

**REPORT
HIGHLIGHTS**
FINANCIAL STATEMENT AUDIT

Subject

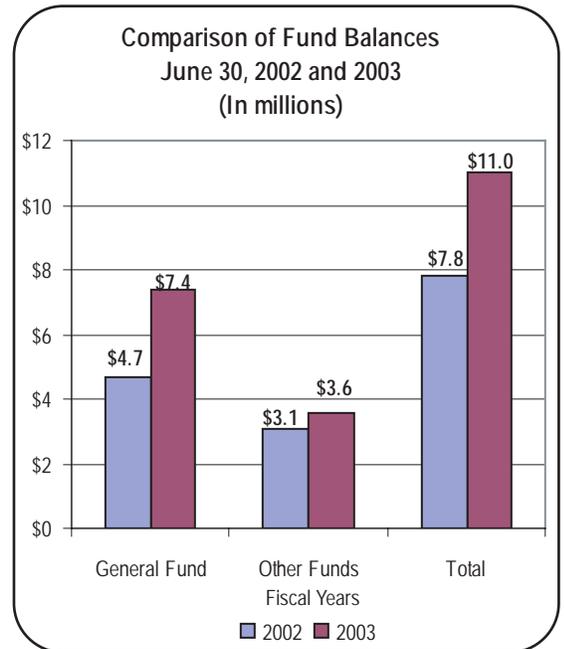
Santa Cruz County issues a Comprehensive Annual Financial Report. The County is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether the County has met its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

Our Conclusion

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

The County's Fund Balances Increased by \$3.2 Million

The County's total governmental fund balances were approximately \$11 million at June 30, 2003, an increase of approximately \$3.2 million from the prior year. For fiscal year 2003, the County anticipated a decrease in intergovernmental revenues from state and federal sources. To help compensate for the anticipated revenue loss, the County reduced actual General Fund expenditures for general government and capital outlay from the prior year. In addition, the County increased rates for charges for services and property taxes, and experienced a substantial increase in property assessed valuation. These factors, combined with a less than expected decrease in intergovernmental revenues, resulted in the increase in fund balances. The table to the right compares the County's fund balances between June 30, 2002 and 2003.



The County Implemented a New Reporting Model

The information presented in the Santa Cruz County *Comprehensive Annual Financial Report (CAFR)* for the year ended June 30, 2003, follows the new reporting model specified by the Governmental Accounting Standards Board. The new accounting standards required the County to implement the new reporting model this year.

The new reporting model's objective is to enhance the understandability and usefulness of government financial reports to the citizenry, legislative and oversight bodies, and investors and creditors.



2003

Year Ended June 30, 2003

The most important changes resulting from this reporting model's implementation include:

- New government-wide financial statements that focus on the overall government are presented, in addition to traditional fund-based financial statements;
- Separate financial statements are presented for the County's largest funds, rather than by aggregate fund types such as special revenue, capital projects, and debt service funds;
- Depreciation expense is reported for all capital assets that the County owns, except for infrastructure, which is not reported;
- Reconciliations are presented between the government-wide financial statements, which focus on the economic changes in total resources, and the fund-based financial statements, which focus on the financial changes in current spendable resources; and
- Management's Discussion and Analysis, a new document in which the County provides an introduction and analytical overview of the County's financial activities.

The management's discussion and analysis, government-wide financial statements, and fund-based financial statements provide three different views of the County's financial resources and the year's results of its financial activities.

The tables to the right present summarized versions of the County's government-wide Statement of Net Assets and Statement of Activities reported in the current year CAFR.

Statement of Net Assets
June 30, 2003
(In thousands)

	Total Governmental Activities
Current and other assets	\$14,805
Capital assets	<u>19,749</u>
Total assets	<u>34,554</u>
Current and other liabilities	1,423
Long-term liabilities	<u>8,237</u>
Total liabilities	<u>9,660</u>
Net Assets	
Invested in capital assets, net of related debt	16,487
Restricted net assets	2,289
Unrestricted net assets	<u>6,118</u>
Total net assets	<u>\$24,894</u>

Statement of Activities
For the Year Ended June 30, 2003
(In thousands)

	Total Governmental Activities
Program revenues:	
Charges for services	\$ 4,955
Operating grants and contributions	11,323
Capital grants and contributions	100
General revenues:	
Taxes	15,647
Miscellaneous	<u>1,080</u>
Total revenues	<u>33,105</u>
Expenses:	
General government	10,129
Public safety	5,758
Highways and streets	3,409
Health, welfare and sanitation	4,935
Education and economic opportunity	3,999
Other	<u>262</u>
Total expenses	<u>28,492</u>
Change in net assets	4,613
Net assets—beginning	<u>20,281</u>
Net assets—ending	<u>\$24,894</u>

**TO OBTAIN
MORE INFORMATION**

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



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www.auditorgen.state.az.us

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Year Ended June 30, 2003