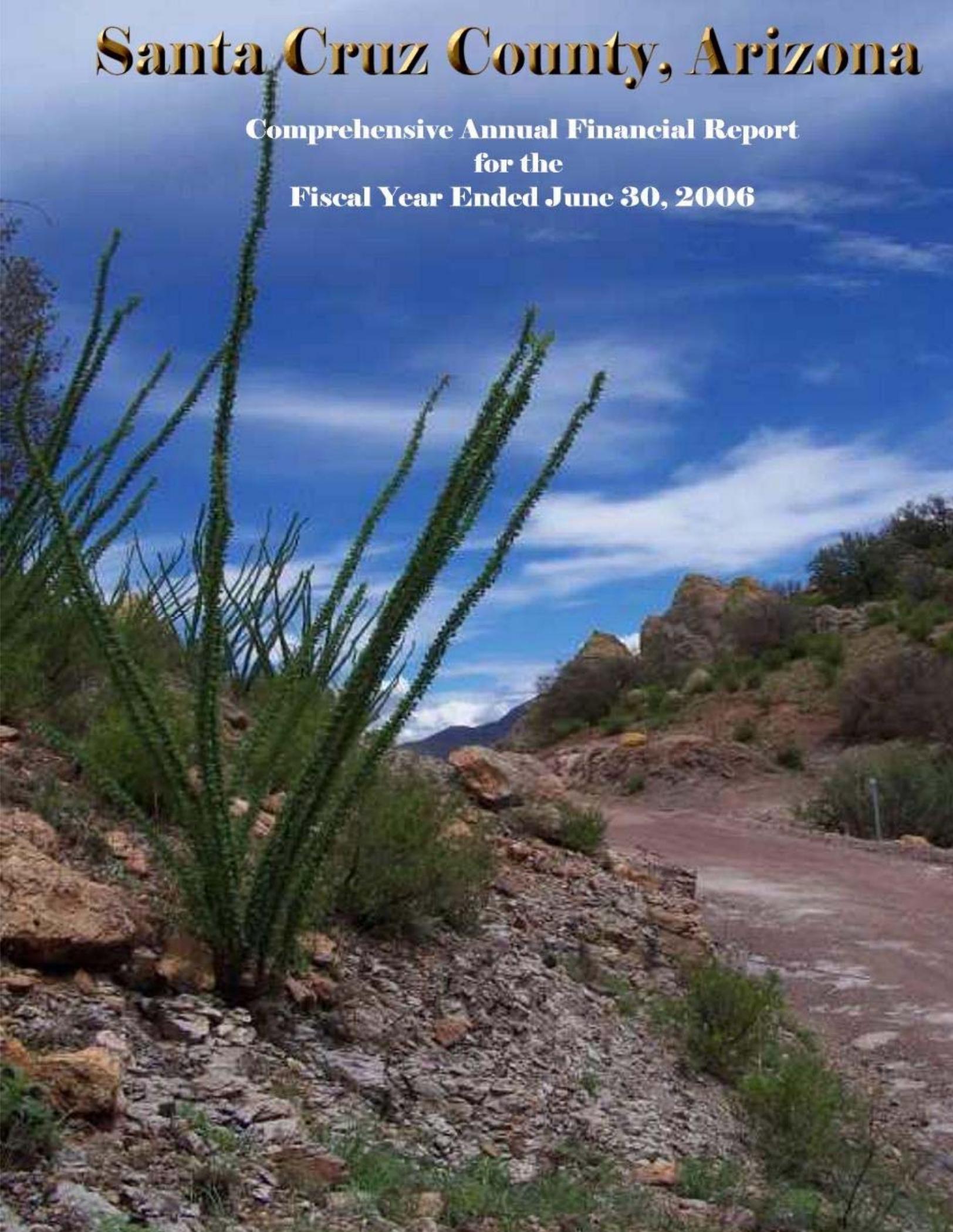


# **Santa Cruz County, Arizona**

**Comprehensive Annual Financial Report  
for the  
Fiscal Year Ended June 30, 2006**



Photograph on outside cover captured by:  
Sam Morriss

# SANTA CRUZ COUNTY, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE  
FISCAL YEAR ENDED JUNE 30, 2006

## BOARD OF SUPERVISORS

MANUEL RUIZ,  
CHAIRMAN  
DISTRICT #1

ROBERT DAMON,  
MEMBER  
DISTRICT #2

JOHN MAYNARD,  
VICE CHAIRMAN  
DISTRICT #3

## COUNTY MANAGER

GREG LUCERO

PREPARED BY THE  
SANTA CRUZ COUNTY FINANCE DEPARTMENT

DIRECTOR OF ADMINISTRATIVE SERVICES  
JENNIFER K. ST. JOHN

SENIOR ACCOUNTANT  
MAYRA OCHOA

Santa Cruz County  
 Comprehensive Annual Financial Report  
 Fiscal Year Ended June 30, 2006

Table of Contents

Page

**Introductory Section**

Letter of Transmittal ..... v-ix  
 Certificate of Achievement for Excellence in Financial Reporting ..... xi  
 Organizational Chart ..... xiii

**Financial Section**

**Independent Auditors' Report** ..... 1-2  
**Management's Discussion and Analysis** ..... 3-13

**Basic Financial Statements**

Government-Wide Financial Statements:

Statement of Net Assets ..... 16  
 Statement of Activities ..... 17

Fund Statements:

Governmental Funds:

Balance Sheet ..... 18-19  
 Reconciliation of the Balance Sheet to the Statement of Net Assets ..... 20  
 Statement of Revenues, Expenditures, and Changes in Fund Balances ..... 22-23  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
 Fund Balances to the Statement of Activities ..... 24

Proprietary Funds:

Statement of Net Assets ..... 25  
 Statement of Revenues, Expenses, and Changes in Fund Net Assets ..... 26  
 Statement of Cash Flows ..... 27

Fiduciary Funds:

Statement of Fiduciary Net Assets ..... 28  
 Statement of Changes in Fiduciary Net Assets ..... 29

Notes to Financial Statements ..... 31-50

Table of Contents (Continued)

Required Supplementary Information (other than MD&A):

Schedule of Agent Retirement Plans' Funding Progress.....	52
Budgetary Comparison Schedule—General Fund.....	53-54
Budgetary Comparison Schedule—Road Fund.....	55
Budgetary Comparison Schedule—Criminal Justice Enhancement Fund.....	56
Budgetary Comparison Schedule—WIA Fund.....	57
Notes to Budgetary Comparison Schedules.....	58

Combining and Individual Fund Statements and Schedules:

Nonmajor Governmental Funds:

Combining Balance Sheet—Nonmajor Governmental Funds.....	60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances— Nonmajor Governmental Funds.....	61
Combining Balance Sheet—Nonmajor Special Revenue Funds.....	62-63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances— Nonmajor Special Revenue Funds.....	64-65

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

Nonmajor Special Revenue Funds:

Homeland Security.....	68
Probation Services.....	69
Health Services.....	70
Flood.....	71
Juvenile Services.....	72
Retrieval Conversion.....	73
Animal Control.....	74
Jail Enhancement.....	75
Child Support and Visitation.....	76
Case Management.....	77
School Forest Fees.....	78
Law Library.....	79
Old Courthouse.....	80
Waste Tire Grant.....	81
Literacy Coordinator.....	82

## Table of Contents (Continued)

### Nonmajor Capital Projects Fund:

Airport.....	84
Recreation .....	85
Construction .....	86

### Nonmajor Debt Service Fund

Debt Service .....	88
--------------------	----

### Investment Trust and Agency Funds:

Combining Statement of Fiduciary Net Assets—Investment Trust Funds.....	90
Combining Statement of Fiduciary Net Assets—Agency Funds .....	91
Combining Statement of Changes in Fiduciary Net Assets—Investment Trust Funds .....	92
Combining Statement of Changes in Assets and Liabilities—Agency Funds .....	93

### Capital Assets Used in the Operation of Governmental Funds:

Comparative Schedule by Source .....	96
Schedule by Function and Activity .....	97
Schedule of Changes by Function and Activity .....	98

## Statistical Section

Net Assets by Component.....	100
Changes in Net Assets .....	101-102
Fund Balances, Governmental Funds .....	103
Changes in Funds Balances, Governmental Funds .....	104
General Government Revenues By Source .....	105
General Government Revenues By Source (As a Percentage of Total) .....	106
General Government Expenditures by Function.....	107
General Government Expenditures by Function (As a Percentage of Total).....	108
Taxable Assessed Value and Estimated Value of Property .....	110
Property Tax Rates—Direct and Overlapping Governments .....	111
Property Tax Rates—Direct and Overlapping Governments—School Districts .....	112
Principal Property Taxpayers .....	113-116
Property Tax Levies and Collections.....	117
Assessed and Estimated Actual Value of Taxable Property .....	118
Ratios of Outstanding Debt by Type.....	120
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita.....	121
Computation of Direct and Overlapping Governmental Activities, Debt Outstanding.....	122

Legal Debt Margin.....	123
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Government Expenditures .....	124
Demographic Statistics-Economic Indicators .....	126
Principal Employers .....	127
Employment Statistics.....	128
Demographic Statistics—International Border Crossing .....	129
Demographic Statistics—Sales, Construction, Bank Deposits, and Property Value.....	130
Employees by Function .....	132
Operating Indicators .....	133
Capital Assets Used in the Operation of Governmental Funds.....	134



## ADMINISTRATIVE SERVICES SANTA CRUZ COUNTY

Jennifer K. St. John, CPA  
Director

January 26, 2007

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, 2006. This report has been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB). County management is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all representations and disclosures. To the best of our knowledge and belief, this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

The CAFR is presented in three sections:

- The *Introductory Section* includes this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting, and the County's organizational chart.
- The *Financial Section* includes the independent auditor's report, MD&A, audited basic financial statements (government-wide and fund statements), notes to the financial statements, required supplemental statements, and supporting statements and schedules.
- The *Statistical Section* includes selected financial and demographic information. GASB Statement Number 44, *Economic Condition Reporting: The Statistical Section* was implemented during the fiscal year and had an impact on the County's financials.

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 20<sup>th</sup> Territorial Assembly in 1899. Santa Cruz County encompasses approximately 1,250 square miles and has roughly 45,000 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 1,500 trucks pass through Santa Cruz County's state-of-the-art commercial port, Mariposa Port of Entry, carrying approximately 60 percent of the winter produce consumed in the U.S. and Canada in a normal year. Santa Cruz County's produce industry is anchored by over 250 brokers, distributors, and warehouses. Rail traffic has increased dramatically due to the construction of the new Ford Motor Plant in Hermosillo, Sonora, which is shipping all its new cars by rail through Nogales. Additionally, CEMEX is also planning to use rail to meet the US demand for concrete.

The County will continue to operate in a fiscally responsible manner that respects our heritage and our environment, while exploring new economic opportunities and providing the services demanded of a rapidly growing border community.

---

## Major Initiatives

---

The U.S. General Services Administration recently completed a feasibility study to expand the Mariposa Port of Entry to increase the number of traffic lanes for commercial trucks and personal vehicles. Just this year Congress approved \$9.8 million to design/remodel the Mariposa Port of Entry. Construction of this project will not start until 2009. In the meantime, U.S. Immigration and Customs Enforcement will have implemented two new programs, Fast Lanes and SENTRI, to improve trade flow at the border.

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

The county geographic information system (GIS) has continued to develop over the past year with training for technical and management staff providing new levels of proficiency. Data development, rectification, and quality assurance tasks have progressed throughout the year.

The 1904 Courthouse in Nogales has become the center of community-based partnerships offering services to residents of Santa Cruz County. Santa Cruz County Workforce Development, the Santa Cruz County Schools Department, and Literacy Volunteers of Santa Cruz County have partnered to provide English as a Second Language, GED preparation, job search seminars, computer lab with high-speed Internet connectivity, and other "One-Stop" services. With over 16,000 visits between July 2005 and June 2006, the prospect for continued growth in services for Santa Cruz County residents is promising.

The Old Tucson Road Safety Improvement Project is part of the Southeast Arizona Governments Organization (SEAGO) 5 year transportation improvement program funded through the Federal Highway Administration. The improvements consisted of widening and resurfacing the existing road throughout the length of the project to a new roadway width of 40 feet. Design plan included a three-lane configuration for the intersections of South River Road and Monte Vista Drive. As a part of the project, the Potrero Creek Bridge was replaced with a structure meeting current load and width standards. The project was awarded in June 2005 and completed on February 5, 2007, at a total cost to date of \$3.6 million.

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

The Chula Vista Project is a federally funded, three part flood control plan formulated and recommended in the "Feasibility Report and Environmental Assessment." The purpose of this project is to provide flood protection up to the 100-year future condition event for the Chula Vista community located about 4 miles north of the U.S./Mexico boundary. The project consists of increasing the channel capacity and realigning of the Nogales Wash, and redirecting the majority of the Potrero Creek in to the Nogales Wash prior to the Chula Vista Subdivision. The project is currently estimated to cost \$15.7 million with the Santa Cruz County share ranging from \$1.5 to \$2.5 million. Phase I of this project was completed during the current fiscal year at a cost of \$1.3 million.

The Calle Azulejo Flood Control Project is a county-funded project. The project will consist of the construction of a retention/detention basin and the reconstruction of a segment of road to reduce and handle flood waters in the Rio Rico Villas #13 Subdivision in Rio Rico, Arizona, approximately 7 miles north of the City of Nogales. Original design of the subdivision in the 1960s failed to take into account the flow of flood waters through the subdivision and stopped a drainage

channel in the middle of the subdivision with no outlet for the flows. Over the years, monsoon storms have caused flooding within the area, with the latest events occurring on the 13<sup>th</sup> and 15<sup>th</sup> of August 2004 when more than a dozen homes were flooded on both days. This project was completed in January 2007 at a cost of approximately \$410 thousand.

---

## Financial Management and Information

---

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

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

Single Audit: As a recipient of federal and state financial assistance, the County is required to have an annual audit under the Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. OMB requirements also address the establishment and maintenance of an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. Tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as determining that the County has materially complied with applicable laws and regulations. The Single Audit Report is issued separately from this report and has not been completed for the fiscal year ended June 30, 2006, as of this date.

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

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

---

### Awards and Acknowledgements

---

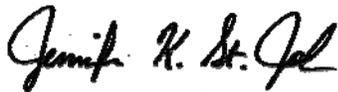
Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Santa Cruz County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005. This was the 16<sup>th</sup> consecutive year that Santa Cruz County has received this prestigious award. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards of state and local government financial reports.

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

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

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

Respectfully submitted,



Jennifer K. St. John, CPA  
Administrative Services Director

This page left blank intentionally.

# 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, 2005

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.

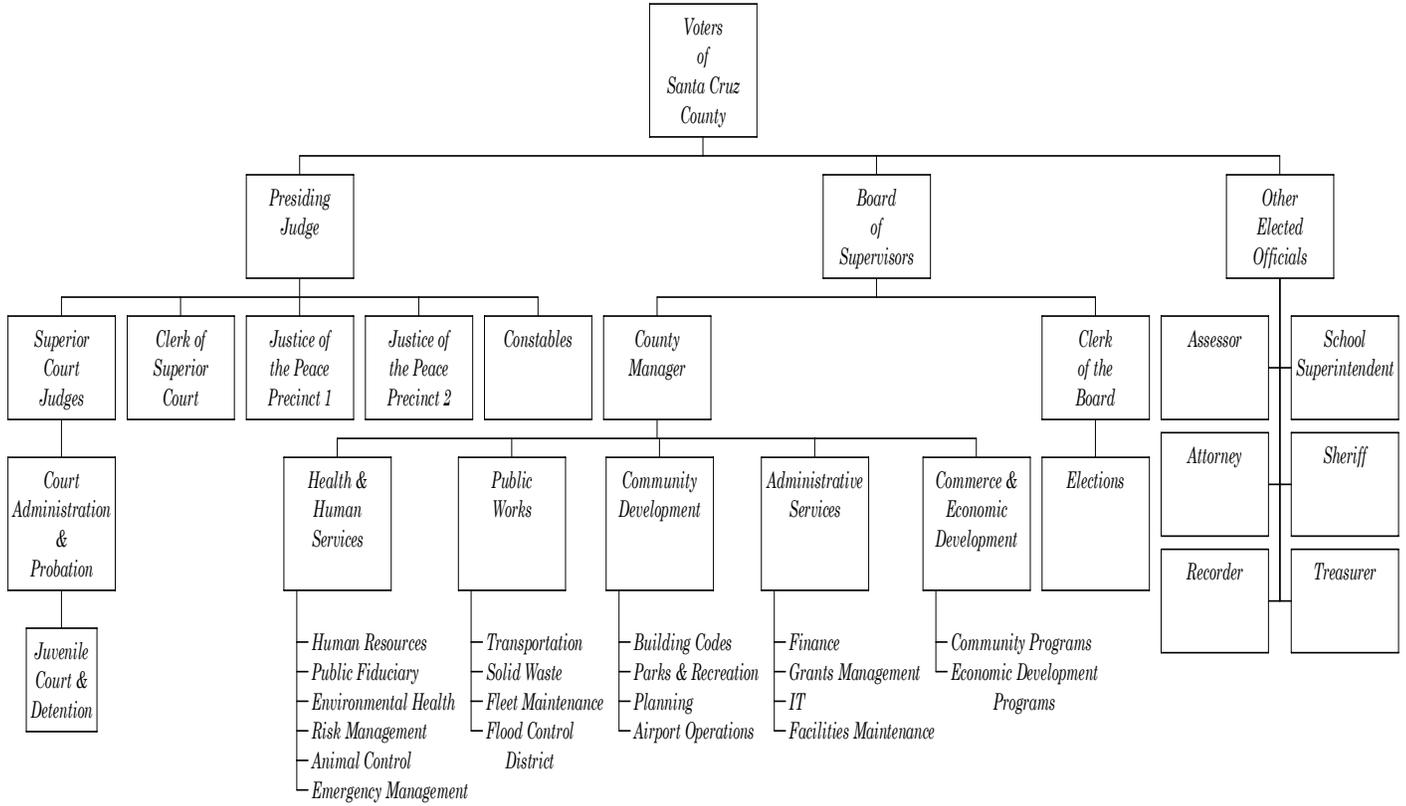


President

Executive Director

This page left blank intentionally.

# Santa Cruz County Organizational Chart



This page left blank intentionally.

## Financial Section

**MILLER, ALLEN & CO., P.C.**  
*Certified Public Accountants*

5333 NORTH 7TH STREET, SUITE 100  
PHOENIX, ARIZONA 85014  
TEL (602) 264-3888  
FAX (602) 230-0348

MARK L. LANDY, C.P.A.  
STEPHEN T. HARRIS, C.P.A.  
THOMAS L. FRIEND, C.P.A.  
ROBERT N. SNYDER, C.P.A.

---

ROBERT L. MILLER, C.P.A.  
(1931 - 1992)

Independent Auditors' Report

The Auditor General of the State of Arizona

The Board of Supervisors of  
Santa Cruz County, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Santa Cruz County as of and for the year ended June 30, 2006, 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, 2006, 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.

The Management's Discussion and Analysis on pages 3 through 13, the Schedule of Agent Retirement Plans' Funding Progress on page 52, and the Budgetary Comparison Schedules on pages 53 through 58 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section,

combining and individual fund statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

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

*Miller, Allen & Co., P.C.*

January 26, 2007

# 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, 2006, the assets of the County exceeded liabilities by \$43,887,243 (net assets). Of this amount, \$11,774,785 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, \$5,881,782 is restricted for specific purposes (restricted net assets), and \$26,230,676 is invested in capital assets, net of related debt.
- The County's total net assets as reported in the Statement of Activities increased by \$8,664,913.
- At June 30, 2006, total assets were \$52,439,449 compared to \$43,249,188 at June 30, 2005. This is a \$9,190,261 or 21.2 percent increase over the prior fiscal year.
- At June 30, 2006, the governmental funds reported combined fund balances of \$20,445,419, or an increase in fund balances of \$5,906,520, in comparison with the prior year.
- At June 30, 2006, unreserved fund balance for the general fund was \$12,807,976, 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 unit included in the County's basic financial statements is the Santa Cruz County Flood Control District.

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

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

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

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

# Santa Cruz County Management's Discussion and Analysis

for the General, Road, Criminal Justice Enhancement, and WIA funds. Data from the other governmental funds (nonmajor) are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

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

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

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

## Government-wide Financial Analysis

### Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, at June 30, 2006, assets exceeded liabilities by \$43,887,243.

# Santa Cruz County Management's Discussion and Analysis

## Condensed Statement of Net Assets June 30, 2006 and 2005 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$24,254	\$17,893	\$1,630	\$ 1,155	\$25,884	\$19,048
Capital assets	<u>23,757</u>	<u>21,266</u>	<u>2,798</u>	<u>2,935</u>	<u>26,555</u>	<u>24,201</u>
Total assets	<u>48,011</u>	<u>39,159</u>	<u>4,428</u>	<u>4,090</u>	<u>52,439</u>	<u>43,249</u>
Current and other liabilities	2,136	1,657	105	49	2,241	1,706
Long-term liabilities	<u>2,496</u>	<u>2,571</u>	<u>3,815</u>	<u>3,782</u>	<u>6,311</u>	<u>6,353</u>
Total liabilities	<u>4,632</u>	<u>4,228</u>	<u>3,920</u>	<u>3,831</u>	<u>8,552</u>	<u>8,059</u>
Net Assets						
Invested in capital assets, net of related debt	23,757	20,734	2,474	2,438	26,231	23,172
Restricted net assets	5,882	4,342	-	-	5,882	4,342
Unrestricted net assets (deficits)	<u>13,740</u>	<u>9,855</u>	<u>(1,966)</u>	<u>(2,179)</u>	<u>11,774</u>	<u>7,676</u>
Total net assets (deficit)	<u>\$43,379</u>	<u>\$34,931</u> <sup>1</sup>	<u>\$508</u>	<u>\$ 259</u>	<u>\$43,887</u>	<u>\$35,190</u>

The largest portion (\$26,231 or 60 percent) of the County's net assets reflects the investment in capital assets (e.g., land, buildings, machinery and equipment, and construction in progress), less accumulated depreciation and related debt still outstanding used to acquire those assets. The County uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, because the capital assets themselves will not be used to liquidate these liabilities.

Restricted net assets (\$5,882 or 13 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$11,774 or 27 percent) may be used to meet the government's ongoing obligations to the citizens and creditors.

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

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

- Current and other assets – the \$6.3 million increase was primarily the result of unspent but budgeted architectural and project management expenditures for the construction of additional administrative buildings scheduled to break ground during fiscal year 2006-2007.

<sup>1</sup> Amount does not include prior period adjustment (see Note 2 of the Notes to the Financial Statements on page 36 of this report).

## Santa Cruz County Management's Discussion and Analysis

- Capital assets – the \$2.5 million increase was largely due to significant construction activity that occurred during the past year involving federal and state funding for a major Public Works project located on Old Tucson Road. Additional information on the County's capital assets can be found in Note 6 of the Notes to the Financial Statements on pages 41 and 42 of this report.
- Current and other liabilities - the increase of \$580 thousand was primarily due to significant increases in accounts payable at June 30, 2006, relating to capital outlay expenditures recorded in the Construction Fund. Additional information on the County's long-term liabilities can be found in Note 7 of the Notes to Financial Statements on pages 43 - 45 of this report.
- Invested in capital assets, net of related debt – the increase of \$3 million was primarily due to the significant amount of capital project activity that has been completed and capitalized over the past fiscal year.

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

- Current and other assets – the \$475 thousand increase was primarily the result of the County increasing its cash reserves through the budgeting process to allow for a three month operating reserve as preferred by the County Board of Supervisors.
- Current and other liabilities - the increase of \$56 thousand was primarily due to increases in accounts payable at June 30, 2006, relating to an outstanding invoice for landfill cover.

### Changes in Net Assets

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

Condensed Statement of Activities  
For the Years Ended June 30, 2006 and 2005 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$5,629	\$ 4,646	\$1,838	\$1,891	\$ 7,467	\$ 6,537
Operating grants and contributions	14,317	12,081	-	-	14,317	12,081
Capital grants and contributions	1,578	1,108	-	-	1,578	1,108
General revenues:						
Property taxes	12,795	12,140	-	-	12,795	12,140
Share of state sales taxes	7,620	6,416	-	-	7,620	6,416
Payments in lieu of taxes	574	614	-	-	574	614

Santa Cruz County  
Management's Discussion and Analysis

Grants and contributions not restricted to specific programs	796	765	-	-	796	765
Investment earnings	607	307	47	19	654	326
Miscellaneous	<u>75</u>	<u>61</u>	<u>-</u>	<u>-</u>	<u>75</u>	<u>61</u>
Total revenues	<u>43,991</u>	<u>38,138</u>	<u>1,885</u>	<u>1,910</u>	<u>45,876</u>	<u>40,048</u>
Expenses:						
General government	14,592	12,283	-	-	14,592	12,283
Public safety	8,049	7,758	-	-	8,049	7,758
Highways and streets	4,349	4,548	-	-	4,349	4,548
Health, welfare and sanitation	4,123	3,826	-	-	4,123	3,826
Education and economic opportunity	4,080	4,986	-	-	4,080	4,986
Recreation	347	271	-	-	347	271
Interest on long-term debt	35	59			35	59
Landfill	<u>-</u>	<u>-</u>	<u>1,636</u>	<u>1,626</u>	<u>1,636</u>	<u>1,626</u>
Total expenses	<u>35,575</u>	<u>33,731</u>	<u>1,636</u>	<u>1,626</u>	<u>37,211</u>	<u>35,357</u>
Excess before transfers	<u>8,416</u>	<u>4,407</u>	<u>249</u>	<u>284</u>	<u>8,665</u>	<u>4,691</u>
Transfer in (out)	<u>-</u>	<u>(429)</u>	<u>-</u>	<u>429</u>	<u>-</u>	<u>-</u>
Changes in net assets	8,416	3,978	249	713	8,665	4,691
Net assets (deficit)—beginning	<u>34,963</u>	<u>30,953</u>	<u>259</u>	<u>(454)</u>	<u>35,222</u>	<u>30,499</u>
Net assets (deficit)—ending	<u>\$ 43,379</u>	<u>\$ 34,931</u> <sup>1</sup>	<u>\$ 508</u>	<u>\$ 259</u>	<u>\$43,887</u>	<u>\$35,190</u>

<sup>1</sup> Amount does not include prior period adjustment (see Note 2 of the Notes to the Financial Statements on page 36 of this report).

## Santa Cruz County Management's Discussion and Analysis

*Governmental activities* – Net assets increased by approximately \$8.4 million from fiscal year 2005. Key elements of the change in net assets from governmental activities include:

- Revenue from “Operating grants and contributions” increased by \$2.2 million due to current year increases in federal and state funding for airport projects and the Old Tucson Road project.
- Revenue from “Share of state sales taxes” increased by \$1.2 million due largely to an increase in County half cent sales tax collections fueled by vigorous cross-border trade.
- Revenues from “Charges for services” increased by \$983 thousand due to another strong year of housing starts, increasing the County's building permit revenues.
- Expenditures for “General government” increased by \$2.3 million due to increases in salaries, retirement and health insurance premiums, staffing levels, and increased federal and state grant funding.
- Expenditures for “Education and economic opportunity” decreased \$906 thousand due to a decrease in funding of the County's Workforce Investment Act grants.

*Business-type activities* – Net assets increased by approximately \$249 thousand from fiscal year 2005.

### 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, 2006, the County's governmental funds reported combined fund balances of \$20,445,419, an increase of \$5,906,520 in comparison with the prior year. Approximately 98 percent of the combined fund balances, \$20,037,002, constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is reserved, indicating that it is not available for new spending because it has been committed for debt service expenditures.

The General Fund is the County's primary operating fund. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$12,807,976. Unreserved fund balance represents 57 percent of total General Fund expenditures. This ratio indicates a strong fund balance position in comparison to expenditures.

## Santa Cruz County Management's Discussion and Analysis

During the fiscal year, the fund balance of the County's General Fund increased by \$2,160,045 due largely to the increased revenues from new construction. In addition, assessed valuation and county half cent sales tax collections increased over the prior fiscal year.

The fund balance in the Road Fund increased by \$310,368 over the prior year. A key factor in the increase was increased HURF funding from the State of Arizona.

The increases in fund balance in the Criminal Justice Enhancement Fund and Other Governmental Funds of \$355,029 and \$2,699,775, respectively, are due to increases in federal and state funding and the County requesting timely reimbursements for federal and state grants.

The fund balance in the WIA Fund increased by \$381,303 over the prior year primarily due to more timely reimbursements of federal 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)						
<i>Revenues by Source</i>	Fiscal Year 2005-06		Fiscal Year 2004-05		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	13,377	30%	\$12,581	33%	\$ 796	6%
Intergovernmental	24,711	56	21,801	56	2,910	13
Licenses and permits	1,823	4	1,298	3	525	40
Charges for services	1,949	5	1,399	4	550	39
Fines and forfeits	1,148	3	1,027	3	121	12
Investment income	607	1	306	1	301	98
Rents	30	-	30	-	-	-
Miscellaneous	403	1	218	-	185	85
Totals	<u>44,048</u>	<u>100%</u>	<u>\$38,660</u>	<u>100%</u>	<u>\$5,388</u>	<u>14%</u>

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

- Taxes – The increase of \$796 thousand was primarily due to the increase in the assessed property valuation.
- Intergovernmental – The increase of \$2,910 thousand was primarily due to increased federal and state grant funding, especially within the Airport and Public Works projects.
- Charges for services – The increase of \$550 thousand was primarily due to an increase in bond and fine collections of the County courts.

## Santa Cruz County Management's Discussion and Analysis

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

<i>Expenditures by Function</i>	Expenditures by Function Governmental Funds (In Thousands)					
	Fiscal Year 2005-06		Fiscal Year 2004-05		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General government	\$14,369	37%	\$11,711	32%	\$ 2,658	23%
Public safety	8,153	21	8,019	22	134	2
Highways and streets	4,533	12	5,069	14	(536)	(11)
Health, welfare and sanitation	4,177	11	3,821	11	356	9
Education and economic opportunity	4,069	10	5,009	14	(940)	(19)
Recreation	289	1	285	1	4	1
Capital outlay	2,304	6	1,165	3	1,139	98
Debt service	1,013	2	1,099	3	(86)	(8)
Totals	<u>\$38,907</u>	<u>100%</u>	<u>\$36,178</u>	<u>100%</u>	<u>\$ 2,729</u>	<u>8%</u>

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

The \$2.7 million increase in expenditures for general government is due to increases in salaries, retirement and health insurance premiums, staffing levels, and increased federal and state funding.

The \$940 thousand decrease in expenditures for education and economic opportunity is due largely to decreased federal funding in the County's Workforce Investment Act grants.

The \$1.1 million increase in capital outlay expenditures is due to an increase in federal and state funding for the Old Tucson Road project.

### General Fund Budgetary Highlights

The County did not amend the fiscal year 2005-06 adopted budget. General Fund actual expenditures were in excess of \$4.7 million under the adopted budget and actual revenues exceeded estimated revenues by \$4.7 million. Actual expenditures were significantly lower than budgeted amounts due to a delay in the architectural design of the new administration buildings scheduled to begin construction during fiscal year 2006-2007. The County conservatively estimated revenues and the State's economy strengthened much quicker than anticipated. Further, housing starts within the County continued to explode during the current fiscal year causing additional increases in building permit revenue. The Airport exceeded its budget by \$199 thousand due to early retirement of debt that was unbudgeted. The Sheriff's Office exceeded its budget by \$215 thousand, which was due primarily to increased inmate population, causing prisoner meals and medical care expenditures to significantly exceed budgeted amounts.

## Santa Cruz County Management's Discussion and Analysis

### Capital Assets and Debt Administration

#### Capital Assets

The County's investment in capital assets as of June 30, 2006, amounted to \$26.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, construction equipment and vehicles, furniture and equipment, construction in progress, and infrastructure. The County's investment in capital assets increased by 10 percent from the prior period. Major capital asset events during the current fiscal year included the following:

- Construction in progress increased by \$1.4 million and infrastructure increased by \$610 thousand primarily due to increased federal and state funding of a major Public Works project and completion of various improvement projects at the Nogales International Airport during fiscal year 2005-06.

#### Capital Assets (Net of Depreciation) (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 6,711	\$ 6,619	\$ 230	\$ 230	\$ 6,941	\$ 6,849
Buildings	5,678	5,922	173	179	5,851	6,101
Improvements other than buildings	1,736	1,797	1,739	1,791	3,475	3,588
Construction equipment and vehicles	1,908	1,654	655	735	2,563	2,389
Furniture and equipment	1,539	1,140	-	-	1,539	1,140
Construction in progress	2,903	1,461	-	-	2,903	1,461
Infrastructure	<u>3,283</u>	<u>2,673</u>	<u>-</u>	<u>-</u>	<u>3,283</u>	<u>2,673</u>
Totals	<u>\$23,758</u>	<u>\$21,266</u>	<u>\$2,797</u>	<u>\$ 2,935</u>	<u>\$26,555</u>	<u>\$24,201</u>

Additional information on the County's capital assets can be found in Note 6 of the Notes to Financial Statements on pages 41 and 42 of this report.

#### Long-Term Debt

At June 30, 2006, the County had total long-term debt outstanding of \$1,090,084. This amount consists of capital leases of just over \$300 thousand, and long-term notes of \$766 thousand. The County made all scheduled debt payments totaling \$1.2 million, which included \$532 thousand of early debt retirement for capital leases and \$447 thousand of early retirement of long-term notes. The County entered into new lease agreements totaling \$766 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 43 – 45 of this report.

## Santa Cruz County Management's Discussion and Analysis

### Economic Factors and Next Year's Budget

- The produce industry has a significant role in the region's economy; unfortunately, it is an extremely unpredictable industry. While the current economic climate has improved, the produce industry continues to struggle, creating some uncertainty in forecasting future financial activity.
- 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 increases turnover. Thus, local law enforcement is left critically short staffed and over worked.
- Property tax revenues continue to increase, unfortunately, recent state legislation has capped increases in assessed valuation. New construction is slowing but building permit revenues remain constant.
- Sales tax revenues remain largely unaffected by national trends due to vigorous cross-border trade.
- State-shared revenues are expected to remain stable while the County's contributions to state programs such as AHCCCS and ALTCS continue to rise.
- Lastly, the voters of Santa Cruz County approved the creation of a Jail District and the issuance of bonds to finance the construction of a new adult and juvenile detention facility. An architect and general contractor have been retained under a Construction Manager At-Risk contract. The County will also be financing the construction of new administrative facilities through certificates of participation.

### Request for Information

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

This page left blank intentionally.

## Basic Financial Statements

Santa Cruz County  
Statement of Net Assets  
June 30, 2006

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 16,628,764	\$ 1,505,885	\$ 18,134,649
Property taxes receivable (net of allowances for uncollectibles)	1,808,008	-	1,808,008
Due from other governmental units	5,596,688	39,158	5,635,846
Accounts receivable	153,604	85,511	239,115
Prepaid items	67,371	-	67,371
Capital assets:			
Nondepreciable	9,613,931	229,996	9,843,927
Depreciable (net)	14,142,819	2,567,714	16,710,533
Total assets	48,011,185	4,428,264	52,439,449
<b>Liabilities</b>			
Accounts payable	1,548,512	88,506	1,637,018
Due to other governmental units			
Accrued payroll and employee benefits	587,976	16,131	604,107
Noncurrent liabilities:			
Due within 1 year	1,596,426	267,029	1,863,455
Due in more than 1 year	899,172	3,548,454	4,447,626
Total liabilities	4,632,086	3,920,120	8,552,206
<b>Net Assets</b>			
Invested in capital assets, net of related debt	23,756,750	2,473,926	26,230,676
Restricted for:			
Highways and streets	4,153,200	-	4,153,200
Debt service	484,836	-	484,836
Other purposes	1,243,746	-	1,243,746
Unrestricted (deficit)	13,740,567	(1,965,782)	11,774,785
Total net assets	\$ 43,379,099	\$ 508,144	\$ 43,887,243

See accompanying notes to financial statements.

Santa Cruz County  
Statement of Activities  
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$14,591,981	\$2,785,119	\$ 2,922,235	\$ 1,542,944	\$ (7,341,683)	-	\$ (7,341,683)
Public safety	8,048,921	2,216,070	1,716,836	-	(4,116,015)	-	(4,116,015)
Highways and streets	4,349,165	-	5,527,199	-	1,178,034	-	1,178,034
Health, welfare and sanitation	4,123,232	622,414	670,179	-	(2,830,639)	-	(2,830,639)
Education and economic opportunity	4,079,733	-	3,480,664	-	(599,069)	-	(599,069)
Recreation	347,219	4,964	-	35,343	(306,912)	-	(306,912)
Interest on long-term debt	34,664	-	-	-	(34,664)	-	(34,664)
Total governmental activities	<u>35,574,915</u>	<u>5,628,567</u>	<u>14,317,113</u>	<u>1,578,287</u>	<u>(14,050,948)</u>	<u>-</u>	<u>(14,050,948)</u>
Business-type activities:							
Landfill	1,636,000	1,838,029	-	-	-	202,029	202,029
Total business-type activities	<u>1,636,000</u>	<u>1,838,029</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,029</u>	<u>202,029</u>
Total primary government	<u>\$37,210,915</u>	<u>\$7,466,596</u>	<u>\$14,317,113</u>	<u>\$ 1,578,287</u>	<u>(14,050,948)</u>	<u>202,029</u>	<u>(13,848,919)</u>
<b>General revenues:</b>							
Taxes							
Property taxes, levied for general purposes				12,699,444	-		12,699,444
Property taxes, levied for debt service				95,537	-		95,537
Share of state sales taxes				7,619,780	-		7,619,780
Payments in lieu of taxes				574,210	-		574,210
Grants and contributions not restricted to specific programs				796,288	-		796,288
Investment earnings				606,507	46,764		653,271
Miscellaneous				75,302	-		75,302
Total general revenues and transfers				<u>22,467,068</u>	<u>46,764</u>		<u>22,513,832</u>
Change in net assets				8,416,120	248,793		8,664,913
<b>Net assets—July 1, 2005, as restated</b>				<u>34,962,979</u>	<u>259,351</u>		<u>35,222,330</u>
<b>Net assets—June 30, 2006</b>				<u>\$ 43,379,099</u>	<u>\$508,144</u>		<u>\$ 43,887,243</u>

See accompanying notes to financial statements.

Santa Cruz County  
Balance Sheet  
Governmental Funds  
June 30, 2006

	<u>General Fund</u>	<u>Road Fund</u>	<u>Criminal Justice Enhancement Fund</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 8,630,673	\$ 2,088,971	\$ 719,013
Property taxes receivable (net of allowances for uncollectibles)	1,483,145	-	-
Due from other governmental units	967,829	395,026	779,371
Due from other funds	3,826,996	-	-
Accounts receivable	120,599	180	7,758
Prepaid items	44,760	-	12,750
Total assets	<u>\$ 15,074,002</u>	<u>\$ 2,484,177</u>	<u>\$ 1,518,892</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 515,185	\$ 567,874	\$ 64,427
Accrued payroll and employee benefits	381,562	47,044	25,952
Due to other funds	-	-	756,326
Deferred revenue	1,369,279	-	-
Total liabilities	<u>2,266,026</u>	<u>614,918</u>	<u>846,705</u>
Fund Balances (deficits):			
Reserved for:			
Debt service	-	-	-
Unreserved, reported in:			
General fund	12,807,976	-	-
Special revenue funds	-	1,869,259	672,187
Capital projects funds	-	-	-
Total fund balances (deficits)	<u>12,807,976</u>	<u>1,869,259</u>	<u>672,187</u>
Total liabilities and fund balances	<u>\$ 15,074,002</u>	<u>\$ 2,484,177</u>	<u>\$ 1,518,892</u>

See accompanying notes to financial statements.

<u>WIA Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 27,683	\$ 5,162,424	\$ 16,628,764
-	324,863	1,808,008
813,296	2,641,166	5,596,688
-	-	3,826,996
252	24,815	153,604
5,373	4,488	67,371
<u>\$ 846,604</u>	<u>\$ 8,157,756</u>	<u>\$ 28,081,431</u>
\$ 62,938	\$ 338,088	\$ 1,548,512
26,099	107,319	587,976
813,296	2,257,374	3,826,996
-	303,249	1,672,528
<u>902,333</u>	<u>3,006,030</u>	<u>7,636,012</u>
-	408,417	408,417
-	-	12,807,976
(55,729)	3,717,916	6,203,633
-	1,025,393	1,025,393
<u>(55,729)</u>	<u>5,151,726</u>	<u>20,445,419</u>
<u>\$ 846,604</u>	<u>\$ 8,157,756</u>	<u>\$ 28,081,431</u>

Santa Cruz County  
 Reconciliation of the Balance Sheet  
 to the Statement of Net Assets  
 Governmental Funds  
 June 30, 2006

<b>Total fund balances—governmental funds (page 19)</b>		<b>\$ 20,445,419</b>
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 \$36,826,889 and the accumulated depreciation is \$13,070,139.		23,756,750
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.		1,672,528
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences payable	\$ (1,654,298)	
Obligations under long-term notes payable	(766,300)	
Estimated liabilities for claims and judgments	<u>(75,000)</u>	<u>(2,495,598)</u>
<b>Net assets of governmental activities (page 16)</b>		<b><u>\$ 43,379,099</u></b>

See accompanying notes to financial statements.

This page left blank intentionally.

Santa Cruz County  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2006

	<u>General Fund</u>	<u>Road Fund</u>	<u>Criminal Justice Enhancement Fund</u>
<b>Revenues:</b>			
Taxes	\$ 11,551,257	-	-
Intergovernmental	9,475,871	\$ 4,199,818	\$ 1,432,838
Licenses and permits	1,822,794	-	-
Charges for services	1,214,560	-	40,503
Fines and forfeits	651,962	-	317,118
Investment income	399,451	68,832	17,954
Rents	-	-	-
Miscellaneous	218,137	30,116	6,614
Total revenues	<u>25,334,032</u>	<u>4,298,766</u>	<u>1,815,027</u>
<b>Expenditures:</b>			
Current:			
General government	11,397,850	-	844,383
Public safety	6,403,283	-	751,868
Highways and streets	-	3,594,345	-
Health, welfare and sanitation	2,673,314	-	-
Education and economic opportunity	1,307,888	-	-
Recreation	289,157	-	-
Capital outlay	-	-	-
Debt service:			
Principal	544,853	390,054	43,537
Interest and other charges	21,820	11,499	1,345
Total expenditures	<u>22,638,165</u>	<u>3,995,898</u>	<u>1,641,133</u>
Excess of revenues over expenditures	<u>2,695,867</u>	<u>302,868</u>	<u>173,894</u>
<b>Other financing sources (uses):</b>			
Proceeds from loan	-	-	-
Transfers in	15,707	7,500	249,975
Transfers out	(551,529)	-	(68,840)
Total other financing sources (uses)	<u>(535,822)</u>	<u>7,500</u>	<u>181,135</u>
Net change in fund balances	2,160,045	310,368	355,029
Fund balances (deficits), July 1, 2005, as restated	<u>10,647,931</u>	<u>1,558,891</u>	<u>317,158</u>
Fund balances (deficits), June 30, 2006	<u>\$ 12,807,976</u>	<u>\$ 1,869,259</u>	<u>\$ 672,187</u>

See accompanying notes to financial statements.

<u>WIA Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
-	\$ 1,825,407	\$ 13,376,664
\$ 2,091,502	7,511,205	24,711,234
-	-	1,822,794
-	694,359	1,949,422
-	178,979	1,148,059
-	120,270	606,507
-	30,000	30,000
<u>6,004</u>	<u>141,968</u>	<u>402,839</u>
<u>2,097,506</u>	<u>10,502,188</u>	<u>44,047,519</u>
-	2,126,923	14,369,156
-	998,038	8,153,189
-	938,664	4,533,009
-	1,504,076	4,177,390
1,715,750	1,044,875	4,068,513
-	-	289,157
-	2,303,777	2,303,777
-	-	978,444
<u>-</u>	<u>-</u>	<u>34,664</u>
<u>1,715,750</u>	<u>8,916,353</u>	<u>38,907,299</u>
<u>381,756</u>	<u>1,585,835</u>	<u>5,140,220</u>
-	766,300	766,300
-	565,134	838,316
<u>(453)</u>	<u>(217,494)</u>	<u>(838,316)</u>
<u>(453)</u>	<u>1,113,940</u>	<u>766,300</u>
381,303	2,699,775	5,906,520
<u>(437,032)</u>	<u>2,451,951</u>	<u>14,538,899</u>
<u>\$ (55,729)</u>	<u>\$ 5,151,726</u>	<u>\$ 20,445,419</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, 2006

**Net change in fund balances—total governmental funds (page 23)** **\$ 5,906,520**

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	\$ 3,809,635	
Depreciation expense	<u>(1,318,980)</u>	2,490,655

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 reduces long-term liabilities in the Statement of Net Assets.

Debt issued or incurred	(766,300)	
Principal repaid	<u>978,444</u>	212,144

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	(136,715)
--	-----------

Collection of revenues in the governmental funds exceeded revenues reported in the Statement of Activities. Deferred revenues decreased by this amount this year.	<u>(56,484)</u>
---	-----------------

**Change in net assets of governmental activities (page 17)** **\$ 8,416,120**

Santa Cruz County  
Statement of Net Assets  
Proprietary Funds  
June 30, 2006

	<u>Business-Type Activities— Enterprise Fund Landfill</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$1,505,885
Due from other governmental units	39,158
Accounts receivable	<u>85,511</u>
Total current assets	<u>1,630,554</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	229,996
Depreciable (net)	<u>2,567,714</u>
Total noncurrent assets	<u>2,797,710</u>
Total assets	<u>4,428,264</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	88,506
Accrued payroll and employee benefits	16,131
Obligations under capital leases—current portion	241,901
Landfill closure and postclosure care costs payable—current portion	5,405
Compensated absences payable—current portion	<u>19,723</u>
Total current liabilities	<u>371,666</u>
Noncurrent liabilities:	
Obligations under capital leases	81,883
Landfill closure and postclosure care costs payable	3,443,637
Compensated absences payable	<u>22,934</u>
Total noncurrent liabilities	<u>3,548,454</u>
Total liabilities	<u>3,920,120</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	2,473,926
Unrestricted (deficit)	<u>(1,965,782)</u>
Total net assets	<u>\$ 508,144</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, 2006

	<u>Business-Type Activities— Enterprise Fund Landfill</u>
<b>Operating revenues:</b>	
Landfill fees	\$ 1,833,334
Intergovernmental revenues	<u>4,695</u>
Total operating revenues	<u>1,838,029</u>
 <b>Operating expenses:</b>	
Personal services	524,560
Professional services	71,487
Supplies	146,070
Utilities	37,363
Repairs and maintenance	202,306
Recycling program	113,900
Insurance	12,399
Landfill closure and postclosure care costs	205,726
Depreciation	223,508
Other	<u>78,960</u>
Total operating expenses	<u>1,616,279</u>
Operating income	<u>221,750</u>
 <b>Nonoperating revenues (expenses):</b>	
Investment income	46,764
Interest expense on capital leases	<u>(19,721)</u>
Total nonoperating expenses	<u>27,043</u>
Increase in net assets	248,793
Total net assets, July 1, 2005	<u>259,351</u>
Total net assets, June 30, 2006	<u>\$ 508,144</u>

See accompanying notes to financial statements.

Santa Cruz County  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2006

	<b>Business-Type Activities— Enterprise Fund <u>Landfill</u></b>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 1,832,162
Payments to suppliers and providers of goods and services	(612,772)
Payments to employees	<u>(518,736)</u>
Net cash provided by operating activities	<u>700,654</u>
 <b>Cash flows from capital and related financing activities</b>	
Purchases of capital assets	(86,548)
Principal paid on capital leases	(172,295)
Interest paid on capital leases	<u>(19,721)</u>
Net cash used for capital and related financing activities	<u>(278,564)</u>
 <b>Cash flows from investing activities</b>	
Interest received on investments	<u>46,764</u>
Net cash provided by investing activities	<u>46,764</u>
 Net increase in cash and cash equivalents	468,854
 Cash and cash equivalents, July 1, 2005	<u>1,037,031</u>
Cash and cash equivalents, June 30, 2006	<u><u>\$ 1,505,885</u></u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 221,750
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	223,508
Changes in assets and liabilities:	
Increase in:	
Accounts receivable	18,621
Accounts payable	49,713
Accrued payroll and employee benefits	5,800
Compensated absences payable	24
Landfill closure and post closure care costs payable	205,726
Decrease in:	
Due from other governmental units	<u>12,754</u>
Net cash provided by operating activities	<u><u>\$ 700,654</u></u>

See accompanying notes to financial statements.

Santa Cruz County  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2006

	Investment Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 4,718,377	\$ 2,044,780
Investments	13,245,763	-
Cash and investments held by trustee	-	547,000
Interest receivable	44,139	-
Total assets	18,008,279	\$ 2,591,780
<b>Liabilities</b>		
Due to other governmental units	-	\$ 774,204
Deposits held for others	-	1,817,576
Total liabilities	-	\$ 2,591,780
<b>Net Assets</b>		
Held in trust for investment trust participants	\$ 18,008,279	

See accompanying notes to financial statements.

Santa Cruz County  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
Year Ended June 30, 2006

	<b>Investment Trust Funds</b>
<b>Additions</b>	
Contributions from participants	\$ 110,459,907
Interest on investments	490,000
Total additions	110,949,907
<b>Deductions</b>	
Distributions to participants	106,943,286
Total deductions	106,943,286
Change in net assets	4,006,621
Net assets, July 1, 2005	14,001,658
Net assets, June 30, 2006	\$ 18,008,279

See accompanying notes to financial statements.

This page left blank intentionally.

Santa Cruz County  
Notes to Financial Statements  
June 30, 2006

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).

A. Reporting Entity

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

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

The following describes the County's component unit:

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

Santa Cruz County  
Notes to Financial Statements  
June 30, 2006

## 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.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as user charges in which each party receives and gives up essentially equal values, are operating revenues. Other revenues, such

Santa Cruz County  
Notes to Financial Statements  
June 30, 2006

as investment income, result from transactions in which the parties do not exchange equal values. Revenues generated by ancillary activities are also reported as nonoperating revenues. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered to be nonoperating expenses.

The County reports the following major governmental funds:

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

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

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

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

The County reports the following major enterprise fund:

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

The County reports the following fund types:

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

*The Agency Funds* account for assets held by the County as an agent for the State, various local governments, individuals, and private organizations.

## C. Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus, with the exception of agency funds, and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Santa Cruz County  
Notes to Financial Statements  
June 30, 2006

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The County's major revenue sources that are susceptible to accrual are property taxes, intergovernmental, charges for services, and investment income. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and 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.

#### 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, 2006, were immaterial, they are not included in the Statement of Net Assets or the Balance Sheet.

Santa Cruz County  
Notes to Financial Statements  
June 30, 2006

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

### F. Property Tax Calendar

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

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

### G. Capital Assets

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

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

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

### H. Investment Income

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

Santa Cruz County  
Notes to Financial Statements  
June 30, 2006

I. Compensated Absences

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

Employees may accumulate up to 240 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year end.

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

Note 2 – Beginning Balances Restated

In the prior year the County incorrectly recorded the Carol M. White Physical Education Grant as part of the County's reporting entity. The grant should have been reported as part of a separate special purpose government. Accordingly, the beginning fund balance of the other governmental funds and the governmental activities beginning net assets have been restated as follows:

	Total Governmental Funds	Governmental Activities
Fund balances/net assets as of June 30, 2005, as previously reported	\$ 14,506,654	\$ 34,930,734
Fund balance/net assets of grant	32,245	32,245
Fund balances/net assets as of July 1, 2005, as restated	\$ 14,538,899	\$ 34,962,979

Note 3 – Stewardship, Compliance, and Accountability

In November 2005, the voters of Santa Cruz County approved the creation of a Jail District and the issuance of bonds to finance the construction of a new adult and juvenile detention facility. In addition to the detention facilities, the County is also planning to construct a new Sheriff's Office, Courts, and administration buildings which will be financed through certificates of participation issued through the County's General fund. During the fiscal year 2005-2006 budget process, the County budgeted \$2.8 million for anticipated architectural

Santa Cruz County  
Notes to Financial Statements  
June 30, 2006

design costs, project management fees, and future year expenditures related to these projects. Due to an inordinately long procurement process (requests for proposals and contract negotiations), the County did not expend monies on architectural or project management expenses during the fiscal year. As a result, the County is in conflict with A.R.S. §42-17151, which does not allow a County to budget for future year expenditures from tax revenues. During future budget cycles, the County will only budget for current year expenditures from tax revenues.

**Deficit fund balances**—At June 30, 2006, the following funds reported deficits in fund balances:

<u>Fund</u>	<u>Deficit</u>
<b>Governmental Funds</b>	
WIA	\$55,729
Homeland Security	36,646
Animal Control	16,483
Law Library	1,387
Old Courthouse	3,254
Literacy Coordinator	11

These deficits resulted from operations during the year, but are expected to be corrected through normal operations in fiscal year 2006-2007 or through transfers from the General Fund.

For the fiscal year ended June 30, 2006, 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>
<b>Governmental Funds:</b>		
Airport	General	\$ 199,904
Assessor	General	8,985
Grounds and Maintenance	General	41,768
Justice Court	General	16,871
Planning and Zoning	General	8,665
Treasurer	General	33,169
Constable	General	1,277
Building Codes	General	21,545
Emergency Services	General	25,771
Juvenile Detention	General	54,740
Sheriff	General	215,460
Drug Education	General	1,584
County Attorney	Criminal Justice Enhancement	825
Justice Court	Criminal Justice Enhancement	27,500
WIA	Workforce Investment Agency	513,795
Sexually Transmitted Diseases	Health Services	1,050

Santa Cruz County  
Notes to Financial Statements  
June 30, 2006

Nutrition	Health Services	1,063
Women, Infants, and Children	Health Services	2,151
Immunization	Health Services	2,318
Superior Court	Juvenile Services	4,688
Recorder	Retrieval Conversion	3,078
Animal Control	Animal Control	45,982
Superior Court	Law Library	3,411

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

#### Note 4 – Deposits and Investments

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

##### Credit risk

Statutes have the following requirements for credit risk:

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

##### Custodial credit risk

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

##### Concentration of credit risk

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

Santa Cruz County  
Notes to Financial Statements  
June 30, 2006

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.

**Deposits**—At June 30, 2006, the carrying amount of the County's deposits was \$11,602,297 and the bank balance was \$10,852,688. The County does not have a policy related to custodial credit risk.

**Investments**—The County's investments at June 30, 2006, were as follows:

Investment Type	Fair Value
State Treasurer's investment pool 5	\$12,934,108
U.S. agency securities	12,708,015
U.S. Treasury securities	510,692
Money Market Mutual Fund	<u>574,056</u>
Total	<u>\$26,726,871</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, 2006, 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	\$12,934,108
U.S. agency securities	Aaa	Moody's	12,708,015
Money Market Mutual Fund	Unrated	Not applicable	<u>574,056</u>
Total			<u>\$26,216,179</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, 2006, the County had \$574,056 in a Money Market Mutual Fund held by the counterparty not in the County's name.

**Concentration of credit risk**—The County does not have a formal investment policy with respect to concentration of credit risk. The County had investments at June 30, 2006, of 5 percent or more in the Federal Home Loan Mortgage Association, Federal National Mortgage

Santa Cruz County  
Notes to Financial Statements  
June 30, 2006

Association, and the Federal Home Loan Bank. These investments were 5 percent, 14 percent, and 27 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, 2006, the County had the following investments in debt securities:

Investment Type	Amount	Weighted Average Maturity In Years
State Treasurer's investment pool 5	\$12,934,108	0.14
U.S. agency securities	12,708,015	1.55
U.S. Treasury securities	510,692	.38
Money Market Mutual Fund	<u>574,056</u>	.01
	<u>\$26,726,871</u>	

As of June 30, 2006, \$492,345 or 2 percent of the County's investment in debt securities were in U.S. Agency Step-Up Note Securities that were considered highly sensitive to interest rate changes. These securities are the type for which the issuer can call the security on certain specified dates. If the security is not called, the interest rate is increased by a specified amount. Also, prevailing interest rates may go up faster than the increases in the coupon interest rate.

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

Cash, deposits, and investments:

Cash on hand	\$ 361,401
Amount of deposits	11,602,297
Amount of investments	<u>26,726,871</u>
Total	<u>\$38,690,569</u>

Statement of Net Assets:

	Governmental Activities	Business-Type Activities	Investment Trust Funds	Agency Funds	Total
Cash and cash equivalents	\$16,628,764	\$1,505,885	\$ 4,718,377	\$2,044,780	\$24,897,806
Investments	-	-	13,245,763	-	13,245,763
Cash and investments held by trustee	<u>-</u>	<u>-</u>	<u>-</u>	<u>547,000</u>	<u>547,000</u>
Total	<u>\$16,628,764</u>	<u>\$1,505,885</u>	<u>\$17,964,140</u>	<u>\$2,591,780</u>	<u>\$38,690,569</u>

Santa Cruz County  
Notes to Financial Statements  
June 30, 2006

Note 5 – Due From Other Governmental Units

Amounts due from other governmental units at June 30, 2006, in the General Fund include \$750,192 in sales taxes and \$149,085 in auto lieu tax from the State of Arizona. Amounts due from other governmental units in the Road Fund include \$381,861 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 \$779,371, \$813,296, and \$2,641,166, respectively, for federal reimbursement grants. The remaining balances results from various grants and contracts with other governmental units. Amounts due from other governmental units in the Enterprise Fund consist of \$39,158 due from the cities of Nogales and Patagonia for landfill fees.

Note 6 – Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 6,618,881	\$ 92,231	-	\$ 6,711,112
Construction in progress (estimated cost to complete \$7,597,977)	<u>1,461,360</u>	<u>1,825,854</u>	<u>\$384,395</u>	<u>2,902,819</u>
Total capital assets not being depreciated	<u>8,080,241</u>	<u>1,918,085</u>	<u>384,395</u>	<u>9,613,931</u>
Capital assets being depreciated:				
Buildings	10,302,943	13,800	-	10,316,743
Improvements other than buildings	2,429,575	-	-	2,429,575
Construction equipment and vehicles	6,676,341	801,022	112,968	7,364,395
Furniture and equipment	3,025,609	776,427	130,188	3,671,848
Infrastructure	<u>2,745,701</u>	<u>684,696</u>	-	<u>3,430,397</u>
Total	<u>25,180,169</u>	<u>2,275,945</u>	<u>243,156</u>	<u>27,212,958</u>
Less accumulated depreciation for:				
Buildings	4,380,959	257,878	-	4,638,837
Improvements other than buildings	633,171	60,740	-	693,911
Construction equipment and vehicles	5,022,096	547,408	112,968	5,456,536
Furniture and equipment	1,885,852	377,320	130,188	2,132,984
Infrastructure	<u>72,237</u>	<u>75,634</u>	-	<u>147,871</u>
Total	<u>11,994,315</u>	<u>1,318,980</u>	<u>243,156</u>	<u>13,070,139</u>
Total capital assets being depreciated, net	<u>13,185,854</u>	<u>956,965</u>	-	<u>14,142,819</u>
Governmental activities capital assets, net	<u>\$21,266,095</u>	<u>\$2,875,050</u>	<u>\$ 384,395</u>	<u>\$23,756,750</u>

Santa Cruz County  
Notes to Financial Statements  
June 30, 2006

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 229,996	-	-	\$ 229,996
Total capital assets not being depreciated	<u>229,996</u>	-	-	<u>229,996</u>
Capital assets being depreciated:				
Buildings	246,067	-	-	246,067
Improvements other than buildings	2,046,345	-	-	2,046,345
Construction equipment and vehicles	<u>1,815,794</u>	<u>\$ 86,548</u>	<u>\$ 73,129</u>	<u>1,829,213</u>
Total	<u>4,108,206</u>	<u>86,548</u>	<u>73,129</u>	<u>4,121,625</u>
Less accumulated depreciation for:				
Buildings	66,822	6,151	-	72,973
Improvements other than buildings	255,929	51,159	-	307,088
Construction equipment and vehicles	<u>1,080,781</u>	<u>166,198</u>	<u>73,129</u>	<u>1,173,850</u>
Total	<u>1,403,532</u>	<u>223,508</u>	<u>73,129</u>	<u>1,553,911</u>
Total capital assets being depreciated, net	<u>2,704,674</u>	<u>(136,960)</u>	-	<u>2,567,714</u>
Business-type activities capital assets, net	<u>\$2,934,670</u>	<u>\$(136,960)</u>	<u>-</u>	<u>\$2,797,710</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 602,935
Public safety	339,201
Highways and streets	286,573
Health, welfare and sanitation	60,476
Education and economic opportunity	23,557
Recreation	<u>6,238</u>
Total governmental activities depreciation expense	<u>\$1,318,980</u>
Business-Type Activities:	
Landfill	<u>\$ 223,508</u>
Total business-type activities depreciation expense	<u>\$ 223,508</u>

Santa Cruz County  
Notes to Financial Statements  
June 30, 2006

Note 7 – Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due within 1 year
<b>Governmental activities</b>					
Obligations under capital leases	\$531,902	-	\$531,902	-	-
Long-term notes payable	446,542	\$766,300	446,542	\$ 766,300	\$ 24,255
Compensated absences payable	1,517,583	891,489	754,774	1,654,298	874,917
Estimated liabilities for claims and judgments	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$2,571,027</u>	<u>\$1,657,789</u>	<u>\$1,733,218</u>	<u>\$2,495,598</u>	<u>\$899,172</u>
<b>Business-type activities</b>					
Obligations under capital leases	\$ 496,079	-	\$ 172,295	\$ 323,784	\$ 241,901
Compensated absences payable	42,633	27,080	27,056	42,657	19,723
Landfill closure and postclosure care costs payable	<u>3,243,316</u>	<u>205,726</u>	<u>-</u>	<u>3,449,042</u>	<u>5,405</u>
Business-type activities long-term liabilities	<u>\$3,782,028</u>	<u>\$232,806</u>	<u>\$199,351</u>	<u>\$3,815,483</u>	<u>\$267,029</u>

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

The assets acquired through capital leases are as follows:

	<b>Business-Type Activities</b>
Construction equipment and vehicles	\$ 858,368
Less: accumulated depreciation	<u>(447,747)</u>
Carrying value	<u>\$ 410,621</u>

The following schedule details debt service requirements to maturity for the County's obligations under capital leases at June 30, 2006:

Santa Cruz County  
Notes to Financial Statements  
June 30, 2006

<u>Year Ending June 30</u>	<u>Business-Type Activities</u>
2007	\$251,362
2008	37,812
2009	37,811
2010	<u>12,010</u>
Total minimum lease payments	338,995
Less amount representing interest	<u>15,211</u>
Present value of net minimum lease payments	<u>\$323,784</u>

**Long-term notes payable**—The County has a long-term note payable agreement that will be used to match federal funds for the purchase and renovation of a building. The total match of the note payable is \$766,300 and the future minimum payments required under the contract at June 30, 2006, including interest of 4.86 percent, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 24,255	\$36,009
2008	24,495	35,769
2009	25,699	34,564
2010	26,964	33,300
2011	28,290	31,974
2012-2016	163,744	137,575
2017-2021	208,180	93,140
2022-2026	<u>264,673</u>	<u>36,647</u>
Total	<u>\$766,300</u>	<u>\$438,978</u>

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

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$3,449,042 reported as landfill closure and postclosure care liability at June 30, 2006, represents the cumulative amount reported to date based on the use of 65 percent of the estimated capacity of the landfills. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,894,755 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 2006. The County closed one landfill in 1994 and expects to close the

Santa Cruz County  
Notes to Financial Statements  
June 30, 2006

remaining two landfills in 2016 and 2058, and the actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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

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

**Compensated absences and claims and judgments**—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. Claims and judgments are generally paid from the fund that accounts for the activity that gave rise to the claim. During fiscal year 2006, the County paid for compensated absences as follows: 61 percent from the General Fund, 8 percent from the Road Fund, 5 percent from the Criminal Justice Enhancement Fund, 4 percent from the WIA Fund, 19 percent from the Other Governmental Funds, and 3 percent from the Enterprise Fund.

## 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, the Arizona Counties Workers' Compensation Pool, and the Arizona Local Government Employee Benefit Trust, which is described above.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium based on its exposure in relation to the exposure of the other participants, and a deductible of \$5,000 per occurrence for property claims and \$5,000 per occurrence for liability claims. The County is also responsible for any

Santa Cruz County  
Notes to Financial Statements  
June 30, 2006

payments in excess of the maximum coverage of \$100 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least 3 years after becoming a member; however, it may withdraw after the initial 3-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

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

The Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool receive independent audits annually and an audit by the Arizona Department of Insurance every 5 years. Both pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation.

## Note 9 – Retirement Plans

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

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

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

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

Santa Cruz County  
Notes to Financial Statements  
June 30, 2006

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

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

**ASRS**

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

**PSPRS, CORP, AND EORP**

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

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

***Cost-Sharing Plans***—For the year ended June 30, 2006, active ASRS members and the County were each required by statute to contribute at the actuarially determined rate of 7.4 percent (6.9 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The County's contributions to ASRS for the years ended June 30, 2006, 2005, and 2004 were \$738,724, \$532,622, and \$491,109, respectively, which were equal to the required contributions for the year.

In addition, active EORP members were required by statute to contribute 7 percent of the members' annual covered payroll. The County was required to remit a designated portion of certain court fees plus additional contributions of 6 percent of the members' annual covered payroll, as determined by actuarial valuation. The County's contributions to EORP for the years ended June 30, 2006, 2005, and 2004 were \$121,380, \$54,008, and \$51,883, respectively, which were equal to the required contributions for the year.

***Agent Plans***—For the year ended June 30, 2006, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 15.67 percent. Active CORP members were required by statute to contribute 8.5 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 4 percent.

***Annual Pension Cost***—The County's pension cost for the two agent plans for the year ended June 30, 2006, and related information follows:

	PSPRS	CORP
Contribution rates:		
County	15.67%	4%

Santa Cruz County  
Notes to Financial Statements  
June 30, 2006

Plan members	7.65%	8.5%
Annual pension costs	\$268,303	\$23,958
Contributions made	\$268,303	\$23,958

The current-year annual required contributions for both the PSPRS and CORP were determined as part of their June 30, 2004, actuarial valuations using the entry-age actuarial cost method. The actuarial assumptions included (a) 8.75 percent investment rate of return and (b) projected salary increases ranging from 6.25 percent to 9.25 percent per year. Both (a) and (b) included an inflation component of 5.25 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 7-year period. The unfunded (excess) actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2004, was 20 years.

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

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	2006	\$268,303	100.0%	-
	2005	252,438	100.0	-
	2004	201,629	100.0	-
CORP	2006	\$23,958	100.0%	-
	2005	10,850	100.0	-
	2004	9,476	100.0	-

Note 10 – Interfund Balances and Activity

**Interfund receivables and payables**—Interfund balances at June 30, 2006, were as follows:

Payable from	Payable to General Fund
Criminal Justice Enhancement Fund	\$ 756,326
WIA Fund	813,296
Other Governmental Funds	<u>2,257,374</u>
Total governmental funds	<u>\$3,826,996</u>

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

**Interfund transfers**—Interfund transfers for the year ended June 30, 2006, were as follows:

Santa Cruz County  
Notes to Financial Statements  
June 30, 2006

	<u>General Fund</u>	<u>Road Fund</u>	<u>Transfer to Criminal Justice Enhancement Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Transfer from</b>					
General Fund	-	-	\$ 83,818	\$467,711	\$551,529
Other Governmental Funds	\$ 12,237	\$7,500	100,334	97,423	217,494
WIA Fund	453	-	-	-	453
Criminal Justice Enhancement Fund	<u>3,017</u>	<u>-</u>	<u>65,823</u>	<u>-</u>	<u>68,840</u>
Total governmental funds	<u>\$15,707</u>	<u>\$7,500</u>	<u>\$249,975</u>	<u>\$565,134</u>	<u>\$838,316</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’s monies under his stewardship. The Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the Treasurer determines the fair value of those pooled investments annually at June 30.

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

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 \$11,835,875 of investments in the State Treasurer’s investment pool 5, which are not included in the County Treasurer’s investment pool. Therefore, the deposit and investment risks of the Treasurer’s investment pool are substantially the same as the County’s deposit and investment risks exclusive of investments in the State Treasurer’s investment pools. See Note 4 for disclosure of the County’s deposit and investment risks.

Santa Cruz County  
Notes to Financial Statements  
June 30, 2006

Details of each major investment classification follow:

Investment Type	Principal	Interest Rate	Maturities	Fair Value
U.S. Agency Securities	\$12,708,015	2.05-5.60%	8/06-04/09	\$12,708,015
State Treasurer's Investment Pool	929,579	No stated interest rate	No stated maturity	929,579
U.S. Treasury Securities	510,692	Zero Coupon Strips	11/06	510,692
Money Market Mutual Fund	27,056	4.22%	No stated maturity	27,056

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

**Statement of Net Assets:**

Assets	\$ 25,131,625
Liabilities	<u>-</u>
Net assets	<u>\$ 25,131,625</u>

Net assets held in trust for:

Internal participants	\$ 7,292,508
External participants	<u>17,839,117</u>
Total net assets held in trust	<u>\$25,131,625</u>

**Statement of Changes in Net Assets:**

Total additions	\$151,071,288
Total deductions	<u>144,190,433</u>
Net increase	6,880,855
Net assets held in trust:	
July 1, 2005	<u>18,250,770</u>
June 30, 2006	<u>\$ 25,131,625</u>

Required Supplementary Information

Santa Cruz County  
 Required Supplementary Information  
 Schedule of Agent Retirement Plans' Funding Progress  
 June 30, 2006

Public Safety Personnel Retirement System

<u>Actual Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Funding (Liability) Excess (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Unfunded Liability as Percentage of Covered Payroll ((a-b)/c)</u>
June 30, 2006	\$5,099,486	\$7,499,778	\$(2,400,292)	68.0%	\$1,767,159	135.8%
June 30, 2005	4,488,809	6,905,005	(2,416,196)	65.0	1,688,154	143.1
June 30, 2004	4,300,555	6,061,462	(1,760,907)	70.9	1,570,793	112.1

Corrections Officer Retirement Plan

<u>Actual Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Funding (Liability) Excess (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Unfunded Liability as Percentage of Covered Payroll ((a-b)/c)</u>
June 30, 2006	\$1,832,167	\$1,105,276	\$726,891	165.8%	\$653,409	N/A
June 30, 2005	1,317,912	810,987	506,925	162.5	516,689	N/A
June 30, 2004	1,239,425	661,943	577,482	187.2	456,666	N/A

Santa Cruz County  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Taxes	\$ 9,243,144	\$ 11,551,257	\$ 2,308,113
Intergovernmental	8,833,168	9,475,871	642,703
Licenses and permits	1,000,000	1,822,794	822,794
Charges for services	938,485	1,214,560	276,075
Fines and forfeits	485,000	651,962	166,962
Investment income	100,000	399,451	299,451
Miscellaneous	-	218,137	218,137
Total revenues	<u>20,599,797</u>	<u>25,334,032</u>	<u>4,734,235</u>
<b>Expenditures</b>			
General government:			
Adult Probation	655,931	395,732	260,199
Airport	117,810	317,214	(199,404)
Assessor	701,257	710,242	(8,985)
Board of Supervisors	3,368,510	2,503,918	864,592
Clerk of Superior Court	683,137	662,599	20,538
County Attorney	1,207,570	1,081,598	125,972
Elections	168,439	136,646	31,793
Finance	1,693,730	1,036,711	657,019
Grounds and Maintenance	1,130,702	1,172,470	(41,768)
Information Technology	410,250	394,180	16,070
Justice Court	719,631	736,502	(16,871)
Planning and Zoning	316,750	325,415	(8,665)
Public Fiduciary	232,655	221,413	11,242
Recorder	421,210	377,287	43,923
Superior Court	1,563,376	1,447,224	116,152
Treasurer	412,203	445,372	(33,169)
Total general government	<u>13,803,161</u>	<u>11,964,523</u>	<u>1,838,638</u>
Public safety:			
Constable	47,809	49,086	(1,277)
Building Codes	437,996	459,541	(21,545)
Emergency Services	158,831	184,602	(25,771)
Juvenile Detention	582,887	637,627	(54,740)
Sheriff	4,843,206	5,058,666	(215,460)
Constable #2	19,753	13,761	5,992
Total public safety	<u>6,090,482</u>	<u>6,403,283</u>	<u>(312,801)</u>

(Continued)

See accompanying notes to budgetary comparison schedules.

Santa Cruz County  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund  
 Year Ended June 30, 2006  
 (Concluded)

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Health, welfare and sanitation:			
Long-term care services	\$ 2,108,800	\$ 2,098,800	\$ 10,000
Medical indigent	594,400	488,123	106,277
Mental health services	88,000	86,391	1,609
Total health, welfare and sanitation	2,791,200	2,673,314	117,886
Education and economic opportunity:			
Drug education	62,610	64,194	(1,584)
School superintendent	1,282,834	1,243,694	39,140
Total education and economic opportunity	1,345,444	1,307,888	37,556
Recreation—Parks	538,435	289,157	249,278
Debt reserve	2,863,507	-	2,863,507
Total expenditures	27,432,229	22,638,165	4,794,064
Excess (deficiency) of revenues over expenditures	(6,832,432)	2,695,867	9,528,299
<b>Other financing sources (uses):</b>			
Transfers in	-	15,707	15,707
Transfers out	(570,737)	(551,529)	19,208
Total other financing sources (uses)	(570,737)	(535,822)	34,915
Net change in fund balance	(7,403,169)	2,160,045	9,563,214
Fund balance, July 1, 2005	7,403,169	10,647,931	3,244,762
Fund balance, June 30, 2006	\$ -	\$ 12,807,976	\$ 12,807,976

See accompanying notes to budgetary comparison schedules.

Santa Cruz County  
Required Supplementary Information  
Budgetary Comparison Schedule  
Road Fund  
Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	\$ 4,072,825	\$ 4,199,818	\$ 126,993
Investment income	-	68,832	68,832
Miscellaneous	-	30,116	30,116
Total revenues	<u>4,072,825</u>	<u>4,298,766</u>	<u>225,941</u>
<b>Expenditures</b>			
Highways and streets—Road	<u>5,557,742</u>	<u>3,995,898</u>	<u>1,561,844</u>
Excess (deficiency) of revenues over expenditures	<u>(1,484,917)</u>	<u>302,868</u>	<u>1,787,785</u>
<b>Other financing sources:</b>			
Transfers in	<u>7,500</u>	<u>7,500</u>	<u>-</u>
Net change in fund balance	<u>(1,477,417)</u>	<u>310,368</u>	<u>1,787,785</u>
Fund balance, July 1, 2005	<u>1,477,417</u>	<u>1,558,891</u>	<u>81,474</u>
Fund balance, June 30, 2006	<u>\$ -</u>	<u>\$ 1,869,259</u>	<u>\$ 1,869,259</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, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	\$ 1,105,886	\$ 1,432,838	\$ 326,952
Charges for services	20,600	40,503	19,903
Fines and forfeits	285,092	317,118	32,026
Investment income	-	17,954	17,954
Miscellaneous	-	6,614	6,614
Total revenues	<u>1,411,578</u>	<u>1,815,027</u>	<u>403,449</u>
<b>Expenditures</b>			
General government:			
County Attorney	770,729	771,554	(825)
Clerk of Superior Court	3,447	-	3,447
Justice Court	-	27,500	(27,500)
Superior Court	363,176	14,615	348,561
Probation Department	48,536	30,714	17,822
Total general government	<u>1,185,888</u>	<u>844,383</u>	<u>341,505</u>
Public safety:			
Sheriff	792,726	768,681	24,045
Nogales Police	15,000	6,667	8,333
Metro Task Force	30,500	16,242	14,258
Other Agencies	14,800	5,160	9,640
Total public safety	<u>853,026</u>	<u>796,750</u>	<u>56,276</u>
Total expenditures	<u>2,038,914</u>	<u>1,641,133</u>	<u>397,781</u>
Excess (deficiency) of revenues over expenditures	<u>(627,336)</u>	<u>173,894</u>	<u>801,230</u>
<b>Other financing sources (uses):</b>			
Transfers in	161,324	249,975	88,651
Transfers out	(83,424)	(68,840)	14,584
Total other financing sources (uses)	<u>77,900</u>	<u>181,135</u>	<u>103,235</u>
Net change in fund balance	<u>(549,436)</u>	<u>355,029</u>	<u>904,465</u>
Fund balance, July 1, 2005	<u>549,436</u>	<u>317,158</u>	<u>(232,278)</u>
Fund balance, June 30, 2006	<u>\$ -</u>	<u>\$ 672,187</u>	<u>\$ 672,187</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 WIA Fund  
 Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	\$ 1,150,953	\$ 2,091,502	\$ 940,549
Miscellaneous	<u>-</u>	<u>6,004</u>	<u>6,004</u>
Total revenues	<u>1,150,953</u>	<u>2,097,506</u>	<u>946,553</u>
<b>Expenditures</b>			
Education and economic opportunity:			
WIA Department	<u>1,201,955</u>	<u>1,715,750</u>	<u>(513,795)</u>
Total expenditures	<u>1,201,955</u>	<u>1,715,750</u>	<u>(513,795)</u>
Excess (deficiency) of revenues over expenditures	<u>(51,002)</u>	<u>381,756</u>	<u>432,758</u>
<b>Other financing uses:</b>			
Transfers out	<u>-</u>	<u>(453)</u>	<u>(453)</u>
Net change in fund balance	(51,002)	381,303	432,305
Fund balance, July 1, 2005	<u>51,002</u>	<u>(437,032)</u>	<u>(488,034)</u>
Fund balance, June 30, 2006	<u>\$ -</u>	<u>\$ (55,729)</u>	<u>\$ (55,729)</u>

See accompanying notes to budgetary comparison schedules.

Santa Cruz County  
 Required Supplementary Information  
 Notes to Budgetary Comparison Schedules  
 June 30, 2006

Note 1 – Budgeting and Budgetary Control

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

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

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

Note 2 – Expenditures In Excess of Appropriations

For the year ended June 30, 2006, expenditures exceeded final budgeted amounts at the department level (the legal level of budgetary control) as follows:

Fund/Department	Excess
<u>General Fund:</u>	
Airport	\$199,404
Assessor	8,985
Grounds and Maintenance	41,768
Justice Court	16,871
Planning and Zoning	8,665
Treasurer	33,169
Constable	1,277
Building Codes	21,545
Emergency Services	25,771
Juvenile Detention	54,740
Sheriff	215,460
Drug education	1,584
 <u>Criminal Justice Enhancement Fund:</u>	
County Attorney	825
Justice Court	27,500
 <u>WIA Fund:</u>	
WIA Department	513,795

The excesses were primarily the result of unexpected expenditures or expenditures made as a result of unanticipated revenues, or both. The County will consider these excesses in next year's budget, as appropriate.

Combining and Individual  
Fund Statements and Schedules

Santa Cruz County  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2006

	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 4,023,697	\$ 736,423	\$ 402,304	\$ 5,162,424
Property taxes receivable (net of allowance for uncollectibles)	248,444	-	76,419	324,863
Due from other governmental units	1,138,972	1,497,552	4,642	2,641,166
Accounts receivable	23,344	-	1,471	24,815
Prepaid items	4,488	-	-	4,488
Total assets	<u>\$ 5,438,945</u>	<u>\$ 2,233,975</u>	<u>\$ 484,836</u>	<u>\$ 8,157,756</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 318,663	\$ 19,425	-	\$ 338,088
Accrued payroll and employee benefits	107,319	-	-	107,319
Due to other funds	1,068,217	1,189,157	-	2,257,374
Deferred revenue	226,830	-	\$ 76,419	303,249
Total liabilities	<u>1,721,029</u>	<u>1,208,582</u>	<u>76,419</u>	<u>3,006,030</u>
Fund Balances:				
Reserved for:				
Debt Service	-	-	408,417	408,417
Unreserved	3,717,916	1,025,393	-	4,743,309
Total fund balances	<u>3,717,916</u>	<u>1,025,393</u>	<u>408,417</u>	<u>5,151,726</u>
Total liabilities and fund balances	<u>\$ 5,438,945</u>	<u>\$ 2,233,975</u>	<u>\$ 484,836</u>	<u>\$ 8,157,756</u>

Santa Cruz County  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2006

	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total
<b>Revenues</b>				
Taxes	\$ 1,729,869	-	\$ 95,538	\$ 1,825,407
Intergovernmental	4,611,467	\$ 2,899,738	-	7,511,205
Charges for services	694,359	-	-	694,359
Fines and forfeits	178,979	-	-	178,979
Investment income	102,490	-	17,780	120,270
Rents	30,000	-	-	30,000
Miscellaneous	141,968	-	-	141,968
Total revenues	<u>7,489,132</u>	<u>2,899,738</u>	<u>113,318</u>	<u>10,502,188</u>
<b>Expenditures</b>				
Current:				
General government	2,126,923	-	-	2,126,923
Public safety	998,038	-	-	998,038
Highways and streets	938,664	-	-	938,664
Health, welfare and sanitation	1,504,076	-	-	1,504,076
Education and economic opportunity	1,044,875	-	-	1,044,875
Capital outlay	-	2,303,777	-	2,303,777
Total expenditures	<u>6,612,576</u>	<u>2,303,777</u>	<u>-</u>	<u>8,916,353</u>
Excess (deficiency) of revenues over expenditures	<u>876,556</u>	<u>595,961</u>	<u>113,318</u>	<u>1,585,835</u>
<b>Other financing sources (uses):</b>				
Proceeds from loan	-	766,300	-	766,300
Transfers in	487,693	77,441	-	565,134
Transfers out	(217,494)	-	-	(217,494)
Total other financing sources (uses)	<u>270,199</u>	<u>843,741</u>	<u>-</u>	<u>1,113,940</u>
Net change in fund balances	1,146,755	1,439,702	113,318	2,699,775
Fund balances (deficit), July 1, 2005, as restated	<u>2,571,161</u>	<u>(414,309)</u>	<u>295,099</u>	<u>2,451,951</u>
Fund balances, June 30, 2006	<u>\$ 3,717,916</u>	<u>\$ 1,025,393</u>	<u>\$ 408,417</u>	<u>\$ 5,151,726</u>

Santa Cruz County  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2006

	<u>Homeland Security</u>	<u>Probation Services</u>	<u>Health Services</u>	<u>Flood</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 13,207	\$ 318,741	\$ 235,249	\$ 2,281,212
Property taxes receivable (net of allowance for uncollectibles)	-	-	-	248,444
Due from other governmental units	377,927	2,112	144,237	11,051
Accounts receivable	-	205	3,545	-
Prepaid items	488	-	-	-
Total assets	<u>\$ 391,622</u>	<u>\$ 321,058</u>	<u>\$ 383,031</u>	<u>\$ 2,540,707</u>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	\$ 49,303	\$ 12,074	\$ 36,158	\$ 120,164
Accrued payroll and employee benefits	1,037	33,670	14,490	12,458
Due to other funds	377,928	-	143,887	-
Deferred revenue	-	-	-	226,830
Total liabilities	<u>428,268</u>	<u>45,744</u>	<u>194,535</u>	<u>359,452</u>
Fund balances:				
Unreserved	<u>(36,646)</u>	<u>275,314</u>	<u>188,496</u>	<u>2,181,255</u>
Total fund balances (deficit)	<u>(36,646)</u>	<u>275,314</u>	<u>188,496</u>	<u>2,181,255</u>
Total liabilities and fund balances	<u>\$ 391,622</u>	<u>\$ 321,058</u>	<u>\$ 383,031</u>	<u>\$ 2,540,707</u>

<u>Juvenile Services</u>	<u>Retrieval Conversion</u>	<u>Other</u>	<u>Total</u>
\$ 127,125	\$ 486,212	\$ 561,951	\$ 4,023,697
-	-	-	248,444
463,357	6	140,282	1,138,972
-	2,252	17,342	23,344
<u>4,000</u>	<u>-</u>	<u>-</u>	<u>4,488</u>
<u>\$ 594,482</u>	<u>\$ 488,470</u>	<u>\$ 719,575</u>	<u>\$ 5,438,945</u>
\$ 16,480	\$ (25)	\$ 84,484	\$ 318,638
28,847	-	16,842	107,344
462,583	-	83,819	1,068,217
<u>-</u>	<u>-</u>	<u>-</u>	<u>226,830</u>
<u>507,910</u>	<u>(25)</u>	<u>185,145</u>	<u>1,721,029</u>
<u>86,572</u>	<u>488,495</u>	<u>534,430</u>	<u>3,717,916</u>
<u>86,572</u>	<u>488,495</u>	<u>534,430</u>	<u>3,717,916</u>
<u>\$ 594,482</u>	<u>\$ 488,470</u>	<u>\$ 719,575</u>	<u>\$ 5,438,945</u>

Santa Cruz County  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
Year Ended June 30, 2006

	<u>Homeland Security</u>	<u>Probation Services</u>	<u>Health Services</u>	<u>Flood</u>
<b>Revenues:</b>				
Taxes	-	-	-	\$ 1,462,103
Intergovernmental	\$ 675,796	\$ 791,117	\$ 584,902	1,840
Charges for services	-	90,661	289,797	-
Fines and forfeits	-	-	-	-
Investment income	272	11,617	4,439	64,399
Rents	-	-	-	-
Miscellaneous	-	2,310	-	300
Total revenues	<u>676,068</u>	<u>895,705</u>	<u>879,138</u>	<u>1,528,642</u>
<b>Expenditures:</b>				
Current:				
General government	-	955,852	-	-
Public safety	731,426	-	-	-
Highways and streets	-	-	-	938,664
Health, welfare and sanitation	-	-	875,671	-
Education and economic opportunity	-	-	-	-
Total expenditures	<u>731,426</u>	<u>955,852</u>	<u>875,671</u>	<u>938,664</u>
Excess (deficiency) of revenues over expenditures	<u>(55,358)</u>	<u>(60,147)</u>	<u>3,467</u>	<u>589,978</u>
<b>Other financing sources (uses):</b>				
Transfers in	5,512	5,881	82,368	-
Transfers out	<u>(5,512)</u>	<u>(3,179)</u>	<u>(317)</u>	<u>(12,214)</u>
Total other financing sources (uses)	<u>-</u>	<u>2,702</u>	<u>82,051</u>	<u>(12,214)</u>
Net change in fund balances	(55,358)	(57,445)	85,518	577,764
Fund balances (deficit), July 1, 2005, as restated	<u>18,712</u>	<u>332,759</u>	<u>102,978</u>	<u>1,603,491</u>
Fund balances (deficit), June 30, 2006	<u>\$ (36,646)</u>	<u>\$ 275,314</u>	<u>\$ 188,496</u>	<u>\$ 2,181,255</u>

<u>Juvenile Services</u>	<u>Retrieval Conversion</u>	<u>Other</u>	<u>Total</u>
\$ 267,766	-	-	\$ 1,729,869
1,545,451	\$ 70	\$ 1,012,291	4,611,467
23,613	141,467	148,821	694,359
-	178,979	-	178,979
3,715	11,087	6,961	102,490
-	-	30,000	30,000
-	-	139,358	141,968
<u>1,840,545</u>	<u>331,603</u>	<u>1,337,431</u>	<u>7,489,132</u>
920,884	133,465	116,722	2,126,923
-	-	266,612	998,038
-	-	-	938,664
-	-	628,405	1,504,076
<u>709,471</u>	<u>-</u>	<u>335,404</u>	<u>1,044,875</u>
<u>1,630,355</u>	<u>133,465</u>	<u>1,347,143</u>	<u>6,612,576</u>
<u>210,190</u>	<u>198,138</u>	<u>(9,712)</u>	<u>876,556</u>
122,248	-	271,684	487,693
<u>(30,460)</u>	<u>(100,334)</u>	<u>(65,478)</u>	<u>(217,494)</u>
<u>91,788</u>	<u>(100,334)</u>	<u>206,206</u>	<u>270,199</u>
301,978	97,804	196,494	1,146,755
<u>(215,406)</u>	<u>390,691</u>	<u>337,936</u>	<u>2,571,161</u>
<u>\$ 86,572</u>	<u>\$ 488,495</u>	<u>\$ 534,430</u>	<u>\$ 3,717,916</u>

This page left blank intentionally.

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

Nonmajor Special Revenue Funds

Santa Cruz County  
Homeland Security—Schedule of Revenues, Expenditures, and  
Changes in Fund Balance—Budget and Actual  
Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	\$ 2,021,465	\$ 675,796	\$ (1,345,669)
Interest	-	272	272
Total revenues	<u>2,021,465</u>	<u>676,068</u>	<u>(1,345,397)</u>
<b>Expenditures</b>			
Current:			
Public safety—Emergency Services	<u>2,046,997</u>	<u>731,426</u>	<u>1,315,571</u>
Deficiency of revenues over expenditures	<u>(25,532)</u>	<u>(55,358)</u>	<u>(29,826)</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	5,512	5,512
Transfers out	<u>-</u>	<u>(5,512)</u>	<u>(5,512)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(25,532)</u>	<u>(55,358)</u>	<u>(29,826)</u>
Fund balance, July 1, 2005	<u>25,532</u>	<u>18,712</u>	<u>(6,820)</u>
Fund deficit, June 30, 2006	<u>\$ -</u>	<u>\$ (36,646)</u>	<u>\$ (36,646)</u>

Santa Cruz County  
 Probation Services—Schedule of Revenues, Expenditures, and  
 Changes in Fund Balance—Budget and Actual  
 Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	\$ 469,346	\$ 791,117	\$ 21,771
Charges for services	60,700	90,661	29,961
Interest	-	11,617	11,617
Miscellaneous	<u>2,000</u>	<u>2,310</u>	<u>310</u>
Total revenues	<u>532,046</u>	<u>895,705</u>	<u>363,659</u>
<b>Expenditures</b>			
Current:			
General government—Probation	<u>1,197,636</u>	<u>955,852</u>	<u>241,784</u>
Deficiency of revenues over expenditures	<u>(665,590)</u>	<u>(60,147)</u>	<u>605,443</u>
<b>Other financing sources (uses):</b>			
Transfers in	5,881	5,881	-
Transfers out	<u>(3,179)</u>	<u>(3,179)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,702</u>	<u>2,702</u>	<u>-</u>
Net change in fund balance	<u>(662,888)</u>	<u>(57,445)</u>	<u>605,443</u>
Fund balance, July 1, 2005	<u>662,888</u>	<u>332,759</u>	<u>(330,129)</u>
Fund balance, June 30, 2006	<u>\$ -</u>	<u>\$ 275,314</u>	<u>\$ 275,314</u>

Santa Cruz County  
 Health Services—Schedule of Revenues, Expenditures, and  
 Changes in Fund Balance—Budget and Actual  
 Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	\$466,495	\$584,902	\$ 118,407
Charges for services	230,748	289,797	59,049
Investment income	<u>-</u>	<u>4,439</u>	<u>4,439</u>
Total revenues	<u>697,243</u>	<u>879,138</u>	<u>181,895</u>
<b>Expenditures</b>			
Current:			
Health, welfare and sanitation			
Tuberculosis	77,805	35,716	42,089
Human Immunodeficiency Virus (HIV) Testing	38,285	24,240	14,045
Environmental Health	767,804	738,560	29,244
Sexually Transmitted Diseases Program	4,200	5,250	(1,050)
Nutrition	12,750	13,813	(1,063)
Women, Infants, and Children	25,807	27,958	(2,151)
Immunization	<u>27,816</u>	<u>30,134</u>	<u>(2,318)</u>
Total expenditures	<u>954,467</u>	<u>875,671</u>	<u>78,796</u>
Excess (deficiency) of revenues over expenditures	<u>(257,224)</u>	<u>3,467</u>	<u>260,691</u>
<b>Other financing sources (uses):</b>			
Transfers in	124,178	82,368	(41,810)
Transfers out	<u>-</u>	<u>(317)</u>	<u>(317)</u>
Total other financing sources (uses)	<u>124,178</u>	<u>82,051</u>	<u>(42,127)</u>
Net change in fund balance	<u>(133,046)</u>	<u>85,518</u>	<u>218,564</u>
Fund balance, July 1, 2005	<u>133,046</u>	<u>102,978</u>	<u>(30,068)</u>
Fund balance, June 30, 2006	<u>\$ -</u>	<u>\$ 188,496</u>	<u>\$ 188,496</u>

Santa Cruz County  
Flood—Schedule of Revenues, Expenditures, and  
Changes in Fund Balance—Budget and Actual  
Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Property taxes	\$ 1,445,214	\$ 1,462,103	\$ 16,889
Intergovernmental	-	1,840	1,840
Investment income	-	64,399	64,399
Miscellaneous	<u>-</u>	<u>300</u>	<u>300</u>
Total revenues	<u>1,445,214</u>	<u>1,528,642</u>	<u>83,428</u>
<b>Expenditures</b>			
Current:			
Highways and streets—Flood District	<u>2,966,385</u>	<u>938,664</u>	<u>2,027,721</u>
Excess (deficiency) of revenues over expenditures	<u>(1,521,171)</u>	<u>589,978</u>	<u>2,111,149</u>
<b>Other financing uses:</b>			
Transfers out	<u>-</u>	<u>(12,214)</u>	<u>(12,214)</u>
Net change in fund balance	<u>(1,521,171)</u>	<u>577,764</u>	<u>2,098,935</u>
Fund balance, July 1, 2005	<u>1,521,171</u>	<u>1,603,491</u>	<u>82,320</u>
Fund balance, June 30, 2006	<u>\$ -</u>	<u>\$ 2,181,255</u>	<u>\$ 2,181,255</u>

Santa Cruz County  
 Juvenile Services—Schedule of Revenues, Expenditures, and  
 Changes in Fund Balance—Budget and Actual  
 Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Property taxes	\$ 72,088	\$ 267,766	\$ 195,678
Intergovernmental	2,116,741	1,545,451	(571,290)
Charges for services	28,000	23,613	(4,387)
Investment income	-	3,715	3,715
Miscellaneous	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total revenues	<u>2,221,829</u>	<u>1,840,545</u>	<u>(381,284)</u>
<b>Expenditures</b>			
Current:			
General government:			
Superior Court	84,861	89,549	(4,688)
Probation	<u>838,523</u>	<u>831,335</u>	<u>7,188</u>
Total general government	<u>923,384</u>	<u>920,884</u>	<u>2,500</u>
Education and economic opportunity—			
School Superintendent	<u>1,442,509</u>	<u>709,471</u>	<u>733,038</u>
Total expenditures	<u>2,365,893</u>	<u>1,630,355</u>	<u>735,538</u>
Excess (deficiency) of revenues over expenditures	<u>(144,064)</u>	<u>210,190</u>	<u>354,254</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	122,248	122,248
Transfers out	<u>-</u>	<u>(30,460)</u>	<u>(30,460)</u>
Total other financing sources (uses)	<u>-</u>	<u>91,788</u>	<u>91,788</u>
Net change in fund balance	<u>(144,064)</u>	<u>301,978</u>	<u>446,042</u>
Fund balance (deficit), July 1, 2005	<u>144,064</u>	<u>(215,406)</u>	<u>(359,470)</u>
Fund balance, June 30, 2006	<u>\$ -</u>	<u>\$ 86,572</u>	<u>\$ 86,572</u>

Santa Cruz County  
Retrieval Conversion—Schedule of Revenues, Expenditures, and  
Changes in Fund Balance—Budget and Actual  
Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	\$ 22,215	\$ 70	\$ (22,145)
Charges for services	158,956	141,467	(17,489)
Fines and forfeits	126,620	178,979	52,359
Investment income	-	11,087	11,087
Total revenues	<u>307,791</u>	<u>331,603</u>	<u>23,812</u>
<b>Expenditures</b>			
Current:			
General government			
Assessor	105,062	60,508	44,554
Clerk of Superior Court	155,854	8,421	147,433
Justice Court #1	101,416	1,771	99,645
Justice Court #2	8,103	-	8,103
Recorder	55,476	58,554	(3,078)
Superior Court	165,695	4,211	161,484
Treasurer	41,336	-	41,336
Total expenditures	<u>632,942</u>	<u>133,465</u>	<u>499,477</u>
Excess (deficiency) of revenues over expenditures	<u>(325,151)</u>	<u>198,138</u>	<u>523,289</u>
<b>Other financing uses:</b>			
Transfers out	<u>(77,900)</u>	<u>(100,334)</u>	<u>(22,434)</u>
Net change in fund balances	<u>(403,051)</u>	<u>97,804</u>	<u>500,855</u>
Fund balance, July 1, 2005	<u>403,051</u>	<u>390,691</u>	<u>(12,360)</u>
Fund balance, June 30, 2006	<u>\$ -</u>	<u>\$ 488,495</u>	<u>\$ 488,495</u>

Santa Cruz County  
Animal Control—Schedule of Revenues, Expenditures, and  
Changes in Fund Balance—Budget and Actual  
Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	\$212,830	\$218,264	\$ 5,434
Charges for services	40,000	36,348	(3,652)
Investment income	-	25	25
Miscellaneous	<u>-</u>	<u>225</u>	<u>225</u>
Total revenues	<u>252,830</u>	<u>254,862</u>	<u>2,032</u>
<b>Expenditures</b>			
Current:			
Health, welfare and sanitation—			
Animal Control	<u>434,560</u>	<u>480,542</u>	<u>(45,982)</u>
Deficiency of revenues over expenditures	<u>(181,730)</u>	<u>(225,680)</u>	<u>43,950</u>
<b>Other financing sources:</b>			
Transfers in	<u>175,298</u>	<u>215,501</u>	<u>40,203</u>
Net change in fund balance	(6,432)	(10,179)	(3,747)
Fund balance (deficit), July 1, 2005	<u>6,432</u>	<u>(6,304)</u>	<u>(12,736)</u>
Fund deficit, June 30, 2006	<u>\$ -</u>	<u>\$ (16,483)</u>	<u>\$ (16,483)</u>

Santa Cruz County  
 Jail Enhancement—Schedule of Revenues, Expenditures and  
 Changes in Fund Balance—Budget and Actual  
 Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Taxes	\$ 31,699	-	\$ (31,699)
Intergovernmental	150,000	\$ 157,976	7,976
Charges for services	10,000	2,162	(7,838)
Investment income	-	2,083	2,083
Miscellaneous	<u>50,000</u>	<u>24,268</u>	<u>(25,732)</u>
Total revenues	<u>241,699</u>	<u>186,489</u>	<u>(55,210)</u>
<b>Expenditures</b>			
Current:			
Public safety—Sheriff	331,213	266,612	64,601
Education and economic opportunity— School Superintendent	<u>31,699</u>	<u>-</u>	<u>31,699</u>
Total expenditures	<u>362,912</u>	<u>266,612</u>	<u>96,300</u>
Deficiency of revenues over expenditures	<u>(121,213)</u>	<u>(80,123)</u>	<u>41,090</u>
<b>Other financing sources:</b>			
Transfers in	<u>124,178</u>	<u>184</u>	<u>(123,994)</u>
Net change in fund balance	2,965	(79,939)	(82,904)
Fund balance, July 1, 2005	<u>(2,965)</u>	<u>158,872</u>	<u>161,837</u>
Fund balance, June 30, 2006	<u>\$ -</u>	<u>\$ 78,933</u>	<u>\$ 78,933</u>

Santa Cruz County  
 Child Support and Visitation—Schedule of Revenues,  
 Expenditures, and Changes in Fund Balance—Budget and Actual  
 Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Charges for services	\$ 1,500	\$ 2,425	\$ 925
Investment income	<u>-</u>	<u>1,058</u>	<u>1,058</u>
Total revenues	<u>1,500</u>	<u>3,483</u>	<u>1,983</u>
<b>Expenditures</b>			
Current:			
General government—Superior Court	<u>36,106</u>	<u>991</u>	<u>35,115</u>
Excess (deficiency) of revenues over expenditures	<u>(34,606)</u>	<u>2,492</u>	<u>37,098</u>
Fund balance, July 1, 2005	<u>34,606</u>	<u>34,604</u>	<u>(2)</u>
Fund balance, June 30, 2006	<u>\$ -</u>	<u>\$ 37,096</u>	<u>\$ 37,096</u>

Santa Cruz County  
Case Management—Schedule of Revenues, Expenditures, and  
Changes in Fund Balance—Budget and Actual  
Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	\$ 85,739	\$ 85,276	\$ (463)
Investment income	<u>-</u>	<u>3,322</u>	<u>3,322</u>
Total revenues	<u>85,739</u>	<u>88,598</u>	<u>2,859</u>
<b>Expenditures</b>			
Current:			
Health, welfare and sanitation— Medical Assistance	<u>202,314</u>	<u>80,192</u>	<u>122,122</u>
Excess (deficiency) of revenues over expenditures	<u>(116,575)</u>	<u>8,406</u>	<u>124,981</u>
Fund balance, July 1, 2005	<u>116,575</u>	<u>116,553</u>	<u>(22)</u>
Fund balance, June 30, 2006	<u>\$ -</u>	<u>\$ 124,959</u>	<u>\$ 124,959</u>

Santa Cruz County  
 School Forest Fees—Schedule of Revenues, Expenditures, and  
 Changes in Fund Balance—Budget and Actual  
 Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	\$ 87,014	\$ 59,692	\$(27,322)
Investment income	<u>-</u>	<u>(413)</u>	<u>(413)</u>
Total revenues	<u>87,014</u>	<u>59,279</u>	<u>(27,735)</u>
 <b>Expenditures</b>			
Current:			
Education and economic opportunity—			
School Superintendent	<u>79,514</u>	<u>35,751</u>	<u>43,763</u>
Excess of revenues over expenditures	<u>7,500</u>	<u>23,528</u>	<u>16,028</u>
 <b>Other financing uses:</b>			
Transfers out	<u>(7,500)</u>	<u>(13,331)</u>	<u>(5,831)</u>
Net change in fund balance	<u>-</u>	<u>10,197</u>	<u>10,197</u>
Fund deficit, July 1, 2005	<u>-</u>	<u>(625)</u>	<u>(625)</u>
Fund balance, June 30, 2006	<u>\$ -</u>	<u>\$ 9,572</u>	<u>\$ 9,572</u>

Santa Cruz County  
 Law Library—Schedule of Revenues, Expenditures, and  
 Changes in Fund Balance—Budget and Actual  
 Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Charges for services	\$ 15,000	\$ 21,955	\$ 6,955
Investment income	<u>-</u>	<u>31</u>	<u>31</u>
Total revenues	<u>15,000</u>	<u>21,986</u>	<u>6,986</u>
<b>Expenditures</b>			
Current:			
General Government—Superior Court	<u>20,176</u>	<u>23,587</u>	<u>(3,411)</u>
Deficiency of revenues over expenditures	<u>(5,176)</u>	<u>(1,601)</u>	<u>3,575</u>
<b>Other financing sources:</b>			
Transfers in	<u>5,000</u>	<u>1,301</u>	<u>(3,699)</u>
Net change in fund balance	<u>(176)</u>	<u>(300)</u>	<u>(124)</u>
Fund balance deficit, July 1, 2005	<u>176</u>	<u>(1,087)</u>	<u>(1,263)</u>
Fund deficit, June 30, 2006	<u>\$ -</u>	<u>\$ (1,387)</u>	<u>\$ (1,387)</u>

Santa Cruz County  
 Old Courthouse—Schedule of Revenues, Expenditures, and  
 Changes in Fund Balance—Budget and Actual  
 Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	\$ 91,675	\$ -	\$ (91,675)
Investment income	-	(173)	(173)
Rents	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total revenues	<u>121,675</u>	<u>29,827</u>	<u>(91,848)</u>
<b>Expenditures</b>			
Current:			
General Government—Old Courthouse	<u>229,090</u>	<u>87,996</u>	<u>141,094</u>
Deficiency of revenues over expenditures	<u>(107,415)</u>	<u>(58,169)</u>	<u>49,246</u>
<b>Other financing sources:</b>			
Transfers in	<u>101,425</u>	<u>49,140</u>	<u>(52,285)</u>
Net change in fund balance	<u>(5,990)</u>	<u>(9,029)</u>	<u>(3,039)</u>
Fund deficit, July 1, 2005	<u>5,990</u>	<u>5,775</u>	<u>(215)</u>
Fund deficit, June 30, 2006	<u>\$ -</u>	<u>\$(3,254)</u>	<u>\$ (3,254)</u>

Santa Cruz County  
Waste Tire Grant—Schedule of Revenues, Expenditures, and  
Changes in Fund Balance—Budget and Actual  
Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	\$ 64,577	\$ 78,006	\$ 13,429
Investment income	<u>-</u>	<u>1,028</u>	<u>1,028</u>
Total revenues	<u>64,577</u>	<u>79,034</u>	<u>14,457</u>
<b>Expenditures</b>			
Current:			
Health, welfare and sanitation—			
Rio Rico Landfill	<u>79,866</u>	<u>67,671</u>	<u>12,195</u>
Excess (deficiency) of revenues over expenditures	<u>(15,289)</u>	<u>11,363</u>	<u>26,652</u>
Fund balance, July 1, 2005	<u>15,289</u>	<u>30,148</u>	<u>14,859</u>
Fund balance, June 30, 2006	<u>\$ -</u>	<u>\$ 41,511</u>	<u>\$ 41,511</u>

Santa Cruz County  
 Literacy Coordinator—Schedule of Revenues, Expenditures, and  
 Changes in Fund Balance—Budget and Actual  
 Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Charges for services	<u>\$ 141,080</u>	<u>\$ 73,422</u>	<u>\$ (67,658)</u>
<b>Expenditures</b>			
Current:			
Education and economic opportunity— School Superintendent	<u>141,080</u>	<u>73,433</u>	<u>67,647</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>(11)</u>	<u>(11)</u>
Fund balance, July 1, 2005	<u>-</u>	<u>-</u>	<u>-</u>
Fund deficit, June 30, 2006	<u>\$ -</u>	<u>\$ (11)</u>	<u>\$ (11)</u>

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

Nonmajor Capital Projects Fund

Santa Cruz County  
 Airport—Schedule of Revenues, Expenditures, and  
 Changes in Fund Balance—Budget and Actual  
 Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	<u>\$ 2,179,053</u>	<u>\$ 1,537,294</u>	<u>\$ (641,759)</u>
<b>Expenditures</b>			
Capital Outlay—Airport	<u>2,244,928</u>	<u>845,482</u>	<u>1,399,446</u>
Excess (deficiency) of revenues over expenditures	<u>(65,875)</u>	<u>691,812</u>	<u>757,687</u>
<b>Other financing sources:</b>			
Transfers in	<u>65,875</u>	<u>25,979</u>	<u>(39,896)</u>
Net change in fund balance	<u>-</u>	<u>717,791</u>	<u>717,791</u>
Fund deficit, July 1, 2005	<u>-</u>	<u>(408,999)</u>	<u>(408,999)</u>
Fund balance, June 30, 2006	<u>\$ -</u>	<u>\$ 308,792</u>	<u>\$ 308,792</u>

Santa Cruz County  
Recreation—Schedule of Revenues, Expenditures, and  
Changes in Fund Balance—Budget and Actual  
Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	<u>\$ 221,500</u>	<u>\$ 35,343</u>	<u>\$ (186,157)</u>
<b>Expenditures</b>			
Capital Outlay	<u>271,500</u>	<u>131,194</u>	<u>140,306</u>
Excess (deficiency) of revenues over expenditures	<u>(50,000)</u>	<u>(95,851)</u>	<u>45,851</u>
<b>Other financing sources:</b>			
Proceed from loan	-	766,300	766,300
Transfers in	<u>50,000</u>	<u>51,462</u>	<u>1,462</u>
Total other financing sources (uses)	<u>50,000</u>	<u>817,762</u>	<u>767,762</u>
Net change in fund balance	<u>-</u>	<u>721,911</u>	<u>721,911</u>
Fund deficit, July 1, 2005	<u>-</u>	<u>(5,310)</u>	<u>(5,310)</u>
Fund balance, June 30, 2006	<u>\$ -</u>	<u>\$ 716,601</u>	<u>\$ 716,601</u>

Santa Cruz County  
 Construction—Schedule of Revenues, Expenditures, and  
 Changes in Fund Balance—Budget and Actual  
 Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	\$ 3,598,093	\$ 1,327,101	\$ (2,270,992)
<b>Expenditures</b>			
Capital Outlay	3,644,312	1,327,101	2,317,211
Excess (deficiency) of revenues over expenditures	<u>(46,219)</u>	<u>-</u>	<u>46,219</u>
<b>Other financing sources:</b>			
Transfers in	<u>46,259</u>	<u>-</u>	<u>(46,259)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(40)</u>
Fund deficit, July 1, 2005	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2006	<u>\$ -</u>	<u>-</u>	<u>\$ (40)</u>

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

Nonmajor Debt Service Fund

Santa Cruz County  
Debt Service—Schedule of Revenues, Expenditures, and  
Changes in Fund Balance—Budget and Actual  
Year Ended June 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Taxes	-	\$ 95,538	\$ 95,538
Investment income	<u>-</u>	<u>17,780</u>	<u>17,780</u>
Total revenues	<u>-</u>	<u>113,318</u>	<u>113,318</u>
 <b>Expenditures</b>			
Debt service:			
Interest and other charges	<u>282,848</u>	<u>-</u>	<u>282,848</u>
Total expenditures	<u>282,848</u>	<u>-</u>	<u>282,848</u>
 Excess (deficiency) of revenues over expenditures	<u>(282,848)</u>	<u>113,318</u>	<u>396,166</u>
 Fund balance, July 1, 2005	<u>282,848</u>	<u>295,099</u>	<u>12,251</u>
 Fund balance, June 30, 2006	<u>\$ -</u>	<u>\$ 408,417</u>	<u>\$ 408,417</u>

## Investment Trust and Agency Funds

Santa Cruz County  
Combining Statement of Fiduciary Net Assets  
Investment Trust Funds  
June 30, 2006

	Treasurer's Investment Pool	Individual Investment Accounts	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,549,723	\$ 168,654	\$ 4,718,377
Investments	13,245,763	-	13,245,763
Interest receivable	43,631	508	44,139
Total assets	\$ 17,839,117	\$ 169,162	\$ 18,008,279
<b>Net Assets</b>			
Held in trust for investment trust participants	\$ 17,839,117	\$ 169,162	\$ 18,008,279

Santa Cruz County  
Combining Statement of Fiduciary Net Assets  
Agency Funds  
June 30, 2006

	<u>Property Tax Collection</u>	<u>Fire District</u>	<u>Special Purpose</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 920,784	\$ 77,678	\$ 1,046,318	\$ 2,044,780
Cash and investments held by trustee	<u>-</u>	<u>-</u>	<u>547,000</u>	<u>547,000</u>
Total assets	<u>\$ 920,784</u>	<u>\$ 77,678</u>	<u>\$ 1,593,318</u>	<u>\$ 2,591,780</u>
<b>Liabilities</b>				
Due to other governmental units	\$ 696,526	\$ 77,678	-	\$ 774,204
Deposits held for others	<u>224,258</u>	<u>-</u>	<u>1,593,318</u>	<u>1,817,576</u>
Total liabilities	<u>\$ 920,784</u>	<u>\$ 77,678</u>	<u>\$ 1,593,318</u>	<u>\$ 2,591,780</u>

Santa Cruz County  
Combining Statement of Changes in Fiduciary Net Assets  
Investment Trust Funds  
Year Ended June 30, 2006

	Treasurer's Investment Pool	Individual Investment Accounts	Total
<b>Additions</b>			
Contributions from participants	\$ 110,450,533	\$ 9,374	\$ 110,459,907
Interest on investments	<u>489,492</u>	<u>508</u>	<u>490,000</u>
Total additions	<u>110,940,025</u>	<u>9,882</u>	<u>110,949,907</u>
<b>Deductions</b>			
Distributions to participants	<u>106,904,773</u>	<u>38,513</u>	<u>106,943,286</u>
Changes in net assets	4,035,252	(28,631)	4,006,621
Net assets—July 1, 2005	<u>13,803,865</u>	<u>197,793</u>	<u>14,001,658</u>
Net assets—June 30, 2006	<u>\$ 17,839,117</u>	<u>\$ 169,162</u>	<u>\$ 18,008,279</u>

Santa Cruz County  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2006

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
<b>Property Tax Collection:</b>				
Assets				
Cash and cash equivalents	\$ 851,029	\$ 3,313,156	\$ 3,243,401	\$ 920,784
Liabilities				
Due to other governmental units	\$ 718,755	\$ 3,175,842	\$ 3,198,071	\$ 696,526
Deposits held for other parties	132,274	137,314	45,330	224,258
Total liabilities	<u>\$ 851,029</u>	<u>\$ 3,313,156</u>	<u>\$ 3,243,401</u>	<u>\$ 920,784</u>
<b>Fire District:</b>				
Assets				
Cash and cash equivalents	\$ 87,181	\$ 262,682	\$ 272,185	\$ 77,678
Liabilities				
Due to other governmental units	\$ 87,181	\$ 262,682	\$ 272,185	\$ 77,678
<b>Special Purpose:</b>				
Assets				
Cash and cash equivalents	\$ 1,218,925	-	\$ 172,607	\$ 1,046,318
Cash and investments held by trustee	436,000	\$ 111,000	-	547,000
Total assets	<u>\$ 1,654,925</u>	<u>\$ 111,000</u>	<u>\$ 172,607</u>	<u>\$ 1,593,318</u>
Liabilities				
Deposits held for other parties	<u>\$ 1,654,925</u>	<u>\$ 111,000</u>	<u>\$ 172,607</u>	<u>\$ 1,593,318</u>
<b>Total—All Agency Funds</b>				
Assets				
Cash and cash equivalents	\$ 2,157,135	\$ 3,575,838	\$ 3,688,193	\$ 2,044,780
Cash and investments held by trustee	436,000	111,000	-	547,000
Total assets	<u>\$ 2,593,135</u>	<u>\$ 3,686,838</u>	<u>\$ 3,688,193</u>	<u>\$ 2,591,780</u>
Liabilities				
Due to other governmental units	\$ 805,936	\$ 3,438,524	\$ 3,470,256	\$ 774,204
Deposits held for other parties	1,787,199	248,314	217,937	1,817,576
Total liabilities	<u>\$ 2,593,135</u>	<u>\$ 3,686,838</u>	<u>\$ 3,688,193</u>	<u>\$ 2,591,780</u>

This page left blank intentionally.

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, 2006 and 2005

	2006	2005
<b>Governmental funds capital assets:</b>		
Infrastructure	\$ 3,430,397	\$ 2,745,701
Land	6,711,112	6,618,881
Buildings	10,316,743	10,302,943
Improvements other than buildings	2,429,575	2,429,575
Construction equipment and vehicles	7,364,395	6,676,341
Furniture and equipment	3,671,848	3,025,609
Construction in progress	2,902,819	1,461,360
Total governmental funds capital assets	\$ 36,826,889	\$ 33,260,410
 <b>Investments in governmental funds capital assets by source:</b>		
General Fund	\$ 12,695,763	\$ 11,972,306
Special Revenue Funds	6,784,836	6,032,982
Capital Projects Funds	17,346,290	15,255,122
Total governmental funds capital assets	\$ 36,826,889	\$ 33,260,410

Santa Cruz County  
Capital Assets Used in the Operation of Governmental Funds  
Schedule by Function and Activity  
June 30, 2006

Function and Activity	Land	Buildings	Improvements Other than Buildings	Construction Equipment and Vehicles	Furniture and Equipment	Construction in Progress	Infrastructure	Total
General government	\$ 3,809,821	\$ 8,018,487	\$ 1,977,715	\$ 819,586	\$ 2,030,426	\$ 679,976	\$ 3,430,397	\$ 20,766,408
Public safety	-	1,819,253	-	1,790,111	1,261,557	-	-	4,870,921
Highways and streets	967,443	244,502	451,860	4,368,079	92,851	2,222,843	-	8,347,578
Health, welfare and sanitation	-	148,149	-	301,533	112,577	-	-	562,259
Recreation	1,933,848	86,352	-	28,057	8,453	-	-	2,056,710
Education	-	-	-	57,029	165,984	-	-	223,013
 Total	 <u>\$ 6,711,112</u>	 <u>\$ 10,316,743</u>	 <u>\$ 2,429,575</u>	 <u>\$ 7,364,395</u>	 <u>\$ 3,671,848</u>	 <u>\$ 2,902,819</u>	 <u>\$ 3,430,397</u>	 <u>\$ 36,826,889</u>

Santa Cruz County  
 Capital Assets Used in the Operation of Governmental Funds  
 Schedule of Changes by Function and Activity  
 Year Ended June 30, 2006

Function and Activity	Governmental Funds Capital Assets <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	Governmental Funds Capital Assets <u>June 30, 2006</u>
General government	\$ 19,440,801	\$ 1,654,471	\$ 328,864	\$ 20,766,408
Public safety	4,599,065	443,470	171,614	4,870,921
Highways and streets	6,553,550	1,797,517	3,489	8,347,578
Health, welfare and sanitation	447,625	114,634	-	562,259
Recreation	1,977,340	171,601	92,231	2,056,710
Education	<u>242,029</u>	<u>12,337</u>	<u>31,353</u>	<u>223,013</u>
Total governmental funds capital assets	<u>\$ 33,260,410</u>	<u>\$ 4,194,030</u>	<u>\$ 627,551</u>	<u>\$ 36,826,889</u>

Statistical Section

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

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

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

	Fiscal Year			
	2006	2005	2004	2003
<b>Expenses</b>				
Governmental activities:				
General government	\$ 14,592	\$ 12,283	\$ 11,810	\$ 10,129
Public safety	8049	7,758	6,822	5,758
Highways and streets	4349	4,548	4,636	3,409
Health, welfare and sanitation	4123	3,826	3,527	4,935
Education and economic opportunity	4080	4,986	4,432	3,999
Recreation	347	271	209	154
Interest on long-term debt	35	59	84	108
Total governmental activities expenses	<u>35,575</u>	<u>33,731</u>	<u>31,520</u>	<u>28,492</u>
Business-type activities:				
Landfill	1,636	1,626	1,350	-
Total business-type activities expenses	<u>1,636</u>	<u>1,626</u>	<u>1,350</u>	<u>-</u>
Total primary government expenses	<u>37,211</u>	<u>35,357</u>	<u>32,870</u>	<u>28,492</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services				
General government	2,785	2,102	2,087	1,824
Public safety	2,216	1,659	1,241	1,002
Highways and streets	-	6	-	52
Health, welfare and sanitation	623	615	545	1,974
Education and economic opportunity	-	253	118	80
Recreation	5	11	7	22
Operating grants and contributions	14,317	12,113	12,707	11,323
Capital grants and contributions	1,578	1,108	2,818	101
Total governmental activities program revenues	<u>21,524</u>	<u>17,867</u>	<u>19,523</u>	<u>16,378</u>
<b>Program Revenues</b>				
Business-type activities:				
Charges for services				
Landfill	1,838	1,885	1,829	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type program revenues	<u>1,838</u>	<u>1,885</u>	<u>1,829</u>	<u>-</u>
Total primary government program revenues	<u>\$ 23,362</u>	<u>\$ 19,752</u>	<u>\$ 21,352</u>	<u>\$ 16,378</u>

(continued)

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

	Fiscal Year			
	2006	2005	2004	2003
<b>Net (expense) revenue</b>				
Governmental activities	\$ (14,051)	\$ (15,864)	\$ (11,997)	\$ (12,114)
Business-type activities	202	259	479	-
Total government activities net (expense) revenue	<u>(13,849)</u>	<u>(15,605)</u>	<u>(11,518)</u>	<u>(12,114)</u>
<b>General revenues and other changes in net assets</b>				
Governmental activities:				
Taxes				
Property taxes	12,795	12,140	10,044	9,820
Share of state sales taxes	7,620	6,416	5,595	5,828
Payments in lieu of taxes	574	614	621	591
Unrestricted grants and contributions	796	765	573	550
Investment earnings	607	307	212	(113)
Miscellaneous	75	61	59	52
Transfers	-	(429)	-	-
Total governmental activities	<u>22,467</u>	<u>19,874</u>	<u>17,104</u>	<u>16,728</u>
Business-type activities:				
Investment earnings	46	19	6	-
Miscellaneous	-	6	13	-
Transfers	-	429	-	-
Total business-type activities	<u>46</u>	<u>454</u>	<u>19</u>	<u>-</u>
Total primary government	<u>22,513</u>	<u>20,328</u>	<u>17,123</u>	<u>16,728</u>
Changes in net assets				
Governmental activities	8,416	4,010	5,107	4,614
Business-type activities	248	713	498	-
Total primary government	<u>\$ 8,664</u>	<u>\$ 4,723</u>	<u>\$ 5,605</u>	<u>\$ 4,614</u>

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

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General Fund										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved	12,808	10,648	8,839	7,371	3,784	3,794	2,310	1,758	1,013	1,217
Subtotal general fund	<u>\$12,808</u>	<u>\$10,648</u>	<u>\$ 8,839</u>	<u>\$ 7,371</u>	<u>\$ 3,784</u>	<u>\$ 3,794</u>	<u>\$ 2,310</u>	<u>\$ 1,758</u>	<u>\$ 1,013</u>	<u>\$ 1,217</u>
All other governmental funds										
Reserved for:										
Prepaid items	-	-	-	1	-	-	-	-	-	-
Debt service	408	295	596	395	253	134	66	27	55	58
Unreserved, reported in:										
Special revenue funds (deficits)	6,204	4,010	3,411	3,269	2,891	1,215	1,661	1,699	1,245	1,419
Capital projects funds (deficits)	1,025	(414)	(392)	(46)	(249)	41	53	181	281	604
Total all other governmental funds	<u>\$ 7,637</u>	<u>\$ 3,891</u>	<u>\$ 3,615</u>	<u>\$ 3,619</u>	<u>\$ 2,895</u>	<u>\$ 1,390</u>	<u>\$ 1,780</u>	<u>\$ 1,907</u>	<u>\$ 1,581</u>	<u>\$ 2,081</u>

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

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Revenues:</b>										
Taxes	\$ 13,377	\$ 12,581	\$ 11,698	\$ 11,048	\$ 10,149	\$ 9,089	\$ 8,394	\$ 8,151	\$ 6,793	\$ 6,520
Intergovernmental	24,711	21,833	21,324	16,727	18,771	15,697	14,565	13,806	12,541	12,332
Licenses and permits	1,823	1,298	878	648	464	380	416	415	248	225
Charges for services	1,949	1,398	1,385	2,679	1,711	1,702	1,465	1,373	1,097	956
Fines and forfeits	1,148	1,027	1,071	965	812	837	771	885	590	606
Investment income	607	306	212	(113)	186	300	264	219	229	190
Rents	30	30	33	30	15	-	8	8	8	8
Contributions	-	-	-	1	2	3	2	20	26	22
Miscellaneous	403	218	175	237	161	329	382	127	104	172
Total revenues	44,048	38,691	36,776	32,222	32,271	28,337	26,267	25,004	21,636	21,031
<b>Expenditures:</b>										
Current:										
General government	14,369	11,711	12,061	9,869	10,758	9,681	8,777	8,329	7,804	7,388
Public safety	8,153	8,019	6,683	5,747	5,429	5,162	4,945	4,263	4,112	3,891
Highways and streets	4,533	5,069	4,755	3,651	4,755	4,812	3,251	2,715	2,417	2,362
Health, welfare and sanitation	4,177	3,821	3,570	4,946	4,851	4,772	4,773	4,626	4,510	3,989
Education and economic opportunity	4,069	5,009	4,430	4,037	3,303	2,069	2,216	2,142	2,415	2,057
Recreation	289	285	207	151	152	143	375	96	97	96
Capital outlay	2,304	1,165	3,130	1,099	2,014	1,418	1,927	2,148	439	2,375
Debt service:										
Principal	978	1,040	480	455	435	415	390	380	365	345
<b>Interest and other charges</b>	35	59	84	108	130	150	168	185	203	223
Total expenditures	38,907	36,178	35,400	30,063	31,827	28,622	26,822	24,884	22,362	22,726
Excess (deficiency) of revenues over (under) expenditures	5,141	2,513	1,376	2,159	444	(285)	(555)	120	(726)	(1,695)
<b>Other financing sources (uses):</b>										
Capital lease agreements	-	-	51	1,022	407	778	27	945	-	1,223
Transfers in	838	564	698	653	936	777	445	714	910	766
Transfers out	(838)	(993)	(698)	(653)	(936)	(777)	(445)	(714)	(910)	(766)
Proceeds from long-term notes	766	-	-	-	644	600	405	-	-	554
Total other financing sources (uses)	766	(429)	51	1,022	1,051	1,378	432	945	-	1,777
<b>Net change in fund balances</b>	\$ 5,907	\$ 2,084	\$ 1,427	\$ 3,181	\$ 1,495	\$ 1,093	\$ (123)	\$ 1,065	\$ (726)	\$ 82
Debt service as a percentage of noncapital expenditures	2.77%	3.26%	1.83%	2.00%	1.90%	2.08%	2.24%	2.49%	2.59%	2.79%

**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
1996-97 <sup>(1)</sup>	6,520,323	11,753,973	224,964	954,759	606,083	171,874	8,475	94,253	20,334,704
1997-98 <sup>(1)</sup>	6,792,874	12,540,779	247,856	1,096,579	590,423	201,704	8,425	99,902	21,578,542
1998-99 <sup>(1)</sup>	8,151,288	13,045,484	415,161	1,373,323	884,693	208,715	8,400	147,217	24,234,281
1999-00 <sup>(1)</sup>	8,393,625	13,781,349	416,327	1,465,321	769,863	263,859	8,400	384,856	25,483,600
2000-01 <sup>(2)</sup>	9,089,430	15,480,611	380,183	1,702,029	837,859	299,608	-	331,851	28,121,571
2001-02 <sup>(2)</sup>	10,149,300	18,771,323	463,603	1,711,073	812,058	185,369	14,524	163,291	32,270,541
2002-03 <sup>(2)</sup>	11,047,960	16,727,344	648,236	2,678,823	965,193	(113,151)	30,000	237,327	32,221,732
2003-04 <sup>(2)</sup>	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 <sup>(2)</sup>	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 <sup>(2)</sup>	13,376,664	24,711,234	1,822,794	1,949,422	1,148,059	606,507	30,000	402,839	44,047,519

**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
1996-97 <sup>(1)</sup>	32.07	57.80	1.10	4.70	2.98	0.85	0.04	0.46	100.00
1997-98 <sup>(1)</sup>	31.48	58.12	1.15	5.08	2.74	0.93	0.04	0.46	100.00
1998-99 <sup>(1)</sup>	33.64	53.83	1.71	5.67	3.65	0.86	0.03	0.61	100.00
1999-00 <sup>(1)</sup>	32.94	54.08	1.63	5.75	3.02	1.04	0.03	1.51	100.00
2000-01 <sup>(2)</sup>	32.32	55.05	1.35	6.05	2.98	1.07	-	1.18	100.00
2001-02 <sup>(2)</sup>	31.45	58.17	1.44	5.30	2.52	0.57	0.05	0.50	100.00
2002-03 <sup>(2)</sup>	34.29	51.91	2.01	8.31	3.00	(0.35)	0.09	0.74	100.00
2003-04 <sup>(2)</sup>	31.81	57.98	2.39	3.77	2.91	0.58	0.09	0.47	100.00
2004-05 <sup>(2)</sup>	32.54	56.39	3.36	3.62	2.66	0.79	0.08	0.56	100.00
2005-06 <sup>(2)</sup>	30.37	56.10	4.14	4.43	2.61	1.37	0.07	0.91	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
1996-97 <sup>(1)</sup>	7,388,349	3,891,295	2,360,871	3,988,960	2,056,895	96,128	567,971	20,350,469
1997-98 <sup>(1)</sup>	7,804,516	4,112,307	2,417,027	4,509,819	2,415,599	96,840	567,505	21,923,613
1998-99 <sup>(1)</sup>	8,327,949	4,262,875	2,715,266	4,626,194	2,142,245	95,889	565,326	22,735,744
1999-00 <sup>(1)</sup>	8,777,360	4,943,688	3,251,114	4,773,391	2,216,010	375,407	557,975	24,894,945
2000-01 <sup>(2)</sup>	9,681,412	5,162,176	4,811,564	4,771,920	2,068,935	142,964	564,931	27,203,902
2001-02 <sup>(2)</sup>	10,758,141	5,428,538	4,754,708	4,850,726	3,303,198	152,015	564,656	29,811,982
2002-03 <sup>(2)</sup>	9,868,573	5,746,799	3,651,617	4,946,608	4,037,183	150,626	562,631	28,964,037
2003-04 <sup>(2)</sup>	12,060,892	6,682,806	4,755,173	3,569,856	4,430,356	206,567	564,270	32,269,920
2004-05 <sup>(2)</sup>	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 <sup>(2)</sup>	14,369,156	8,153,189	4,533,009	4,177,390	4,068,513	289,157	1,013,108	36,603,522

**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
1996-97 <sup>(1)</sup>	36.31	19.12	11.60	19.60	10.11	0.47	2.79	100.00
1997-98 <sup>(1)</sup>	35.60	18.76	11.02	20.57	11.02	0.44	2.59	100.00
1998-99 <sup>(1)</sup>	36.63	18.75	11.94	20.35	9.42	0.42	2.49	100.00
1999-00 <sup>(1)</sup>	35.26	19.86	13.06	19.17	8.90	1.51	2.24	100.00
2000-01 <sup>(2)</sup>	35.59	18.97	17.68	17.54	7.61	0.53	2.08	100.00
2001-02 <sup>(2)</sup>	36.09	18.21	15.95	16.27	11.08	0.51	1.89	100.00
2002-03 <sup>(2)</sup>	34.07	19.84	12.61	17.08	13.94	0.52	1.94	100.00
2003-04 <sup>(2)</sup>	37.38	20.71	14.74	11.06	13.73	0.64	1.74	100.00
2004-05 <sup>(2)</sup>	33.45	22.90	14.48	10.91	14.31	0.81	3.14	100.00
2005-06 <sup>(2)</sup>	39.26	22.27	12.38	11.41	11.12	0.79	2.77	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 Value of Property  
Last Ten Fiscal Years  
(Amounts in Thousands)

<b>Fiscal Year</b>	<b>Commercial Property</b>	<b>Residential Property</b>	<b>Vacant Land</b>	<b>Other</b>	<b>Taxable Net Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Limited Value</b>	<b>Assessed Value as a Percentage of Limited Value</b>
96-97	75,116	52,968	36,907	1,250	166,241	3.4748	1,168,892	14.22%
97-98	75,425	56,593	37,245	1,904	171,167	3.4748	1,214,648	14.09%
98-99	76,623	61,431	37,764	1,821	177,639	4.0719	1,270,596	13.98%
99-00	79,138	67,785	36,772	1,602	185,297	4.0719	1,371,767	13.51%
00-01	83,338	74,674	37,429	1,689	197,130	4.0719	1,458,893	13.51%
01-02	97,310	83,148	35,311	134	215,903	4.2719	1,590,882	13.57%
02-03	99,899	91,491	36,523	150	228,063	4.3719	1,701,682	13.40%
03-04	105,172	97,412	37,332	159	240,075	4.3719	1,791,502	13.40%
04-05	102,538	106,854	38,298	165	247,855	4.3719	1,890,755	13.11%
05-06	106,185	114,051	40,657	196	261,091	4.0602	2,011,601	12.98%

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		
1996-97	2.6485	0.4119	0.1000	0.3144	1.6585	1.6336	3.8800	2.2000	0.5300
1997-98	2.8485	0.2119	0.1000	0.3144	1.9184	1.7708	3.8813	2.2000	0.5300
1998-99	3.2487	0.4115	0.1000	0.3117	1.8427	1.9152	3.8330	2.2000	0.5300
1999-00	3.2487	0.4115	0.1000	0.3117	2.6168	2.0979	3.8073	2.1654	0.5217
2000-01	3.2487	0.4115	0.1000	0.3117	2.6085	2.2117	3.8154	2.1265	0.5123
2001-02	3.2487	0.6115	0.1000	0.3117	2.5901	2.2035	3.6850	2.0647	0.4974
2002-03	3.3487	0.6115	0.1000	0.3117	2.6142	2.2627	3.6657	2.0296	0.4889
2003-04	3.3487	0.6115	0.1000	0.3117	2.6231	2.7677	3.6621	1.9583	0.4717
2004-05	3.3487	0.6115	0.1000	0.3117	2.6262	2.7826	3.0000	1.8931	0.4560
2005-06	3.3487	0.6115	0.1000	0.0000	2.6414	2.7854	3.2500	1.8090	0.4358

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		
1996-97	3.9142	2.7792	7.6880	8.2032	8.0759	7.2044
1997-98	4.4567	2.7792	7.6897	8.8124	9.5308	7.0218
1998-99	4.4559	2.7758	7.6881	8.3102	9.2809	7.1452
1999-00	4.4549	2.7709	7.3342	8.3102	9.2809	6.7444
2000-01	4.4009	2.9293	7.1844	8.8315	9.1006	7.4978
2001-02	4.4347	3.7098	7.0119	8.5546	8.0142	6.8810
2002-03	3.5614	3.9804	6.1064	8.2479	7.5792	6.8164
2003-04	3.5633	4.9468	6.1031	8.1364	7.1726	7.0520
2004-05	3.5465	4.9368	6.1021	7.9880	6.7652	6.8507
2005-06	3.2983	4.6492	5.9349	7.8257	6.6384	7.3603

SOURCE: Annual budgets

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

Taxpayer	2006			2005			2004		
	Estimated Assesed Value (1)	Rank	Percent of Total Assesed Value	Estimated Assesed Value (1)	Rank	Percent of Total Assesed Value	Estimated Assesed Value (1)	Rank	Percent of Total Assesed Value
Unisource Energy Corporation *	12,909.00	1	4.85	\$ 11,622.00	1	4.58	-	-	-
Qwest Corporation *	4,916.00	2	1.85	5,774.00	2	2.28	5,744.00	2	2.33
Wal-Mart Stores, Inc	3,641.00	4	1.37	3,387.00	3	1.34	3,648.00	4	1.48
Delta Properties LLP	4,103.00	3	1.54	3,310.00	4	1.30	4,391.00	3	1.78
Union Pacific Railroad	2,229.00	6	0.84	2,198.00	5	0.87	1,925.00	6	0.78
Mariposa Shopping Center LP *	3,120.00	5	1.17	2,068.00	6	0.82	1,578.00	8	0.64
Nogales Plaza Shopping Center LP	1,995.00	8	0.75	1,884.00	7	0.74	-	-	-
Delta Properties LLP	-	-	-	1,834.00	8	0.72	-	-	-
Vatere LLC	2,291.00	7	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	-	-	-	-	-	-	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	-	-	-	-	-	-	-	-	-
Westrust Southwest Retail Partners LLC	-	-	-	-	-	-	-	-	-
HGC/MW Dev Lim Part	-	-	-	-	-	-	-	-	-
Home Depot USA Inc	1,591.00	9	0.6	-	-	-	-	-	-
<b>Total</b>	<b>\$ 38,186.00</b>		<b>14.35</b>	<b>\$ 34,965.00</b>		<b>13.79</b>	<b>\$ 36,077.00</b>		<b>14.63</b>

\* Name changed

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

Taxpayer	2003			2002		
	Estimated Assesed Value (1)	Rank	Percent of Total Assesed Value	Estimated Assesed Value (1)	Rank	Percent of Total Assesed Value
Unisource Energy Corporation *	20,049.00	1	8.53	19,676.00	1	8.77
Qwest Corporation *	5,893.00	2	2.51	4,667.00	2	0.02
Wal-Mart Stores, Inc	1,927.00	6	0.82	-	-	-
Delta Properties LLP	-	-	-	3,830.00	3	0.02
Union Pacific Railroad	2,075.00	5	0.88	1,750.00	7	0.01
Mariposa Shopping Center LP *	1,578.00	7	0.67	1,578.00	8	0.01
Nogales Plaza Shopping Center LP	-	-	-	-	-	-
Delta Properties LLP	4,436.00	3	1.89	-	-	-
Vatere LLC	2,412.00	4	1.03	2,135.00	6	0.01
Loma Linda Mall LLC *	1,118.00	-	0.48	-	-	-
Tucson Electric Power Co	-	-	-	-	-	-
Rio Rico Properties	1,152.00	8	0.49	2,280.00	4	0.01
Edwards/PCF-Nogales LLC	-	-	-	-	-	-
PFC-Torrance LLC	-	-	-	-	-	-
Panousopoulos Constantine & Nelida	1,267.00	9	0.54	1,320.00	10	0.01
Westrust Southwest Retail Partners LLC	1,118.00	10	0.48	2,237.00	5	0.01
HGC/MW Dev Lim Part	-	-	-	1,526.00	9	0.01
<b>Total</b>	<b><u>\$ 43,025.00</u></b>		<b>18.32</b>	<b><u>\$ 40,999.00</u></b>		<b>8.88</b>

\* Name changed

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

Taxpayer	2001			2000			1999		
	Estimated Assesed Value (1)	Rank	Percent of Total Assesed Value	Estimated Assesed Value (1)	Rank	Percent of Total Assesed Value	Estimated Assesed Value (1)	Rank	Percent of Total Assesed Value
Unisource Energy Corporation *	21,117.00	1	1.27	11,045.00	1	5.80	11,045.00	1	5.80
Qwest Corporation *	4,416.00	2	0.27	4,503.00	2	2.36	4,503.00	2	2.36
Wal-Mart Stores, Inc	-	-	-	-	-	-	-	-	-
Delta Properties LLP	3,265.00	3	0.20	-	-	-	-	-	-
Union Pacific Railroad	1,781.00	7	0.11	2,032.00	6	1.07	1,707.00	4	0.90
Mariposa Shopping Center LP *	1,578.00	8	0.10	1,578.00	8	0.83	1,488.00	5	0.78
Nogales Plaza Shopping Center LP	-	-	-	-	-	-	-	-	-
Delta Properties LLP	-	-	-	2,928.00	3	1.54	-	-	-
Vatere LLC	2,463.00	4	0.15	-	-	-	-	-	-
Loma Linda Mall LLC *	-	-	-	-	-	-	-	-	-
Tucson Electric Power Co	-	-	-	-	-	-	-	-	-
Rio Rico Properties	2,439.00	5	0.14	2,289.00	4	1.20	1,109.00	8	0.58
Edwards/PCF-Nogales LLC	-	-	-	-	-	-	-	-	-
PFC-Torrance LLC	-	-	-	-	-	-	-	-	-
Panousopoulos Constantine & Nelida	1,492.00	9	0.09	1,470.00	9	0.77	1,349.00	6	0.71
Westrust Southwest Retail Partners LLC	2,237.00	6	0.13	2,238.00	5	1.17	2,809.00	3	1.48
HGC/MW Dev Lim Part	-	-	-	1,679.00	7	0.88	1,139.00	7	0.60
Newhall Nogales Gen Printshop	1,331.00	10	0.08	-	-	-	-	-	-
Rio Rico Utilities	-	-	-	964.00	10	0.51	952.00	9	0.50
Mayer Alberto Family Limited	-	-	-	-	-	-	916.00	10	0.48
Omega Nogales Property *	-	-	-	-	-	-	-	-	-
Royal Sterilization Systems	-	-	-	-	-	-	-	-	-
Jaren Corporation	-	-	-	-	-	-	-	-	-
George Barr	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>42,119.00</b>		<b>2.54</b>	<b>30,726.00</b>		<b>16.13</b>	<b>27,017.00</b>		<b>14.19</b>

\* Name changed

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

Taxpayers	1998			1997		
	Estimated Assesed Value (1)	Rank	Percent of Total Assesed Value	Estimated Assesed Value (1)	Rank	Percent of Total Assesed Value
Unisource Energy Corporation *	38,276.00	1	21.14	11,583.00	1	6.66
Qwest Corporation *	4,294.00	2	2.37	4,294.00	2	2.47
Wal-Mart Stores, Inc	-	-	-	-	-	-
Delta Properties LLP	-	-	-	-	-	-
Union Pacific Railroad	1,943.00	5	1.07	1,943.00	6	1.12
Mariposa Shopping Center LP *	-	-	-	-	-	-
Nogales Plaza Shopping Center LP	-	-	-	-	-	-
Delta Properties LLP	-	-	-	-	-	-
Vatere LLC	-	-	-	-	-	-
Loma Linda Mall LLC *	-	-	-	-	-	-
Tucson Electric Power Co	-	-	-	-	-	-
Rio Rico Properties	4,213.00	3	2.33	1,044.00	9	0.60
Edwards/PCF-Nogales LLC	-	-	-	-	-	-
PFC-Torrance LLC	-	-	-	-	-	-
Panousopoulos Constantine & Nelida	1,126.00	8	0.62	3,376.00	4	1.94
Westrust Southwest Retail Partners LLC	-	-	-	-	-	-
HGC/MW Dev Lim Part	1,139.00	7	0.63	-	-	-
Newhall Nogales Gen Printshop	1,331.00	6	0.73	1,456.00	7	0.84
Rio Rico Utilities	854.00	9	0.47	-	-	-
Mayer Alberto Family Limited	-	-	-	1,063.00	8	0.61
Omega Nogales Property *	2,809.00	4	1.55	2,807.00	5	1.61
Royal Sterilization Systems	694.00	10	0.38	-	-	-
Jaren Corporation	-	-	-	3,877.00	3	2.23
George Barr	-	-	-	1,039.00	10	0.60
Total	<u>56,679.00</u>		31.29	<u>32,482.00</u>		18.68

\* Name changed

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

Fiscal Year	Primary Property Taxes	Secondary Property Taxes				Total Property Tax Levy	Property Taxes Collected			Percent of Levy	Outstanding Delinquent Taxes Receivable(2)
		Flood Control	Fire District	Debt Service Fund	Total		Primary	Secondary	Total(1)		
1996-97	4,402,897	603,914	170,855	537,169	1,311,938	5,714,835	4,277,572	1,296,505	5,574,077	97.54	725,396
1997-98	4,875,688	316,021	173,898	546,734	1,036,653	5,912,341	4,722,448	1,061,559	5,784,007	97.83	724,881
1998-99	5,770,881	645,590	181,072	564,354	1,391,016	7,161,897	5,406,241	1,311,885	6,718,126	93.80	910,369
1999-00	6,019,737	684,849	190,411	593,509	1,468,769	7,488,506	5,831,139	1,430,038	7,261,177	96.96	860,219
2000-01	6,404,168	718,592	201,652	628,549	1,548,793	7,952,961	6,081,744	1,477,337	7,559,081	95.05	849,620
2001-02	7,014,033	1,159,128	224,373	699,372	2,082,873	9,096,906	6,646,502	1,919,407	8,565,909	94.16	1,187,156
2002-03	7,637,148	1,230,454	235,056	732,668	2,198,178	9,835,326	6,857,507	1,980,608	8,838,115	89.86	1,663,463
2003-04	8,039,398	1,287,798	246,303	767,728	2,301,829	10,341,227	7,634,314	2,025,959	9,660,273	93.42	1,383,224
2004-05	8,299,918	1,376,005	253,681	790,724	2,420,410	10,720,328	7,534,395	2,179,289	9,713,684	90.61	816,824
2005-06	8,743,144	1,445,214	265,934	-	1,711,148	10,454,292	8,852,604	1,827,341	10,679,945	102.16	1,808,008

**NOTES:**

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

**SOURCE:** Annual budgets

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

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

**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						
1996-1997	\$3,960	\$995	\$554	-	\$5,509	\$547,257	1.01%	36,074	153
1997-1998	3,595	602	522	-	4,719	592,899	.80%	36,809	128
1998-1999	3,215	1,020	478	-	4,713	623,024	.76%	37,713	125
1999-2000	2,825	789	836	-	4,450	650,679	.68%	38,567	115
2000-2001	2,410	1,221	785	-	4,416	683,879	.65%	39,038	113
2001-2002	1,975	1,290	949	-	4,214	678,762	.62%	39,604	106
2002-2003	1,520	1,741	784	-	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	-	532	447	496	1,475	810,401 <sup>(1)</sup>	.18%	42,150	35
2005-2006	-	-	766	324	1,090	842,817 <sup>(1)</sup>	.13%	45,303 <sup>(1)</sup>	24

**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	General Obligation Bond Debt	Debt Service Funds Available for Principal	Net General Bond Debt	Ratio of Net General Bond Debt/ Assessed Value	Net General Bond Debt Per Capita
1996-97	36,074	170,855	3,960	58	3,902	0.02	0.11
1997-98	36,809	173,898	3,595	55	3,540	0.02	0.10
1998-99	37,713	181,072	3,215	27	3,188	0.02	0.08
1999-00	38,567	190,410	2,825	66	2,759	0.01	0.07
2000-01	39,038	201,652	2,410	134	2,276	0.01	0.06
2001-02	39,604	224,373	1,975	253	1,722	0.01	0.04
2002-03	40,088	235,056	1,520	360	1,160	0.01	0.03
2003-04	40,777	246,303	1,040	480	560	-	0.01
2004-05	42,150	253,681	-	-	-	-	-
2005-06	45,303 <sup>(1)</sup>	265,934	-	-	-	-	-

**NOTE:**

(1) Projected Estimate

**SOURCE:** Annual budget and debt retirement schedule

**Santa Cruz County**  
**Computation of Direct and Overlapping**  
**Governmental Activities, Debt Outstanding**  
**June 30, 2006**  
**(Amounts in Thousands)**

<u>Governmental Unit</u>	Net Debt Outstanding	Percentage Applicable to Santa Cruz	Amount Overlapping Applicable to Santa Cruz
<b>Debt Repaid with property tax</b>			
School District	\$ 10,600	100%	\$ 10,600
<b>Other Debt</b>			
Santa Cruz County – Landfill Capital Lease	324	100%	324

**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 borne 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  
(Amounts in Thousands)**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Assessed Value</b>	\$170,855	\$173,898	\$181,072	\$190,410	\$201,652	\$224,373	\$235,056	\$246,303	\$253,681	\$265,934
<b>Legal Debt Margin</b>										
Debt Limit (15% of assessed value)	25,628	26,085	27,161	28,562	30,248	33,656	35,258	36,945	38,052	39,890
Debt applicable to limit:										
General obligation bonds	3,960	3,595	3,215	2,825	2,410	1,975	1,520	1,040	-	-
Less: Net Assets reserved for repayment of general obligation bonds	(58)	(55)	(27)	(66)	(134)	(253)	(395)	(596)	(295)	(408)
Total net debt applicable to the limit	<u>3,902</u>	<u>3,540</u>	<u>3,188</u>	<u>2,759</u>	<u>2,276</u>	<u>1,722</u>	<u>1,125</u>	<u>444</u>	<u>(295)</u>	<u>(408)</u>
Legal Debt Limit Margin	<u>58</u>	<u>55</u>	<u>27</u>	<u>66</u>	<u>134</u>	<u>253</u>	<u>395</u>	<u>596</u>	<u>(295)</u>	<u>(408)</u>
Total net debt applicable to the limit as a percentage of debt limit	15.23%	13.57%	11.74%	9.66%	7.52%	5.12%	3.19%	1.20%	(.78)%	(1.02)%

**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
1996-97 <sup>(1)</sup>	345	223	568	7,388	0.08
1997-98 <sup>(1)</sup>	365	203	568	7,805	0.07
1998-99 <sup>(1)</sup>	380	185	565	8,328	0.07
1999-00 <sup>(1)</sup>	390	168	558	8,777	0.06
2000-01 <sup>(2)</sup>	415	150	565	9,681	0.06
2001-02 <sup>(2)</sup>	435	130	565	10,758	0.05
2002-03 <sup>(2)</sup>	455	108	563	9,869	0.06
2003-04 <sup>(2)</sup>	480	84	564	12,061	0.05
2004-05 <sup>(2)</sup>	1,040	59	1,099	11,711	0.09
2005-06 <sup>(2)</sup>	978	35	1,013	14,369	0.07

**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 also provides comparison information of financial statement data over time and across governments.

Information of this type can help readers assess a government's condition by providing information about community expansion, average age, and changes in personal income and unemployment. This type of data is important to readers in assessing economic condition.

**Santa Cruz County  
Demographic Statistics-Economic Indicators  
Last Ten Years**

Year	Population	Per Capita Income	Personal Income (Thousands)	School Enrollment	Civilian Labor Force	Unemployment Rate
1997	36,074	15,170	547,257	9,083 <sup>(2)</sup>	14,220	20.7
1998	36,809	16,107	592,899	8,913 <sup>(3)</sup>	14,225	17.7
1999	37,713	16,520	623,024	9,085 <sup>(4)</sup>	12,900	16.7
2000	38,567	16,871	650,679	9,434 <sup>(5)</sup>	12,525	13.5
2001	39,038	17,518	683,879	9,324 <sup>(6)</sup>	13,425	7.6
2002	39,604	17,139	678,762	10,288 <sup>(7)</sup>	13,225	9.1
2003	40,088	18,190	729,208	10,171 <sup>(8)</sup>	14,475	12.4
2004	40,777	19,110	779,232	10,528 <sup>(9)</sup>	15,025	11.9
2005	42,150	19,227 <sup>(1)</sup>	810,401 <sup>(1)</sup>	10,510 <sup>(10)</sup>	16,075	11.4
2006	45,303 <sup>(1)</sup>	18,604 <sup>(1)</sup>	842,817 <sup>(1)</sup>	10,510 <sup>(11)</sup>	16,550	8.0

**NOTES:**

- (1) Projected Estimate.
- (2) School enrollment as of January 31, 1997.
- (3) School enrollment as of June 30, 1998.
- (4) School enrollment as of June 9, 1999.
- (5) School enrollment as of June 9, 2000.
- (6) School enrollment as of June 9, 2001.
- (7) School enrollment as of January 31, 2002.
- (8) School enrollment as of November 5, 2003.
- (9) School enrollment as of August 25, 2004.
- (10) School enrollment as of April 27, 2005.
- (11) School enrollment as of January 18, 2006.

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

Santa Cruz County  
Principal Employers  
Last Ten Years

Employer	2006			2005			2004			2003			2002		
	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	1,341	1	8.1%	727	1	4.5%	747	1	5.0%	745	1	5.1%	745	1	5.6%
US Border Patrol	537	3	3.2%	529	2	3.3%	433	3	2.9%	388	3	2.7%	388	3	2.9%
Super Wal-Mart	640	2	3.9%	475	3	3.0%	605	2	4.0%	492	2	3.4%	467	2	3.5%
US Customs and Border Protection	387	6	2.3%	411	5	2.6%	400	4	2.7%	279	7	1.9%	279	7	2.1%
Santa Cruz County	415	5	2.5%	363	6	2.3%	361	5	2.4%	347	5	2.4%	346	4	2.6%
Santa Cruz Valley Unified School District #35	437	4	2.6%	425	4	2.6%	359	6	2.4%	355	4	2.5%	336	5	2.5%
City of Nogales	304	7	1.8%	293	7	1.8%	302	7	2.0%	323	6	2.2%	317	6	2.4%
Carondelet Health Network - Holy Cross Hospital	249	8	1.5%	249	8	1.5%	179	8	1.2%	193	8	1.3%	221	8	1.7%
Mariposa Community Health Center, Inc.	193	9	1.2%	189	9	1.2%	186	9	1.2%	180	9	1.2%	175	9	1.3%
Canchola Group	80	10	0.5%	140	10	0.9%	155	10	1.0%	133	10	0.9%	147	10	1.1%
<b>Total</b>	<b>4,583</b>		<b>27.7%</b>	<b>3,801</b>		<b>23.6%</b>	<b>3,727</b>		<b>24.8%</b>	<b>2,690</b>		<b>18.6%</b>	<b>3,421</b>		<b>25.9%</b>
<b>Total Work Force</b>	<b>16,550</b>			<b>16,075</b>			<b>15,025</b>			<b>14,475</b>			<b>13,225</b>		
Employer	2001			2000			1999			1998			1997		
	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	675	1	5.0%	847	1	6.8%	606	1	4.7%	604	1	4.2%	618	1	4.3%
US Border Patrol	384	2	2.9%	320	4	2.6%	255	7	2.0%	221	7	1.6%	179	8	1.3%
Super Wal-Mart	278	7	2.1%	258	7	2.1%	252	8	2.0%	200	8	1.4%	200	7	1.4%
US Customs and Border Protection	279	6	2.1%	279	6	2.2%	283	5	2.2%	279	4	2.0%	205	6	1.4%
Santa Cruz County	342	3	2.5%	325	3	2.6%	299	3	2.3%	294	3	2.1%	289	3	2.0%
Santa Cruz Valley Unified School District #35	330	4	2.5%	318	5	2.5%	312	2	2.4%	306	2	2.2%	300	2	2.1%
City of Nogales	322	5	2.4%	340	2	2.7%	280	6	2.2%	273	5	1.9%	281	4	2.0%
Carondelet Health Network - Holy Cross Hospital	221	8	1.6%	239	8	1.9%	298	4	2.3%	269	6	1.9%	230	5	1.6%
Mariposa Community Health Center, Inc.	162	9	1.2%	150	9	1.2%	137	9	1.1%	130	10	0.9%	120	10	0.8%
Canchola Group	110	10	0.8%	115	10	0.9%	105	10	0.8%	158	9	1.1%	138	9	1.0%
<b>Total</b>	<b>3,103</b>		<b>23.1%</b>	<b>3,191</b>		<b>25.5%</b>	<b>2,827</b>		<b>21.9%</b>	<b>2,734</b>		<b>19.2%</b>	<b>2,560</b>		<b>18.0%</b>
<b>Total Work Force</b>	<b>13,425</b>			<b>12,525</b>			<b>12,900</b>			<b>14,225</b>			<b>14,220</b>		

SOURCES: www.azstarnet.com/sn/star200; www.cochise.edu/cer

**Santa Cruz County  
Employment Statistics  
Last Ten Years**

Type of Employment	2006		2005		2004		2003		2002	
	Employees	Percent of Total								
Goods-Producing	825	6.0%	1,025	8.0%	1,350	10.7%	1,350	11.0%	1,325	11.2%
Trade, Transportation, and Utilities	5,650	40.9%	5,150	40.3%	5,100	40.3%	4,975	40.5%	4,500	38.1%
Other Private Service-Producing	4,025	29.1%	3,325	26.1%	2,825	22.3%	2,775	22.6%	2,900	24.5%
Federal Government	1,300	9.4%	1,200	9.4%	1,175	9.3%	1,100	9.0%	1,125	9.5%
State Government	2,025	14.6%	2,075	16.2%	2,200	17.4%	2,075	16.9%	1,975	16.7%
	<b>13,825</b>	<b>100.0%</b>	<b>12,775</b>	<b>100.0%</b>	<b>12,650</b>	<b>100.0%</b>	<b>12,275</b>	<b>100.0%</b>	<b>11,825</b>	<b>100.0%</b>

Type of Employment	2001		2000		1999		1998		1997	
	Employees	Percent of Total								
Goods-Producing	1,400	11.5%	1,400	11.5%	1,250	11.1%	1,375	12.2%	1,325	11.7%
Trade, Transportation, and Utilities	4,750	39.1%	5,575	46.0%	5,500	48.7%	5,675	50.3%	5,200	45.8%
Other Private Service-Producing	3,025	25.0%	2,000	16.6%	1,825	16.1%	1,825	16.2%	2,275	20.0%
Federal Government	1,075	8.8%	1,000	8.2%	1,000	8.8%	825	7.3%	975	8.6%
State Government	1,900	15.6%	2,150	17.7%	1,725	15.3%	1,575	14.0%	1,575	13.9%
	<b>12,150</b>	<b>100.0%</b>	<b>12,125</b>	<b>100.0%</b>	<b>11,300</b>	<b>100.0%</b>	<b>11,275</b>	<b>100.0%</b>	<b>11,350</b>	<b>100.0%</b>

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	
1997	2,904,345	11,104,174	14,008,519	3,831,323
1998	2,958,124	11,712,371	14,670,495	3,958,508
1999	2,842,501	11,652,432	14,494,933	4,449,626
2000	3,146,755	12,715,067	15,861,822	4,840,233
2001	2,845,166	11,243,340	14,088,506	4,847,408
2002	2,792,955	11,609,578	14,402,533	4,227,673
2003	2,909,467	12,064,912	14,974,379	3,713,387
2004	3,150,402	13,955,605	17,106,007	3,722,759
2005	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>	15,328,674	3,709,989
2006	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>	16,596,888	3,353,681

(1) Information not available.

**SOURCE:** United States Customs and Border Protection.

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

Year	Sales <sup>(1)</sup>		Construction		Bank Deposits
	Construction	Retail Trade	Con- struction Awards	Number of Dwelling Units Awarded	
1997	35,217	252,331	41,833	539	512,695
1998	42,153	276,794	49,712	536	566,682
1999	57,409	281,140	50,940	556	626,795
2000	47,377	313,267	68,637	528	528,395
2001	46,129	333,886	49,005	319	565,385
2002	46,895	342,025	40,939	379	571,175
2003	53,167	357,472	58,470	446	598,614
2004	70,471	389,224	72,466	794	713,000
2005	61,301	434,479	173,864	932	657,083
2006	115,792	491,800	174,049	1,152	757,872

**NOTES:**

<sup>(1)</sup> 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; and  
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's 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

Fiscal Year	Governmental Activities							Business-Type Activities	Total Employees in all Functions
	General Government	Public Safety	Highways and Streets	Health and Welfare	Recreation	Education and Economic Opportunity	Total	Sanitation Landfill Enterprise	
96-97	134	78	32	24	2	8	278	11	289
97-98	136	82	32	23	2	8	283	11	294
98-99	140	82	32	23	2	8	287	12	299
99-00	148	84	39	26	2	12	311	14	325
00-01	157	83	39	22	3	25	329	13	342
01-02	151	89	36	22	3	30	331	15	346
02-03	160	87	37	15	2	32	333	14	347
03-04	131	122	36	18	3	37	347	14	361
04-05	153	95	37	15	5	47	352	12	364
05-06	169	108	41	20	6	57	401	14	415

Santa Cruz County  
Operating Indicators  
Last Ten Fiscal Years

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

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>MILES OF STREETS</b>										
Paved	407.68	407.60	398.34	391.93	392.36	392.36	392.36	357.00	351.00	345.00
Unpaved	322.57	322.57	329.33	334.98	336.60	336.60	336.60	337.51	341.40	366.00
<b>REGISTERED VOTERS</b>	21,267	21,334	19,332	17,644	17,066	16,457	15,966	16,291	15,748	15,220
Democrat	56.24%	57.42%	58.76%	60.05%	61.18%	63.16%	64.70%	65.00%	65.35%	65.66%
Republican	20.14%	20.63%	20.51%	20.72%	20.62%	21.12%	21.14%	22.61%	23.12%	23.58%
<b>NUMBER OF JUDICIAL COURTS</b>										
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
<b>FLOOD PROTECTION</b>										
Flood control district	1	1	1	1	1	1	1	1	1	1
Number of employees	8	8	9	9	11	11	11	6	6	8
<b>SHERIFF PROTECTION</b>										
Number of stations	4	4	4	3	4	4	4	4	3	3
Number of employees	88	79	79	76	73	71	68	68	66	66
Major crimes	415	306	215	96	173	393	384	232	302	397
Vehicular patrol units	30	25	22	22	56	52	47	20	50	20
<b>SANITARY LANDFILLS</b>										
Number of landfills	2	2	2	2	2	2	2	2	2	2
<b>NUMBER OF PARKS</b>										
Neighborhood parks	8	8	7	7	6	5	5	4	4	4

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

	2006	2005	2004	2003	2002
<b>Governmental funds capital assets</b>					
Infrastructure	\$ 3,430	\$ 2,746	\$ 443	\$ -	\$ -
Land	6,711	6,619	6,596	5,703	5,826
Buildings	10,317	10,303	10,303	10,210	10,094
Improvements other than buildings	2,430	2,429	2,429	2,429	4,245
Construction equipment and vehicles	7,364	6,676	6,242	5,880	6,255
Furniture and equipment	3,672	3,026	2,537	2,113	1,752
Construction in progress	2,903	1,461	2,353	319	673
Total governmental funds capital assets	<u>\$ 36,827</u>	<u>\$ 33,260</u>	<u>\$ 30,903</u>	<u>\$ 26,654</u>	<u>\$ 28,845</u>

<b>Investments in governmental funds capital assets by source</b>					
General Fund	\$ 12,696	\$ 11,972	\$ 11,744	\$ 11,423	\$ 12,394
Special Revenue Funds	6,785	6,033	4,904	4,026	5,322
Capital Projects Funds	17,346	15,255	14,255	11,205	11,129
Total governmental funds capital assets	<u>\$ 36,827</u>	<u>\$ 33,260</u>	<u>\$ 30,903</u>	<u>\$ 26,654</u>	<u>\$ 28,845</u>

	2001	2000	1999	1998	1997
<b>Governmental funds capital assets</b>					
Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -
Land	5,756	5,681	4,588	4,139	4,152
Buildings	9,978	9,987	9,631	8,957	8,932
Improvements other than buildings	2,310	2,282	1,745	1,555	1,531
Construction equipment and vehicles	7,530	6,252	5,215	4,540	4,122
Furniture and equipment	1,261	1,203	954	848	760
Construction in progress	290	64	591	551	485
Total governmental funds capital assets	<u>\$ 27,125</u>	<u>\$ 25,469</u>	<u>\$ 22,724</u>	<u>\$ 20,590</u>	<u>\$ 19,982</u>

<b>Investments in governmental funds capital assets by source</b>					
General Fund	\$ 11,750	\$ 10,753	\$ 9,523	\$ 8,660	\$ 8,671
Special Revenue Funds	4,809	4,383	3,743	3,297	2,879
Capital Projects Funds	10,566	10,333	9,458	8,633	8,432
Total governmental funds capital assets	<u>\$ 27,125</u>	<u>\$ 25,469</u>	<u>\$ 22,724</u>	<u>\$ 20,590</u>	<u>\$ 19,982</u>