

**COUNTY OF SANTA CRUZ, CALIFORNIA**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances to the Government-wide Statement of Activities -**  
**Governmental Activities**  
**Year Ended June 30, 2004**

|  |                    |                               |
|--|--------------------|-------------------------------|
| <b>Net Change in Fund Balances - Total Governmental Funds</b>  |                    | <b>\$ (11,402,736)</b>        |
| Amounts reported for governmental activities in the statement of activities are different because:   |                    |                               |
| Governmental funds report capital outlay 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. This is the amount by which capital outlays exceeded depreciation in the current period.                          |                    |                               |
| Expenditures for general capital assets and other related capital assets adjustment  | \$ 13,503,810      |                               |
| Less current year depreciation   | <u>(7,267,387)</u> | 6,236,423                     |
| In the statement of activities, only the gain (loss) on sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase the financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold, net of related accumulated depreciation. |                    |                               |
|  |                    | (364,025)                     |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |                    |                               |
|  |                    | 4,678                         |
| Other financing source/use in the funds increases/decreases long-term liabilities in the statement of net assets.  |                    |                               |
| Proceeds from refunding bonds  | (48,435,000)       |                               |
| Proceeds from long-term debt   | (23,000,000)       |                               |
| Premium on long-term debt  | (27,378)           |                               |
| Discount on long term debt   | 194,382            |                               |
| Debt issue cost  | 2,117,335          |                               |
| Inception of lease purchase agreement  | <u>(109,042)</u>   | (69,259,703)                  |
| Repayments of debt principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets.  |                    |                               |
| Principal repayments   |                    |                               |
| Tax allocation bonds   | 970,000            |                               |
| Refunding certificates of participation  | 1,105,000          |                               |
| Lease revenue bonds  | 705,000            |                               |
| Lease revenue refunding bonds  | 1,392,403          |                               |
| Revenue bonds  | 305,000            |                               |
| CHFFA  | 139,626            |                               |
| Notes payable  | 307,122            |                               |
| Capital leases   | 163,069            |                               |
| Local assessment bonds   | 35,000             |                               |
| Refunded Redev Agency bonds  | <u>45,505,000</u>  | 50,627,220                    |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.  |                    |                               |
| Amortization of bond issue cost  | (8,903)            |                               |
| Amortization of bond premium   | 6,407              |                               |
| Amortization of advance refunding deferred charge  | (200,403)          |                               |
| Change in accrued interest payable   | 237,900            |                               |
| Change in compensated absences   | <u>(502,873)</u>   | (467,872)                     |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expenses) of certain activities of the internal service funds is reported with governmental activities.  |                    |                               |
|  |                    | (1,894,893)                   |
| Transfer of Internal service funds activities to Business-type activities.   |                    |                               |
|  |                    | 549,519                       |
| Change in amount of unavailable revenues deferred for governmental funds not recognized as revenue under the accrual method of government-wide statements. Prior year deferral was received in the current year and additional deferral was made unavailable at year end.  |                    |                               |
|  |                    | <u>(280,669)</u>              |
| <b>Change in Net Assets of Governmental Activities</b>   |                    | <b>\$ <u>(26,252,058)</u></b> |

*The notes to the basic financial statements are an integral part of this statement.*