-	-	-	-	-	-	-	-	-	-	-
Tucson Electric Power Co	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rio Rico Properties	1,152.00	9	0.49%	2,280.00	4	1.02%	2,439.00	5	1.21%	2,289.00	4	1.20%	1,109.00	8	0.61%
Edwards/PCF-Nogales LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PFC-Torrance LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Panousopoulos Constantine & Nelida	1,267.00	8	0.54%	1,320.00	10	0.59%	1,492.00	9	0.74%	1,470.00	9	0.77%	1,349.00	6	0.75%
Westrust Southwest Retail Partners LLC	1,118.00	-	0.48%	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%
Newhall Nogales General Printshop	-	-	-	-	-	-	1,331.00	10	0.66%	-	-	-	-	-	-
Rio Rico Utilities	-	-	-	-	-	-	-	-	-	964.00	10	0.51%	952.00	9	0.53%
Mayer Alberto Family Limited	-	-	-	-	-	-	-	-	-	-	-	-	916.00	10	0.51%
Omega Nogales Property*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Royal Sterilization Systems	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 43,025.00		18.32%	\$ 40,999.00		18.28%	\$ 42,119.00		20.88%	\$ 30,726.00		16.13%	\$ 27,017.00		14.93%

*Name Changed

Source: Santa Cruz County Assessor's Office

Santa Cruz County
Property Tax Levies and Collections
Last Ten Years

Fiscal Year	Primary Property Taxes	Secondary Property Total	Total Property Tax Levy	Property Taxes Collected Within Fiscal Year of Levy			Percent of Levy	Subsequent Taxes Collected	Total Tax Collections To Date	Percent of Levy	Outstanding Delinquent Taxes Receivable(1)
				Primary	Secondary	Total					
1998-99	5,770,881	1,391,016	7,161,897	4,972,760	1,247,573	6,220,333	86.85	497,793	6,718,126	93.80	910,369
1999-00	6,019,737	1,468,769	7,488,506	5,300,727	1,360,135	6,660,862	88.95	600,315	7,261,177	96.96	860,219
2000-01	6,404,168	1,548,793	7,952,961	5,741,708	1,457,232	7,198,940	90.52	360,141	7,559,081	95.05	849,620
2001-02	7,014,033	2,082,873	9,096,906	6,333,560	1,895,653	8,229,213	90.46	336,696	8,565,909	94.16	1,187,156
2002-03	7,637,148	2,198,178	9,835,326	6,394,373	1,980,608	8,374,981	85.15	463,134	8,838,115	89.86	1,663,463
2003-04	8,039,398	2,301,829	10,341,227	7,337,463	2,025,959	9,363,422	90.54	296,851	9,660,273	93.42	1,383,224
2004-05	8,299,918	2,420,410	10,720,328	7,454,661	2,179,289	9,633,950	89.87	79,734	9,713,684	90.61	816,824
2005-06	8,743,144	1,711,148	10,454,292	8,070,534	1,725,698	9,796,232	93.71	883,713	10,679,945	102.16	1,808,008
2006-07	9,259,136	1,918,450	11,177,586	8,623,111	1,889,201	10,512,312	94.05	735,289	11,247,601	100.63	1,739,046
2007-08	9,947,132	2,242,325	12,189,457	9,497,528	2,171,670	11,669,198	95.73	320,894	11,990,092	98.36	1,887,672

NOTES:

(1) 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
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
2007-08 Primary	312,714	2,469,255	12.66
2007-08 Secondary	341,684	2,692,936	12.69

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						
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	838,841	.18%	42,150	35
2005-2006	0	0	766	324	1,090	939,156	.12%	42,066	26
2006-2007	0	673	742	421	1,836	1,021,801 ⁽¹⁾	.18%	46,545 ⁽¹⁾	39
2007-2008	0	1,012	718	334	2,064	1,100,480 ⁽¹⁾	.19%	47,777 ⁽¹⁾	43

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
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
2007-08	47,777 ⁽¹⁾	341,684	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, 2008
 (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	\$3,705	100%	\$ 7,230
Other Debt			
Santa Cruz County – Governmental Capital Lease	1,012	100	1,012
Santa Cruz County – Governmental Notes Payable	718	100	718
Santa Cruz County – Landfill Capital Lease	334	100	334

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>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>	<u>2008</u>
Assessed Value	\$181,072	\$190,410	\$201,652	\$224,373	\$235,056	\$246,303	\$253,681	\$265,934	\$294,247	\$341,684
Legal Debt Margin										
Debt Limit (15% of assessed value)	27,161	28,562	30,248	33,656	35,258	36,945	38,052	39,890	44,137	51,253
Debt applicable to limit:										
General obligation bonds	3,215	2,825	2,410	1,975	1,520	1,040	0	0	0	0
Less: Net Assets reserved for repayment of general obligation bonds	<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>	<u>(1,792)</u>
Total net debt applicable to the limit	<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>	<u>(1,792)</u>
Legal Debt Limit Margin	<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>	<u>(1,792)</u>
Total net debt applicable to the limit as a percentage of debt limit	11.74%	9.66%	7.52%	5.12%	3.19%	1.20%	(.78)%	(1.02)%	(1.01)%	(3.50)%

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
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
2007-08 ⁽²⁾	218	63	281	13,564	0.02

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
1999	37,713	16,520	623,024	9,085 ⁽²⁾	12,900	16.7
2000	38,567	16,871	650,679	9,434 ⁽³⁾	12,525	13.5
2001	39,038	17,518	683,879	9,324 ⁽⁴⁾	13,425	7.6
2002	39,604	17,139	678,762	10,288 ⁽⁵⁾	13,225	9.1
2003	40,088	18,190	729,208	10,171 ⁽⁶⁾	14,475	12.4
2004	40,777	19,110	779,232	10,528 ⁽⁷⁾	15,025	11.9
2005	42,150	19,901	838,841	10,510 ⁽⁸⁾	16,075	11.4
2006	42,066	22,326	939,156	10,510 ⁽⁹⁾	16,550	8.0
2007	46,545 ⁽¹⁾	21,953 ⁽¹⁾	1,021,801 ⁽¹⁾	11,183 ⁽¹⁰⁾	16,100	6.7
2008	47,777 ⁽¹⁾	23,034 ⁽¹⁾	1,100,480 ⁽¹⁾	11,267 ⁽¹¹⁾	18,300	7.9

NOTES:

- (1) Projected Estimate.
- (2) School enrollment as of June 9, 1999.
- (3) School enrollment as of June 9, 2000.
- (4) School enrollment as of June 9, 2001.
- (5) School enrollment as of January 31, 2002.
- (6) School enrollment as of November 5, 2003.
- (7) School enrollment as of August 25, 2004.
- (8) School enrollment as of April 27, 2005.
- (9) School enrollment as of January 18, 2006.
- (10) School enrollment as of September 27, 2006.
- (11) School enrollment as of November 26, 2007.

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, 2008

Employer	2008			2007			2006			2005			2004		
	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	700	1	3.8%	695	2	4.3%	1,341	1	8.1%	727	1	4.5%	747	1	5.0%
US Border Patrol	638	2	3.5%	975	1	6.1%	537	3	3.2%	529	2	3.3%	433	3	2.9%
Super Wal-Mart	600	3	3.3%	644	3	4.0%	640	2	3.9%	475	3	3.0%	605	2	4.0%
US Customs and Border Protection	425	5	2.3%	359	6	2.2%	387	6	2.3%	411	5	2.6%	400	4	2.7%
Santa Cruz County	390	6	2.1%	418	5	2.6%	415	5	2.5%	363	6	2.3%	361	5	2.4%
Santa Cruz Valley Unified School District #35	450	4	2.5%	430	4	2.7%	437	4	2.6%	425	4	2.6%	359	6	2.4%
City of Nogales	309	7	1.7%	307	7	1.9%	304	7	1.8%	293	7	1.8%	302	7	2.0%
Carondelet Health Network - Holy Cross Hospital	264	8	1.4%	242	8	1.5%	249	8	1.5%	249	8	1.5%	179	8	1.2%
Mariposa Community Health Center, Inc.	198	10	1.1%	198	9	1.2%	193	9	1.2%	189	9	1.2%	186	9	1.2%
Tubac Golf Resort	200	9	1.1%	180	10	1.1%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Canchola Group	N/A	N/A	N/A	N/A	N/A	N/A	80	10	0.5%	140	10	0.9%	155	10	1.0%
Total	4,174		22.8%	4,448		27.6%	4,583		27.7%	3,801		23.6%	3,727		24.8%
Total Work Force	18,300			16,100			16,550			16,075			15,025		

Employer	2003			2002			2001			2000			1999		
	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	5.1%	745	1	5.6%	675	1	5.0%	847	1	6.8%	606	1	4.7%
US Border Patrol	388	3	2.7%	388	3	2.9%	384	2	2.9%	320	4	2.6%	255	7	2.0%
Super Wal-Mart	492	2	3.4%	467	2	3.5%	278	7	2.1%	258	7	2.1%	252	8	2.0%
US Customs and Border Protection	279	7	1.9%	279	7	2.1%	279	6	2.1%	279	6	2.2%	283	5	2.2%
Santa Cruz County	347	4	2.4%	346	4	2.6%	342	3	2.5%	325	3	2.6%	299	3	2.3%
Santa Cruz Valley Unified School District #35	355	5	2.5%	336	5	2.5%	330	4	2.5%	318	5	2.5%	312	2	2.4%
City of Nogales	323	6	2.2%	317	6	2.4%	322	5	2.4%	340	2	2.7%	280	6	2.2%
Carondelet Health Network - Holy Cross Hospital	193	8	1.3%	221	8	1.7%	221	8	1.6%	239	8	1.9%	298	4	2.3%
Mariposa Community Health Center, Inc.	180	9	1.2%	175	9	1.3%	162	9	1.2%	150	9	1.2%	137	9	1.1%
Tubac Golf Resort	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Canchola Group	133	10	0.9%	147	10	1.1%	110	10	0.8%	115	10	0.9%	105	10	0.8%
Total	3,435		23.7%	3,421		25.9%	3,103		23.1%	3,191		25.5%	2,827		21.9%
Total Work Force	14,475			13,225			13,425			12,525			12,900		

Santa Cruz County
Employment Statistics
Last Ten Years
June 30, 2008

Type of Employment	2008		2007		2006		2005		2004	
	Employees	Percent of Total	Employees	Percent of Total	Employees	Percent of Total	Employees	Percent of Total	Employees	Percent of Total
Goods-Producing	950	6.5%	1,100	8.2%	825	6.0%	1,025	8.0%	1,350	10.7%
Trade, Transportation, and Utilities	6,250	42.8%	4,925	36.5%	5,650	40.9%	5,150	40.3%	5,100	40.3%
Other Private Service-Producing	3,700	25.4%	4,075	30.2%	4,025	29.2%	3,325	26.0%	2,825	22.3%
Federal Government	1,525	10.4%	1,400	10.4%	1,300	9.4%	1,200	9.4%	1,175	9.3%
State Government	2,175	14.9%	1,975	14.7%	2,025	14.6%	2,075	16.2%	2,200	17.4%
	<u>14,600</u>	<u>100.0%</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>

Type of Employment	2003		2002		2001		2000		1999	
	Employees	Percent of Total	Employees	Percent of Total	Employees	Percent of Total	Employees	Percent of Total	Employees	Percent of Total
Goods-Producing	1,350	11.0%	1,325	11.2%	1,400	11.5%	1,400	11.5%	1,250	11.1%
Trade, Transportation, and Utilities	4,975	40.5%	4,500	38.1%	4,750	39.1%	5,575	46.0%	5,500	48.7%
Other Private Service-Producing	2,775	22.6%	2,900	24.6%	3,025	24.9%	2,000	16.4%	1,825	16.2%
Federal Government	1,100	9.0%	1,125	9.5%	1,075	8.8%	1,000	8.2%	1,000	8.8%
State Government	2,075	16.9%	1,975	16.7%	1,900	15.6%	2,150	17.7%	1,725	15.3%
	<u>12,275</u>	<u>100.0%</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>

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	
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
2008	N/A ⁽¹⁾	N/A ⁽¹⁾	16,247,495	3,106,341

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			
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
2008	103,134	507,324	60,056	567	753,000

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, 2008

Fiscal Year	Governmental Activities						Total	Business-Type Activities Sanitation Landfill Enterprise	Total Employees in all Functions
	General Government	Public Safety	Highways and Streets	Health and Welfare	Recreation	Education and Economic Opportunity			
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
07-08	184	111	38	20	6	19	378	12	390

SOURCE: Santa Cruz County: Salary Vacation & Comp-Time Report

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
MILES OF STREETS										
Paved	412.32	408.43	407.68	407.60	398.34	391.93	392.36	392.36	392.36	357.00
Unpaved	317.67	321.91	322.57	322.57	329.33	334.98	336.60	336.60	336.60	337.51
REGISTERED VOTERS	24,132	22,146	21,267	21,334	19,332	17,644	17,066	16,457	15,966	16,291
Democrat	54.93%	54.87%	56.24%	57.42%	58.76%	60.05%	61.18%	63.16%	64.70%	65.00%
Republican	19.06%	19.49%	20.14%	20.63%	20.51%	20.72%	20.62%	21.12%	21.14%	22.61%
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	9	8	8	9	9	11	11	11	6
SHERIFF PROTECTION										
Number of stations	4	4	4	4	4	3	4	4	4	4
Number of employees	81	79	88	79	79	76	73	71	68	68
Major crimes	418	430	415	306	215	96	173	393	384	232
Vehicular patrol units	27	27	30	25	22	22	56	52	47	20
SANITARY LANDFILLS										
Number of landfills	2	2	2	2	2	2	2	2	2	2
NUMBER OF PARKS										
Neighborhood parks	8	8	8	8	7	7	6	5	5	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, 2008
 (Amounts in Thousands)

	2008	2007	2006*	2005	2004
Governmental funds capital assets					
Infrastructure	\$ 70,356	\$ 67,645	\$ 62,175	\$ 2,746	\$ 443
Land	22,151	22,145	21,844	6,619	6,596
Buildings	12,010	11,992	10,317	10,303	10,303
Improvements other than buildings	3,037	2,962	2,558	2,429	2,429
Construction equipment and vehicles	9,799	8,870	7,364	6,676	6,242
Furniture and equipment	5,941	5,227	3,672	3,026	2,537
Construction in progress	6,796	4,590	2,903	1,461	2,353
Total governmental funds capital assets	<u>\$ 130,090</u>	<u>\$ 123,431</u>	<u>\$ 110,833</u>	<u>\$ 33,260</u>	<u>\$ 30,903</u>

Investments in governmental funds capital assets by source

General Fund	\$ 14,402	\$ 13,692	\$ 12,696	\$ 11,972	\$ 11,744
Special Revenue Funds*	95,843	89,903	80,791	6,033	4,904
Capital Projects Funds	19,845	19,836	17,346	15,255	14,255
Total governmental funds capital assets	<u>\$ 130,090</u>	<u>\$ 123,431</u>	<u>\$ 110,833</u>	<u>\$ 33,260</u>	<u>\$ 30,903</u>

	2003	2002	2001	2000	1999
Governmental funds capital assets					
Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -
Land	5,703	5,826	5,756	5,681	4,588
Buildings	10,210	10,094	9,978	9,987	9,631
Improvements other than buildings	2,429	4,245	2,310	2,282	1,745
Construction equipment and vehicles	5,880	6,255	7,530	6,252	5,215
Furniture and equipment	2,113	1,752	1,261	1,203	954
Construction in progress	319	673	290	64	591
Total governmental funds capital assets	<u>\$ 26,654</u>	<u>\$ 28,845</u>	<u>\$ 27,125</u>	<u>\$ 25,469</u>	<u>\$ 22,724</u>

Investments in governmental funds capital assets by source

General Fund	\$ 11,423	\$ 12,394	\$ 11,750	\$ 10,753	\$ 9,523
Special Revenue Funds	4,026	5,322	4,809	4,383	3,743
Capital Projects Funds	11,205	11,129	10,566	10,333	9,458
Total governmental funds capital assets	<u>\$ 26,654</u>	<u>\$ 28,845</u>	<u>\$ 27,125</u>	<u>\$ 25,469</u>	<u>\$ 22,724</u>

SOURCE: Comprehensive Annual Financial Reports for the relevant year

*Amounts restated: GASB 34 Infrastructure