



County of Santa Clara, California



Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2004

John V. Guthrie
Director of Finance

COUNTY OF SANTA CLARA, CALIFORNIA

70 West Hedding Street, San Jose, California 95110

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2004

Prepared by Finance Agency

John V. Guthrie, Director of Finance

COUNTY OF SANTA CLARA

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Introductory Section

County of Santa Clara

Finance Agency
Controller-Treasurer Department
County Government Center, East Wing
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December 3, 2004

To the Members of the Board of Supervisors, and
The Citizens of the County of Santa Clara

The Comprehensive Annual Financial Report (CAFR) of the County of Santa Clara (the County) for the fiscal year ending June 30, 2004 is compiled and submitted in accordance with Section 601 of the County Charter and Section 25253 of the Government Code of the State of California. The CAFR is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United State of America.

The CAFR represents the culmination of all budgeting and accounting activities engaged in by management during the year, covering all funds of the County and its financial transactions. The CAFR is organized into three sections:

- The Introductory Section is intended to familiarize the reader with the County's organizational structure, the nature and scope of the services it provides, and the specifics of its legal operating environment.
- The Financial Section includes the independent auditor's report on the basic financial statements, the Management's Discussion and Analysis (MD&A) of the County's overall financial position and changes in financial position, the audited basic financial statements, note disclosures, required supplementary information other than MD&A, and other combining statements and schedules to provide readers with a comprehensive understanding of the County's financial activities of the past fiscal year. This letter is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found on pages 3 – 19 of this report.
- The Statistical Section contains comprehensive statistical data on the County's physical, economic, social and political characteristics.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Profile of the Government

The County of Santa Clara, also referred to as “Silicon Valley”, is located at the southern end of the San Francisco Bay and occupies an area of 1,316 square miles. The County was established by an act of State legislation in 1850 and was one of the original 27 counties in the State. The County is named after Mission Santa Clara, which was established in 1777, and named for Saint Clara of Assisi, Italy. The name Clara means "clear" or "bright."

The County has been steadily growing for the last thirty years. According to the U.S. Census Bureau, the population of the County has grown nearly 60 percent since 1970. It is the sixth most populated county in California. Santa Clara County was home to 1.7 million residents in 2004, nearly 5 percent of the State's population. There are 15 incorporated cities located in the County and over 94 percent of the County residents live in those cities. The County seat is located at San Jose, which is the 3rd largest city in California, and is the largest city in the Bay Area.

The County, with its diverse population, high standard of living, and strong economic vitality has attracted people from all over the world. Its location provides residents with a suburban lifestyle, while providing close access to nature and the outdoors. Nearly 25 percent of the population is under age 18, and 9.5 percent are senior citizens. Additionally, 34 percent of the County's population is foreign born.

The County operates under a Home Rule Charter adopted by the voters of the County. Policymaking and legislative authority is vested in the County Board of Supervisors (the Board), which consists of an elected supervisor from each of the County's five districts. The Board is responsible among other things, for passing ordinances, adopting the budget, appointing committees and appointing the County Executive and non-elected department heads. Supervisors are elected to four-year staggered terms (e.g. three in 2004 and two in 2006). The County has three elected department heads responsible for the offices of the Assessor, the District Attorney, and the Sheriff. All elected officials serve four-year terms. The members of the Board of Supervisors are limited to three terms.

The County, with over 15,000 full-time equivalent employees, provides a full range of services to its residents. These services include the general government (administration and finance), public protection (law enforcement, detention, and criminal prosecution), roads maintenance, health, public assistance, fire protection, libraries, sanitation, and general aviation airports.

The Board provides a venue for a comprehensive review of the County's major policy and budgetary issues through its five committees:

- The Finance and Government Operations Committee provides oversight and direction to the County Executive in the areas of finance, budget, technology, and capital projects.
- The Public Safety and Justice Committee is responsible for oversight of the criminal justice system.
- The Children, Families, and Seniors Committee focuses on a wide variety of issues in the social services and child support enforcement arena.
- The Health and Hospital Committee oversees the operation of a comprehensive health care system that provides prevention, education, and treatment.
- The Housing, Land Use, Environment and Transportation Committee is responsible for long-range, strategic planning in the area of land use, environment, and transportation planning.

This committee structure has a strong linkage to the County's budget process, and each committee has been designed to focus on a major functional area of County Government.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable. Because of the governing board relationship and the exclusivity of county services, the financial operations of some component units are blended in the County's basic financial statements. These component units are the Santa Clara County Central Fire Protection District, South Santa Clara County Fire Protection District, Los Altos Hills County Fire Protection District, Santa Clara County Vector Control Special District, County Sanitation Districts 2 - 3, Santa Clara County Financing Authority, and the Santa Clara County–El Camino Hospital District Hospital Facilities Authority. The Housing Authority of the County of Santa Clara and the FIRST 5 Santa Clara County are reported as discretely presented component units. Detailed information regarding these component units (blended and discretely presented) is provided as part of the reporting entity (Note 1) in the Notes to the Basic Financial Statements.

Major Initiatives

Affordable Housing

The Board established a new Office of Affordable Housing and set-aside \$18.6 million for an Affordable Housing Fund (AHF) in July 2003. These actions were in recognition of the severe lack of affordable housing in the County. The fund is intended to support the development of new affordable housing to serve the County's "special needs" populations, for example, low-income families, social service and health clients, and the homeless. In the first round of funding in September 2003, the Board awarded \$7.7 million of the AHF to five affordable housing projects. Three of these five projects received 30-year loans at 3.0 percent deferred simple interest, while the two emergency shelter projects received grants. As a result of this funding, three of these projects received perfect or near perfect scores, and were able to win an additional \$16.0 million in highly competitive state Proposition 46 (Housing and Emergency Shelter Trust Fund Act of 2002) funds. In May 2004, the Board awarded another \$2.8 million for nine more affordable housing projects. In addition to construction jobs created by these projects, there are other economic benefits to affordable housing. A recent study commissioned by the Silicon Valley Citizens for Affordable Housing, entitled the "Economic and Fiscal Impacts of Affordable Housing" found that the availability of such housing can lower the demand and costs for other public services in the areas of health care, mental health services, foster care, and homelessness. According to the study, the lack of affordable housing increases the need for more costly emergency housing and health services.

Homeless Task Force and Census

The Board has created a task force to develop a ten-year plan to end chronic homelessness in the County. The task force will include two County supervisors, mayors of all 15 cities in the County, and a number of other community leaders. It will develop a framework for addressing the problem of homelessness with a focus on four areas, including obtaining an accurate count of the homeless population, discharge planning to prevent homelessness, outreach to and engagement of chronically homeless people, permanent housing with the supportive services and access to mainstream benefits and employment. It will also put the County in good position to receive federal funding. The Plan will include a point in time Homeless Census and Survey. This action was strongly supported by the Santa Clara County Collaborative on Affordable Housing and Homelessness Issues—over 100 organizations that provide shelter and services to the homeless population.

Juvenile Hall Advisory Board

Mirroring the Statewide review of the California Youth Authority (CYA), the Board has stepped up analysis and improvement of the County Juvenile Justice System. The Board commissioned an independent audit of Juvenile Hall. Based on the recommendations contained in the auditor's report, the Board determined that a change in the governance of juvenile probation was necessary. In addition to the Juvenile Detention Reform (JDR) initiated 2 years ago, the Board approved a ballot measure in an effort to increase accountability in the Probation Department and Juvenile Hall. The County voters passed this ballot proposal—Measure A, to

amend the County Charter. This ballot measure establishes an advisory board to oversee the operation of the Juvenile Hall and to transfer authority for the Chief Probation Officer from the Courts to the County Executive.

The Advisory Board of Juvenile Hall (21 appointed members) will include: a Juvenile Court judge, the District Attorney, Public Defender, Sheriff, education and health professionals, community-based provider, Probation employee organization members, previous Hall resident, and parents of persons incarcerated at Juvenile Hall. The County Executive has named an experienced and highly regarded former Chief Probation Officer to head the transition team and to conduct an assessment of the department's operations. The reforms will ensure that only the juvenile offenders who present a risk to the community are confined in the youth detention facilities, while the less risky juvenile offenders are diverted to community treatment programs where they can be more effectively rehabilitated.

Comprehensive County Expressway Planning Study

The Board, in response to traffic congestion along County expressways, established a Planning Study Advisory Board (PAB) in October 2001 to undertake a comprehensive County expressway planning study to provide a long-term strategic plan for improvement and maintenance of the County Expressway System. PAB members came from the County, Valley Transportation Authority (VTA), and twelve cities within the County. The study took almost two years to complete and culminated in an "Implementation Plan", which provided a basis for, and guides the investment of money and resources in the expressways. The plan identifies the capital improvement program needs totaling about \$2.0 billion to be completed over the next 10 to 30 years, including 74 roadway improvements on eight County expressways, 134 signalized intersections and 55 bridges. The County expressway system, a 62 mile system that carries over 1.5 million vehicles daily, is unique since Santa Clara County is the only county in the state that solely maintains an expressway system. The first phase of the improvements is expected to cost \$150.0 million and will provide relief for half of the currently congested expressway intersections.

Financial Abuse Specialist Team

The County established the Financial Abuse Specialist Team (FAST) in 1999 in response to the increasing number of financial abuse victims in Santa Clara County. It is one of the several effective measures taken by the County as part of its "Together We Can Stop Elder Abuse" campaign. It is a collaborative effort among the departments of Aging and Adult Services, Adult Protective Services, Public Administrator/Guardian, County Counsel and the District Attorney's Office. Its emphasis is on rapid response to situations of potential financial abuse, affording the ability to intervene and freeze assets before the elder or dependent adult becomes financially destitute. The FAST team responds within hours, and is available 24 hours a day, seven days a week. Early intervention often facilitates favorable case resolution and avoids costly and protracted criminal and civil litigation.

To increase awareness of and prevent cases of elder financial abuse, the Santa Clara Adult Protective services and a group of 11 local financial institutions—nine credit unions and two banks—have joined forces to train financial institutions in recognizing possible at-risk persons and situations. Under this effort, the financial institutions work with the County's Financial Abuse Specialist Team or FAST. The program has recovered and/or prevented the loss of \$108.9 million since its creation in 1999. It was recently chosen by the U.S. Department of Justice as a national model, and was honored for outstanding dedication and service on behalf of elderly victims of financial fraud.

Factors Affecting the Financial Condition

The following information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County of Santa Clara operates.

Economy

The County's economy is beginning to turnaround and move into a phase of moderate economic recovery. The unemployment rate is steadily declining, though still higher than the Statewide average. The taxable sales have started showing signs of positive growth, but the County's share of the Statewide taxable sales pool still continues to shrink as its recovery rate is slower than the other major clusters of economic activity in the State. However, the County faces challenges to its revenues from the State's fiscal problems. The FY2004 budget included over \$200 million of deficit solutions to meet the impacts of reduced state and federal funding. The passage of Proposition 1A (Protection of Local Government Revenues) in November 2004 is expected to bring some relief. The Proposition protects the local funding for public safety, health, libraries, parks, and other locally delivered services, prohibits the State from reducing local governments' property tax proceeds, requires the State to fund legislative mandates on local governments or suspend their operation, and ensures that local sales tax revenues to remain with the local governments and be spent for local purposes. Further, the Proposition allows these provisions to be suspended only if the Governor declares a fiscal emergency and two-thirds of the Legislature approves the suspension. Suspended funds must be repaid within three years. More information on economic factors is provided in the MD&A on page 18 of the basic financial statements.

Budget Policy

The annual budget serves as the foundation for the County's financial planning and control. The County Budget Act, as presented in California Government Code Sections 29005 and 30200, establishes the general provisions and requirements concerning county budget matters. The County Budget Act focuses on appropriation controls for each fund, department and object level appropriations. The County starts the budget process by having the Board review and update its annual budget strategy statements. All departments submit requests for appropriation and estimates of available financing, the County Executive reviews the request and prepares a recommendation. Hearings are set during the month of June, the Board approves final budget changes and the final budget is adopted prior to the start of the next fiscal year. The County Office of Budget and Analyses (OBA) prepares a tabulation of the budget in its final form for submission to the State Controller and loads the budget to the financial system in the new fiscal year. The adopted budget is prepared by fund, department and cost centers. Monthly estimates for both revenues and expenditures are also used to assist departments with budgetary control, and each department meets regularly with OBA to review the status of their budgets. Periodic budget status reports are submitted to the Board of Supervisors. The County budget is a performance-based budget developed on the guidelines provided by the Government Finance Officers Association (GFOA). It focuses on outcome-based measures adopted by the County.

Capital Budget Policy

The County has a long-term capital improvement plan (CIP) that identifies how the County plans to fund its 'pay-as-you-go' capital improvement projects over the ten year period. This plan includes: a) all capital projects being considered for a possible future bond issue; b) all capital projects that would be deferred to a subsequent bond issue; and c) all 'pay-as-you-go' projects set for design and construction over the next ten years. While the plan covers a ten-year period, it is updated annually to reflect ongoing changes as new projects are added, existing projects modified, and completed projects deleted from the plan document. The ten-year CIP does not appropriate funds; rather it serves as a budgeting tool, identifying those capital budget appropriations to be made through the adoption of the County's annual budget.

Debt Administration

The County does not have any outstanding general obligation bonds. However, \$618.4 million in lease revenue bonds, certificates of participation, special obligation bonds and revenue bonds (issued by financing authorities on behalf of the County) were outstanding as of June 30, 2004. Principal and interest on these bonds are paid from pledged revenues the County anticipates receiving in the following year. In addition, the County has historically issued Tax and Revenue Anticipation Notes (TRANS) annually to provide the liquidity necessary to pay obligations (paid from pledged property taxes received in the following year.) No new TRANS were issued in fiscal year 2004.

Cash Management

The County's pooled deposits and investments are regulated by the California Government Code and by a County investment policy approved annually by the County Treasury Oversight Committee and the Board of Supervisors. The County Board of Supervisors, the Treasury Oversight Committee, and the Internal Audit Division monitor adherence to the statutes and policies through monthly reporting and an annual audit. The County investment policy, which is more restrictive than required by the California Government Code, stipulates the type, maturity limit, credit rating, and diversification of securities comprising the County Treasury. The objectives of the policy, in order of priority, are safety of principal, maintenance of liquidity, and attainment of a market rate of return, which considers risk constraints and cash flow requirements.

Investments permitted by the policy include U.S. Treasury or government agency issues, local agency investment funds, collateralized time deposits, negotiable certificates of deposit, bankers' acceptances, repurchase and reverse repurchase agreements, commercial paper, medium term corporate notes or deposit notes, municipal obligations, and money market mutual funds. Negotiable certificates of deposit must have a Moody's rating of P-1 or an S&P rating of A for deposit of one year or less. Commercial paper must be rated at least A1+ by S&P or P-1 by Moody's. Maturities of investments, not exceeding five years unless approved by the appropriate legislative body, shall meet anticipated cash flow requirements.

In accordance with Government Code Sections 53620-53622, the assets of the Santa Clara County Retiree Health Trust, which is reported as an Internal Service Fund, may be invested in bonds issued by U.S. corporations that have a final maturity of 30 years or less from the purchase date and a Moody's credit rating of A3 or higher. Additionally, up to 67% of the assets of the Santa Clara County Retiree Health Trust in excess of County cash liquidity requirements may be invested in equities through mutual funds or through the direct purchase of common stocks by a money management firm(s) approved by the Board of Supervisors.

As required by applicable accounting principles, investments reported in the comprehensive annual financial report are at fair value.

Risk Management

The County is self-insured for substantially all property, liability, and workers' compensation risks and losses. "Excess" coverage from commercial carriers or joint powers authorities does exist for most types of risk to minimize losses, which might be associated with catastrophic events. The County's self-insurance program is more thoroughly described in Note 14 of the 'Notes to the Basic Financial Statements'.

Employee Benefit Plans

The County participates in and contributes to the employee retirement plans with the State's Public Employees' Retirement System (PERS) which is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within the state. PERS provides retirement, disability, and death benefits based on the employees' years of service, age and final compensation. Copies of the PERS' annual financial report are available upon request.

Post-retirement Health Care Benefits

The County provides post retirement health benefits to all employees who are eligible to participate in its Retiree Health Care Program upon retirement. The benefit amount is based on the retirement date. For the surviving retirees who retired on or before December 5, 1983, the benefit payments cover premium of any medical program available to active employees. The benefits for other retirees are limited to covering the premiums of the lowest cost medical plan. All participants are also eligible for full or partial reimbursement of Medicare Part B premiums upon reaching age 65. The County advance funds all post-retirement medical benefits on an actuarially determined basis.

Other Information

Independent Audit

The County Charter requires an annual audit of the financial transactions and records of all offices and departments by an independent certified public accountant. Macias, Gini & Company LLP, a firm of licensed certified public accountants, has audited the basic financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's basic financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Single Audit

The County is required to undergo an annual "Single Audit" in conformity with the "Single Audit Amendments of 1996" and the United States Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Information relating to the Single Audit, including the Schedule of Expenditure of Federal Awards and required independent auditor's reports on internal control and compliance with applicable laws and regulations are published separately from this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This was the fifth consecutive year the County has achieved this prestigious award. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

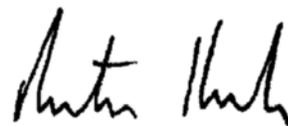
Acknowledgments

The preparation of the comprehensive annual financial report and its timely issuance is the result of a concentrated, dedicated, and coordinated effort of the staff of the Controller-Treasurer Department and the cooperation and assistance of all County agencies and departments. We would like to acknowledge the role played by the Board of Supervisors in developing and following policies, which enhance the current and future fiscal stability of the County.

Respectfully submitted,



John V. Guthrie
Director of Finance



Peter Kutras, Jr.
County Executive

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Santa Clara,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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.



Nancy L. Ziehl

President

Jeffrey R. Egan

Executive Director

COUNTY OF SANTA CLARA
BOARD OF SUPERVISORS AND PRINCIPAL COUNTY OFFICIALS
JUNE 30, 2004

⇌ BOARD OF SUPERVISORS ⇌



Donald F. Gage
District 1

www.dongage.org



Blanca Alvarado
District 2

www.blancaalvarado.org



Pete McHugh
District 3

www.pmchugh.org



James T. Beall, Jr.
District 4

www.jimbeall.org



Liz Kniss
District 5

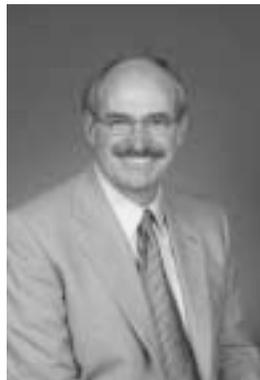
www.lizkniss.org

⇌ PRINCIPAL COUNTY OFFICIALS ⇌



Peter Kutras, Jr.
County Executive

www.sccgov.org



John V. Guthrie
Director of Finance

www.sccgov.org



Ann Miller Ravel
County Counsel

www.sccgov.org



George Kennedy
District Attorney

www.santaclara-da.org



Laurie Smith
Sheriff

www.sccsheriff.org

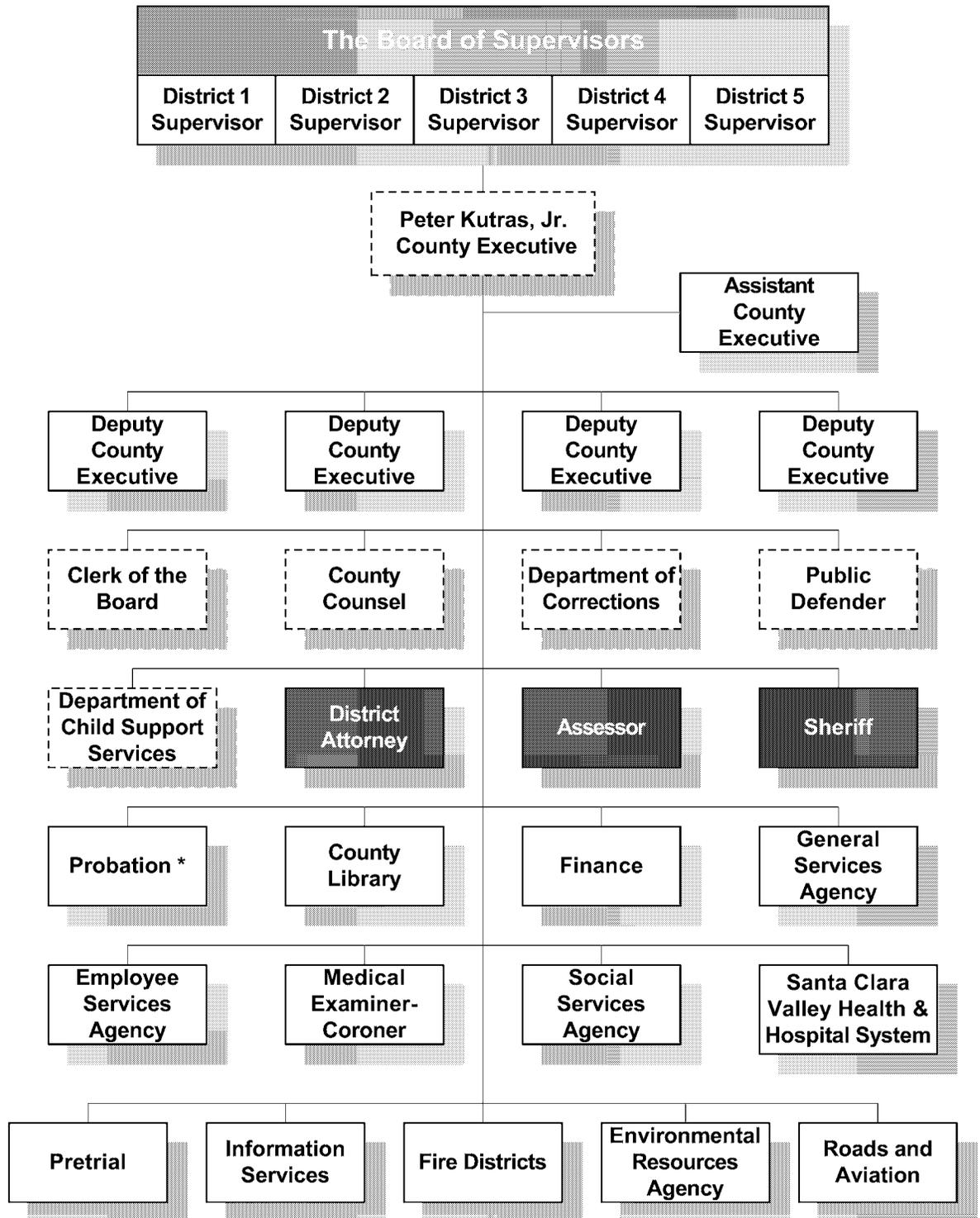


Larry Stone
Assessor

www.scc-assessor.org

COUNTY OF SANTA CLARA

Organization Chart



- Elected
- Board of Supervisors Appointment
- * Judicial Appointment



Financial Section



MACIAS GINI & COMPANY LLP

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The Board of Supervisors
County of Santa Clara
San Jose, California

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units and remaining fund information of the County of Santa Clara, California, (the County), as of and for the fiscal year ended June 30, 2004, 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 did not audit the financial statements of the FIRST 5 Santa Clara County; the County Sanitation District 2 - 3 of Santa Clara County; the Santa Clara County Vector Control District; and the Santa Clara County Central Fire Protection District, and Los Altos Hills County Fire District (collectively, "Fire Districts"), which represent the following percentages of assets and revenues as of and for the fiscal year ended June 30, 2004:

Opinion Unit	Assets	Net Assets	Revenues
Governmental activities	2.4%	2.8%	2.9%
Business-type activities	2.9%	74.4%	0.3%
Aggregate discretely presented component units and remaining fund information	4.7%	5.1%	1.0%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units and remaining fund information of the County as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the basic financial statements, the County adopted the retroactive reporting of all major general infrastructure assets provisions of Governmental Accounting Standards Board (GASB) Statement No.34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments* as of July 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2004, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financing 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.

The management's discussion and analysis, schedule of funding progress and budgetary comparison schedule – General Fund as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. 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, other supplementary information section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, 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.

Macias, Gini & Company LLP

Certified Public Accountants

Walnut Creek, California

December 3, 2004

Management's Discussion and Analysis

County of Santa Clara Management's Discussion and Analysis

As management of the County of Santa Clara (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to vii of this report.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the fiscal year by \$1.7 billion (*net assets*). Of this amount, \$1.1 billion (*unrestricted net assets*) may be used to meet the County's ongoing obligations to its citizens and creditors, and \$94.3 million (*restricted net assets*) may be used for the County's ongoing obligations related to programs with external restrictions. The County's net assets invested in capital assets, net of related debt were \$499.3 million. (See further detail in Table 1 on page 6).
- The County's total net assets increased by \$240.4 million for the year. There are three components of this growth in net assets— i) a restatement of the beginning capital assets balance to retroactively report the County's major general infrastructure assets increased net assets by \$67.1 million; ii) the County's operating activities (both governmental and business-type) had a combined net deficit of \$30.9 million for the year; and iii) one-time capital gains of \$204.2 million resulted from the sale of land to the City of Milpitas Redevelopment Authority (MRDA). (See further detail in Table 2 on page 7).
- At June 30, 2004, the County governmental funds reported combined fund balances of \$794.5 million, a decrease of \$89.9 million from prior year. Approximately 81.4 percent of the combined fund balances, \$646.7 million, is available to meet the County's current and future needs (*unreserved fund balance*).
- At June 30, 2004, the County's unreserved fund balance for the General Fund was \$470.3 million or 27.2 percent of total General Fund expenditures.
- The County's investments in capital assets increased by \$130.2 million or 13.3 percent. This includes restatement of the beginning balances by \$67.1 million due to retroactive reporting of the County's major general infrastructure assets. (See further detail in Table 5 on page 16).
- The County's total long-term debt, net of debt service principal pay-off of \$21.8 million for the year, increased by \$19.5 million or 3.3 percent during the current fiscal year. (See further detail in Table 6 on page 17).

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis are 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

The *government-wide financial statements* are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

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.

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 expenses are reported in the government-wide statements for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education and recreation and culture. The business-type activities of the County include a hospital—Santa Clara Valley Medical Center (SCVMC), three airports (Reid Hillview, Palo Alto and South County) and two sanitation districts (County Sanitation District 2-3).

Component units are included in the basic financial statements and consist of legally separate entities for which the County is financially accountable. Because of the governing board relationship and the exclusivity of County services, the financial operations of some component units are blended in the County's basic financial statements. These component units are the Santa Clara County Central Fire Protection District, South Santa Clara County Fire District, Los Altos Hills County Fire District, Santa Clara County Vector Control District, County Sanitation District 2-3 of Santa Clara County, Santa Clara County Financing Authority, and the Santa Clara County—El Camino Hospital District Hospital Facilities Authority. The Housing Authority of Santa Clara County and the FIRST 5 Santa Clara County are reported as discrete component units of the County.

The government-wide financial statements can be found on pages 21 - 23 of this report.

Fund Financial Statements

A *fund* is a grouping 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 categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

Governmental 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 funds 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 the County's near-term financing requirements.

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, the 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 maintains 74 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund and the General Capital Improvement Fund, both of which are considered major funds. Data from other governmental funds 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 and schedules* elsewhere in this report.

The governmental funds financial statements can be found on pages 24 – 27 of this report.

Proprietary funds

The County maintains two kinds of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for one hospital—Santa Clara Valley Medical Center (SCVMC), three airports (Reid Hillview, Palo Alto and South County) and two sanitation operations (County Sanitation District 2-3). *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its information services, fleet management, insurance claims, printing services, unemployment insurance, worker's compensation and retirees' benefits. The internal service funds have been allocated between the governmental activities and business-type activities based on the relative percentage of use of the internal service funds in these activities.

Proprietary fund statements provide the same type of information as the business-type activities column in the government-wide financial statements, but in more detail. The proprietary fund financial statements provide separate information for the SCVMC, which is considered a major fund. The financial statements of the nonmajor enterprise funds (Airport and Sanitation District) are combined into a single aggregated presentation. Similarly, the County's eight internal service funds are combined into a single aggregated presentation in the proprietary funds financial statements. Individual fund data for the enterprise funds and the internal service funds is provided in the form of *combining statements* section of this report.

The proprietary funds financial statements can be found on pages 28 - 31 of this report.

Fiduciary funds

The *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the County. 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 accounting used for fiduciary funds is much like that used for proprietary funds except for agency funds.

The fiduciary funds financial statements can be found on pages 32 - 33 of this report.

Notes to the Basic Financial Statements

The notes to the basic 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 can be found on pages 35 - 77 of this report.

Required Supplementary Information

The required supplementary information is presented concerning the County's progress in funding its obligation to provide pension benefits to its employees and the County General Fund budgetary comparison schedule. The County adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 79 - 92 of this report.

Combining Statements and Schedules

The combining and individual fund statements and schedules referred to earlier provide information for nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and certain fiduciary funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 95 - 156 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

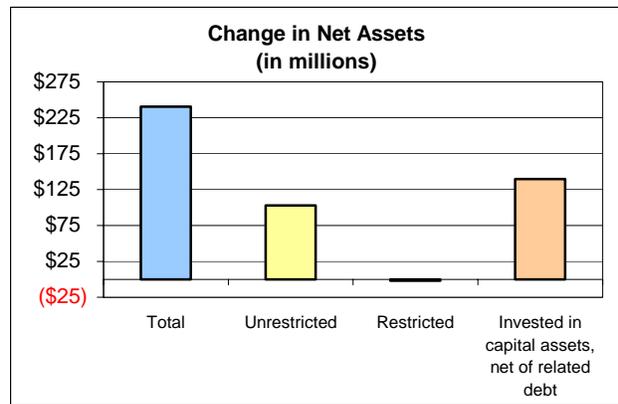
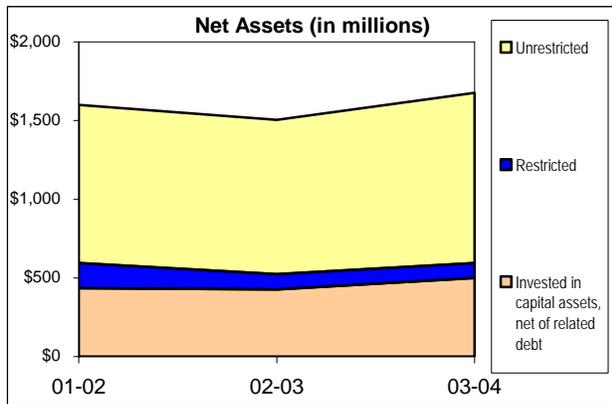
The County's assets exceeded its liabilities by \$1.7 billion at June 30, 2004. Net assets may serve over time as a useful indicator of a government's financial position. When applicable, prior year numbers have been reclassified to make them comparable to the current year.

Table 1—Net Assets (in thousands)

	Governmental Activities		Business-type Activities		Total		Total	
	2003	2004	2003	2004	2003	2004	Dollar Change	Percent Change
	Current and other assets	\$ 1,432,155	\$ 1,561,285	\$ 167,975	\$ 181,636	\$ 1,600,130	\$ 1,742,921	\$ 142,791
Capital assets	721,130	797,419	254,589	241,362	975,719	1,038,781	63,062	6.5%
Total assets	2,153,285	2,358,704	422,564	422,998	2,575,849	2,781,702	205,853	8.0%
Current and other liabilities	144,067	147,297	72,009	80,306	216,076	227,603	11,527	5.3%
Long-term liabilities	521,218	547,278	334,422	329,427	855,640	876,705	21,065	2.5%
Total liabilities	665,285	694,575	406,431	409,733	1,071,716	1,104,308	32,592	3.0%
Net assets:								
Invested in capital assets, net of related debt	437,302	517,986	(10,382)	(18,643)	426,920	499,343	72,423	17.0%
Restricted net assets	80,205	76,754	16,285	17,540	96,490	94,294	(2,196)	(2.3%)
Unrestricted net assets	970,493	1,069,389	10,230	14,368	980,723	1,083,757	103,034	10.5%
Total net assets	\$ 1,488,000	\$ 1,664,129	\$ 16,133	\$ 13,265	\$ 1,504,133	\$ 1,677,394	\$ 173,261	11.5%

The largest portion of the County’s net assets (64.6%) represents *unrestricted net assets* of \$1.1 billion, which may be used to meet the County’s ongoing obligations to citizens and creditors. Another significant portion of the County’s net assets of \$499.3 million (29.8%) reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, and equipment and vehicles) net of accumulated depreciation, less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to 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, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining \$94.3 million (5.6%) of the County’s net assets represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the County reported positive balances in all categories of net assets, for the government as a whole, as well as for its governmental activities. The *invested in capital assets (net of relative debt)* component of the County’s business-type activities had a deficit of \$18.6 million because the amount of debt outstanding to acquire those capital assets was higher than their book value as of June 30, 2004. The same situation held true for the prior fiscal year.



The County’s net assets increased by \$240.4 million or 16.9 percent for the year. The changes in the County’s net assets are explained in the context of each individual component—restatement of beginning net capital assets, the County’s ongoing operations (governmental and business-type activities) and special items.

Components of changes in net assets:

Amount
(Millions)

Restatement of beginning balances:

- Retroactive reporting of infrastructure assets under the Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. \$ 67.1

Operations:

- Governmental activities (28.0)
- Business-type activities (2.9) (30.9)

Special items:

- Capital gain on sale of surplus land to the City of Milpitas Redevelopment Agency 204.2

Total change in net assets \$ 240.4

Governmental activities

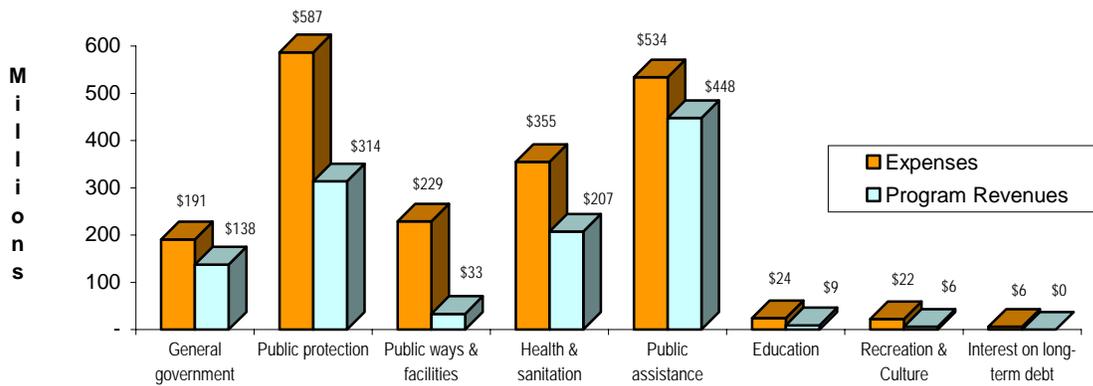
The governmental activities had a net deficit of \$28.0 million, which is 90.7 percent of the total operating deficit for the year.

Table 2—The Change in Net Assets (in thousands)

	Governmental Activities		Business-type Activities		Total		Total	
	2003	2004	2003	2004	2003	2004	Dollar Change	Percent Change
Revenues:								
Program revenues:								
Charges for services	\$ 237,669	\$ 229,900	\$ 401,590	\$ 446,493	\$ 639,259	\$ 676,393	\$ 37,134	5.8%
Operating grants and contributions	900,693	914,167	93,261	107,218	993,954	1,021,385	27,431	2.8%
Capital grants and contributions	2,748	11,078	7,243	10,168	9,991	21,246	11,255	112.7%
General revenues:								
Property taxes	418,894	435,230	-	-	418,894	435,230	16,336	3.9%
Sales and use taxes	135,813	143,007	10,400	10,017	146,213	153,024	6,811	4.7%
Other taxes	173,124	144,137	-	-	173,124	144,137	(28,987)	(16.7%)
Unrestricted grants and contributions	48,311	34,667	-	-	48,311	34,667	(13,644)	(28.2%)
Unrestricted investment income	30,580	36,509	4,741	2,079	35,321	38,588	3,267	9.2%
Other revenue	49,803	62,282	-	-	49,803	62,282	12,479	25.1%
Total revenues	<u>1,997,635</u>	<u>2,010,977</u>	<u>517,235</u>	<u>575,975</u>	<u>2,514,870</u>	<u>2,586,952</u>	<u>72,082</u>	<u>2.9%</u>
Program expenses:								
General government	196,378	191,158	-	-	196,378	191,158	(5,220)	(2.7%)
Public protection	597,447	587,043	-	-	597,447	587,043	(10,404)	(1.7%)
Public ways and facilities	339,504	228,880	-	-	339,504	228,880	(110,624)	(32.6%)
Health and sanitation	348,524	354,850	-	-	348,524	354,850	6,326	1.8%
Public assistance	513,238	534,060	-	-	513,238	534,060	20,822	4.1%
Education	25,998	24,193	-	-	25,998	24,193	(1,805)	(6.9%)
Recreation and culture	18,119	21,978	-	-	18,119	21,978	3,859	21.3%
Interest on long-term liabilities	7,770	6,061	-	-	7,770	6,061	(1,709)	(22.0%)
SCVMC	-	-	624,715	664,034	624,715	664,034	39,319	6.3%
Airport	-	-	2,898	2,547	2,898	2,547	(351)	(12.1%)
Sanitation District	-	-	2,514	3,056	2,514	3,056	542	21.6%
Total expenses	<u>2,046,978</u>	<u>1,948,223</u>	<u>630,127</u>	<u>669,637</u>	<u>2,677,105</u>	<u>2,617,860</u>	<u>(59,245)</u>	<u>(2.2%)</u>
Excess (deficiency) before transfers and special items	(49,343)	62,754	(112,892)	(93,662)	(162,235)	(30,908)	131,327	(80.9%)
Transfers								
Transfers	(102,006)	(90,794)	102,006	90,794	-	-	-	n/a
Excess (deficiency) before special item	(151,349)	(28,040)	(10,886)	(2,868)	(162,235)	(30,908)	131,327	(80.9%)
Special item								
Gain on sale of Elmwood surplus land	-	204,169	-	-	-	204,169	204,169	n/a
Increase (decrease) in net assets	<u>(151,349)</u>	<u>176,129</u>	<u>(10,886)</u>	<u>(2,868)</u>	<u>(162,235)</u>	<u>173,261</u>	<u>335,496</u>	<u>(206.8%)</u>
Net assets, beginning of year, as restated	<u>1,639,349</u>	<u>1,488,000</u>	<u>27,019</u>	<u>16,133</u>	<u>1,666,368</u>	<u>1,504,133</u>	<u>(162,235)</u>	<u>(9.7%)</u>
Net assets, end of year	<u>\$ 1,488,000</u>	<u>\$ 1,664,129</u>	<u>\$ 16,133</u>	<u>\$ 13,265</u>	<u>\$ 1,504,133</u>	<u>\$ 1,677,394</u>	<u>\$ 173,261</u>	<u>11.5%</u>

The County provides various mandated services to its residents. Revenues directly generated by or attributable to a specific governmental function are called program revenues. These include charges for services and restrictive (program specific) grants and contributions, both operating and capital. The following chart shows the County’s program revenues and expenses for the year. The general revenues—taxes (property, business, and sales), unrestricted grants, and investment income are not included in this chart. These general revenues are not be shown by program, but are available to support the program activities Countywide.

Expenses and Revenues - Governmental Activities

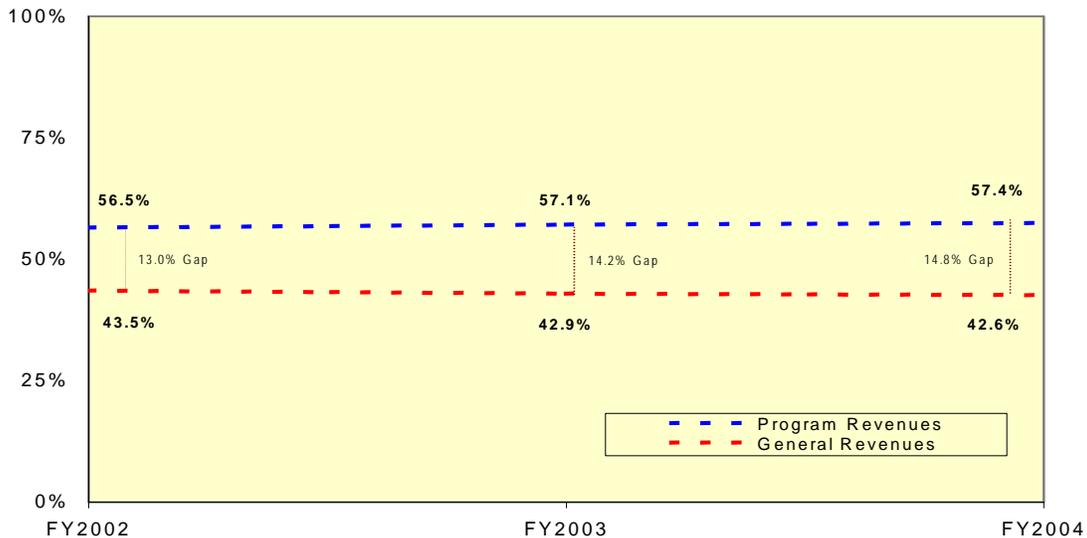


Changes in the County’s net assets from its governmental activities are explained in the context of changes in revenues and expenses:

Revenues

The current year revenue from the governmental activities was about \$2.0 billion. The revenues increased by \$13.3 million or 0.7 percent from last year. The program revenues from the County’s governmental activities pay only about 59.3 percent of the cost of running those governmental programs. The general revenues support the programs by covering the remaining costs. The program revenues, as a percentage of the County’s total revenues from its governmental activities, have ranged between 56.5 percent in FY2002 to 57.4 percent in FY2004, with a three-year average of 57.0 percent. The gap between general and program revenues has widened in recent years due to a decline in the public safety sales tax and motor vehicle in-lieu tax revenues, and increase in program revenues.

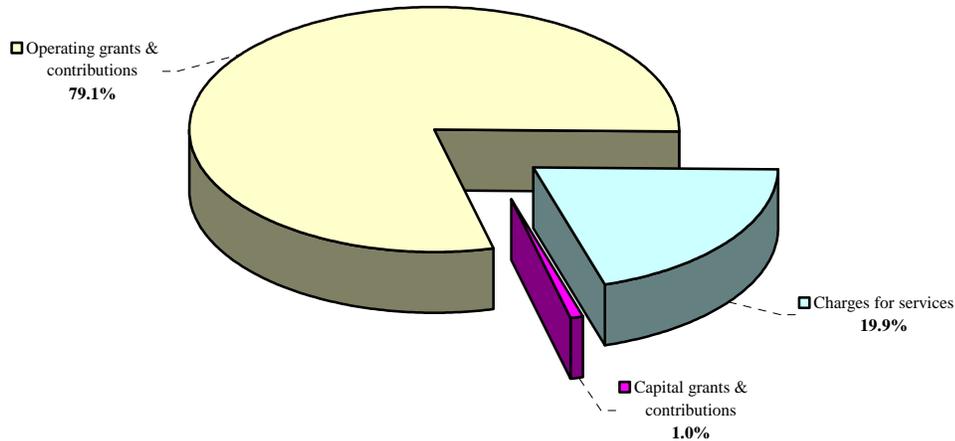
Governmental Activities - Program vs . General Revenues



As an arm of the state government, the County provides various mandated services, such as public assistance, public health, and mental health. The County’s program revenues increased by \$14.0 million or 1.2 percent, as the cost of providing these services grew. Revenues from grants and contributions increased by \$21.8 million or 2.4 percent, while the revenues from charges for services decreased by \$7.8 million or 3.3 percent.

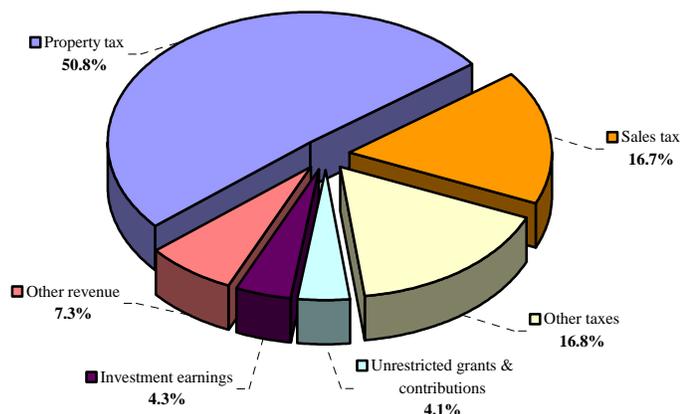
The County’s largest source of program revenues for its governmental activities is federal and state grants and contributions, both operating and capital. These revenues amount to about 80.6 percent of the County’s program revenues, and about 46.0 percent of its total revenues. These revenues increased due to new homeland security and public safety grants, marginal growth in public assistance programs, and additional funding for the voting machine upgrades. The revenue from charges for services declined due to lower revenues from fines, forfeitures, and penalties.

Program Revenues By Source - Governmental Activities



General revenues support government programs by defraying costs which those programs cannot cover from their own revenues. Tax revenues are the County’s second largest revenue source—grants and contributions being the largest. The County earned \$722.4 million in tax revenues (property, sales, and motor vehicle in-lieu taxes) for the current year. This is approximately 84.4 percent of the general revenues, and 35.9 percent of the total current year revenues. These general revenues provide the Board of Supervisors (the Board) with most of its discretionary spending ability.

General Revenues By Source - Governmental Activities



The County’s general revenues decreased by \$0.7 million or 0.1 percent from the prior year. General revenues include taxes, unrestricted investment earnings, unrestricted grants and contributions, and some miscellaneous revenues not directly related to governmental programs. The net change in general revenues was marginal, however, some of the individual revenue sources changed significantly. Property tax revenues increased by \$16.3 million, primarily due to a 3.2 percent growth in real property assessed values. Growth in property transfer tax (\$8.1 million) and aircraft tax (\$1.7 million) revenues also contributed to higher property tax revenues. Unsecured business taxes fell by \$4.9 million—an indicator of the current economic slowdown.

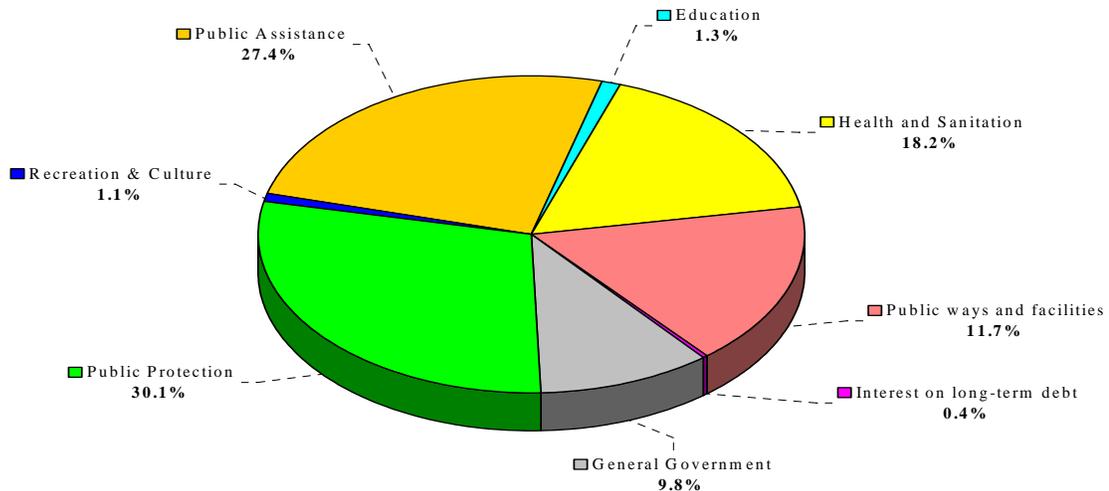
Sales tax revenues increased by \$7.2 million as retail taxable sales grew for the first time in three years. Revenues from other taxes decreased by \$29.0 million due to a reduced motor vehicle in-lieu (MVIL) revenue formula for distribution of revenues from the State to local governments. The State borrowed \$35.5 million of the County’s share of MVIL, as backfill loan, and is expected to repay the loan in August 2006. Unrestricted grants and contributions fell by \$13.6 million due to a decline in revenues from tobacco settlement and local redevelopment contributions. Other revenues increased by \$12.5 million mainly due to higher reimbursements from miscellaneous sources, and donations from private foundations.

Unrestricted investment earnings increased by \$5.9 million because of a significant increase in the investment earnings for the Retiree Healthcare Internal Service Fund. The internal service funds are included in governmental activities in the government-wide financial statements. Even though the County’s commingled investment pool had lower investment earnings due to low interest rates, the investment portfolio of the Retiree Healthcare Internal Service Fund earned \$28.9 million in the current year versus \$5.9 million in the prior year. This fund invests two-third of its available cash reserves in equity index funds, which performed well.

Expenses

The County’s total expenses for governmental activities were \$1.9 billion, a decrease of \$98.8 million or 4.8 percent over the prior year. Transfers to business-type activities decreased by \$11.2 million or 11.0 percent. As a service delivery entity, salaries and benefits are the County’s major cost component, amounting to approximately 48.5 percent of the total costs. Retirement costs for public safety staff jumped from 3.9 percent last year to 7.0 percent in the current year. Similarly, retirement costs for the miscellaneous staff rose from zero to 0.4 percent. Health insurance costs increased due to inflation. To control these cost escalations at a time when revenue growth was somewhat stagnant, the County implemented over \$200 million of deficit reduction solutions. These solutions helped lower total costs despite the rise in employee benefit costs. The County eliminated 410.5 net FTE (full time equivalent) positions. These unprecedented deficit reduction solutions effectively reduced costs, and allowed the County to manage its operations within its means without fully depleting its one-time contingency reserves.

Expenses By Function/Program - Governmental Activities



With the exception of health and sanitation, public assistance, and recreation programs, the County’s operating expenses for all of its governmental activities were lower for the year. Public assistance costs increased by \$20.8 million or 4.1 percent, and health and sanitation expenses rose by \$6.3 million or 1.8 percent. These

costs increased due to higher demand for those services—an indicator of tough economic times. Public ways and facilities costs were lower by \$110.6 million or 32.6 percent due to a sharp decline in the number of projects in the Measure B Transportation Improvement Program. Recreation program expenses rose by \$3.8 due to higher program capital improvement costs. General government expenses decreased by \$5.2 million or 2.7 percent, public protection costs by \$10.4 million or 1.7 percent, and education expenses by \$1.8 million or 6.9 percent due to the budget deficit reduction solutions mentioned earlier. Lower interest rates on variable loans have led to decreased interest and fiscal charges. Transfers decreased by \$11.2 million or 11.0 percent because SCVMC required less General Fund subsidy to support its operations. SCVMC recovered a higher amount of its operating costs from other sources.

Special item

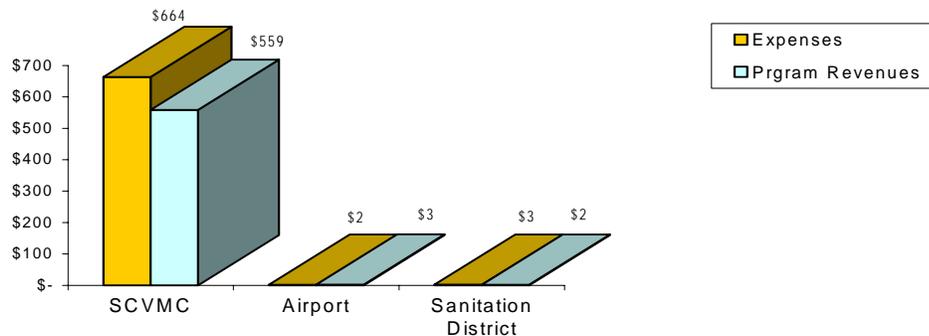
The County had a net capital gain of \$204.2 million on the sale of surplus land to the City of Milpitas Redevelopment Agency (MRDA). The County received \$26.5 million of the sale proceeds in June 2004. The remaining payments will be received in installments over the next 27 years.

Business-type activities

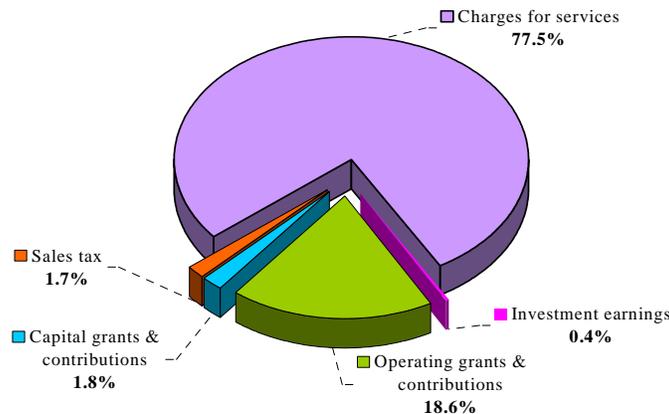
Business-type activities decreased the County’s net assets by \$2.9 million for the year. The business-type activities received \$90.8 million in operating subsidy transfers from governmental activities.

The largest of the County’s business-type activities, SCVMC, had \$664.0 million in expenses and \$549.2 million in program revenues for the year. This is about 99.3 percent of the program revenues and expenses of all business-type activities. SCVMC consists of a) Valley Medical Center—a 441-bed licensed acute-care hospital, and clinics for outpatient and ambulatory services and b) Valley Health Plan—a licensed HMO with 35,000 clients. The other enterprise operations—airport and sanitation districts—are very small in size and did not change much in the year. The first chart below shows expenses and revenues by each business activity, while the second chart shows revenues by source for the business activities.

Expenses and Program Revenues - Business-type Activities
(Dollars in millions)



Revenues By Source - Business-type Activities



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. When applicable, prior year numbers have been reclassified to make them comparable to the current year.

Governmental funds

The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the County's financing 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. Types of governmental funds reporting by the County include the General Fund, special revenue funds, capital project funds, debt service funds and a permanent fund.

At June 30, 2004, the County's governmental funds reported total fund balances of \$794.5 million, a decrease of \$89.9 million or 10.2 percent from the prior year. Approximately 81.4 percent of the combined fund balances, \$646.7 million, constitutes the *unreserved fund balance*, which is available to meet the County's current and future needs. The remainder of the fund balance is *reserved* to indicate that it is *not* available for new spending because it has been committed to: a) pay debt service - \$43.0 million; b) reflect inventories and the amount due from other funds that are long-term in nature and thus do not represent available spendable resources - \$51.6 million; and c) liquidate contractual commitments of the period - \$53.2 million.

For its governmental funds, the County's total revenues for the current fiscal year were \$1.96 billion—an increase of \$13.9 million or 0.7 percent over the last year. Total governmental fund expenditures decreased by \$65.1 million or 3.1 percent to \$2.0 billion for the year. The other financing uses exceeded the other financing sources by \$23.1 million. Primary reasons for this marginal increase in revenues and a significant decrease in expenditures for the governmental funds are explained in the framework of individual funds.

The General Fund is the chief operating fund of the County. The unreserved fund balance of the General Fund was \$470.3 million at June 30, 2004, while the total fund balance reached \$536.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and the total fund balance to the total fund expenditures. The unreserved fund balance, and the total fund balance represent 27.2 percent and 31.0 percent of the total General Fund expenditures, respectively.

The County's management designates (earmarks) unreserved fund balance to a particular function, project or activity. Fund balance may also be designated for long-term purposes. However, designated fund balance is available for appropriation at any time. Of the \$470.3 million General Fund unreserved fund balance, \$348.5 million or 74.1 percent is designated for future expenditures. The unreserved, undesignated fund balance for the General Fund at year-end was \$121.8 million. The fund balance designations are listed below:

	<u>Amount (Millions)</u>
Fund balance designated for:	
- Transportation improvement projects funded by Measure B (one-half percent Countywide sales tax) revenues	\$ 91.5
- San Jose RDA qualified projects	43.8
- Future operations of the Santa Clara Valley Medical Center	154.0
- Litigation Reserve	10.0
- Various contingencies designated by the Board of Supervisors	47.8
- Tobacco settlement funds	0.5
- Environment Resources Agency projects	0.9
Total General Fund designated fund balance	<u><u>\$ 348.5</u></u>

The General Fund revenues and expenditures for the year were both \$1.7 billion each. While the Fund's revenues saw a marginal increase of only \$0.9 million or 0.1 percent over the last year, its expenditures decreased significantly by \$114.8 million or 6.2 percent. The Fund's revenues by sources, and expenditures by function as well as increases or decreases from the prior fiscal year are presented below:

Table 3—General Fund Revenue Classified by Source (in thousands)

Revenues by source	FY 2003		FY 2004		Increase/(Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
Taxes	\$ 468,035	26.9%	\$ 485,853	28.0%	\$ 17,818	3.8%
Licenses and permits	10,558	0.6%	10,016	0.6%	(542)	(5.1%)
Fines, forfeitures and penalties	55,665	3.2%	45,353	2.6%	(10,312)	(18.5%)
Interest and investment income	17,242	1.0%	6,302	0.4%	(10,940)	(63.4%)
Intergovernmental revenues	973,796	56.1%	999,988	57.5%	26,192	2.7%
Charges for services	130,590	7.5%	128,863	7.4%	(1,727)	(1.3%)
Other	80,814	4.7%	61,234	3.5%	(19,580)	(24.2%)
Total	\$ 1,736,700	100.0%	\$ 1,737,609	100.0%	\$ 909	0.1%

Table 4—General Fund Expenditures by Function (in thousands)

Expenditures by function	FY 2003		FY 2004		Increase/(Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
General government	\$ 157,333	8.5%	\$ 157,311	9.1%	\$ (22)	(0.0%)
Public protection	519,823	28.2%	505,250	29.2%	(14,573)	(2.8%)
Public ways and facilities	313,113	17.0%	184,284	10.6%	(128,829)	(41.1%)
Health and sanitation	339,851	18.4%	348,021	20.1%	8,170	2.4%
Public assistance	506,651	27.4%	528,022	30.5%	21,371	4.2%
Debt service						
-Principal retirement	6,617	0.4%	5,230	0.3%	(1,387)	(21.0%)
-Interest and fiscal charges	3,046	0.2%	3,537	0.2%	491	16.1%
Totals	\$ 1,846,434	100.0%	\$ 1,731,655	100.0%	\$ (114,779)	(6.2%)

The General Fund revenue from all sources, except for taxes and intergovernmental revenues, decreased for the year. Its expenditures for health and sanitation, and public assistance programs increased, while expenditures on other functions—general government, public protection, public ways and facilities decreased. Combined debt service expenditures (principal and interest) decreased due to smaller amount of principal on old outstanding bonds. The debt service on the new debt starts in the next fiscal year.

The General Fund is the chief operating fund of the County. Its revenues and expenditures cover 88.9 percent and 85.6 percent of the County's total current year revenues and expenditures of all governmental funds, respectively. The discussion of changes in revenues and expenses for the County's governmental activities identified key reasons, which also help explain most of the changes in the General Fund revenues and expenditures. This section, therefore, covers only those items that were not included in the earlier discussion.

- Tax revenues grew by \$17.8 million or 3.8 percent. The secured property taxes rose by \$8.5 million due to the growth in real property assessed values. The sales tax revenues were up by \$6.8 million. Both the Countywide one-half cent Transportation (Measure B) tax and the local unincorporated area sales tax grew. The real property transfer taxes rose by \$7.5 million due to higher volume of real estate and refinancing transactions. Unsecured property tax revenues fell by \$4.9 million because of lower capital investments by high-tech businesses in the County.

- Fines, forfeitures and penalties decreased by \$10.3 million or 18.5 percent. The delinquent tax penalties for the year were lower by \$8.2 million. Last year, a legal settlement provided \$2.1 million in additional one-time revenues.
- Intergovernmental revenues increased by \$26.2 million or 2.7 percent. The funding for voting machine upgrades increased by \$13.8 million. Federal and state grant revenues grew by \$42.1 million due to new homeland security grants, safety program grants and growth in public assistance programs. These increases were sufficient to offset a \$29.7 million decline in motor vehicle license fee revenues.
- Charges for services decreased by \$1.7 million or 1.3 percent. The social services and health programs revenues decreased by \$2.6 million, and the court related fee revenues decreased by \$4.1 million. The election fee jumped up by \$1.3 million, prisoner related reimbursements rose by \$2.8 million, and collection and institution care fees increased by \$0.9 million.
- Interest on investment income fell by \$10.9 million or 63.4 percent, due to historically low interest rates and declining average daily cash balances in the commingled pool. The average interest rate fell from 2.3 percent last year to 1.6 percent in the current year. The State's budget problems led to unusual delays in receiving reimbursements. This contributed to smaller average daily cash balances which fell by 19.7% from last year.
- Other revenues came in lower by \$19.6 million or 24.2 percent. The tobacco settlement revenues fell by \$16.7 million, local redevelopment contributions by \$4.8 million, and the redevelopment pass-through delegated revenues by \$4.5 million. These decreases were partially offset by \$6.4 million rise in various program revenues and reimbursements.
- Expenditures for the health, sanitation and public assistance programs rose due to higher demand for these program services—an indicator of the tough economic times. The County implemented various deficit reduction strategies to deal with the impact of the State's budget situation. This reduced the expenditures for other County programs—general government, public protection, and public ways and facilities.

The General Capital Improvement Fund is a major governmental fund. Its fund balance decreased by \$68.1 million to \$17.7 million. This fund accounts for various multi-year capital improvement projects. The Fund's revenues were \$12.2 million, an increase of \$9.0 million for the year. Its largest revenue source was a \$9.0 million state grant for the Juvenile Hall. The Fund's expenditures were \$89.1 million, up by \$53.9 million or 153.5 percent due to increase in capital improvement activities. The Fund's net transfers were \$8.8 million for the year.

Fund balances for nonmajor governmental funds increased by \$48.3 million or 25.2 percent to \$240.0 million. The following nonmajor governmental funds had significant increases in fund balances, Roads (\$3.4 million), County Library (\$1.8 million), and Parks Acquisition and Development (\$9.7 million). In addition, two new funds were created, Morgan Hill Courthouse Construction (\$31.8 million) and Morgan Hill Courthouse Bonds (\$5.1 million). The following nonmajor funds had significant decreases in fund balances: Parks Operation and Maintenance (\$2.0 million), and Vector Control (\$2.4 million).

Revenues for the nonmajor governmental funds increased \$3.9 million or 1.9 percent for the year. Property taxes for the County library and the fire districts increased by \$1.1 million or 1.3 percent. Revenues from charges for services increased by \$4.1 million or 11.3 percent and the Clerk Recorder, Roads, County Library, Fire Districts, Parks Operation and Maintenance, and Proposition 36 were the major recipients of this increase. The interest on investment income decreased by \$1.9 million or 24.0 percent for reasons explained earlier. More revenues from licenses and permits, and higher miscellaneous revenues reflect an increased demand for governmental services. The revenues from fines, forfeitures and penalties increased by \$1.1 million or 14.1 percent for the Emergency Medical Services. The Morgan Hill Courthouse Construction Fund is a new fund to record the proceeds of \$ 41.3 million from the Lease Revenue 2003 Series C & D bonds for the courthouse projects. Expenditures for nonmajor governmental funds decreased by \$4.2 million or 2.1 percent due to a decrease in principal retirement and reduced activity for the Measure B transportation related projects. Debt service principal fell due to lower outstanding balance of long-term debt, while interest increased by \$0.2 million. The transfers for the current year were lower by \$119.4 million because in FY2003, the County made

large amount of transfers from the Measure B Bond Proceeds Fund to maintain positive cash flow for various transportation projects.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As of June 30, 2004, the County's net assets in its enterprise funds were \$10.0 million. The investment in capital assets net of depreciation, less any related debt was a deficit of \$18.6 million because the net book value of the capital assets at SCVMC was less than the outstanding debt on those assets. The restricted net assets of the enterprise funds were \$17.5 million. These assets represent resources that are subject to external restrictions on how they may be used. The unrestricted net assets as of June 30, 2004 were \$11.1 million.

The net assets of the County's enterprise funds decreased by \$2.7 million or 21.5 percent for the year. Primary reasons for change in net assets are explained in the framework of individual enterprise funds.

The SCVMC is the largest enterprise fund and its revenues and expenses comprise 99.2 percent of the total revenues and expenses for all enterprise funds. The other two enterprise funds—Airport and Sanitation District—are very small in comparison.

Net assets for the SCVMC decreased by \$2.1 million reflecting use of cash reserves to support operations. Its unrestricted net assets were \$2.9 million. The operating revenues grew by \$58.8 million or 12.0 percent and expenses rose by \$37.1 million or 6.1 percent. The net transfers were \$90.8 million for the year. Primary reasons for increased expenses were higher payroll and employee benefit costs, and increased cost of medical supplies and services due to rising prices and increased activity. The restricted net assets of SCVMC were \$16.6 million at June 30, 2004. The net assets invested in capital assets, net of related debt were a deficit of \$33.2 million because the net book value of those assets was less than the outstanding debt on those assets. There were no significant changes to the net assets for the airport and sanitation districts during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County's final budget appropriations for FY2004 were \$2.4 billion - \$8.7 million or 0.4 percent higher than the original budget adopted by the Board. Occasionally, unexpected events may cause the County to commit its one-time reserves or use ongoing resources to pay for those unplanned events. The Board approves all supplemental appropriations. The difference between the original and final budgets represents supplemental appropriations approved by the Board for various new grants received by the County during the year.

General Fund revenues and expenditures were less than the budgetary estimates for the year. Estimated revenues for the year exceeded actual revenues by \$142.8 million or 6.9 percent. While licenses and permits, interest and investment income, intergovernmental revenues (federal and state grants), charges for services, and other revenue and inter-fund transfers came in lower than estimates; taxes, fines, forfeitures and penalties, and other financing sources revenues exceeded their estimates. Adjusted budgetary appropriations (final budget) exceeded actual expenditures by \$346.8 million or 14.6 percent of budget for the year. The bulk of these cost savings resulted from the unspent appropriations of a) \$22.8 million in salaries and benefit costs due to a hiring freeze and vacancy eliminations; b) \$177.0 million in services and supplies costs for government functions; c) \$114.5 in contingency reserves; and d) \$32.5 million in inter-fund transfers.

The General Fund budgetary comparison schedule starts on page 82 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

As shown in Table 5 below, the County's investment in capital assets (net of accumulated depreciation) as of June 30, 2004 was \$1,038.8 million. This includes investment in land, buildings and improvements, leasehold improvements, infrastructure, equipment and vehicles, and construction in progress. A restatement of the beginning balances increased the County's net capital assets by \$67.1 million due to the retroactive reporting of infrastructure capital assets (net of accumulated depreciation) in accordance with the requirements of the GASB Statement No. 34.

TABLE 5-Capital Assets (Net of depreciation, in thousands)

	FY 2003	FY 2004	FY 2003	FY 2004	FY 2003	FY 2004	Change
Land	\$ 147,256	\$ 175,972	\$ 6,321	\$ 6,310	\$ 153,577	\$ 182,282	18.7%
Buildings & improvements	293,417	292,826	210,847	196,432	504,264	489,258	(3.0%)
Infrastructure	93,594	104,780	-	-	93,594	104,780	12.0%
Equipment and vehicles	55,538	49,127	27,531	24,950	83,069	74,077	(10.8%)
Leasehold improvements	-	-	1,558	1,454	1,558	1,454	(6.7%)
Construction in progress	131,325	174,714	8,332	12,216	139,657	186,930	33.8%
Total	\$ 721,130	\$ 797,419	\$ 254,589	\$ 241,362	\$ 975,719	\$ 1,038,781	6.5%

The net capital assets increased by 6.5 percent for the year. The net capital assets for the governmental activities increased by 10.6 percent, while the business-type activities' net capital assets decreased by 5.2 percent. Changes in capital assets by activity type were as follows:

Governmental Activities

The County acquired \$109.0 million in new capital assets for its governmental activities, as follows:

- New equipment and vehicles - \$7.1 million were spent for equipment and vehicles, including voting machines and racks, network upgrades in several departments, bomb-truck and specialized vehicles for law enforcement departments, road construction trucks, and a bookmobile van for the County library. Expenditures also included major application software development for the Worker's Compensation program, Pre-Trial on-line production system, and absentee counters and software for the Registrar of Voters.
- Specialized equipment for the fire departments was acquired for \$0.7 million. This included a hazardous material engine, heart monitors, a generator, mobile radios, and a fire engine roll over protection system.
- Additional construction in progress activities of \$101.0 million were added for the year.
 - New capital improvement projects of \$77.5 million undertaken by the County's General Services Agency for the Valley Health Center and Clinic, a new County Center, Morgan Hill Courthouse, Crime Lab, and continued construction and renovation of jails and justices facilities and various small projects.
 - Various Roads Department projects for \$19.9 million, such as bridge seismic retrofit, pedestrian and bicycle routes improvement, signal synchronization programs, pavement management and drainage improvements.
 - The regional park improvements of \$3.6 million included a boat launch facility, toxic mitigation, roads repaving, park landscaping, campsite improvements, trail widening and replacement.

- Transfers of \$57.6 million comprise various projects completed during the year. These included \$40.5 million in capitalized costs (including \$29.0 million for land and \$11.5 million in building improvements) of various GSA capital projects, \$15.5 million of infrastructure projects undertaken by the Roads Department (20 expressway and highway improvements projects), and \$1.6 million parks and recreation related projects. Retirements include net cost of equipment and vehicles retired from service during the year.

Business Type activities

Net capital assets for business-type activities decreased by \$13.2 million for the year. The SCVMC spent \$6.5 million for patient care equipment and \$0.8 million on building improvements. The construction in progress includes \$5.8 million for various laboratory renovations at SCVMC, and \$1.4 million for the aircraft hangar improvements at the Reid Hillview Airport.

Commitment of Resources for Construction Work in Progress

At June 30, 2004, the County had committed \$30.9 million of its fund balance from governmental activities and \$6.4 million of its fund balance from the business-type activities for various uncompleted capital projects included in the construction in progress.

The accompanying government-wide financial statements include infrastructure assets either completed during the fiscal year or considered construction in progress at year-end. Also reported is the historical cost (net of accumulated depreciation) of infrastructure capital assets acquired since 1980 as required under the retroactive reporting requirements of GASB Statement No. 34.

Additional information on the County's capital assets can be found in Note 7 on page 52 of this report.

Long-term debt

The County's long-term outstanding debt as of June 30, 2004 was \$618.3 million as shown in Table 6 below:

TABLE 6-Outstanding Debt (in thousands)

	Governmental Activities		Business-type Activities		Total		Total	
	FY 2003	FY 2004	FY 2003	FY 2004	FY 2003	FY 2004	Dollar Change	Percent Change
Lease revenue sewer bonds (net of discounts and deferred loss on refunding)	\$ 139,726	\$ 173,175	\$ 299,493	\$ 291,690	\$ 439,219	\$ 464,865	\$ 25,646	5.8%
Special obligation bonds (net of premium)	148,432	145,650	-	-	148,432	145,650	(2,782)	(1.9%)
Certificates of participation	1,285	1,050	-	-	1,285	1,050	(235)	(18.3%)
Capital lease obligations	9,807	6,795	87	-	9,894	6,795	(3,099)	(31.3%)
Total	\$ 299,250	\$ 326,670	\$ 299,580	\$ 291,690	\$ 598,830	\$ 618,360	\$ 19,530	3.3%

The County's long-term debt, net of debt service principal pay-off of \$21.8 million for the year, increased by \$19.5 million or 3.3 percent. The County issued two new bonds in the aggregate amount of \$41.3 million.

In December 2003, the Santa Clara County Financing Authority (SCCFA) issued Lease Revenue 2003 Series C and D bonds for \$20.0 million and \$21.3 million, respectively. These bond proceeds were to provide funds (i) to finance the construction of a courthouse, office space for the offices of the Public Defender, District Attorney and the Sheriff facilities in the City of Morgan Hill; (ii) to fund capitalized interest on the 2003 Bonds for the construction period through July 31, 2006; and (iii) to pay the bond issuance costs. These bonds will be repaid from the revenues received by the Criminal Justice Facilities, and the Courthouse Construction funds.

For its outstanding revenue bonds and certificates of participation, the County has maintained an AA rating from the Standard & Poors (S&P), and an Aa3 rating from the Moody's Investors Service. S&P has also upgraded the County's general obligation bond rating to AA+. This combination of S&P ratings is the highest

rating any California County has ever achieved since Proposition 13 was passed in 1978. The County's TRANS ratings are SP-1+ from Standard & Poors and MIG 1 from Moody's. Each rating is the highest awarded for short-term notes.

Additional information on the County's long-term debt can be found in note 9 on page 56 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The FY2005 budget assumes moderate economic growth for the year. The National and State economic growth rates have turned positive and appear moderately sustainable. The economic indicators show that the Silicon Valley economy is beginning to turn around and move into the territory of positive growth.

- The County's employment picture is beginning to improve, but its unemployment rate is still higher than the State and national averages. The unemployment rate was 6.3 percent in June 2004, which is 2.4 percent less than a year ago. The County's labor force is steadily shrinking, as expensive cost of living continues to drive many Bay-Area families to relatively less expensive areas. The real per capita income (a measure of wealth creation), and the average wage (an indicator of job quality) fell for the third consecutive year, but at a lower rate of 1.0 percent compared to 5.0 percent in earlier years. The productivity per employee increased by 4.0 percent to \$188,300, which is twice the national average.
- The Countywide taxable retail sales increased by \$4.5 billion or 3.1 percent in FY2004. Though still below the State average of 6.1 percent, the retail sales grew for the first time in three years. The County's share of the statewide taxable sales fell by 1.0 percent, affecting negatively its public safety sales tax revenues by \$13.0 million. The sales tax revenues are expected to grow, but at a slower pace.
- Research and development (R&D) and office space occupancy rates—leading indicators of economic activity—improved, but marginally. Though vacancy rates for office space and R&D space declined by 5.7 percent and 1.0 percent, respectively, overall rates still continue to be very high—17.7 percent for office space, and 23.1 percent for R&D.
- The average sale price of a Santa Clara County home rose by 10.0 percent to \$764,073. Single family home sales continue to grow.
- Major sources of revenue generated from the performance of the local economy are:
 - Assessed values for real property grew by 3.2 percent, while the unsecured personal property values declined by 7.8 percent in FY2004. The total property tax revenues increased by \$16.3 million. This includes the \$10.5 million growth in secured property tax revenues, and \$8.1 million growth in property transfer tax revenues. Unsecured business property tax revenues declined. The FY2005 budget assumes a 4.0 percent increase in assessed values, which corresponds to an increase of \$11.5 million in property tax revenues.
 - Retail taxable sales grew for the first time in three years. The one-half cent Transportation (Measure B) Countywide tax increased by \$6.0 million or 4.6 percent, and the local unincorporated area sales tax grew by \$0.7 million or 18.1 percent. The FY2005 budget assumes a moderate increase in sales tax revenues.
 - The State deferred payment of \$35.5 million or 19.8 percent of motor vehicle in-lieu taxes as a backfill loan. Without considering the \$35.5 million deferred by the state, the MVIL tax revenues grew by 4.2 percent for the year. The County did not budget an increase in MVIL revenues for FY2005. In November 2004, the California voters approved Proposition 1A which will swap two-thirds of the MVIL tax receipts for a portion of the property taxes in FY2005.
- The Countywide budget of \$3.4 billion included over \$200.0 million of deficit reduction solutions. Since FY2003, the County has found an unprecedented one-half billion of deficit solutions to meet the local budget requirements and the impacts of reduced state and federal funding. The deficit solutions include: use of one-time reserves of \$45.0 million; deferral of \$35.0 million in PERS payments; additional reduction

targets of \$92.0 million for departments; new revenue sources of \$8.0 million, and \$20.0 million savings from lowering the workers compensation, retiree health and Valley Medical Center program costs. The budget eliminated 410.5 net FTE (full time equivalent) positions.

- The FY2005 budget set asides a one-time reserve of \$50.0 million to deal with anticipated State reductions to allow the Board to pre-approve solutions to possible State budget impacts. Since the State impacts were only for \$22.0 million, the remaining \$28.0 million are still available as reserve in FY2005 budget.
- Operating reserve designations and the strategic reserve designations are part of the financial resources that are available to address unanticipated revenue shortfalls or unforeseen expenditures. These designations provide a primary defense against deficit spending and help maintain liquidity when budgeted drawdowns become necessary.
- Activity at SCVMC remains high with an average daily census of 329.5 or 2.6 percent above budget, and outpatient visits of 579,666 or 1.4 percent above budget. Outpatient visits are 6.0 percent higher than last fiscal year. Strong activity and an improving payer mix have allowed the SCVMC's enterprise funds to operate within their budget plan. The results of operations for the remainder of the fiscal year will be in large part determined by the economic recovery, changes in Federal reimbursement regulations, and State budget decisions.

As of June 30, 2004, the unreserved fund balance in the General Fund was \$470.3 million. Of this amount, \$348.5 million is designated but available for appropriation. The proposed and final budgets were adopted prior to July 1 of the new fiscal year.

Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County's Finance Agency, Controller-Treasurer Department, 70 West Hedding Street, 2nd Floor, East Wing, San Jose, CA 95110. This entire report is also available online at www.sccgov.org.

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Basic Financial Statement

COUNTY OF SANTA CLARA

Statement of Net Assets

June 30, 2004

(In thousands)

	Primary Government			Component Units
	Governmental Activities	Business- type Activities	Total	
Assets:				
Cash and investments	\$ 852,510	\$ 179,505	\$ 1,032,015	\$ 110,495
Receivables, net of allowance for uncollectibles	99,903	74,437	174,340	3,110
Internal balances	149,406	(149,406)	-	-
Due from other governmental agencies	358,026	9,120	367,146	4,110
Due from related parties	-	-	-	2,669
Inventories	2,947	8,468	11,415	24
Other assets	52,266	12,274	64,540	4,314
Restricted cash and investments	46,227	47,238	93,465	8,514
Capital assets:				
Nondepreciable	350,686	18,526	369,212	14,296
Depreciable, net of accumulated depreciation	446,733	222,836	669,569	28,737
Total assets	<u>2,358,704</u>	<u>422,998</u>	<u>2,781,702</u>	<u>176,269</u>
Liabilities:				
Accounts payable	51,608	10,889	62,497	12,564
Accrued salaries and benefits	29,287	13,393	42,680	146
Accrued liabilities	35,736	8,831	44,567	388
Estimated third-party payer settlements	-	28,715	28,715	-
Due to other governmental agencies	9,411	18,399	27,810	639
Deferred revenue	21,255	79	21,334	1,783
Other liabilities	-	-	-	2,423
Noncurrent liabilities:				
Due within one year	61,190	15,414	76,604	2,659
Due in more than one year	486,088	314,013	800,101	24,847
Total liabilities	<u>694,575</u>	<u>409,733</u>	<u>1,104,308</u>	<u>45,449</u>
Net assets:				
Invested in capital assets, net of related debt	517,986	(18,643)	499,343	24,572
Restricted for:				
Capital facilities	769	-	769	-
Debt service	25,654	17,540	43,194	-
Housing programs	15,384	-	15,384	-
Roads	25,331	-	25,331	-
Other purposes	9,616	-	9,616	98,989
Unrestricted	1,069,389	14,368	1,083,757	7,259
Total net assets	<u>\$ 1,664,129</u>	<u>\$ 13,265</u>	<u>\$ 1,677,394</u>	<u>\$ 130,820</u>

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

COUNTY OF SANTA CLARA

Statement of Activities

For the Fiscal Year Ended June 30, 2004

(In thousands)

	<u>Program Revenues</u>				
	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Function/program activities:					
Primary government:					
Governmental activities:					
General government	\$ 224,093	\$ (32,935)	\$ 61,112	\$ 67,596	\$ 8,953
Public protection	584,105	2,938	119,868	194,142	-
Public ways and facilities	228,197	683	2,144	29,065	2,125
Health and sanitation	339,020	15,830	33,524	173,784	-
Public assistance	528,503	5,557	3,271	444,487	-
Education	23,774	419	6,189	2,897	-
Recreation and culture	21,100	878	3,792	2,196	-
Interest on long-term liabilities	6,061	-	-	-	-
Total governmental activities	<u>1,954,853</u>	<u>(6,630)</u>	<u>229,900</u>	<u>914,167</u>	<u>11,078</u>
Business-type activities:					
SCVMC	657,404	6,630	442,060	107,218	9,798
Airport	2,547	-	2,563	-	370
Sanitation District	3,056	-	1,870	-	-
Total business-type activities	<u>663,007</u>	<u>6,630</u>	<u>446,493</u>	<u>107,218</u>	<u>10,168</u>
Total primary government	<u>\$ 2,617,860</u>	<u>\$ -</u>	<u>\$ 676,393</u>	<u>\$ 1,021,385</u>	<u>\$ 21,246</u>
Component units	<u>\$ 301,006</u>		<u>\$ 13,570</u>	<u>\$ 285,757</u>	<u>\$ -</u>
General revenues:					
Property taxes					
Sales and use taxes					
Other taxes					
Motor vehicle in lieu of taxes					
Grants/contributions not restricted to specific programs					
Investment income					
Other					
Transfers					
Total general revenues and transfers					
Special item - gain on sale of Elmwood surplus lands					
Change in net assets					
Net assets, beginning of year, as previously reported					
Change in accounting principle					
Net assets, beginning of year, as restated					
Net assets, end of year					

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
				Function/program activities:
				Primary government:
				Governmental activities:
\$ (53,497)	\$ -	\$ (53,497)	\$ -	General government
(273,033)	-	(273,033)	-	Public protection
(195,546)	-	(195,546)	-	Public ways and facilities
(147,542)	-	(147,542)	-	Health and sanitation
(86,302)	-	(86,302)	-	Public assistance
(15,107)	-	(15,107)	-	Education
(15,990)	-	(15,990)	-	Recreation and culture
(6,061)	-	(6,061)	-	Interest on long-term liabilities
<u>(793,078)</u>	<u>-</u>	<u>(793,078)</u>	<u>-</u>	Total governmental activities
				Business-type activities:
-	(104,958)	(104,958)	-	SCVMC
-	386	386	-	Airport
-	(1,186)	(1,186)	-	Sanitation District
<u>-</u>	<u>(105,758)</u>	<u>(105,758)</u>	<u>-</u>	Total business-type activities
<u>(793,078)</u>	<u>(105,758)</u>	<u>(898,836)</u>	<u>-</u>	Total primary government
-	-	-	(1,679)	Component units
				General revenues:
435,230	-	435,230	-	Property taxes
143,007	10,017	153,024	-	Sales and use taxes
410	-	410	-	Other taxes
143,727	-	143,727	-	Motor vehicle in lieu of taxes
34,667	-	34,667	-	Grants/contributions not restricted to specific programs
36,509	2,079	38,588	939	Investment income
62,282	-	62,282	112	Other
<u>(90,794)</u>	<u>90,794</u>	<u>-</u>	<u>-</u>	
765,038	102,890	867,928	1,051	Transfers
204,169	-	204,169	-	Total general revenues and transfers
176,129	(2,868)	173,261	(628)	Special item - gain on sale of Elmwood surplus lands
1,420,867	16,133	1,437,000	131,448	Change in net assets
67,133	-	67,133	-	Net assets, beginning of year, as previously reported
<u>1,488,000</u>	<u>16,133</u>	<u>1,504,133</u>	<u>131,448</u>	Change in accounting principle
<u>\$ 1,664,129</u>	<u>\$ 13,265</u>	<u>\$ 1,677,394</u>	<u>\$ 130,820</u>	Net assets, beginning of year, as restated
				Net assets, end of year

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

COUNTY OF SANTA CLARA

Balance Sheet
Governmental Funds

June 30, 2004
(In thousands)

	<u>General Fund</u>	<u>General Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assets:				
Cash and investments:				
Unrestricted	\$ 229,428	\$ 74,219	\$ 203,504	\$ 507,151
Restricted with fiscal agents	-	-	25,997	25,997
Other restricted	50	-	19,810	19,860
Receivables:				
Property taxes	3,160	-	-	3,160
Other, net of allowance for uncollectibles	73,952	307	19,704	93,963
Due from other funds	156,585	-	1,503	158,088
Due from other governmental agencies	345,917	1,275	10,361	357,553
Inventories	1,345	-	540	1,885
Other assets	48,540	-	1,078	49,618
Advances to other funds	-	64	-	64
Total assets	<u>\$ 858,977</u>	<u>\$ 75,865</u>	<u>\$ 282,497</u>	<u>\$ 1,217,339</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 34,712	\$ 5,012	\$ 6,838	\$ 46,562
Accrued salaries and benefits	24,753	-	3,627	28,380
Other accrued liabilities	25,521	-	6,834	32,355
Due to other funds	3,116	-	3,899	7,015
Due to other governmental agencies	9,181	-	171	9,352
Advances from other funds	-	53,180	-	53,180
Deferred revenue	224,909	-	21,118	246,027
Total liabilities	<u>322,192</u>	<u>58,192</u>	<u>42,487</u>	<u>422,871</u>
Fund balances:				
Reserved for:				
Encumbrances	16,636	22,571	14,038	53,245
Inventories, other assets and advances	49,885	64	1,618	51,567
Debt service	-	-	42,974	42,974
Unreserved, reported in:				
General fund:				
Designated	348,460	-	-	348,460
Undesignated	121,804	-	-	121,804
Capital projects funds	-	(4,962)	86,821	81,859
Special revenue funds	-	-	94,506	94,506
Permanent fund	-	-	53	53
Total fund balances	<u>536,785</u>	<u>17,673</u>	<u>240,010</u>	<u>794,468</u>
Total liabilities and fund balances	<u>\$ 858,977</u>	<u>\$ 75,865</u>	<u>\$ 282,497</u>	<u>\$ 1,217,339</u>

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

COUNTY OF SANTA CLARA

Reconciliation of the Governmental Funds Balance Sheet to the
Government-wide Statement of Net Assets - Governmental Activities

June 30, 2004
(In thousands)

Fund balances - total governmental funds (page 24)	\$	794,468
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 governmental funds.		788,256
Bond issuance costs are expended in the governmental funds when paid, however, are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net assets.		1,517
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		225,405
Internal service funds are used by management to charge the costs of management of information services, fleet management, insurance, printing, unemployment insurance, post-retirement, worker's compensation, employee benefits, and retiree healthcare benefits to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets.		289,667
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds payable	(319,875)	
Accrued vacation and sick leave	(98,717)	
Capital lease obligations	(3,211)	
Accrued interest payable	(3,381)	
Accrued litigation liability	(10,000)	
	<u> </u>	<u>(435,184)</u>
Net assets - governmental activities (page 21)	\$	<u><u>1,664,129</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>General</u>	<u>General Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues:				
Taxes	\$ 485,853	\$ -	\$ 88,627	\$ 574,480
Licenses and permits	10,016	-	11,235	21,251
Fines, forfeitures, and penalties	45,353	-	8,566	53,919
Interest and investment income	6,302	635	5,982	12,919
Intergovernmental revenues	999,988	8,953	45,357	1,054,298
Charges for services	128,863	2,627	40,099	171,589
Other revenue	61,234	-	5,779	67,013
Total revenues	<u>1,737,609</u>	<u>12,215</u>	<u>205,645</u>	<u>1,955,469</u>
Expenditures:				
Current:				
General government	157,311	100	2,848	160,259
Public protection	505,250	-	79,749	584,999
Public ways and facilities	184,284	-	46,364	230,648
Health and sanitation	348,021	-	6,921	354,942
Public assistance	528,022	-	5,885	533,907
Education	-	-	24,456	24,456
Recreation	-	-	21,756	21,756
Capital outlay	-	88,978	4,795	93,773
Debt service:				
Principal retirement	5,230	-	3,503	8,733
Interest and fiscal charges	3,537	-	4,371	7,908
Cost of issuance	-	-	859	859
Total expenditures	<u>1,731,655</u>	<u>89,078</u>	<u>201,507</u>	<u>2,022,240</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,954</u>	<u>(76,863)</u>	<u>4,138</u>	<u>(66,771)</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	26,546	-	290	26,836
Long-term debt proceeds	-	-	41,375	41,375
Bond premium	-	-	587	587
Transfers in	172,301	18,918	36,706	227,925
Transfers out	<u>(274,916)</u>	<u>(10,157)</u>	<u>(34,786)</u>	<u>(319,859)</u>
Total other financing sources (uses)	<u>(76,069)</u>	<u>8,761</u>	<u>44,172</u>	<u>(23,136)</u>
Net change in fund balances	<u>(70,115)</u>	<u>(68,102)</u>	<u>48,310</u>	<u>(89,907)</u>
Fund balances, beginning of year	<u>606,900</u>	<u>85,775</u>	<u>191,700</u>	<u>884,375</u>
Fund balances, end of year	<u>\$ 536,785</u>	<u>\$ 17,673</u>	<u>\$ 240,010</u>	<u>\$ 794,468</u>

COUNTY OF SANTA CLARA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Government-wide
Statement of Activities - Governmental Activities

For the Fiscal Year Ended June 30, 2004
(In thousands)

Net change in fund balances - total governmental funds (page 26)		\$ (89,907)
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.		
Expenditures for capital assets	\$ 107,009	
Net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, donations)	(576)	
Less current year depreciation	<u>(26,718)</u>	79,715
Bond issuance costs are expended in governmental funds when paid, however, are capitalized and amortized over the life of the corresponding bonds for the purposes of the statement of activities.		
Bond issuance costs	859	
Amortization of bond issuance costs	<u>(340)</u>	519
Revenues in the statement of activities, including the special item, that do not provide current financial resources are not reported as revenues in the funds.		
		189,166
Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. However, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. Proceeds were received from Lease Revenue Bonds, including premium.		
		(41,962)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Principal repayments:		
Lease revenue bonds	8,498	
Certificates of participation	235	
Capital leases	<u>589</u>	9,322
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 premium	2,797	
Change in accrued interest payable	(950)	
Change in accrued litigation liability	(2,224)	
Change in long-term compensated absences	<u>(1,402)</u>	(1,779)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.		
		<u>31,055</u>
Change in net assets of governmental activities (page 23)		<u><u>\$ 176,129</u></u>

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

COUNTY OF SANTA CLARA

Statement of Fund Net Assets

Proprietary Funds

June 30, 2004

(In thousands)

	Business-type Activities - Enterprise Funds			Governmental
	SCVMC	Other	Total	Internal Service Funds
Assets:				
Current assets:				
Cash and investments:				
Unrestricted	\$ 169,707	\$ 9,798	\$ 179,505	\$ 345,359
Other restricted	41,278	5,960	47,238	370
Receivables:				
Patient accounts receivable, net of estimated uncollectibles	73,085	-	73,085	-
Other	1,206	146	1,352	2,780
Due from other funds	3,439	-	3,439	1,613
Due from other governmental agencies	9,055	65	9,120	473
Inventories	8,468	-	8,468	1,062
Prepaid rent/insurance	-	-	-	1,131
Total current assets	<u>306,238</u>	<u>15,969</u>	<u>322,207</u>	<u>352,788</u>
Noncurrent assets:				
Other assets	12,064	210	12,274	-
Advances to other funds	-	-	-	53,180
Capital assets:				
Nondepreciable	13,206	5,320	18,526	-
Depreciable, net of accumulated depreciation	210,924	11,912	222,836	9,163
Total noncurrent assets	<u>236,194</u>	<u>17,442</u>	<u>253,636</u>	<u>62,343</u>
Total assets	<u>542,432</u>	<u>33,411</u>	<u>575,843</u>	<u>415,131</u>
Liabilities:				
Current liabilities:				
Accounts payable	9,505	1,384	10,889	5,046
Accrued salaries and benefits	13,367	26	13,393	907
Other accrued liabilities	8,608	223	8,831	-
Due to other funds	156,125	-	156,125	-
Due to third-party payers	28,715	-	28,715	-
Insurance claims	-	-	-	31,921
Due to other governmental agencies	18,399	-	18,399	59
Deferred revenue	-	79	79	633
Current portion of accrued vacation and sick leave	7,067	6	7,073	1,088
Current portion of capital lease obligations	-	-	-	1,824
Current portion of advances from other funds	-	-	-	22
Current portion of bonds payable	8,091	250	8,341	-
Total current liabilities	<u>249,877</u>	<u>1,968</u>	<u>251,845</u>	<u>41,500</u>
Noncurrent liabilities:				
Long-term insurance claims	-	-	-	76,595
Advances from other funds	-	-	-	42
Noncurrent portion of accrued vacation and sick leave	30,605	59	30,664	2,287
Noncurrent portion of capital lease obligations	-	-	-	1,760
Noncurrent portion of bonds payable	275,705	7,644	283,349	-
Total noncurrent liabilities	<u>306,310</u>	<u>7,703</u>	<u>314,013</u>	<u>80,684</u>
Total liabilities	<u>556,187</u>	<u>9,671</u>	<u>565,858</u>	<u>122,184</u>
Net assets:				
Invested in capital assets, net of related debt	(33,214)	14,571	(18,643)	5,579
Restricted:				
Debt service	16,603	937	17,540	-
Unrestricted	2,856	8,232	11,088	287,368
Total net assets	<u>\$ (13,755)</u>	<u>\$ 23,740</u>	<u>9,985</u>	<u>\$ 292,947</u>
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds.			3,280	
Net assets of business-type activities			<u>\$ 13,265</u>	

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

Proprietary Funds
For the Fiscal Year Ended June 30, 2004
(In thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	SCVMC	Other	Total	Internal Service Funds
Operating revenues:				
Charges for services	\$ 1,286,009	\$ 4,432	\$ 1,290,441	\$ 137,764
Less:				
Contractual allowances	(833,007)	-	(833,007)	-
Provision for bad debts	(10,942)	-	(10,942)	-
Net charges for services	442,060	4,432	446,492	137,764
Other program revenues	107,218	1	107,219	-
Net operating revenues	549,278	4,433	553,711	137,764
Operating expenses:				
Salaries and benefits	400,443	1,514	401,957	29,992
Services and supplies	79,594	803	80,397	16,663
General and administrative	67,383	-	67,383	3,180
Professional services	15,091	430	15,521	1,956
Depreciation and amortization	24,725	492	25,217	5,168
Leases and rentals	5,068	-	5,068	550
Utilities	7,631	-	7,631	-
Insurance claims and premiums	2,570	18	2,588	80,325
Other	42,452	1,731	44,183	-
Total operating expenses	644,957	4,988	649,945	137,834
Operating loss	(95,679)	(555)	(96,234)	(70)
Nonoperating revenues (expenses):				
Taxes	10,017	-	10,017	-
Investment income	1,870	209	2,079	29,891
Interest expense	(14,525)	(710)	(15,235)	(264)
Loss on disposal of capital assets	-	(11)	(11)	(186)
Other, net	(4,403)	92	(4,311)	409
Total nonoperating revenues (expenses), net	(7,041)	(420)	(7,461)	29,850
Income (loss) before capital contributions and transfers	(102,720)	(975)	(103,695)	29,780
Capital contributions	9,798	370	10,168	-
Transfers in	244,805	10	244,815	1,200
Transfers out	(154,021)	-	(154,021)	(60)
Change in net assets	(2,138)	(595)	(2,733)	30,920
Net assets, beginning of year	(11,617)	24,335		262,027
Net assets, end of year	<u>\$ (13,755)</u>	<u>\$ 23,740</u>		<u>\$ 292,947</u>
Adjustment to reflect the consolidation of internal service funds to enterprise funds.			(135)	
Change in net assets of business-type activities			<u>\$ (2,868)</u>	

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

COUNTY OF SANTA CLARA

Statement of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2004
(In thousands)

	Business-type Activities - Enterprise Funds			Governmental
	SCVMC	Other	Total	Internal Service Funds
Cash flows from operating activities:				
Cash receipts from customers and users	552,258	\$ 4,479	\$ 556,737	\$ 140,776
Cash paid to suppliers for goods and services	(219,378)	(1,932)	(221,310)	(20,777)
Cash paid to employees for services	(393,224)	(1,522)	(394,746)	(30,084)
Cash paid for judgments and claims	-	-	-	(84,996)
Other payments	(4,197)	(108)	(4,305)	-
Other receipts	-	200	200	409
Net cash provided by (used in) operating activities	(64,541)	1,117	(63,424)	5,328
Cash flows from noncapital financing activities:				
Cash receipts from state grants - taxes realignment	10,608	-	10,608	-
Transfers in	244,805	10	244,815	1,200
Transfers out	(154,021)	-	(154,021)	(60)
Cash payments to other funds	-	(351)	(351)	(33,820)
Cash receipts from other funds	134,672	-	134,672	2,540
Net cash provided by (used in) noncapital financing activities	236,064	(341)	235,723	(30,140)
Cash flows from capital and related financing activities:				
Repayment of leases with equipment acquisition fund	-	-	-	(2,423)
Principal paid on capital leases	(87)	-	(87)	-
Principal paid on bonds	(9,005)	(233)	(9,238)	-
Interest paid	(13,090)	(710)	(13,800)	(264)
Acquisition of capital assets	(10,438)	(1,564)	(12,002)	(2,033)
Proceeds from sale of capital assets	-	-	-	105
Capital grants received	9,943	370	10,313	-
Net cash used in capital and related financing activities	(22,677)	(2,137)	(24,814)	(4,615)
Cash flows from investing activities:				
Purchases of investments	-	-	-	(5,791)
Interest received	2,826	191	3,017	14,058
Net cash provided by investing activities	2,826	191	3,017	8,267
Net change in cash and cash equivalents	151,672	(1,170)	150,502	(21,160)
Cash and cash equivalents, beginning of year	36,893	16,928	53,821	223,687
Cash and cash equivalents, end of year	<u>\$ 188,565</u>	<u>\$ 15,758</u>	<u>\$ 204,323</u>	<u>\$ 202,527</u>
Cash and cash equivalents:				
Cash and investments:				
Unrestricted	\$ 169,707	\$ 9,798	\$ 179,505	\$ 345,359
Restricted with fiscal agents	-	5,960	5,960	-
Other restricted	41,278	-	41,278	370
Less deposits and investments not meeting the definition of cash and cash equivalents	(22,420)	-	(22,420)	(143,202)
Total cash and cash equivalents	<u>\$ 188,565</u>	<u>\$ 15,758</u>	<u>\$ 204,323</u>	<u>\$ 202,527</u>

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

COUNTY OF SANTA CLARA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2004
(In thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	SCVMC	Other	Total	Internal Service Funds
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Operating loss	\$ (95,679)	\$ (555)	\$ (96,234)	\$ (70)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	24,725	492	25,217	5,168
Provision for bad debts	15,126	-	15,126	-
Miscellaneous nonoperating (expense) income	(4,403)	92	(4,311)	409
Decrease (increase) in assets:				
Receivables	(10,002)	(63)	(10,065)	490
Due from other funds	-	-	-	2,860
Due from other governmental agencies	(2,144)	74	(2,070)	(49)
Inventories	949	-	949	113
Prepaid rent/insurance	(3,234)	6	(3,228)	359
Increase (decrease) in liabilities:				
Accounts payable	(5,502)	1,038	(4,464)	1,118
Accrued salaries and benefits	4,310	(8)	4,302	-
Other accrued liabilities	(63)	6	(57)	223
Due to third-party payers	4,092	-	4,092	-
Accrued vacation and sick leave	2,909	-	2,909	(315)
Insurance claims	-	-	-	(4,671)
Due to other governmental agencies	4,375	-	4,375	(18)
Deferred revenue	-	35	35	(289)
Net cash provided by (used in) operating activities	<u>\$ (64,541)</u>	<u>\$ 1,117</u>	<u>\$ (63,424)</u>	<u>\$ 5,328</u>
Supplemental disclosure of noncash investing, capital and related financing activities:				
Increase in rebatable arbitrage	\$ 191	\$ -	\$ 191	\$ -
Amortization of deferred charges	1,143	-	1,143	-
Amortization of discounts	292	-	292	-
Net change in investments reported at fair value but not considered cash and cash equivalents	(1,136)	-	(1,136)	15,833

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

COUNTY OF SANTA CLARA

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2004

(In thousands)

	<u>Investment Trust Funds</u>	<u>Private-Purpose Trust Fund</u>	<u>Agency Funds</u>
Assets:			
Cash and investments:			
Unrestricted	\$ 1,960,738	\$ 56,878	\$ 84,801
Other restricted	37	-	4,313
Receivables:			
Property taxes	-	-	69,625
Interest	8,172	213	6,259
Other	-	1	338
Due from other governmental agencies	-	-	1,929
Other assets	-	74,295	2,360
Total assets	<u>\$ 1,968,947</u>	<u>\$ 131,387</u>	<u>\$ 169,625</u>
Liabilities:			
Accounts payable	\$ -	\$ 53,427	\$ -
Due to other governmental agencies	-	149	-
Deposits from others	-	74,295	-
Fiduciary liabilities	-	-	169,625
Total liabilities	<u>-</u>	<u>127,871</u>	<u>\$ 169,625</u>
Net assets:			
Net assets held in trust for investment pool participants/private-purpose trust	<u>\$ 1,968,947</u>	<u>\$ 3,516</u>	

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

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2004
(Dollars in thousands)

(11) Hospital Program Revenues (Continued)

Accordingly, key elements in the system are dependent on the facility's Medi-Cal utilization experience. In accordance with SB855, the County's General Fund is required to remit predetermined amounts to the State Medi-Cal Inpatient Payment Adjustment (MIPA) fund. MIPA funds are matched with federal Medicaid funds and are used to make supplemental payments to qualified hospitals for acute inpatient hospital services based on the above described payment formula.

- *SB1255* established a special fund to accept voluntary transfers of funds from public agencies, private donations, and any appropriations of state funds. These contributions are matched with federal funds and distributed to disproportionate share hospitals as negotiated inpatient rate increases. The negotiations are conducted with the California Medical Assistance Commission (CMAC). The determination of disproportionate share is based upon the initial listing from CMAC. If the final data show the hospital was not a disproportionate share hospital, no recoupment of the funds is made. The disproportionate share hospitals must have a Medi-Cal contract and must maintain a basic or comprehensive emergency room. The negotiated increases are in addition to the usual payments and are not considered to be part of the required disproportionate share reimbursement.

- *Proposition 99* imposes an additional state excise tax on cigarettes and other tobacco products. The increased taxes on tobacco products generate revenue for health care related service, research, education, and public resources. *AB75* provides for allocation, by the Department of Health Services using data from the Office of Statewide Health Planning and Development annual reports, based upon SCVMC's share of the financial burden for providing care to persons who are uninsured or otherwise unable to pay for care.

Capital Contributions

- *SB1732* provides qualifying hospitals reimbursement for a portion of the debt service of qualified capital projects, in addition to their Medi-Cal contract reimbursement. *SB1732* revenues are classified as capital contributions for GAAP reporting purposes.

Amounts included in the SCVMC enterprise fund's other revenue and the business-type activities as operating grants and contributions on the statement of activities for the fiscal year ended June 30, 2004, are summarized as follows:

SB855	\$ 42,657
SB1255	48,000
Proposition 99	1,695
Other	<u>14,866</u>
Total	<u><u>\$ 107,218</u></u>

COUNTY OF SANTA CLARA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2004
(In thousands)

	Investment Trust Funds	Private-Purpose Trust Fund
Additions:		
Contributions to pooled investments	\$ 8,883,970	\$ 610
Interest and investment income	18,026	(352)
Total additions	8,901,996	258
Deductions:		
Distributions and administrative expenses	9,120,202	1,582
Change in net assets	(218,206)	(1,324)
Net assets held in trust, beginning of year	2,187,153	4,840
Net assets held in trust, end of year	\$ 1,968,947	\$ 3,516

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

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COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements
June 30, 2004
(Dollars in thousands)

(1) The Financial Reporting Entity

(a) Description of the Reporting Entity

The County of Santa Clara (the County), California (the State), was established on June 1, 1850. The County's powers are exercised through a Board of Supervisors, which is the governing body of the County. The Board is responsible for the legislative and executive control of the County. The County provides various services on a County-wide basis and certain services only to unincorporated areas. Services provided include law and justice, education, detention, social, health, hospital, fire protection, sanitation, road construction and maintenance, park and recreation facilities, elections and records, communications, planning, zoning, treasury, and tax collection.

The governmental reporting entity consists of the County (Primary Government) and its component units. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the County's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the County.

The basic financial statements include both blended and discretely presented component units. The blended component units are, although legally separate entities, in substance part of the County's operations and so data from these units are combined with data of the primary government. The 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 government.

For financial reporting purposes, the County's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the County's Board. The financial statements of the individual component units may be obtained from the County's Controller-Treasurer Department located at 70 West Hedding Street, 2nd Floor, East Wing, San Jose, California 95110.

(b) Blended Component Units

The County and the component units listed below have a financial and operational relationship which requires that they be blended into the County's financial statements. The Board of Supervisors serves as the governing board of the County's blended component units. In addition, the Santa Clara County Financing Authority and the Santa Clara County – El Camino Hospital District Hospital Facilities Authority provide services entirely or almost entirely to the County.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements
June 30, 2004
(Dollars in thousands)

(1) The Financial Reporting Entity (Continued)

The following component units are blended in the County's basic financial statements:

Component unit	Blended in the basic financial statements under the category of:
Santa Clara County Central Fire Protection District	Nonmajor governmental funds - all fire districts are reported together in a special revenue fund.
South Santa Clara County Fire District	
Los Altos Hills County Fire District	
Santa Clara County Vector Control District	Nonmajor governmental funds
County Sanitation Districts 2 - 3 of Santa Clara County	Sanitation District Enterprise Fund
Santa Clara County Financing Authority (SCCFA)	SCCFA is included in the financial statements for the Santa Clara Valley Medical Center (SCVMC) and debt service funds of the governmental funds.
Santa Clara County - El Camino Hospital District Hospital Facilities Authority	Nonmajor governmental funds with the noncurrent liabilities included in the government-wide

(c) *Discretely Presented Component Units*

The FIRST 5 Santa Clara County (formerly the Children & Families First Commission) was created on March 30, 1999, under the provisions of the California Children and Families Act of 1998 (the Act). The Act became law in 1998 when California voters approved Proposition 10, authorizing the state to levy a tax on tobacco products to pay for programs to promote the healthy development of young children. The board consists of nine members, three of who are officers of the County, while the remaining six are appointed by the Santa Clara County Board of Supervisors. The FIRST 5 is a discretely presented component unit as its governing body is not substantially the same as that of the County and the FIRST 5 does not provide services entirely or almost entirely to the County.

The Housing Authority of the County of Santa Clara (the Housing Authority) was established in 1967 by the Board of Supervisors. The purpose of the Housing Authority is to provide affordable housing to low-income families, elderly and handicapped in Santa Clara County. It accomplishes its objectives by providing management, administrative and educational services to tenants and landlords to facilitate the operation of the various federal and state pretax assistance programs. Most of the housing programs administered by the Housing Authority are funded by contributions from the U.S. Department of Housing and Urban Development (HUD) pursuant to the United States Housing Act of 1937 and the HUD act.

The Board appoints a voting majority of the Housing Authority's Board of Commissioners and can remove appointed members at will. The Housing Authority is presented as a discretely presented component unit of the County as the Housing Authority's governing body is not substantially the same as that of the County and the Housing Authority does not provide services entirely or almost entirely to the County. The financial data included for the Authority represents the aggregated data of its business-type activities and its component units. The Housing Authority has formed eleven non-profit organizations and one for-profit corporation to further facilitate the Housing Authority's goals. The Housing Authority's government-wide statement of net assets presents the combined data of the component units in a single column. The component units column includes information from some non-profit organizations that are on different year-ends of December 31, 2003 and May 31, 2004. Complete financial statements for the Housing Authority can be obtained directly from its administrative office at 100 Great Oaks Blvd., Second Floor San Jose, California 95119.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements
June 30, 2004
(Dollars in thousands)

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

Government - wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County and between the County and its discretely presented component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs, including fines and penalties, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes imposed by the County, are presented instead as general revenues.

When both restricted and unrestricted net assets are available, unrestricted resources are used only after restricted resources are depleted.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the County's enterprise and internal service funds are charges for customer services including: medical center charges for services, sanitation and airport fees, insurance charges, employee benefit, employee retirement healthcare, information services, vehicle and maintenance services and printing support charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements
June 30, 2004
(Dollars in thousands)

(2) Summary of Significant Accounting Policies (Continued)

The County reports the following major governmental and enterprise funds:

- *General Fund* is the general operating fund of the County. It accounts for all financial resources except those required to be accounted for in another fund.
- *General Capital Improvement Fund* accounts for general improvements to County facilities, including the reconstruction and expansion of major capital facilities owned or leased by the County. Revenue sources consist of proceeds from the use and sale of property, interest earnings, and contributions from other County funds.
- *SCVMC Enterprise Fund* accounts for hospital and clinic services provided to County residents. Revenues consist primarily of patient service fees. An annual operating subsidy is provided by the General Fund to supplement the program.

The County reports the following additional fund types:

- *Internal Service Funds* provide for information technology, vehicle and maintenance services, employee benefits, employee retirement healthcare, liability claims against the County, printing, technical support for communications provided to County departments, vehicle and maintenance provided to the road fund, unemployment claims filed against the County as well as workers' compensation claims for disability, medical and rehabilitation expenses and related costs associated with on-the-job injuries.
- *Investment Trust Funds* account for commingled pool assets held in trust for schools and special districts, which use the County treasury as their depository.
- *Private - Purpose Trust Fund* is used to account for private donations/endowments that represent resources provided by individuals that are restricted to a specified purpose by the donor. These resources benefit primarily individuals, private organizations and other governments.
- *Agency Funds* are custodial in nature and do not involve measurement of results of operations and account for assets held by the County as an agent for various local governments and individuals.

(b) Basis of Accounting

The government-wide, proprietary, trust and agency fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements
June 30, 2004
(Dollars in thousands)

(2) Summary of Significant Accounting Policies (Continued)

Governmental funds are reported using the current financial measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when “susceptible to accrual” (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means that revenues are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues are recognized in the current year if they are collected within 60 days of year-end. For all other revenues, the County considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Revenues not considered available are recorded as deferred revenue. The County’s other primary revenue sources: investment income, intergovernmental revenues and charges for services have been treated as “susceptible to accrual” under the modified accrual basis. Licenses and permits, fines, forfeitures and penalties, and other revenue are not considered “susceptible to accrual” under the modified accrual basis and are recorded as revenues when received. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

(c) *Federal, State, and Local Grant Funds*

Proprietary funds federal, state, and local grants are accounted for in accordance with the purpose for which the grants are intended. Approved grants for the acquisition of land, buildings, and equipment are reported as capital contributions and grants for operating assistance are recorded as nonoperating revenues in the year in which the grants are applicable and the related grant conditions are met.

(d) *County Commingled Investment Pool*

The County Treasurer manages a common cash and investment pool for the County, school and community college districts, special districts, and other local public agencies. Investments made by the Treasurer are regulated by the California Government Code and by a County investment policy approved annually by the County Treasury Oversight Committee and the Board of Supervisors. Adherence to the statutes and policies is monitored by the County Board of Supervisors, the Treasury Oversight Committee, and the Internal Audit Division through monthly reporting and an annual audit.

The pool consists of cash and investments that are either unrestricted or legally restricted to certain trust, bond issue, and specific expenditure purposes. The pool is not registered with the SEC as an investment company. State law requires that the County and its public school districts invest with the County Treasury. These involuntary external members’ shares comprise 61% of the pool.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements
June 30, 2004
(Dollars in thousands)

(2) Summary of Significant Accounting Policies (Continued)

Investments of the pool are stated at fair value. The County Treasurer determines the fair value of the pool on a monthly basis, based on quoted market prices. The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2004, to support the value of shares in the pool.

The value of the participants' pool shares that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the participants' positions in the pool.

Other Investments

The County Treasurer oversees separate investments for most of the County's reserve, payment, and capital resources arising from the issuance of various construction and technology bonds. In addition, self-insurance trusts and benefit plans for the County and certain school districts own additional separate investments managed by the Treasurer. All of these investments are classified as either unrestricted or restricted for other purposes on the accompanying balance sheets and statement of net assets.

The County's medical malpractice self-insurance plan and the Santa Clara County - El Camino Hospital District Hospital Facilities Authority maintain restricted cash and investments in separate bank accounts.

Investments in guaranteed investment contracts are reported at cost. All other separate investments of the County Treasury are stated at fair value. The County Treasurer determines the fair value of these investments on a monthly basis, based on quoted market prices. Outside trustees provide monthly statements to report the fair value and pricing of the assets held by them, which are also based on quoted market prices.

Investment Income

Realized earnings are allocated quarterly to the commingled investment pool participants based on the participants' average daily cash balance relative to the entire pool. A negative average cash balance results in negative earnings that are netted against interest income. Changes in fair value are included in investment income for financial statement reporting purposes.

The County follows legal or contractual provisions regarding the assignment of interest revenue to certain other funds. Interest on bond monies held in the nonmajor governmental funds have such arrangements. The assignment of other interest is based on management's discretion. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, interest revenue is reported in the fund in which it is earned. Subsequent assignments are reported as transfers.

(e) *Statement of Cash Flows*

For purposes of the accompanying statement of cash flows, the County considers all highly liquid investments (including restricted assets) with a maturity of three months or less from the original purchase to be cash equivalents. The majority of the proprietary funds' deposits in the County

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements
June 30, 2004
(Dollars in thousands)

(2) Summary of Significant Accounting Policies (Continued)

Treasurer's commingled pool is in substance, demand deposits and is, therefore, considered cash equivalents for purposes of the statement of cash flows.

(f) *Inventories*

Inventories are stated at cost (using the first-in, first-out method), which approximates market, and consist of expendable supplies that are reduced as consumed. Inventories reported in governmental funds are offset by a corresponding reservation of fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

(g) *Loans Receivable*

For the purpose of the fund financial statements, governmental expenditures relating to long-term loan receivables arising from loan subsidy programs are charged to operations upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans, with an offset to a deferred revenue account. The balance of the long-term receivable includes loans that may be forgiven if certain terms and conditions of the loans are met.

(h) *Capital Assets*

Pursuant to GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, the County applied the transition provisions for retroactive reporting of infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. Capital assets (including infrastructure) are valued at historical cost or estimated historical cost if actual historical cost is not available. During the current fiscal year, the County evaluated its retroactive infrastructure assets and restated its June 30, 2003 net assets of governmental activities in the amount of \$67,133 to record its major general infrastructure assets that were acquired or that received major renovations, restorations, or improvements in fiscal years after June 30, 1980 through June 30, 2001.

Donated capital assets are valued at their estimated fair market value on the date donated. The County defines capital assets as assets with an initial, individual cost of more than \$150 for infrastructure and buildings and improvements and \$5 for equipment and vehicles with an estimated useful life in excess of one year. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds. Certain assets, for which actual historical costs are not available, have been valued using methods that approximate their historical costs. Depreciation of exhaustible capital assets is charged as an expense against the County's operations, over their estimated useful lives in the government-wide statements and proprietary fund statements.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2004
 (Dollars in thousands)

(2) Summary of Significant Accounting Policies (Continued)

Depreciation is computed using the straight-line method over the following estimated useful lives:

Infrastructure	20 to 50 years
Buildings and improvements	5 to 50 years
Equipment and vehicles	3 to 30 years

Interest is capitalized on proprietary funds' construction in progress in accordance with Statement of Financial Accounting Standards (SFAS) No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*. Accordingly, interest capitalized is the total interest cost from the date of the borrowing net of any interest earned on temporary investments of the proceeds of those borrowings until the specified asset is ready for its intended use.

(i) Property Tax Levy, Collection, and Maximum Rate

The State's Constitution, Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value except for rates levied to pay principal and interest on general obligation debt. Such debt shall have voter approval unless incurred prior to June 6, 1978. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be increased no more than 2% per year unless the property is sold or transferred. Whenever there are changes in ownership, completed construction or demolition, properties are subject to supplemental assessment based on the change in assessed valuation. Supplemental taxes are levied on the value change and prorated for the balance of the tax year. The State Legislature, through Assembly Bill 8 and subsequent legislation, defined the methodology for distributing the 1% tax levy and collections among the County, cities, schools, and other local jurisdictions.

The County assesses property values, and levies, bills and collects the related taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Lien dates	January 1	January 1
Levy dates	October 1	July 1
Due Dates	50% on November 1 50% on February 1	Upon receipt of billing
Delinquent after	December 10 (for November) April 10 (for February)	August 31

Annually, the Board of Supervisors sets the rates to be applied to the tax roll for the benefit of local taxing jurisdictions as provided by State Code. These taxes are secured by liens on the property being taxed. Taxes secured by land and improvements are levied on the Secured Tax Roll, while those taxes secured by personal property are levied on the Unsecured Tax Roll.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements
June 30, 2004
(Dollars in thousands)

(2) Summary of Significant Accounting Policies (Continued)

In 1994, the Board adopted the Alternative Method of Tax Apportionment (the Teeter Plan). Under this method, the County distributes 100% of the secured tax levy to participating jurisdictions regardless of collections. To cover losses on delinquent tax sales, counties using the Teeter Plan must maintain a Tax Losses Reserve Fund. The Tax Losses Reserve Fund is included in the County's "Apportioned Tax Resources" Agency Fund. When the balance in this fund exceeds the minimum balance required by the State Code, the excess is transferred to the General Fund.

(j) *Interfund Transactions*

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between the *governmental activities* and the *business-type activities* are reported in the government-wide statements as "internal balances". Advances to other funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable government funds to indicate that they are not available for appropriation and are not available financial resources. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expense. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

(k) *Bond Issuance Costs, Original Issue Discounts and Premiums, Deferred Losses on Refunding*

In governmental fund types, bond premiums, discounts and issuance costs are recognized in the period bond proceeds are received. Bond premiums/discounts and issuance costs for the government-wide statement of net assets and proprietary fund types are deferred and amortized over the term of the bonds using a method that approximates the interest method. In the government-wide statements bond premiums/discounts and bond premiums/discounts for proprietary fund types are presented as an increase/reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

Gains or losses occurring from advance refundings, completed subsequent to June 30, 1993, are deferred and amortized into expense for both business-type activities and proprietary funds. For governmental activities, they are deferred and amortized into expense if they occurred subsequent to June 30, 2001.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2004
(Dollars in thousands)

(2) Summary of Significant Accounting Policies (Continued)

(l) *Leases*

The County leases various assets under both operating and capital lease agreements. For governmental fund types, assets under capital leases and the related long-term lease obligations are reported in the capital assets and governmental-wide statement of net assets, respectively. For proprietary fund types, the assets and related capital lease obligations are recorded in the appropriate proprietary fund.

(m) *Accrued Vacation and Sick Leave*

Accumulated unpaid vacation and sick leave are recorded as a liability when future payments for such compensated absences have been earned by employees based on pay and salary rates in effect at year-end. This liability is recorded in the government-wide statement of net assets and in the various proprietary funds to reflect the County's obligation to fund such costs from future operations. The County includes its share of social security and Medicare payments made on behalf of the employees in its accrual for compensated absences. The County does not accrue for compensated absences in its governmental fund statements and recognizes liabilities for compensated absences only if they are due and payable in an event such as termination.

(n) *Use of Estimates*

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

(3) Stewardship, Compliance and Accountability

The SCVMC Enterprise Fund has a net deficit of \$13,755, which is expected to be eliminated in the future through increased collection efforts and cost containment. The Unemployment Insurance and the Workers' Compensation Internal Service Funds have net deficits of \$566 and \$28,163, respectively. These deficits are expected to be eliminated in future years through rate increases. The Parks Operation and Maintenance Fund, a special revenue fund, has a net deficit of \$268 and is expected to be eliminated in future years by adequately transferring funds from its Discretionary Fund. The Juvenile Facilities Construction Fund, a capital projects fund, has a net deficit of \$187 and is expected to be eliminated by closing the fund and transferring all its balances to the General Fund. All the capital projects related to this fund are now completed.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements
June 30, 2004
(Dollars in thousands)

(4) Cash and Investments

(a) *Description*

The County Treasurer maintains a common cash and investment pool in which cash may be invested by individual County funds and by certain independent local governmental agencies. In addition, investments are held separately by the Treasurer for several other County funds, including: the Justice Facilities Bonds Debt Service Fund, the Multiple Facilities Bonds Debt Service Fund, debt proceeds for SCVMC construction projects, the Retiree Health Internal Service Fund and certain school districts. Each fund type's share of the common pool is combined with cash and investments held separately and shown on the accompanying balance sheet/statement of net assets as "cash and investments – unrestricted" and "cash and investments – other restricted."

Cash and investments – restricted with fiscal agents represent monies held by trustees that are legally restricted for the retirement of long-term debt. Cash and investments - other restricted represents monies held in the County Treasury for investments restricted in the SCVMC by debt covenants for construction projects and professional services. Cash and investments – other restricted also includes monies held in the County Treasury restricted for specific purposes consisting primarily of reserves for employee benefits.

(b) *Investment Policies*

The County's investment policy, which is more restrictive than required by the California Government Code, stipulates the type, maturity limit, credit rating, and diversification of securities comprising the County Treasury. The objectives of the policy, in order of priority, are safety of principal, maintenance of liquidity, and attainment of a market rate of return that considers risk constraints and cash flow requirements.

Investments permitted by the policy include U.S. Treasury or government agency issues, Local Agency Investment Fund, collateralized time deposits, negotiable certificates of deposit, bankers' acceptances, repurchase and reverse repurchase agreements, commercial paper, medium-term corporate notes or deposit notes, municipal obligations, and mutual funds as permitted by the Government Code. Negotiable certificates of deposits must have a Moody's rating of P-1 or Standard and Poor's (S&P) rating of A for deposit of one year or less. Senior long-term debt of bankers' acceptances must be rated A+ or better by S&P or A1 or better by Moody's. Commercial paper must be rated at least A1+ by S&P or P-1 by Moody's.

In accordance with Government Code §53620-53622, the assets of the Santa Clara County Retiree Health Trust, which is reported in an Internal Service Fund, may be invested in bonds issued by U.S. corporations that have a final maturity of 30 years or less from the purchase date and a Moody's credit rating of A3 or higher. Additionally, up to 67% of the assets of the Santa Clara County Retiree Health Trust in excess of County cash liquidity requirements may be invested in equities through mutual funds or through the direct purchase of common stocks by a money management firm(s) approved by the Board of Supervisors.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2004
 (Dollars in thousands)

(4) Cash and Investments (Continued)

(c) Presentation

Total County cash and investments are reported as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Primary Government	\$ 1,032,015	\$ 93,465	\$ 1,125,480
Component Units	110,495	8,514	119,009
Investment Trust Funds	1,960,738	37	1,960,775
Private-Purpose Trust Fund	56,878	-	56,878
Agency Funds	84,801	4,313	89,114
Total cash and investments	<u>\$ 3,244,927</u>	<u>\$ 106,329</u>	<u>\$ 3,351,256</u>

The County's cash and investments are as follows:

Cash and deposits:		
Cash on hand		\$ 212
Deposits of the County		29,072
In Treasurer's Pool		11,363
Restricted deposits		5,635
Deposits with the component units:		
Housing Authority		18,084
FIRST 5		2,891
Total cash and deposits		<u>67,257</u>
Investments		
With Treasurer		3,242,178
With fiscal agents		39,808
With Sanitation District		97
With Housing Authority:		
Investment		1,527
With fiscal agent		389
Total investments		<u>3,283,999</u>
Total cash, deposits and investments		<u>\$ 3,351,256</u>

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements
June 30, 2004
(Dollars in thousands)

(4) Cash and Investments (Continued)

(d) Investment Composition

As of June 30, 2004, the major classes of the County's cash and investments consisted of the following:

	Interest Rates	Par Value	Fair Value	Investment Maturities (in years)		
				Less than 1	1-5	More than 10
With Treasurer:						
Commingled pool:						
U.S. Treasury Notes	1.13% - 3.50%	\$ 150,000	\$ 149,344	\$ 74,375	\$ 74,969	\$ -
U.S. Agencies - Coupon	1.25% - 3.25%	1,549,045	1,537,342	372,869	1,164,473	-
U.S. Agencies - Discount	1.01% - 1.21%	354,314	353,634	353,634	-	-
Medium-term corporate notes	2.24% - 6.75%	117,500	118,712	10,010	108,702	-
Commercial paper	1.04% - 1.48%	832,000	831,054	831,054	-	-
State Local Agency Investment Fund	1.44%	40,000	39,935	39,935	-	-
Subtotal commingled pool		<u>3,042,859</u>	<u>3,030,021</u>	<u>1,681,877</u>	<u>1,348,144</u>	<u>-</u>
Separate investments:						
U.S. Agencies - Coupon		61,615	54,909	25,437	17,368	12,104
Municipal bonds		13,485	14,046	-	14,046	-
Stock mutual funds:						
Vanguard 500 Index Fund		80,177	80,177	80,177	-	-
Vanguard Mid Cap Index Fund		30,468	30,468	30,468	-	-
Vanguard Small-Cap Index Fund		32,557	32,557	32,557	-	-
Subtotal separate investments		<u>218,302</u>	<u>212,157</u>	<u>168,639</u>	<u>31,414</u>	<u>12,104</u>
Subtotal with Treasurer		<u>3,261,161</u>	<u>3,242,178</u>	<u>1,850,516</u>	<u>1,379,558</u>	<u>12,104</u>
With fiscal agents:						
U.S. Treasury Notes		700	755	-	755	-
U.S. Agencies - Coupon		27,165	27,592	-	27,592	-
U.S. Agencies - Discount		442	442	-	442	-
Medium-term corporate notes		1,575	1,647	253	1,394	-
Money market mutual funds		9,372	9,372	9,372	-	-
Subtotal with fiscal agents		<u>39,254</u>	<u>39,808</u>	<u>9,625</u>	<u>30,183</u>	<u>-</u>
With Sanitation District:						
City of San Jose Investment Pool		97	97	97	-	-
With Housing Authority:						
State Local Agency Investment Fund		1,527	1,527	1,527	-	-
Guaranteed investment contract		389	389	-	-	389
		<u>1,916</u>	<u>1,916</u>	<u>1,527</u>	<u>-</u>	<u>389</u>
Total investments		<u>\$ 3,302,428</u>	<u>\$ 3,283,999</u>	<u>\$ 1,861,765</u>	<u>\$ 1,409,741</u>	<u>\$ 12,493</u>

Interest Rate Risk

Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by limiting the weighted average maturity of its commingled pool to eighteen months. At June 30, 2004, the County's weighted average maturity of its commingled pool is 308 days. The County invests in callable Federal Agency issues (\$1,205,346 of the County's U.S. Agencies – Coupon position of \$1,619,843). These issues are sensitive to interest rate changes and are callable at par prior to maturity based on these rate changes.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2004
 (Dollars in thousands)

(4) Cash and Investments (Continued)

Credit Risk

The following is a summary of the credit quality distribution for securities with credit exposure as a percentage of total investments as rated by Standard & Poor's:

<u>Investment</u>	<u>Standard & Poor's Rating</u>	<u>Total Investment Portfolio</u>
U.S. Agencies	AAA	49.3%
U.S. Agencies	A-1+	10.8%
Medium-term corporate notes	AAA	2.0%
Medium-term corporate notes	AA	1.6%
Commercial paper	A-1+	25.3%
Municipal bonds	AAA	0.4%
Municipal bonds	BBB	0.1%

In addition, the County's investments in the Local Agency Investment Fund, Vanguard Index Funds, the City of San Jose Investment Pool and the Housing Authority's investment in the guaranteed investment contract are not rated.

Government Code Section 16429.1 authorizes each local government agency to invest funds in the State Treasurer's Local Agency Investment Fund (LAIF) administered by the California State Treasurer. As of June 30, 2004, the County's investment in LAIF is \$41,462. The total amount invested by all public agencies in LAIF at that date is \$57,600,699. Of that amount, 98.397% is invested in non-derivative financial products and 1.603% in asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of the pool shares in LAIF which may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the County's position in the pool.

(e) Condensed Financial Information

In lieu of separately issued financial statements for the external pools, condensed financial information is presented below as of and for the year ended June 30, 2004:

	<u>Commingled Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total</u>
Statement of Net Assets			
Cash and investments	\$ 3,030,021	\$ 212,157	\$ 3,242,178
Interest receivable	9,413	941	10,354
Net assets held in trust for all pool participants	<u>\$ 3,039,434</u>	<u>\$ 213,098</u>	<u>\$ 3,252,532</u>
Equity of internal pool participants	\$ 1,087,718	\$ 195,867	\$ 1,283,585
Equity of external pool participants	1,951,716	17,231	1,968,947
Total net assets	<u>\$ 3,039,434</u>	<u>\$ 213,098</u>	<u>\$ 3,252,532</u>
Statement of Changes in Net Assets			
Net assets at July 1, 2003	\$ 3,328,750	\$ 193,332	\$ 3,522,082
Net change in investments by pool participants	(289,316)	19,766	(269,550)
Net assets at June 30, 2004	<u>\$ 3,039,434</u>	<u>\$ 213,098</u>	<u>\$ 3,252,532</u>

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2004
(Dollars in thousands)

(5) Receivables

Receivables at year-end of the County's major individual funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

Receivables - Governmental Activities	General Fund	General Capital Improvements	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Property tax	\$ 3,160	\$ -	\$ -	\$ -	\$ 3,160
Loans receivable	-	-	15,538	-	15,538
Other	146,489	307	4,166	2,780	153,742
Gross receivables	149,649	307	19,704	2,780	172,440
Less: allowance for uncollectibles	(72,537)	-	-	-	(72,537)
Total receivables, net	\$ 77,112	\$ 307	\$ 19,704	\$ 2,780	\$ 99,903

Receivables - Business-type Activities	SCVMC	Nonmajor Enterprise Funds	Total Business- type Activities
Patient accounts receivable	\$ 294,243	\$ -	\$ 294,243
Other	1,206	146	1,352
Gross receivables	295,449	146	295,595
Less allowance for uncollectibles	(221,158)	-	(221,158)
Total receivable	\$ 74,291	\$ 146	\$ 74,437

The loans receivable from the housing program funds and other miscellaneous receivables from delinquent program participants in the amount of \$80,425 are not expected to be collected within the subsequent year.

Governmental funds report deferred revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

	Unavailable	Unearned
Governmental Activities:		
General Fund:		
Due from other governmental agencies	\$ 200,550	604
Other receivables	10,610	13,145
Nonmajor governmentnal funds:		
Property Tax	-	97
Due from other governmental agencies	-	6,487
Loans receivable	14,245	289
Internal Service Funds	-	633
Total governmental activities	\$ 225,405	\$ 21,255
Business-type activities:		
Nonmajor enterprise funds	\$ -	\$ 79
Total business-type activities	\$ -	\$ 79

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2004
 (Dollars in thousands)

(6) Interfund Transactions

Interfund receivables, payables, and transfers as of and for the fiscal year ended June 30, 2004, by individual fund/fund type are summarized as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 460
	SCVMC	156,125
		<u>156,585</u>
Nonmajor Governmental Funds	General Fund	1,503
SCVMC	Nonmajor Governmental Funds	3,439
Internal Service Funds	General Fund	1,613
		<u>163,140</u>
Total		<u>\$ 163,140</u>

At June 30, 2004, the County's General Fund is due \$156,125 from the SCVMC to partially refund the fiscal year 2004 operating subsidy.

Advances to /from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Capital Improvement Fund	Internal Service Funds	\$ 64
Internal Service Funds	General Capital Improvement Fund	53,180
		<u>53,244</u>
Total		<u>\$ 53,244</u>

In the current year, the Retiree Healthcare Internal Service Fund advanced \$33,820 to the General Capital Improvement Fund for capital projects in addition to the \$22,000 advanced in fiscal year 2002. A repayment of \$2,640 was made during the current year after the receipt of bond proceeds from the 2003 Series C & D Lease Revenue Bonds. The General Capital Improvement Fund expects to repay \$24,000 in the next 12 months and repay the remaining with future bonds proceeds.

All remaining interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2004
(Dollars in thousands)

(6) Interfund Transactions (Continued)

The following schedule briefly summarizes the County's transfer activity:

Between Governmental and Business-type Activities:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	SCVMC	\$ 244,305	Transfer funds for operating subsidy.
General Fund	Nonmajor Enterprise Funds	10	Transfer funds to cover rent for Animal Rescue Clinic.
General Capital Improvement Fund	SCVMC	500	Transfer funds for SCVMC McKinley projects.
SCVMC	General Fund	<u>154,021</u>	Transfer funds to return operating subsidy.
		<u>\$ 398,836</u>	

Between Funds within the Governmental or Business-type Activities*:

General Fund	General Capital Improvement Fund	<u>\$ 12,881</u>	Transfer funds to finance various General Services Agency capital projects.
General Fund	Nonmajor Governmental Funds	51	Transfer funds to Library for unincorporated areas to match funds contributed by cities.
	Nonmajor Governmental Funds	285	Transfer funds to reimburse the costs of public obligation program.
	Nonmajor Governmental Funds	449	Transfers funds to pay principal and interest for Hospital Facility Authority.
	Nonmajor Governmental Funds	<u>15,735</u>	Transfer funds to Roads for Measure B Transportation Improvement Program projects.
		<u>16,520</u>	
General Fund	Internal Service Funds	1,200	Transfer funds to subsidize the operations of Information Service Department.
		<u>30,601</u>	
General Capital Improvement Fund	General Fund	<u>9,657</u>	Return projects surplus to the General Fund.
Nonmajor Governmental Funds	General Fund	5,081	Transfer funds for Proposition 36 expenditures.
	General Fund	3,429	Transfer funds from Clerk-Recorder's fund to cover expenses over the enhanced 1985 base.
	General Fund	53	Transfer funds from Measure B Bond Proceeds fund to pay interest expenses for Measure B.
		<u>8,563</u>	
Nonmajor Governmental Funds	General Capital Improvement Fund	1,932	Transfer funds to General Services Agency for Vector Control Services Yard.
	General Capital Improvement Fund	4,105	Transfer fund to General Services Agency for the construction of Morgan Hill Courthouse.
		<u>6,037</u>	
Nonmajor Governmental Funds	Nonmajor Governmental Funds	5,186	Transfer funds from the Morgan Hill Courthouse project fund to pay for the courthouse interest and administration fee.
	Nonmajor Governmental Funds	15,000	Transfer funds to operating funds for operating uses.
		<u>20,186</u>	
Internal Service Funds	General Fund	60	Transfer funds from Printing Department to General fund to supplement the cost of one position on a one-time basis.
		<u>\$ 75,104</u>	

* These transfers were eliminated in the consolidation, by column, for the Governmental and Business-type activities.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2004
(Dollars in thousands)

(7) Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004 were as follows:

	Balance 7/1/2003, as restated	Additions	Retirements/ Adjustments	Balance, June 30, 2004
Governmental activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 147,256	\$ 200	\$ 28,516	\$ 175,972
Construction in progress	131,325	101,026	(57,637)	174,714
Total capital assets, not being depreciated	<u>278,581</u>	<u>101,226</u>	<u>(29,121)</u>	<u>350,686</u>
<i>Capital assets, being depreciated:</i>				
Infrastructure	125,473	-	16,849	142,322
Buildings and improvements	614,942	2	11,504	626,448
Equipment and vehicles	129,398	7,814	(2,648)	134,564
Total capital assets, being depreciated	<u>869,813</u>	<u>7,816</u>	<u>25,705</u>	<u>903,334</u>
<i>Less accumulated depreciation for:</i>				
Infrastructure	(31,879)	(5,663)	-	(37,542)
Buildings and improvements	(321,525)	(12,097)	-	(333,622)
Equipment and vehicles	(73,860)	(14,126)	2,549	(85,437)
Total accumulated depreciation	<u>(427,264)</u>	<u>(31,886)</u>	<u>2,549</u>	<u>(456,601)</u>
Total capital assets, being depreciated, net	<u>442,549</u>	<u>(24,070)</u>	<u>28,254</u>	<u>446,733</u>
Governmental activities, capital assets, net	<u>\$ 721,130</u>	<u>\$ 77,156</u>	<u>\$ (867)</u>	<u>\$ 797,419</u>
Business-type activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 6,321	\$ -	\$ (11)	\$ 6,310
Construction in progress	8,332	7,209	(3,325)	12,216
Total capital assets, not being depreciated	<u>14,653</u>	<u>7,209</u>	<u>(3,336)</u>	<u>18,526</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	344,105	1,577	(144)	345,538
Equipment and vehicles	74,887	6,540	(2)	81,425
Leasehold improvements	2,274	-	-	2,274
Total capital assets, being depreciated	<u>421,266</u>	<u>8,117</u>	<u>(146)</u>	<u>429,237</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(133,258)	(15,992)	144	(149,106)
Equipment and vehicles	(47,356)	(9,121)	2	(56,475)
Leasehold improvements	(716)	(104)	-	(820)
Total accumulated depreciation	<u>(181,330)</u>	<u>(25,217)</u>	<u>146</u>	<u>(206,401)</u>
Total capital assets, being depreciated, net	<u>239,936</u>	<u>(17,100)</u>	<u>-</u>	<u>222,836</u>
Business-type activities, capital assets, net	<u>\$ 254,589</u>	<u>\$ (9,891)</u>	<u>\$ (3,336)</u>	<u>\$ 241,362</u>

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2004
(Dollars in thousands)

(7) Capital Assets (Continued)

Capital asset activity for the Housing Authority for the fiscal year ended June 30, 2004 were as follows:

	Balance July 1, 2003	Additions	Retirements/ Adjustments	Balance June 30, 2004
<i>Capital assets, not being depreciated:</i>				
Land	\$ 14,295	\$ 1	\$ -	\$ 14,296
Construction in progress	2,719	2,548	(5,267)	-
Total capital assets, not being depreciated	<u>17,014</u>	<u>2,549</u>	<u>(5,267)</u>	<u>14,296</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	42,530	3,282	(57)	45,755
Equipment and vehicles	2,084	237	(26)	2,295
Total capital assets, being depreciated	<u>44,614</u>	<u>3,519</u>	<u>(83)</u>	<u>48,050</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(16,525)	(1,193)	89	(17,629)
Equipment and vehicles	(1,350)	(367)	(26)	(1,743)
Total accumulated depreciation	<u>(17,875)</u>	<u>(1,560)</u>	<u>63</u>	<u>(19,372)</u>
Total capital assets, being depreciated, net	<u>26,739</u>	<u>1,959</u>	<u>(20)</u>	<u>28,678</u>
Housing Authority capital assets, net	<u>\$ 43,753</u>	<u>\$ 4,508</u>	<u>\$ (5,287)</u>	<u>\$ 42,974</u>

Capital asset activity for the FIRST 5 for the fiscal year ended June 30, 2004 were as follows:

	Balance July 1, 2003	Additions	Retirements	Balance June 30, 2004
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	\$ 97	\$ -	\$ -	\$ 97
Furniture and equipment	175	-	-	175
Total capital assets, being depreciated	<u>272</u>	<u>-</u>	<u>-</u>	<u>272</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(82)	(16)	-	(98)
Furniture and equipment	(81)	(34)	-	(115)
Total accumulated depreciation	<u>(163)</u>	<u>(50)</u>	<u>-</u>	<u>(213)</u>
FIRST 5 capital assets, net	<u>\$ 109</u>	<u>\$ (50)</u>	<u>\$ -</u>	<u>\$ 59</u>

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2004
 (Dollars in thousands)

(7) Capital Assets (Continued)

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$	16,288
Public protection		2,805
Public ways		6,443
Health and sanitation		312
Public assistance		660
Education		102
Recreation		108
Amount reported in the internal service funds		<u>5,168</u>
Total depreciation expense - governmental functions	\$	<u><u>31,886</u></u>

Depreciation expense was charged to the business-type functions as follows:

SCVMC	\$	24,725
Airport		396
Sanitation District		<u>96</u>
Total depreciation expense - business-type functions	\$	<u><u>25,217</u></u>

Construction in Progress

Construction in progress for governmental activities include the construction of the County Center at Charcot, Franklin- McKinley Health Clinic, Juvenile Hall Housing Phase II, Valley Health Center at Gilroy and various small projects. Business-type activities include the SCVMC- clinical lab renovation, Airport and other small projects.

Capital Projects Commitments

As of June 30, 2004, the SCVMC and the Airport have active construction projects that include continued construction of the clinical lab, RHV Hangar electrical improvement and taxi-lane drainage. The County's commitments for business-type activities as of June 30, 2004 are as follows:

Projects	<u>Expended to</u> <u>June 30, 2004</u>	<u>Committed as of</u> <u>June 30, 2004</u>
Hospital Projects:		
Clinical Lab	\$ 3,949	\$ 49
Other	6,358	1,763
Airport Projects	<u>1,909</u>	<u>4,569</u>
Total	<u><u>\$ 12,216</u></u>	<u><u>\$ 6,381</u></u>

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2004
 (Dollars in thousands)

(7) Capital Assets (Continued)

General Capital Improvement Fund major projects include the Valley Health Centers in Gilroy, Milpitas, and Sunnyvale; the Morgan Hill Courthouse; the Valley Specialty Center; a new Crime Lab; a County Center in San Jose; and the continued renovation and improvement of the Juvenile Hall Housing detention buildings and jail facilities as well as the building system repair and infrastructure replacement.

Nonmajor governmental funds (Special Revenue and Capital Projects Funds) also have active construction projects as of June 30, 2004. They are as follows:

- Roads projects include bridge rehabilitation and replacement, pedestrian and bicycle routes improvements, signal synchronization programs and pavement management of Measure B projects, drainage improvements, culvert replacement, retaining wall, and the continued comprehensive study and planning for the County's expressways.
- Parks projects include constructions of Anderson Lake boat launch facility, improvements of Coyote campsite, toxic mitigation at Almaden Quicksilver, road repaving, landscaping, trail widening and water line replacement at various parks.

The County's governmental activities commitments at June 30, 2004 are as follows:

<u>Projects</u>	<u>Expended to June 30, 2004</u>	<u>Committed as of June 30, 2004</u>
Road projects	\$ 34,370	\$ 6,925
Park projects	16,968	1,404
General capital projects	<u>123,376</u>	<u>22,549</u>
Total	<u>\$ 174,714</u>	<u>\$ 30,878</u>

(8) Capital Leases

The County leases certain structures, vehicles, and equipment, obtained under various lease financing agreements. The leases expire at various times through the year 2019.

Governmental activities property and accumulated depreciation of major classes of assets under capital lease are as follows:

<u>Description</u>	
Structures and improvements	\$ 6,462
Equipment and vehicles	<u>22,961</u>
Total capital assets	29,423
Less accumulated depreciation	<u>(20,121)</u>
Net capital assets	<u>\$ 9,302</u>

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2004
(Dollars in thousands)

(8) Capital Leases (Continued)

Future minimum lease payments under governmental activities capital leases are as follows:

Fiscal year ending June 30,	
2005	\$ 2,472
2006	1,520
2007	847
2008	267
2009	240
2010-2014	1,080
2015-2019	<u>600</u>
Total	\$ 7,026
Amount representing interest at rates from 3.98% to 5.87%	<u>(231)</u>
Present value of future minimum lease payments	<u>\$ 6,795</u>

(9) Long-Term Liabilities

As of June 30, 2004, outstanding long-term obligations consisted of the following:

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2004
Governmental activities:					
County - 1998 YMCA COP Series A	6/15/05-6/15/08	4.25-4.50%	\$245-280	\$ 2,325	\$ 1,050
El Camino Hospital District Hospital Facilities Authority:					
1985 ACES Lease Revenue Bonds Series A & B	8/1/04-8/1/15	(1)	\$399-8,000	19,205	16,464
Financing Authority:					
1994 Lease Revenue Bonds Series A & B	11/15/04-(2)	(3)	\$71-262	2,060	1,306
1997 Lease Revenue Bonds Series A	11/15/04-11/15/22	4.40-6.00%	\$161-1,632	16,649	13,484
1998 Lease Revenue Bonds Series A	11/15/04-5/15/17	3.88-4.75%	\$350-\$5,749	61,373	40,069
2000 Lease Revenue Bonds Series B	11/15/04-5/15/17	5.25-5.50%	\$3,290-6,000	71,920	59,905
2003 Special Obligation Bonds	8/1/05-8/1/06	4.00-5.00%	\$68,460-71,395	139,855	139,855
2003 Lease Revenue Bonds Series C	5/15/07-5/15/23	3.00-5.00%	\$850-1,645	20,025	20,025
2003 Lease Revenue Bonds Series D	5/15/24-5/15/33	(5)	\$1,825-2,475	21,350	21,350
Total governmental activities				<u>\$ 354,762</u>	<u>\$ 313,508</u>
Business-type activities					
SCVMC:					
1985 ACES Lease Revenue Bonds Series A&B	8/1/04-8/1/15	(1)	\$2,102 -5,527	\$ 55,795	\$ 41,336
Financing Authority:					
1994 Lease Revenue Bonds Series A & B	11/15/04-(2)	(3)	\$4,889-17,938	256,435	89,334
1997 Lease Revenue Bonds Series A	11/15/04-11/15/22	4.40-6.00%	\$1,324-\$16,307	171,756	165,181
1998 Lease Revenue Bonds Series A	11/15/04-5/15/17	3.88-4.75%	\$1,140-1,457	16,322	10,266
				500,308	306,117
Airport:					
ABAG Lease Revenue Bonds Series 2002-1	7/1/04-7/1/32	3.50-5.00%	\$155-355	6,780	6,570
Sanitation District:					
1995 Sewer Revenue Bonds Series A & B	11/15/04-(6)	(4)	\$26-120	1,372	1,348
Total business-type activities				<u>\$ 508,460</u>	<u>\$ 314,035</u>

(1) Variable rate, 1.08% effective as of June 30, 2004.
(2) Series A: 11/15/11 and Series B: 11/15/25.
(3) Series A: fixed rates from 6.38% to 7.75% and Series B: variable rate, 1.02% effective as of June 30, 2004.
(4) Series A: fixed interest rates from 4.70% to 5.38% and Series B: variable rate, 1.04% effective as of June 30, 2004.
(5) Variable rate, 1.00% effective as of June 30, 2004.
(6) Series A: 11/15/20 and Series B: 11/15/11.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2004
(Dollars in thousands)

(9) Long-Term Liabilities (Continued)

The following is a summary of long-term liabilities transactions for the fiscal year ended June 30, 2004:

	Balance July 1, 2003	Additions	Retirements	Balance June 30, 2004	Amounts Due Within One Year
Governmental activities:					
Lease Revenue Bonds	\$ 139,726	\$ 41,375	\$ (8,498)	\$ 172,603	\$ 8,649
Unamortized premium		587	(15)	572	30
Special Obligation Bonds	139,855	-	-	139,855	-
Unamortized premium	8,577	-	(2,782)	5,795	2,782
Certificates of Participation	1,285	-	(235)	1,050	245
Subtotal governmental bonds	<u>289,443</u>	<u>41,962</u>	<u>(11,530)</u>	<u>319,875</u>	<u>11,706</u>
Capital Lease Obligations (Note 8)	9,807	-	(3,012)	6,795	2,322
Accrued litigation liability	7,776	2,224		10,000	-
Insurance claims (Note 14)	113,187	46,174	(50,845)	108,516	31,921
Accrued vacation & sick leave	101,005	54,548	(53,461)	102,092	15,241
Total governmental activities	<u>\$ 521,218</u>	<u>\$ 144,908</u>	<u>\$ (118,848)</u>	<u>\$ 547,278</u>	<u>\$ 61,190</u>
Business-type activities:					
SCVMC Lease Revenue Bonds	\$ 315,122	\$ -	\$ (9,005)	\$ 306,117	\$ 9,526
Unamortized discount	(4,513)	-	293	(4,220)	(292)
Unamortized deferred loss on refunding	(19,243)	-	1,142	(18,101)	(1,143)
Subtotal SCVMC bonds	<u>291,366</u>	<u>-</u>	<u>(7,570)</u>	<u>283,796</u>	<u>8,091</u>
Airport Lease Revenue Bonds	6,780	-	(210)	6,570	225
Unamortized discount	(25)	-	1	(24)	(1)
Subtotal Airport bonds	<u>6,755</u>	<u>-</u>	<u>(209)</u>	<u>6,546</u>	<u>224</u>
Sewer Revenue Bonds	1,372	-	(24)	1,348	26
Capital lease obligations (Note 8)	87	-	(87)	-	-
Accrued vacation & sick leave	34,842	34,741	(31,846)	37,737	7,073
Total business-type activities	<u>\$ 334,422</u>	<u>\$ 34,741</u>	<u>\$ (39,736)</u>	<u>\$ 329,427</u>	<u>\$ 15,414</u>
Component Units:					
<i>Housing Authority:</i>					
Notes payable	\$ 4,465	\$ 1,671	\$ (1,873)	\$ 4,263	\$ 1,273
Certificates of Participation					
Affordable Housing Agency	-	4,550	-	4,550	160
Certificates of Participation	3,775	-	(165)	3,610	175
Bracher HDC, Inc.	1,600	497	-	2,097	851
Rotary Plaza/HACSC HDC, Inc.	-	95	-	95	-
Villa Garcia, Inc. long-term obligations	2,937	134	(151)	2,920	57
Villa San Pedro, Inc. long-term obligations	6,861	33	(51)	6,843	52
Payment in lieu of taxes	1,478	119	-	1,597	-
Accrued vacation & sick leave	610	1,416	(1,052)	974	52
Accreted interest payable	347	81	-	428	39
Total Housing Authority	<u>22,073</u>	<u>8,596</u>	<u>(3,292)</u>	<u>27,377</u>	<u>2,659</u>
<i>FIRST 5:</i>					
Accrued vacation & sick leave	109	20	-	129	-
Total component units	<u>\$ 22,182</u>	<u>\$ 8,616</u>	<u>\$ (3,292)</u>	<u>\$ 27,506</u>	<u>\$ 2,659</u>

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2004
(Dollars in thousands)

(9) Long-Term Liabilities (Continued)

(a) *Governmental Activities*

1998 YMCA Certificates of Participation

The 1998 YMCA Certificates of Participation Series A, issued on June 1, 1998, advance refunded all of the outstanding capital improvement bonds issued by the YMCA in 1988. In connection with the issuance, the County entered into lease and sublease agreements with the YMCA over the use and possession of the YMCA building. An annual lease payment of approximately \$290 through fiscal year 2008 secures the debt.

Hospital Facilities Authority

The Santa Clara County – El Camino Hospital Facilities Authority (Hospital Facilities Authority) was organized in 1979 as a governmental agency by a Joint Exercise of Powers Agreement between the County and the El Camino Hospital District. The Authority was organized to finance the construction of a kidney dialysis facility, hospital administrative and storage facilities, and other improvements adjacent to El Camino Hospital, and to provide for the construction and renovation of the SCVMC. The El Camino facilities were completed in 1982 and the SCVMC facilities were substantially completed in 1990.

The 1985 Adjustable Convertible Extendable Securities (ACES) Lease Revenue Bonds were issued by the Hospital Facilities Authority to provide financing for the acquisition, construction, and renovation of various Santa Clara Valley Health and Hospital System projects, including the Valley Health Center, the Patient Care Tower, the Psychiatric Inpatient Facility, and the Cogeneration Facility. The debt is allocated between the County's governmental activities and SCVMC to reflect the use of bond proceeds to construct assets operated by the departments reported in the governmental activities and SCVMC, respectively. The bonds bear interest at an adjustable rate, which is determined weekly. The weekly rate is the rate that results in the market value of the bonds being equal to their par value. A remarketing agreement maintains an open market for the bonds. On March 6, 1998, the Hospital Facilities Authority engaged State Street Bank and Trust Company to provide an irrevocable, transferable letter of credit to support the principal and interest due on the bonds. The letter of credit, which has never been drawn upon, is reduced pro rata as principal payments are made. The amount of the irrevocable letter of credit agreement, as of June 30, 2004, was \$58,845.

Financing Authority Lease Revenue Bonds and Special Obligation Bonds

The Santa Clara County Financing Authority (the Financing Authority) was formed in 1994 by a joint exercise of powers agreement between the County and the Santa Clara County Central Fire Protection District. The Financing Authority commenced operations in the County with the issuance of bonds pursuant to the Marks-Roos Local Bond Pooling Act of 1985.

On July 6, 2000, the Financing Authority issued 2000 Series B bonds in the amount of \$71,920 to provide funds to advance refund and defease \$70,720 of the outstanding 1991 Certificate of Participation issued by the Public Facilities Corporation.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2004

(Dollars in thousands)

(9) Long-Term Liabilities (Continued)

On February 15, 2003, the Financing Authority issued Measure B Transportation Improvement Program Series 2003 special obligation bonds in the amount of \$139,855. These bonds are to be repaid from amounts appropriated by the County from its General Fund. Amounts appropriated from the General Fund are expected to be received from the "1996 Measure B Sales Tax Revenues" in accordance with the 1996 Measure B, and the California Transactions and Use Tax Law. These bonds were issued to finance/refinance a portion of the costs of acquiring, constructing and installing certain transportation improvements within the County included in the County's 1996 Measure B Transportation Improvement Program.

On December 18, 2003, the County through the Santa Clara County Financing Authority issued 2003 Series C and D Lease Revenue Bonds in the amount of \$20,025 and \$21,350, respectively. Interest rates range from 3% to 5% on the Series C bonds and interest vary at a weekly rate (initially at auction rate securities (SRS) rate) on the Series D bonds. The Series C bonds are payable semi-annually commencing May 15, 2007 through 2023 and the Series D bonds mature on May 15, 2033. These bonds will be used to embark on a number of long-term capital projects including the construction of a new courthouse in the City of Morgan Hill.

The Business-type Activities section of this note at (b) describes the County's portions of the Financing Authority's 1994, 1997 and 1998 Lease Revenue Bonds.

(b) *Business-type Activities*

SCVMC

The 1985 ACES Lease Revenue Bonds were issued to provide financing for the acquisition, construction, and renovation of various SCVMC components, as previously described in the Governmental Activities portion of this note at (a).

Financing Authority Lease Revenue Bonds

On December 15, 1994, the Financing Authority issued the 1994 Lease Revenue Bonds Series A and B. The proceeds financed the design, construction, remodeling, and equipping of existing and new medical facilities at the SCVMC. The County leases and then leases back from the Financing Authority, the projects financed along with the real property on which they are situated. Annual base rental payments from the County approximate the bonds' debt service requirements. If necessary, monies apportioned to the County in the State's Motor Vehicle License Fee Account can be used toward meeting the lease obligation. Debt payments on the Series A bonds are insured by a municipal bond insurance policy issued by Ambac Assurance Corporation.

Series A, initially issued for \$206,995, consists of serial and term bonds that can be redeemed early at specific dates at call rates varying from 100% to 102% of the face value of bonds maturing after November 15, 2004. The Series B bonds, issued for \$51,500, bear interest at variable rates set daily, weekly, semiannually, or on a term basis, as determined by the remarketing agent. Series B bonds also contain an early redemption provision, allowed at call rates of 100% of the bonds' face

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2004
 (Dollars in thousands)

(9) Long-Term Liabilities (Continued)

value, plus accrued interest. On October 1, 1997, the Financing Authority issued lease revenue bonds to advance refund and defease \$146,975 of outstanding 1994 Lease Revenue Series A Bonds.

The Financing Authority’s 1997 Lease Revenue Bonds Series A, issued for \$188,405 on October 1, 1997, advance refunded \$146,975 of the 1994 Lease Revenue Series A Bonds and all \$16,405 of outstanding debt for the Public Facilities Corporation 1988 COPs (see (d) below). Debt payments on the 1997 Bond Series A are insured by a municipal bond insurance policy issued by Ambac Assurance Corporation.

The 1998 Lease Revenue Bonds Series A, issued for \$77,695 on September 1, 1998, advance refunded and defeased all outstanding 1992 Certificates of Participation (COPs). The issuance also prepaid a capital lease obligation and financed additional facilities for the Santa Clara County Central Fire Protection District. Debt payments from May 15, 2003, and beyond are insured by a municipal bond insurance policy issued by Ambac Assurance Corporation.

The division of the 1985, 1994, 1997 and 1998 Lease Revenue Bonds Series between the governmental type activities and the SCVMC is based on the usage of bond proceeds by the General Fund and SCVMC as follows:

	Governmental Activities	SCVMC Business-type Activities
Lease Revenue Bonds:		
1985 ACES	15.9%	84.1%
1994 Series A and B	1.4%	98.6%
1997 Series A	9.4%	90.7%
1998 Series A	83.1%	16.9%

Airport

On July 1, 2003, the Association of Bay Area Governments (ABAG) issued Lease Revenue Bonds, Series 2002-1 in the amount of \$13,370. These bonds were issued to finance or refinance certain capital improvements within their geographical boundaries. On June 4, 2002, the County Board of Supervisors approved a resolution to enter into a lease agreement with ABAG for \$6,780 of this debt via a lease/leaseback arrangement of one or more properties to ABAG. The proceeds of the debt are to provide financing for the acquisition, construction, and renovation of certain new capital improvements in the Reid Hillview Airport as well as for Airport security.

Sanitation District

The 1995 Sewer Revenue Bonds Series A and B, issued by the San Jose/Santa Clara Clean Water Financing Authority (a component unit of the City of San Jose), are to finance the expansion of a sewage treatment plant. The Sanitation District is responsible for its proportionate share (1.436%) of the obligation. The initial principal payments for the Series A bond was paid in November 2003 and the Series B bond is due in November 2006.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2004
(Dollars in thousands)

(9) Long-Term Liabilities (Continued)

(c) Repayment Requirements

As of June 30, 2004, the debt service requirements to maturity and the fund types from which principal payments will be made are as follows, excluding accrued vacation and sick leave, accrued litigation liability, insurance claims payable, and capital leases.

Governmental Activities

Fiscal year ending June 30:	Lease Revenue Bonds (1)		Special Obligation Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 8,649	\$ 7,324	\$ -	\$ 6,144	\$ 245	\$ 46
2006	9,110	6,910	68,460	4,675	255	35
2007	10,393	6,487	71,395	1,603	270	25
2008	10,941	5,983	-	-	280	13
2009	11,581	5,466	-	-	-	-
2010-2014	57,311	18,530	-	-	-	-
2015-2019	35,520	5,949	-	-	-	-
2020-2024	9,065	1,979	-	-	-	-
2025-2029	10,608	786	-	-	-	-
2030-2033	9,425	240	-	-	-	-
Total	<u>\$ 172,603</u>	<u>\$ 59,654</u>	<u>\$ 139,855</u>	<u>\$ 12,422</u>	<u>\$ 1,050</u>	<u>\$ 119</u>

Lease revenue bonds, certificates of participation retirement and related interest payments are serviced by revenues generated from lease payments made by the General Fund on leased facilities. In addition, accrued vacation and sick leave, accrued litigation liability, insurance claims payable and capital leases are generally liquidated by the General Fund.

Business-type Activities

Fiscal year ending June 30:	SCVMC Lease Revenue Bonds (1)		Airport Lease Revenue Bonds		Sanitation District Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 9,526	\$ 12,078	\$ 225	\$ 303	\$ 26	\$ 70
2006	10,215	11,616	230	292	56	68
2007	10,942	11,200	240	281	56	65
2008	11,634	10,808	265	272	59	62
2009	12,274	10,295	155	265	62	59
2010-2014	73,530	41,092	855	1,227	368	262
2015-2019	66,520	25,774	890	1,030	487	156
2020-2024	76,685	8,743	1,050	801	234	13
2025-2029	34,791	316	1,335	505	-	-
2030-2033	-	-	1,325	137	-	-
Total	<u>\$ 306,117</u>	<u>\$ 131,922</u>	<u>\$ 6,570</u>	<u>\$ 5,113</u>	<u>\$ 1,348</u>	<u>\$ 755</u>

⁽¹⁾ Variable interest on the 1985 ACES Lease Revenue Bonds, the 1994 Lease Revenue Bonds Series B, the 2003 Lease Revenue Bonds Series D and the 1995 Sewer Revenue Bonds Series B are estimated using interest rate at June 30, 2004 of 1.08%, 1.02%, 1.00% and 1.04%, respectively.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2004
(Dollars in thousands)

(9) Long-Term Liabilities (Continued)

Lease revenue bonds retirements and related interest payments are serviced by revenues generated by the SCVMC. Sewer revenue bonds retirements and related interest payments are serviced by revenues generated by the Sanitation District.

(d) *Prior Years' Defeasances of Debt*

In prior years, the County has defeased various bond issues by creating separate irrevocable trust funds. New bonds have been issued and the proceeds have been used to purchase federal, state, and local government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. Accordingly, the bonds are legally defeased and, therefore, removed as liabilities of the government-wide financial statements and SCVMC. As of June 30, 2004, the 1994 Series A Lease Revenue Bonds considered defeased have an outstanding balance of \$146,975.

(e) *Limitations and Restrictions*

There are a number of limitations and restrictions contained in the various debt indentures. The County's management believes that the County is in compliance with all significant limitations and restrictions.

(f) *Arbitrage Rebate Payable*

Section 148 of the Internal Revenue Code requires issuers of most types of tax-exempt bonds to rebate investment earnings in excess of bond yield to the federal government in installment payments made at least once every five years, with the final installment made when the last bond in the issue is redeemed. The following bond issues are subject to this requirement:

- 1994 Lease Revenue Bonds Series A & B
- 1997 Lease Revenue Bonds Series A
- 1998 Lease Revenue Bonds Series A
- 2000 Lease Revenue Bonds Series B
- 2003 Lease Revenue Bonds Series C & D

A consulting firm calculates annual computation of all rebate requirements. Amounts in excess of allowable investment earnings are deposited with the respective trustees pursuant to the Trust Indentures. At June 30, 2004, arbitrage rebate payable in the amount of \$1,416 have been accrued in the government wide statements – business-type activities and the SCVMC enterprise fund and is recorded in the “Due to other governmental agencies” financial statement caption.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2004
(Dollars in thousands)

(9) Long-Term Liabilities (Continued)

(g) Housing Authority Long-term Obligations

Outstanding long-term obligations for the Housing Authority consisted of the following:

Type of indebtedness (purpose)	Maturity	Interest Rates	Principal Installments	Original Issue Amount	Outstanding at June 30, 2004
Notes payable:					
City of San Jose (Lucretia Gardens)	8/1/2038	0%	\$ 1,041	\$ 1,114	\$ 1,040
City of San Jose (Julian Gardens)	8/1/2038	0%	262	320	262
Redevelopment Agency of the City of Santa Clara (Deborah & Miramer Properties)	4/24/2036	0%	270	270	270
Redevelopment Agency of the City of Morgan Hill	6/15/2022	1%	425	425	425
County of Santa Clara (San Pedro Gardens)	8/28/2012	0%	3 (annual)	50	22
City of San Jose (Morrone Gardens)	9/23/2024	4%	20 (annual)	973	973
City of Palo Alto (Encina Avenue Property)	6/15/2022	0%	1,271	1,271	1,271
Certificates of Participation Affordable Housing Agency	10/1/2024	2%-4.95%	160-335	4,550	4,550
Certificates of Participation	8/1/2017	5.3-5.875%	175-365	5,095	3,610
<i>Bracher HDC, Inc.</i>					
California Housing Finance Agency	10/1/2004	1%	At maturity	851	851
Redevelopment Agency of the City of Santa Clara	8/1/2007	2%	At maturity	1,246	1,246
<i>Villa Garcia, Inc.</i>					
GMAC Commercial Mortgage	3/1/2012	7%	(1)	-	648
HUD Flexible Subsidy Notes	11/1/2022	1%	1,416	1,416	1,538
County of Santa Clara	6/1/2012	3%	At maturity	100	120
City of San Jose	4/1/2022	3%	Cash Flow	514	614
<i>Villa San Pedro HDC, Inc.</i>					
HUD Mortgage	2/1/2012	3%	(1)	-	468
HUD Flexible Subsidy Note	At sale or refinancing	0%	800	800	800
California Department of Housing and Community Development	9/1/2037	3%	4,157	4,157	4,755
City of San Jose	9/1/2041	3%	(2)	692	820
<i>Rotary Plaza/HACSC, HDC, Inc</i>					
County of Santa Clara Note	5/29/2033	6%	(3)	95	95
Total Housing Authority				\$	<u>24,378</u>

- (1) Monthly amortization
(2) Deferred for 21 years
(3) Deferred until maturity

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2004
(Dollars in thousands)

(9) Long-Term Liabilities (Continued)

The debt service requirements to maturity for the Housing Authority long-term obligations are as follows, excluding accrued vacation and sick leave and other payables:

Fiscal year ending June 30:	Notes Payable		Certificates of Participation	
	Principal	Interest	Principal	Interest
2005	\$ 1,273	\$ 43	\$ 335	\$ 371
2006	3	43	350	372
2007	2	43	360	358
2008	2	43	380	342
2009	2	43	400	325
2010-2014	10	216	2,275	1,325
2015-2019	-	216	2,535	691
2020-2024	425	203	1,525	229
2025-2029	973	10	-	-
2030-2034	-	-	-	-
2035-2039	-	-	-	-
	1,573	-	-	-
Total	\$ 4,263	\$ 860	\$ 8,160	\$ 4,013

The debt service requirements to maturity for the Housing Authority's component unit's long-term obligations are as follows, excluding HUD flexible subsidy notes:

Fiscal year ending December 31:	Bracher HDC, Inc.		Villa Garcia, Inc.		Villa San Pedro, Inc.		Rotary Plaza, Inc.	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 851	\$ 25	\$ 57	\$ 53	\$ 52	\$ 13	\$ -	\$ 6
2005	-	-	62	48	54	12	-	6
2006	-	-	68	42	54	10	-	6
2007	-	10	74	36	57	8	-	6
2008	-	25	82	30	59	7	-	6
2009-2013	-	125	305	44	192	9	-	29
2014-2018	-	125	-	-	-	-	-	28
2019-2023	-	125	734	-	-	-	-	28
2024-2028	-	125	-	-	-	-	-	28
2029-2033	1,246	114	-	-	-	-	95	25
2034-2038	-	-	-	-	4,755	-	-	-
2039-2041	-	-	-	-	820	-	-	-
Total	\$ 2,097	\$ 674	\$ 1,382	\$ 253	\$ 6,043	\$ 59	\$ 95	\$ 168

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2004
 (Dollars in thousands)

(10) Segment Information (County Sanitation Districts 2 - 3)

The County Sanitation Districts 2 - 3 is responsible for collecting, processing and disposal of sewer for the County. The County Sanitation Districts 2 - 3 (the District) reports *1995 Sewer Revenue Bonds Series A and B* in its records. The bonds were issued by the San Jose/Santa Clara Clean Water Financing Authority (a component unit of the City of San Jose) to finance the expansion of a sewage treatment plant. The District is responsible for its proportionate share of the obligation. Investors in the revenue bonds rely solely on the revenues generated by individual activities for repayment.

Summary information for the District is presented below.

Condensed Statement of Net Assets	Condensed Statement of Revenues, Expenses and Changes in Net Assets																																																		
<table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">Assets:</td> <td></td> </tr> <tr> <td>Current assets</td> <td style="text-align: right;">\$ 8,625</td> </tr> <tr> <td>Restricted assets</td> <td style="text-align: right;">97</td> </tr> <tr> <td>Capital assets</td> <td style="text-align: right; border-bottom: 1px solid black;">3,614</td> </tr> <tr> <td style="padding-left: 20px;">Total assets</td> <td style="text-align: right; border-bottom: 1px solid black;">12,336</td> </tr> <tr> <td>Liabilities:</td> <td></td> </tr> <tr> <td>Current Liabilities</td> <td style="text-align: right;">1,140</td> </tr> <tr> <td>Noncurrent liabilities</td> <td style="text-align: right; border-bottom: 1px solid black;">1,322</td> </tr> <tr> <td style="padding-left: 20px;">Total liabilities</td> <td style="text-align: right; border-bottom: 1px solid black;">2,462</td> </tr> <tr> <td>Net assets:</td> <td></td> </tr> <tr> <td>Invested in capital assets, net of related debt</td> <td style="text-align: right;">2,267</td> </tr> <tr> <td>Restricted for debt service</td> <td style="text-align: right;">89</td> </tr> <tr> <td>Unrestricted</td> <td style="text-align: right; border-bottom: 1px solid black;">7,518</td> </tr> <tr> <td style="padding-left: 20px;">Total net assets</td> <td style="text-align: right; border-bottom: 3px double black;">\$ 9,874</td> </tr> </table>	Assets:		Current assets	\$ 8,625	Restricted assets	97	Capital assets	3,614	Total assets	12,336	Liabilities:		Current Liabilities	1,140	Noncurrent liabilities	1,322	Total liabilities	2,462	Net assets:		Invested in capital assets, net of related debt	2,267	Restricted for debt service	89	Unrestricted	7,518	Total net assets	\$ 9,874	<table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">Operating revenues (expenses):</td> <td></td> </tr> <tr> <td>Operating revenues</td> <td style="text-align: right;">\$ 1,870</td> </tr> <tr> <td>Operating expenses</td> <td style="text-align: right; border-bottom: 1px solid black;">2,679</td> </tr> <tr> <td style="padding-left: 20px;">Operating loss</td> <td style="text-align: right; border-bottom: 1px solid black;">(809)</td> </tr> <tr> <td>Nonoperating revenues (expenses):</td> <td></td> </tr> <tr> <td>Interest income</td> <td style="text-align: right;">133</td> </tr> <tr> <td>Interest expense</td> <td style="text-align: right; border-bottom: 1px solid black;">(377)</td> </tr> <tr> <td style="padding-left: 20px;">Total nonoperating revenues (expenses)</td> <td style="text-align: right; border-bottom: 1px solid black;">(244)</td> </tr> <tr> <td>Change in net assets</td> <td style="text-align: right;">(1,053)</td> </tr> <tr> <td>Net assets, beginning of year</td> <td style="text-align: right; border-bottom: 1px solid black;">10,927</td> </tr> <tr> <td>Net assets, end of year</td> <td style="text-align: right; border-bottom: 3px double black;">\$ 9,874</td> </tr> </table>	Operating revenues (expenses):		Operating revenues	\$ 1,870	Operating expenses	2,679	Operating loss	(809)	Nonoperating revenues (expenses):		Interest income	133	Interest expense	(377)	Total nonoperating revenues (expenses)	(244)	Change in net assets	(1,053)	Net assets, beginning of year	10,927	Net assets, end of year	\$ 9,874
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<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Condensed Statement of Cash Flows</th> <th></th> </tr> </thead> <tbody> <tr> <td style="width: 80%;">Net cash provided by (used in):</td> <td></td> </tr> <tr> <td>Operating activities</td> <td style="text-align: right;">\$ 251</td> </tr> <tr> <td>Capital financing and related financing activities</td> <td style="text-align: right;">(401)</td> </tr> <tr> <td>Investing activities</td> <td style="text-align: right; border-bottom: 1px solid black;">152</td> </tr> <tr> <td style="padding-left: 20px;">Change in cash and cash equivalents</td> <td style="text-align: right;">2</td> </tr> <tr> <td>Cash and cash equivalents, beginning of year</td> <td style="text-align: right; border-bottom: 1px solid black;">8,676</td> </tr> <tr> <td>Cash and cash equivalents, end of year</td> <td style="text-align: right; border-bottom: 3px double black;">\$ 8,678</td> </tr> </tbody> </table>		Condensed Statement of Cash Flows		Net cash provided by (used in):		Operating activities	\$ 251	Capital financing and related financing activities	(401)	Investing activities	152	Change in cash and cash equivalents	2	Cash and cash equivalents, beginning of year	8,676	Cash and cash equivalents, end of year	\$ 8,678																																		
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COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2004
(Dollars in thousands)

(11) Hospital Program Revenues

(a) Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered at the SCVMC, including estimated retroactive adjustments under reimbursement agreements with third-party payers (contractual allowances) and allowances for the uncollectible portion of patient service revenues (bad debts provision).

Net patient service revenues are calculated for the fiscal year ended June 30, 2004 as follows:

Patient service revenues	\$ 1,286,009
Contractual allowances	(833,007)
Bad debts provision	<u>(10,942)</u>
Net patient service revenues	<u>\$ 442,060</u>

Differences between final settlements with third-party payers and the estimate originally recorded are included in operations in the year in which the settlement amounts become known.

A substantial portion of SCVMC’S net patient service revenue is derived from services provided to patients eligible for benefits under the Medi-Cal and Medicare programs. Revenue from the Medi-Cal and Medicare programs, exclusive of SB855 revenue, represents approximately 51% of net patient service revenue (excluding the effects of bad debts provision) for the fiscal year ended June 30, 2004.. Revenue from the Medicare programs, exclusive of SB855 revenue represents approximately 17% of net patient service revenue (excluding the effects of bad debts provision) for the fiscal year ended June 30, 2004 . Reimbursement for services provided under these programs is currently based on various contractual arrangements (see Note 15(d)).

Effective November 29, 1991, SCVMC clinics were approved by the Health Care Financing Administration as a Federally Qualified Health Center (FQHC). As of July 2001, visits to these centers by Medi-Cal eligible patients are prospectively reimbursed using historical costs. Revenue generated by the FQHC Program is classified and reported as net patient service revenue.

(b) Other Program Revenues

The SCVMC also receives significant amounts of revenue under the following programs:

- SB855 provides additional Medi-Cal funding for hospitals based on disproportionate share status, type of hospital, percentage of low-income hospital patients and maximum Medi-Cal days per year. Once a hospital has achieved disproportionate share status for the particular payment adjustment year, the amount to be received is determined by formula. The formula generates a per diem payment adjustment amount for the facility, and the statute defines the maximum number of Medi-Cal days to be recognized for the facility for the particular payment adjustment year. Both the per diem payment adjustment amount and the maximum number of allowable days vary based on Medi-Cal data from prior periods.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2004
(Dollars in thousands)

(11) Hospital Program Revenues (Continued)

(c) Charity Care

The SCVMC has a policy for providing charity care to patients who are otherwise unable to afford health care services. Generally, charity care recipients are those patients for which an indigency standard has been established and for which the patient qualifies. Inability to pay may be determined through an interview process by the SCVMC, by the Department of Revenue, or by an outside collection agency. Determination of charity care status may be made prior to or at the time of service, or any time thereafter. The total amount of such charity care provided by the SCVMC for the fiscal year ended June 30, 2004, based on the cost incurred to perform these services, is as follows:

Charity care at cost is calculated excluding the impact of other revenue received listed above.

Charity care, at cost	\$	92,032
Percentage of operating expenses		<u>14%</u>

(12) Net Assets/Fund Balances

The government-wide and proprietary funds financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category represents net assets with external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Restricted net assets include restrictions for capital facilities, debt service, housing programs, and roads and other purposes.

Unrestricted Net Assets – This category represents net assets of the County not restricted for any project or purpose.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The reserves and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2004
 (Dollars in thousands)

(12) Net Assets/Fund Balances (Continued)

As of June 30, 2004, reservations of fund balance included:

Encumbrances, Inventories, Other Assets and Advances - These reservations indicate the portion of fund balance which is unavailable for appropriation, or amounts legally segregated for a specific future use.

Debt Service – These reservations indicate fund balance reserved for debt service represents resources legally restricted for the retirement of long-term debt.

Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period, such as for support of the SCVMC or general contingencies. Such plans or intent are subject to change and have not been legally authorized or may not result in expenditures. Unreserved fund balances for governmental funds are comprised of the following:

	General Fund	General Capital Improvement	Nonmajor Funds	Total Governmental Funds
Designated for:				
SCVMC	\$ 154,021	\$ -	\$ -	\$ 154,021
Measure B program	91,494	-	-	91,494
Litigation	10,000	-	-	10,000
Redevelopment	43,769	-	-	43,769
Fiduciary activities/contingencies	47,831	-	-	47,831
Tobacco settlement	457	-	-	457
Other	889	-	30,761	31,650
Undesignated	<u>121,803</u>	<u>(4,962)</u>	<u>150,619</u>	<u>267,460</u>
Total	<u>\$ 470,264</u>	<u>\$ (4,962)</u>	<u>\$ 181,380</u>	<u>\$ 646,682</u>

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2004
(Dollars in thousands)

(13) Employee Benefit Plans

(a) *California Public Employees' Retirement System*

Plan Description

All eligible County employees participate in the State's Public Employees' Retirement System (PERS). PERS is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within the state. PERS provides retirement, disability, and death benefits based on the employees' years of service, age and final compensation. Employees vest after five years of PERS-credited service and they are eligible for service retirement if they are 50 years old or over and have at least 5 years of PERS-credited service. These provisions and all other requirements are established by State statute and County resolutions. Copies of PERS' annual financial report may be obtained from their executive office at 400 P Street, Sacramento, California 95814. A separate report for the County's plan in PERS is not available.

Funding Policy

The County participates in two plans with PERS. The first plan covers the Santa Clara County Central Fire District (Central Fire) and the second plan covers all remaining eligible County employees. All County employee participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The County makes 93.4% of the employees' required payroll contributions. The County is also required to contribute at an actuarially determined rate. The 2004 fiscal year contributions as a percentage of annual covered payrolls were .4% for miscellaneous employees and 7.0% for safety employees in the County plan and 6.3% for miscellaneous employees and 24.7% for safety employees in the Central Fire plan. The contribution requirements of plan members and the County are established and may be amended by PERS.

In the current year, the County applied for and received a rate relief from PERS. Under the arrangement, the County is allowed to pay \$67 million of the \$102 million that it owes PERS for the fiscal year 2004-05 fiscal year. The County will begin repaying the remaining \$35 million in fiscal year 2007-08 at a 7.8% interest rate in addition to its regular PERS payments. The payments would be spread over the next 10 years.

Annual Pension Costs

The County and Central Fire's annual pension costs of \$14,376 and \$6,045, respectively, were equal to the County's required and actual contributions. The required contribution was determined as part of the June 30, 2001, actuarial valuation using a modification of the Entry Age Normal Actuarial Cost Method. The actuarial assumptions includes: (a) a rate of return on investments of 8.25%; (b) inflation of 3.50%; and (c) projected salary increases of 3.75%, with no across the board increases and merit increases that vary by length of service. The actuarial value of the pension plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. PERS' unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. There are 28 years remaining in the amortization period at June 30, 2004.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2004
 (Dollars in thousands)

(13) Employee Benefit Plans (Continued)

Three-year trend information for the County (excluding the Central Fire) is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2004	\$ 14,376	100%	\$ -
6/30/2003	5,801	100%	-
6/30/2002	4,336	100%	-

Three-year trend information for the Central Fire is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2004	\$ 6,045	100%	\$ -
6/30/2003	6,087	100%	-
6/30/2002	3,125	100%	-

(b) Post-retirement Health Care Benefits

All County employees hired prior to August 12, 1996, with at least five years of service after attaining age 50 are covered under the County's Retiree Health Care Program upon retirement. For employees hired after August 12, 1996, the eligibility requirements were increased to a minimum of eight years of service after attaining age 50.

For the 841 surviving retirees who retired on or before December 5, 1983, benefits payments cover premium of any medical program available to active employees. Actual County contributions to this program totaled approximately \$943 in fiscal year 2004. For the 5,368 surviving retirees who retired after December 5, 1983, benefits are limited to covering the premiums of the lowest cost medical plan. Participants may obtain additional coverage for themselves or their spouses and qualified dependents by paying any incremental costs. Actual County contributions to the program for these participants and for future retirees totaled approximately \$29,505 in fiscal year 2004. Total actual contributions for both programs equaled \$30,448. This amount is less than the normal contribution equivalent and does not address the amortization of the unfunded liability.

Upon reaching age 65, the retiree is also eligible for full or partial reimbursement of Medicare Part B premiums. During fiscal year 2004, 1,933 participants received approximately \$875 in actual Medicare Part B reimbursements.

The County advance funds all post-retirement medical benefits on an actuarially determined basis. An actuarial valuation of such benefits, as of July 1, 2004, estimated the following:

Actuarial accrued liability	\$ 705,704
Net assets available for benefits	<u>(285,239)</u>
Unfunded portion of actuarial accrued liability	<u>\$ 420,465</u>

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2004
 (Dollars in thousands)

(13) Employee Benefit Plans (Continued)

The study used the individual level salary projected unit credits actuarial valuation method. Liabilities are recognized through normal costs over the working lives of active employees. A 24.19-year County career, with an average of 9.9 years employment, is expected of the current active population. The valuation assumed a discount rate of 8.0% and annual salary increases of 3.0%.

Various labor contracts stipulated the post-retirement health care benefits described above; however, a formal trust for the plan does not exist. County contributions are charged against the current available resources of budgeted funds. The County administers the post-retirement health care benefits in an internal service fund.

(14) Risk Management

The County is exposed to various risks of loss related to torts; medical malpractice; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; unemployment; and health benefits to employees and retirees. The County is self-insured for its liability (general, medical malpractice and auto), workers' compensation, and unemployment. The County has chosen to establish risk financing internal service funds where assets are set aside for claim settlements associated with the above risks of loss up to certain limits. Excess coverage is provided by the California State Association of Counties' Excess Insurance Authority (the Insurance Authority), a joint powers authority, the purpose of which is to develop and fund programs of excess insurance and provide the joint purchase of coverage from independent third parties for its member entities. The Insurance Authority is governed by a Board of Directors consisting of representatives of its member entities.

Self-insurance and Insurance Authority limits are as follows:

Type of coverage	Self-insurance (per occurrence)	Self-retained ⁽¹⁾	Purchased Insurance Policy (per occurrence)
Automotive	Up to \$2,000	None	\$2,000 to \$17,000
General liability	Up to \$2,000	None	\$2,000 to \$17,000
Medical malpractice	Up to \$500	\$1,500 per occurrence	\$500 to \$22,000
Workers' compensation	Up to \$4,000	\$1,000 per occurrence	\$4,000 to \$60,000
Property damage	Up to \$50 (This is a deductible)	\$2,500 per occurrence \$7,500 aggregate	Up to \$1,800,000 ⁽²⁾
Earthquake	5% of property value \$500 minimum deductible	\$2,500 per occurrence \$7,500 aggregate	Up to \$525,000 ⁽³⁾

- (1) The self-retained layer is required by the insurance company and acts as an additional amount to pay claims before the insurance company pays a loss. This self-retained layer is contributed by the member entities and remains their assets. Once the self-retained layer is exhausted, the insurance company pays all claims above the County's self-insurance amount. Any funds left in the self-retained layer can be used to fund self-retained amounts in future years.
- (2) Insured values are split between three schedules with limits of \$600,000 each for a total of \$1,800,000.
- (3) Insured values are split between three schedules with limits of \$175,000 each for a total of \$525,000.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2004
(Dollars in thousands)

(14) Risk Management (Continued)

There have been no settlement amounts exceeding commercial or Insurance Authority insurance coverage since self-insurance was introduced in 1978.

It is the County's practice to obtain full actuarial studies annually for the self-insured automobile liability, general liability, medical malpractice, and workers' compensation liability issues. The unpaid claims liabilities included in the self-insurance internal service funds for these risks are based on the results of actuarial studies and include amounts for claims incurred but not reported and loss adjustment expenses. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. In addition, workers' compensation liability is discounted at 3%, while general, automobile and medical malpractice liability are all discounted at 1.5%.

Changes in the balances of claims liabilities during the past two fiscal years ended June 30 for all self-insurance internal service funds combined are as follows:

	<u>2004</u>	<u>2003</u>
Unpaid claims, beginning of year	\$ 113,187	\$ 105,110
Incurred claims and changes in estimate	46,173	56,987
Claim payments	<u>(50,844)</u>	<u>(48,910)</u>
Unpaid claims, end of year	<u>\$ 108,516</u>	<u>\$ 113,187</u>

Annual premiums are charged by each self-insurance fund using various allocation methods that include actual costs, trends in claims experience, and number of participants. Premiums paid by the Insurance Fund totaled \$8,434 for the fiscal year ended June 30, 2004.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2004
 (Dollars in thousands)

(15) Commitments and Contingencies

(a) Commitments

The County has various noncancelable operating leases primarily for office space and equipment (accounted for principally in the General Fund). Approximate future minimum operating lease commitments are as follows:

Fiscal year ending June 30,	Governmental Activities	Business-type Activities	Total
2005	\$ 35,068	\$ 7,041	\$ 42,109
2006	33,635	6,990	40,625
2007	32,295	5,586	37,881
2008	30,716	3,681	34,397
2009	27,756	3,259	31,015
2010-2014	107,992	12,083	120,075
2015-2019	74,409	86	74,495
2020-2024	28,819	-	28,819
Total	<u>\$ 370,690</u>	<u>\$ 38,726</u>	<u>\$ 409,416</u>

Rent expense for fiscal year 2004 was approximately \$48,830 and \$5,339 for the governmental activities and business-type activities, respectively.

The County also leases various properties to business and other governmental agencies (accounted for principally in the General Fund). The future minimum payments to be received are as follows:

Fiscal year ending June 30,	Governmental Activities	Business-type Activities	Total
2005	\$ 3,022	\$ 504	\$ 3,526
2006	2,295	112	2,407
2007	2,282	114	2,396
2008	1,670	117	1,787
2009	1,643	95	1,738
2010-2014	8,095	452	8,547
2015-2019	9,024	499	9,523
2020-2024	7,774	153	7,927
Total	<u>\$ 35,805</u>	<u>\$ 2,046</u>	<u>\$ 37,851</u>

Rent income for fiscal year 2004 was approximately \$35,805 and \$2,046 for the governmental activities and business-type activities, respectively.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2004
(Dollars in thousands)

(15) Commitments and Contingencies (Continued)

(b) *Litigation*

The County accounts for claims in the internal service funds and general fund. As of June 30, 2004, the County had accrued amounts which management believes are adequate to provide for claims and litigation, which arose during the normal course of activities. There are other outstanding claims and litigation for which County management believes the ultimate outcome of these claims and litigation will not significantly impact the County’s financial position.

(c) *Environmental Compliance*

The County is subject to federal, state, and local environmental laws. As of June 30, 2004, the County had accrued amounts that management believes are adequate to provide for certain environmental compliance issues which have come to management’s attention. Management has identified environmental compliance issues and believes the ultimate outcome of these issues will not significantly impact the County’s financial position.

(d) *Patient Service Revenue and Receivables*

The SCVMC grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payers and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, or investigations.

Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The SCVMC’s Medicare and Medi-Cal cost reports have been audited by the fiscal intermediary through June 30, 2001. As such, the cost reports for certain other prior years are in various stages of review by third-party intermediaries and have not been settled as a result of certain unresolved reimbursement issues. The County believes it has adequately provided for any potential liabilities that may arise from the intermediaries’ audits.

Net receivables from patients and third-party payers at June 30, 2004, are summarized as follows:

Medicare	\$	14,640
Medi-Cal		32,669
Insurance and other third-party payers		25,685
Private patients		91
Total	\$	<u>73,085</u>

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2004
 (Dollars in thousands)

(15) Commitments and Contingencies (Continued)

(e) Single and Multiple Family Mortgage Revenue Bonds

Through June 30, 2004, the County, acting as coordinator with certain cities, issued approximately \$190,308 of Tax-Exempt Mortgage Revenue Bonds with periodic maturities through May 2040 (\$63,173 outstanding as of June 30, 2004). Single family mortgage revenue bonds were issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing residences. The purpose of this program is to provide below market interest rate home mortgages to persons who are unable to qualify for conventional mortgages at market rates. Multiple family mortgage revenue bonds were issued to provide financing to developers of specified multiple family housing projects. These developers agree to rent a percentage of units to qualified families at below market rates. The bonds are not considered obligations of the County, and are payable solely from payments made on the related secured mortgage loans.

(16) Special Item

In June 2003, the Milpitas Redevelopment Agency (the MRDA) entered into an agreement of purchase and sale of approximately 35-acres of Elmwood surplus lands in the amount of (1) \$135,000 payable in installments over a 20-year period; (2) the aggregate sum of the Developer Negotiated Value for all parcels comprising the property; and (3) 8 years of Additional Payments, estimated at \$3,500 per year, negotiated under the Sales and Use Tax Sharing Agreement based on 50% of the sales tax revenue generated by the additional redevelopment project area together with the Elmwood commercial area. In August 2003, the County approved the agreement with KB Home South Bay, Inc. (KB Home) for the base land value of \$57,750 (Developer Negotiated Value) enabling the County's disposition of the Elmwood surplus lands and the MRDA's purchase and re-sale of the property.

The following table shows the estimated cash flows related to the sale of the Elmwood surplus lands:

Fiscal year ending June 30,	Developer		Milpitas Redevelopment Agency		Total
	Negotiated Value	Other	Installment Payments	Additional Payments	
2004	\$ 2,500	\$ -	\$ 24,000	\$ -	\$ 26,500
2005	38,500	419	4,000	-	42,919
2006	16,750	-	4,000	-	20,750
2007	-	-	4,000	-	4,000
2008	-	3,000	4,000	-	7,000
2009	-	-	4,000	-	4,000
2010-2014	-	-	21,000	-	21,000
2015-2019	-	-	26,000	-	26,000
2020-2024	-	-	24,000	3,500	27,500
2025-2029	-	-	-	17,500	17,500
2030-2031	-	-	-	7,000	7,000
Total	\$ 57,750	\$ 3,419	\$ 115,000	\$ 28,000	\$ 204,169

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2004
(Dollars in thousands)

(16) Special Item (Continued)

During the year ended June 30, 2004, KB Home funded a non-refundable deposit totaling \$2,500 towards the purchase of the Elmwood property and the MRDA paid \$44,000 towards its installment payments. Of the \$44,000 paid, the MRDA deposited \$20,000 in an escrow account as credit to finance off-site public improvements; provide a subsidy of \$1,000 in connection with the development of affordable housing on a portion of the property; and pay certain other expenses in connection with the development of the property. Since future maintenance of the off-site public improvements will be borne by the City of Milpitas, the County did not recognize the total \$20,000 towards its purchase price, but recognized \$3,000 of this amount expected to be released from escrow in fiscal year 2008 in connection with the off-site improvements completion. For the year ended June 30, 2004, the County recognized \$26,500 as proceeds from the sale of capital assets and \$177,669 as due from other governmental agencies offset by deferred revenue in the General Fund and \$204,169 as a special item government-wide statement of activities.

(17) Subsequent Event

2004 Series A Lease Revenue Bonds

In August 2004, the Santa Clara County Financing Authority issued \$3,550 of 2004 Series A Lease Revenue Bonds on behalf of Santa Clara County. The bond proceeds were used to advance refund Santa Clara County's 1993 Certificates of Participation (Housing Authority). The Series 2004 A bonds are payable semi-annually commencing September 1, 2005 and mature on September 1, 2029. Interest rates are set each week by the remarketing agent based upon prevailing interest rates for 7-day variable rate demand bonds of similar credit quality trading in the municipal market place during the week. However, in no event will any term rate be greater than 12% per annum.

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Required Supplementary Information

COUNTY OF SANTA CLARA

Required Supplementary Information (Unaudited)
 Schedule of Funding Progress
 June 30, 2004
 (Dollars in thousands)

Required Supplementary Information (Unaudited):

Schedule of Funding Progress (County, excluding Central Fire):

Actuarial Valuation Date	Actual Asset Value	Actuarial Accrued Liability- Entry Age	Unfunded Actuarial Accrued Liability – UAAL/ (Excess Assets)	Funded Ratio	Covered Payroll	UAAL/ (Excess Assets) as Percentage of Covered Payroll
6/30/2003	\$ 3,876,517	\$ 4,511,415	\$ 634,899	85.9%	\$ 1,051,783	60.4%
6/30/2002	3,799,995	3,834,533	34,538	99.1%	943,581	3.7%
6/30/2001	4,021,083	3,389,554	(631,529)	118.6%	799,982	(78.9)%

Schedule of Funding Progress (Central Fire):

Actuarial Valuation Date	Actual Asset Value	Actuarial Accrued Liability- Entry Age	Unfunded Actuarial Accrued Liability – UAAL	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6/30/2003	\$ 202,274	\$ 248,493	\$ 46,219	81.4%	\$ 25,934	178.2%
6/30/2002	194,595	231,214	36,619	84.2%	24,748	148.0%
6/30/2001	145,377	158,316	12,939	91.8%	22,680	57.1%

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COUNTY OF SANTA CLARA

General Fund

The General Fund is the general operating fund of the County. It accounts for all financial activities except those required to be accounted for in another fund. The accompanying Budgetary Comparison Schedule represents the primary expense classification of services provided by the County through the General Fund.

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2004
(In thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	\$ 606,900	\$ 606,900	\$ 606,900	\$ -
Resources (inflows):				
Taxes	482,296	477,686	485,853	8,167
Licenses and permits	10,956	10,956	10,016	(940)
Fines, forfeitures, and penalties	36,174	36,598	45,353	8,755
Interest and investment income	13,755	13,656	6,302	(7,354)
Intergovernmental revenues	1,087,729	1,115,827	999,988	(115,839)
Charges for services	128,087	134,806	128,863	(5,943)
Other revenue	53,059	74,451	61,234	(13,217)
Other financing sources	1,119	1,119	26,546	25,427
Interfund transfers	121,964	214,122	172,301	(41,821)
Amounts available for appropriation	1,935,139	2,079,221	1,936,456	(142,765)
Charges to appropriations (outflows):				
General government:				
Supervisory District 1				
Salaries and benefits	749	796	796	-
Services and supplies	53	17	12	5
Total Supervisory District 1	802	813	808	5
Supervisory District 2				
Salaries and benefits	749	710	670	40
Services and supplies	82	132	102	30
Total Supervisory District 2	831	842	772	70
Supervisory District 3				
Salaries and benefits	749	767	761	6
Services and supplies	55	48	35	13
Total Supervisory District 3	804	815	796	19
Supervisory District 4				
Salaries and benefits	759	710	678	32
Services and supplies	43	103	96	7
Total Supervisory District 4	802	813	774	39
Supervisory District 5				
Salaries and benefits	749	761	761	-
Services and supplies	53	52	48	4
Total Supervisory District 5	802	813	809	4
Clerk - Board of Supervisors				
Salaries and benefits	2,537	2,530	2,489	41
Services and supplies	3,129	3,058	2,879	179
Fixed assets	-	1	-	1
Expenditure reimbursements	(367)	(367)	(322)	(45)
Total Clerk - Board of Supervisors	5,299	5,222	5,046	176

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
General government (continued):				
Office of the County Executive				
Salaries and benefits	6,940	6,728	6,537	191
Services and supplies	3,030	4,283	3,327	956
Expenditure reimbursements	(44)	(46)	(47)	1
Total Office of the County Executive	<u>9,926</u>	<u>10,965</u>	<u>9,817</u>	<u>1,148</u>
Controller-Treasurer				
Salaries and benefits	8,593	8,940	8,928	12
Services and supplies	5,874	5,797	5,712	85
Fixed assets	142	142	108	34
Expenditure reimbursements	(36,827)	(37,046)	(36,964)	(82)
Total Controller-Treasurer	<u>(22,218)</u>	<u>(22,167)</u>	<u>(22,216)</u>	<u>49</u>
Tax Collector				
Salaries and benefits	4,380	5,181	4,990	191
Services and supplies	4,413	4,796	4,749	47
Fixed assets	618	100	67	33
Expenditure reimbursements	-	(600)	(600)	-
Total Tax Collector	<u>9,411</u>	<u>9,477</u>	<u>9,206</u>	<u>271</u>
Office of the Assessor				
Salaries and benefits	25,040	23,679	21,505	2,174
Services and supplies	13,351	16,242	2,324	13,918
Fixed assets	370	380	75	305
Total Office of the Assessor	<u>38,761</u>	<u>40,301</u>	<u>23,904</u>	<u>16,397</u>
Purchasing				
Salaries and benefits	1,987	1,912	1,834	78
Services and supplies	754	848	749	99
Expenditure reimbursements	(634)	(634)	(688)	54
Total Purchasing	<u>2,107</u>	<u>2,126</u>	<u>1,895</u>	<u>231</u>
Office of Budget and Analysis - Special Programs				
Services and supplies	20,145	15,013	13,241	1,772
Fixed assets	-	3	2	1
Intra-fund transfers	252,117	248,937	245,851	3,086
Total Office of Budget and Analysis - Special Programs	<u>272,262</u>	<u>263,953</u>	<u>259,094</u>	<u>4,859</u>
Office of the County Counsel				
Salaries and benefits	17,562	17,257	16,301	956
Services and supplies	1,185	1,928	1,480	448
Expenditure reimbursements	(13,839)	(13,839)	(13,660)	(179)
Total Office of the County Counsel	<u>4,908</u>	<u>5,346</u>	<u>4,121</u>	<u>1,225</u>

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
General government (continued):				
Personnel				
Salaries and benefits	9,494	9,381	9,178	203
Services and supplies	6,758	6,668	5,336	1,332
Fixed assets	-	21	21	-
Expenditure reimbursements	(4,054)	(4,054)	(3,691)	(363)
Total Personnel	<u>12,198</u>	<u>12,016</u>	<u>10,844</u>	<u>1,172</u>
Risk Management				
Salaries and benefits	1,445	1,539	1,539	-
Services and supplies	803	670	669	1
Expenditure reimbursements	(2,347)	(2,347)	(2,196)	(151)
Total Risk Management	<u>(99)</u>	<u>(138)</u>	<u>12</u>	<u>(150)</u>
General Services Agency - Intergovernmental Service				
Salaries and benefits	3,070	3,196	3,067	129
Services and supplies	15,668	15,496	14,774	722
Other charges	605	618	574	44
Fixed assets	-	106	75	31
Expenditure reimbursements	(2,433)	(2,551)	(2,455)	(96)
Total General Services Agency - Intergovernmental Service	<u>16,910</u>	<u>16,865</u>	<u>16,035</u>	<u>830</u>
Registrar of Voters				
Salaries and benefits	4,328	5,488	5,384	104
Services and supplies	17,938	20,323	19,925	398
Fixed assets	524	604	602	2
Expenditure	(9,503)	-	-	-
Total Registrar of Voters	<u>13,287</u>	<u>26,415</u>	<u>25,911</u>	<u>504</u>
General Services Agency - Information Services				
Salaries and benefits	3,669	3,761	3,757	4
Services and supplies	5,235	5,816	4,189	1,627
Fixed assets	864	3,700	2,617	1,083
Expenditure reimbursements	(298)	(298)	(109)	(189)
Total General Services Agency - Information Services	<u>9,470</u>	<u>12,979</u>	<u>10,454</u>	<u>2,525</u>
Department of Revenue				
Salaries and benefits	3,908	4,023	4,019	4
Services and supplies	1,056	967	956	11
Total Department of Revenue	<u>4,964</u>	<u>4,990</u>	<u>4,975</u>	<u>15</u>
General Services Agency - Communication				
Salaries and benefits	10,744	10,646	10,463	183
Services and supplies	3,410	3,540	2,946	594
Fixed assets	-	127	127	-
Expenditure reimbursements	(4,464)	(4,464)	(4,305)	(159)
Total General Services Agency - Communication	<u>9,690</u>	<u>9,849</u>	<u>9,231</u>	<u>618</u>

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
General government (continued):				
Environmental Resources Agency				
Salaries and benefits	8,298	8,158	8,141	17
Services and supplies	2,506	2,465	2,026	439
Expenditure reimbursements	(1,126)	(1,126)	(1,533)	407
Total Environmental Resources Agency	<u>9,678</u>	<u>9,497</u>	<u>8,634</u>	<u>863</u>
Department of Agriculture/Weights & Measures/ Animal Control				
Salaries and benefits	3,836	3,982	3,810	172
Services and supplies	2,917	2,717	2,633	84
Expenditure reimbursements	(76)	(103)	(86)	(17)
Intra-fund transfers	-	262	262	-
Total Department of Agriculture/ Weights & Measures/Animal Control	<u>6,677</u>	<u>6,858</u>	<u>6,619</u>	<u>239</u>
General Services Agency - Facilities Department				
Salaries and benefits	21,289	21,087	20,740	347
Services and supplies	56,539	54,820	53,069	1,751
Other charges	5	5	-	5
Expenditure reimbursements	(55,331)	(55,152)	(54,430)	(722)
Intra-fund transfers	8,620	12,310	12,282	28
Total General Services Agency - Facilities Department	<u>31,122</u>	<u>33,070</u>	<u>31,661</u>	<u>1,409</u>
General government - subtotals:				
Salaries and benefits	140,875	141,232	136,348	4,884
Services and supplies	164,997	165,799	141,277	24,522
Other charges	610	623	574	49
Fixed assets	2,518	5,184	3,694	1,490
Expenditure reimbursements	(131,343)	(122,627)	(121,086)	(1,541)
Intra-fund transfers	260,737	261,509	258,395	3,114
Total general government	<u>438,394</u>	<u>451,720</u>	<u>419,202</u>	<u>32,518</u>
Public protection:				
Clerk Recorder				
Salaries and benefits	5,692	5,732	5,732	-
Services and supplies	591	669	668	1
Total Clerk Recorder	<u>6,283</u>	<u>6,401</u>	<u>6,400</u>	<u>1</u>
Department of Child Support Services				
Salaries and benefits	28,212	27,675	27,487	188
Services and supplies	8,768	9,778	9,679	99
Total Department of Child Support Services	<u>36,980</u>	<u>37,453</u>	<u>37,166</u>	<u>287</u>

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public protection (continued):				
District Attorney				
Salaries and benefits	59,559	59,468	58,322	1,146
Services and supplies	14,689	15,370	13,694	1,676
Fixed assets	-	190	160	30
Expenditure reimbursements	(12,178)	(11,995)	(11,341)	(654)
Total District Attorney	<u>62,070</u>	<u>63,033</u>	<u>60,835</u>	<u>2,198</u>
Laboratory of Criminalistics				
Salaries and benefits	4,811	4,926	4,926	-
Services and supplies	950	951	946	5
Fixed assets	-	76	76	-
Expenditure reimbursements	(57)	(57)	(62)	5
Total Laboratory of Criminalistics	<u>5,704</u>	<u>5,896</u>	<u>5,886</u>	<u>10</u>
Public Defender				
Salaries and benefits	28,813	29,166	28,556	610
Services and supplies	2,729	3,096	3,073	23
Other charges	1	1	-	1
Fixed assets	-	5	-	5
Expenditure reimbursements	(211)	(211)	(198)	(13)
Total Public Defender	<u>31,332</u>	<u>32,057</u>	<u>31,431</u>	<u>626</u>
Pretrial Services				
Salaries and benefits	3,669	3,660	3,634	26
Services and supplies	867	821	734	87
Fixed assets	-	811	811	-
Expenditure reimbursements	(110)	(110)	(128)	18
Total Pretrial Services	<u>4,426</u>	<u>5,182</u>	<u>5,051</u>	<u>131</u>
Criminal Justice Support				
Services and supplies	<u>51,821</u>	<u>53,096</u>	<u>52,950</u>	<u>146</u>
Total Criminal Justice Support	<u>51,821</u>	<u>53,096</u>	<u>52,950</u>	<u>146</u>
Sheriff Administration				
Salaries and benefits	78,324	78,327	72,772	5,555
Services and supplies	14,074	18,246	13,917	4,329
Fixed assets	50	2,035	907	1,128
Expenditure reimbursements	(1,451)	(1,499)	(1,479)	(20)
Total Sheriff Administration	<u>90,997</u>	<u>97,109</u>	<u>86,117</u>	<u>10,992</u>
Sheriff - Department of Correction Services				
Salaries and benefits	<u>72,732</u>	<u>74,392</u>	<u>71,597</u>	<u>2,795</u>
Total Sheriff - Department of Correction Services	<u>72,732</u>	<u>74,392</u>	<u>71,597</u>	<u>2,795</u>

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public protection (continued):				
Department of Correction				
Salaries and benefits	25,655	25,403	24,765	638
Services and supplies	35,978	35,728	32,440	3,288
Fixed assets	-	403	400	3
Expenditure reimbursements	(4,440)	(4,440)	(3,698)	(742)
Total Department of Correction	<u>57,193</u>	<u>57,094</u>	<u>53,907</u>	<u>3,187</u>
Probation Department				
Salaries and benefits	70,417	73,896	73,535	361
Services and supplies	23,884	20,634	20,946	(312)
Fixed assets	80	30	30	-
Intra-fund transfers	-	225	225	-
Expenditure reimbursements	(593)	(614)	(619)	5
Total Probation Department	<u>93,788</u>	<u>94,171</u>	<u>94,117</u>	<u>54</u>
Medical Examiner - Coroner				
Salaries and benefits	2,164	2,442	2,347	95
Services and supplies	440	503	460	43
Total Medical Examiner - Coroner	<u>2,604</u>	<u>2,945</u>	<u>2,807</u>	<u>138</u>
Public protection - subtotals:				
Salaries and benefits	380,048	385,087	373,673	11,414
Services and supplies	154,791	158,892	149,507	9,385
Other charges	1	1	-	1
Fixed assets	130	3,550	2,384	1,166
Intra-fund transfers	-	225	225	-
Expenditure reimbursements	(19,040)	(18,926)	(17,525)	(1,401)
Total public protection	<u>515,930</u>	<u>528,829</u>	<u>508,264</u>	<u>20,565</u>
Public ways and facilities:				
Measure B				
Salaries and benefits	400	399	308	91
Services and supplies	224,126	221,108	178,700	42,408
Other charges	5,652	5,999	5,581	418
Intra-fund transfers	16,500	44,990	15,735	29,255
Total Measure B	<u>246,678</u>	<u>272,496</u>	<u>200,324</u>	<u>72,172</u>

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Health and sanitation:				
Senate Bill 12/855 Funds				
Services and supplies	120,000	5,391	5,391	-
Total Senate Bill 12/855 Funds	<u>120,000</u>	<u>5,391</u>	<u>5,391</u>	<u>-</u>
Health Services Administration				
Salaries and benefits	56,882	55,391	55,056	335
Services and supplies	39,282	38,416	35,059	3,357
Fixed assets	-	255	207	48
Intra-fund transfers	-	25	25	-
Expenditure reimbursements	(2,662)	(2,765)	(2,608)	(157)
Total Health Services Administration	<u>93,502</u>	<u>91,322</u>	<u>87,739</u>	<u>3,583</u>
Mental Health Bureau				
Salaries and benefits	31,454	33,354	33,082	272
Services and supplies	163,238	179,135	176,263	2,872
Other charges	-	-	-	-
Fixed assets	800	708	523	185
Expenditure reimbursements	(1,918)	(1,937)	(1,840)	(97)
Total Mental Health Bureau	<u>193,574</u>	<u>211,260</u>	<u>208,028</u>	<u>3,232</u>
Custody Health Services				
Salaries and benefits	26,795	27,452	27,349	103
Services and supplies	7,180	7,844	3,973	3,871
Expenditure reimbursements	(31,433)	(32,192)	(29,605)	(2,587)
Total Custody Health Services	<u>2,542</u>	<u>3,104</u>	<u>1,717</u>	<u>1,387</u>
Bureau of Alcohol & Drug Programs				
Salaries and benefits	15,445	15,598	15,485	113
Services and supplies	32,258	32,531	30,797	1,734
Fixed assets	-	-	-	-
Expenditure reimbursements	(3,126)	(3,126)	(2,945)	(181)
Total Bureau of Alcohol & Drug Programs	<u>44,577</u>	<u>45,003</u>	<u>43,337</u>	<u>1,666</u>
Community Outreach Program				
Salaries and benefits	6,792	6,353	6,279	74
Services and supplies	1,839	1,792	1,326	466
Expenditure reimbursements	-	(422)	(422)	-
Total Community Outreach Program	<u>8,631</u>	<u>7,723</u>	<u>7,183</u>	<u>540</u>

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Health and sanitation (continued):				
Healthy Children				
Services and supplies	3,278	3,278	3,278	-
Total Healthy Children	<u>3,278</u>	<u>3,278</u>	<u>3,278</u>	<u>-</u>
Health and sanitation - subtotals:				
Salaries and benefits	137,368	138,148	137,251	897
Services and supplies	367,075	268,387	256,087	12,300
Fixed assets	800	963	730	233
Intra-fund transfers	-	25	25	-
Expenditure reimbursements	<u>(39,139)</u>	<u>(40,442)</u>	<u>(37,420)</u>	<u>(3,022)</u>
Total health and sanitation	<u>466,104</u>	<u>367,081</u>	<u>356,673</u>	<u>10,408</u>
Public assistance:				
In-House Support Services				
Services and supplies	78,182	86,433	27,259	59,174
Total In-House Support Services	<u>78,182</u>	<u>86,433</u>	<u>27,259</u>	<u>59,174</u>
Office of Affordable Housing				
Salaries and benefits	380	380	380	-
Services and supplies	819	813	733	80
Expenditure reimbursements	<u>(333)</u>	<u>(333)</u>	<u>(346)</u>	<u>13</u>
Total Office of Affordable Housing	<u>866</u>	<u>860</u>	<u>767</u>	<u>93</u>
Social Services Administration				
Salaries and benefits	207,207	207,578	202,074	5,504
Services and supplies	126,999	129,233	116,716	12,517
Fixed assets	1,881	2,438	540	1,898
Total Social Services Administration	<u>336,087</u>	<u>339,249</u>	<u>319,330</u>	<u>19,919</u>
Nutrition Services to the Aged				
Salaries and benefits	641	665	661	4
Services and supplies	5,453	5,284	5,240	44
Total Nutrition Services to the Aged	<u>6,094</u>	<u>5,949</u>	<u>5,901</u>	<u>48</u>
Categorical Aids Payments				
Services and supplies	188,732	192,287	176,184	16,103
Total Categorical Aids Payments	<u>188,732</u>	<u>192,287</u>	<u>176,184</u>	<u>16,103</u>
Public assistance - subtotals:				
Salaries and benefits	208,228	208,623	203,115	5,508
Services and supplies	400,185	414,050	326,132	87,918
Fixed assets	1,881	2,438	540	1,898
Expenditure reimbursements	<u>(333)</u>	<u>(333)</u>	<u>(346)</u>	<u>13</u>
Total public assistance	<u>609,961</u>	<u>624,778</u>	<u>529,441</u>	<u>95,337</u>

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Debt service:				
County debt service				
Principal retirement	418	6,123	5,230	893
Interest and fiscal charges	8,509	3,700	3,537	163
Intra-fund transfers	660	660	449	211
Total debt service	<u>9,587</u>	<u>10,483</u>	<u>9,216</u>	<u>1,267</u>
Provisions for Contingencies:				
Appropriation Contingencies				
Intra-fund transfers	-	87	87	-
Total Provisions for Contingencies	<u>-</u>	<u>87</u>	<u>87</u>	<u>-</u>
Reserves:				
Categorical Aids Payments				
Public assistance	8,260	8,260	-	8,260
Total Categorical Aids Payments	<u>8,260</u>	<u>8,260</u>	<u>-</u>	<u>8,260</u>
Office of County Executive				
General government	500	674	-	674
Total Office of County Executive	<u>500</u>	<u>674</u>	<u>-</u>	<u>674</u>
Department of Correction				
Public protection	-	148	-	148
Total Probation Department	<u>-</u>	<u>148</u>	<u>-</u>	<u>148</u>
OMB Special Programs				
General government	28,859	61,213	-	61,213
Total OMB Special Programs	<u>28,859</u>	<u>61,213</u>	<u>-</u>	<u>61,213</u>
Appropriation Contingencies				
Total Appropriation Contingencies	<u>37,000</u>	<u>44,205</u>	<u>-</u>	<u>44,205</u>
Total reserves	<u>74,619</u>	<u>114,500</u>	<u>-</u>	<u>114,500</u>
Total charges to appropriations	<u>\$ 2,361,273</u>	<u>\$ 2,369,974</u>	<u>\$ 2,023,207</u>	<u>\$ 346,767</u>

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2004
(In thousands)

Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures:

Sources/inflows of resources

Actual amounts (budgetary basis) "total resources" from the budgetary comparison schedule	\$ 1,936,456
Differences - budget to GAAP:	
Proceeds from sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes	(26,546)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(172,301)</u>
Total revenues as reported on the statement of revenues, expenditures and changes fund balance - general fund	<u><u>\$ 1,737,609</u></u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,023,207
Differences - budget to GAAP:	
Encumbrances for services and supplies ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year services are incurred or goods received for financial reporting purposes	(16,636)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(274,916)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes fund balance - governmental funds	<u><u>\$ 1,731,655</u></u>

The notes to the required supplementary information are an integral part of this statement.

COUNTY OF SANTA CLARA

Notes to Required Supplementary Information
June 30, 2004
(Dollars in thousands)

Budgets and Budgetary Accounting

The County is a charter county and, under the general laws of the State, adopts final annual operating budgets before September 1 for all governmental funds, except capital projects funds. From the effective date of the budgets, which are adopted by the Board of Supervisors after public hearings, the proposed expenditures become appropriations to the various County departments. Only the Board has the authority to approve new appropriations. The County executive has a limited authority to approve appropriation transfers of \$100 between the objects within a budget unit. The Board of Supervisors must approve transfers among budget units and may amend the budget during the fiscal year. Unencumbered and unexpended appropriations lapse at fiscal year-end. During the year, the Board of Supervisors approved various supplemental appropriations.

The County also adopts budgets annually for capital projects funds. Such budgets are based on a project time frame, rather than a fiscal year, and unused appropriations are reappropriated from year to year until project completion.

Budgeted revenues and expenditures in the budgetary comparison schedule represent the original budget and the final budget modified by authorized adjustments during the year. Final budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year that were contingent upon new or additional revenue sources and reappropriated amounts for prior year encumbrances. Expenditures may not legally exceed budgeted appropriations at the budget unit level within each department. Interdepartmental expenditure reimbursements do not have the budgetary status of legal appropriations. Therefore, variances between estimated and actual reimbursements are not disclosed in the notes to the basic financial statements but are displayed in the supplemental section of the Comprehensive Annual Financial Report.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary accounting in the general fund, special revenue funds, and capital projects funds. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Budgetary Results of Operations Reconciled to Results of Operations in Accordance with GAAP

The County's budget is based upon accounting for certain transactions on a budget basis rather than accounting principles generally accepted in the United States of America (GAAP) basis. The results of operations on a budget basis for the general, special revenue, debt service, and capital projects funds differ from operations on a GAAP basis due to the proceeds from sales of capital assets, interfund transfers, other financing sources and the inclusion of year-end encumbrances with expenditures on a budget basis. Accordingly, the results of operations presented in the accompanying budgetary comparison schedule reflect adjustments for proceeds from sales of capital assets, interfund transfers, other financing sources and encumbrances in order to provide a meaningful comparison with the adopted County budget.

The General Fund's Risk Management budget unit reported expenditures (budgetary basis) in excess of budgeted appropriations of \$150. Expenditures in excess of budget resulted from the under-realization of expenditure reimbursements.

Discrete Component Units

COUNTY OF SANTA CLARA

Discrete Component Units

Housing Authority – accounts for the activity of the Housing Authority of the County of Santa Clara. Most of the housing programs administered by the Housing Authority are funded by contributions from the U.S. Department of Housing and Urban Development.

FIRST 5 Santa Clara County – accounts for the receipts of Proposition 10 (additional excise tax imposed on tobacco products) revenues that are used for promoting, supporting, and improving the early development of children from the prenatal stage to five years of age.

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COUNTY OF SANTA CLARA

Combining Statement of Net Assets

Discrete Component Units

June 30, 2004

(In thousands)

	Housing Authority	FIRST 5	Total
Assets:			
Cash and investments	\$ 11,486	\$ 99,009	\$ 110,495
Receivables, net of allowance for uncollectibles	2,633	477	3,110
Due from other governmental agencies	-	4,110	4,110
Due from component units and related parties	2,669	-	2,669
Inventories	24	-	24
Other assets	4,225	89	4,314
Restricted cash and investments	8,514	-	8,514
Capital assets:			
Nondepreciable	14,296	-	14,296
Depreciable, net of accumulated depreciation	28,678	59	28,737
Total assets	<u>72,525</u>	<u>103,744</u>	<u>176,269</u>
Liabilities:			
Accounts payable	7,732	4,832	12,564
Accrued salaries and benefits	-	146	146
Accrued liabilities	388	-	388
Due to other governmental agencies	593	46	639
Deferred revenue	1,783	-	1,783
Other liabilities	2,423	-	2,423
Noncurrent liabilities:			
Due within one year	2,659	-	2,659
Due in more than one year	24,718	129	24,847
Total liabilities	<u>40,296</u>	<u>5,153</u>	<u>45,449</u>
Net assets:			
Invested in capital assets, net of related debt	24,513	59	24,572
Restricted	457	98,532	98,989
Unrestricted	7,259	-	7,259
Total net assets	<u>\$ 32,229</u>	<u>\$ 98,591</u>	<u>\$ 130,820</u>

COUNTY OF SANTA CLARA

Combining Statement of Activities
Discrete Component Units

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Housing Authority</u>	<u>FIRST 5</u>	<u>Total</u>
Program expense:			
Housing Authority programs	\$ 276,067	\$ -	\$ 276,067
FIRST 5 programs	-	24,939	24,939
Total program expenses	<u>276,067</u>	<u>24,939</u>	<u>301,006</u>
Program revenues:			
Charges for services	13,570	-	13,570
Operating grants and contributions	259,668	26,089	285,757
Total program revenues	<u>273,238</u>	<u>26,089</u>	<u>299,327</u>
Net program revenues (expenses)	<u>(2,829)</u>	<u>1,150</u>	<u>(1,679)</u>
General revenue:			
Investment income	107	832	939
Other income	-	112	112
Total general revenue	<u>107</u>	<u>944</u>	<u>1,051</u>
Change in net assets	<u>(2,722)</u>	<u>2,094</u>	<u>(628)</u>
Net assets, beginning of year	<u>34,951</u>	<u>96,497</u>	<u>131,448</u>
Net assets, end of year	<u>\$ 32,229</u>	<u>\$ 98,591</u>	<u>\$ 130,820</u>



Combining Nonmajor
Governmental Funds Statements

COUNTY OF SANTA CLARA

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004
(In thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent Endowments	Total Nonmajor Governmental Funds
Assets:					
Cash and investments:					
Unrestricted	\$ 113,704	\$ -	\$ 89,747	\$ 53	\$ 203,504
Restricted with fiscal agents	-	12,072	13,925	-	25,997
Other restricted	864	18,946	-	-	19,810
Other receivables	18,920	555	229	-	19,704
Due from other funds	1,503	-	-	-	1,503
Due from other governmental agencies	6,697	-	3,664	-	10,361
Inventories	540	-	-	-	540
Other assets	1,078	-	-	-	1,078
Total assets	<u>\$ 143,306</u>	<u>\$ 31,573</u>	<u>\$ 107,565</u>	<u>\$ 53</u>	<u>\$ 282,497</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 6,167	\$ 430	\$ 241	\$ -	\$ 6,838
Accrued salaries and benefits	3,627	-	-	-	3,627
Other accrued liabilities	3,782	52	3,000	-	6,834
Due to other funds	410	1,927	1,562	-	3,899
Due to other governmental agencies	171	-	-	-	171
Deferred revenue:					
Property taxes	-	-	97	-	97
Other	20,503	175	343	-	21,021
Total liabilities	<u>34,660</u>	<u>2,584</u>	<u>5,243</u>	<u>-</u>	<u>42,487</u>
Fund balances:					
Reserved for:					
Encumbrances	12,522	-	1,516	-	14,038
Inventories, other assets and advances	1,618	-	-	-	1,618
Debt service	-	28,989	13,985	-	42,974
Unreserved:					
Designated	30,761	-	-	-	30,761
Undesignated	63,745	-	86,821	53	150,619
Total fund balances	<u>108,646</u>	<u>28,989</u>	<u>102,322</u>	<u>53</u>	<u>240,010</u>
Total liabilities and fund balances	<u>\$ 143,306</u>	<u>\$ 31,573</u>	<u>\$ 107,565</u>	<u>\$ 53</u>	<u>\$ 282,497</u>

COUNTY OF SANTA CLARA

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2004
(In thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent Endowments	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 61,578	\$ -	\$ 27,049	\$ -	\$ 88,627
Licenses and permits	11,235	-	-	-	11,235
Fines, forfeitures, and penalties	2,088	6,478	-	-	8,566
Interest and investment income	4,951	406	625	-	5,982
Intergovernmental revenues	43,518	-	1,839	-	45,357
Charges for services	40,089	-	10	-	40,099
Other revenue	5,779	-	-	-	5,779
Total revenues	169,238	6,884	29,523	-	205,645
Expenditures:					
Current:					
General government	2,848	-	-	-	2,848
Public protection	79,749	-	-	-	79,749
Public ways and facilities	46,364	-	-	-	46,364
Health and sanitation	6,921	-	-	-	6,921
Public assistance	5,885	-	-	-	5,885
Education	24,456	-	-	-	24,456
Recreation	21,756	-	-	-	21,756
Capital outlay	-	-	4,795	-	4,795
Debt service:					
Principal retirement	-	3,486	17	-	3,503
Interest and fiscal charges	-	4,371	-	-	4,371
Cost of issuance	-	-	859	-	859
Total expenditures	187,979	7,857	5,671	-	201,507
Excess (deficiency) of revenues over (under) expenditures	(18,741)	(973)	23,852	-	4,138
Other financing sources (uses):					
Proceeds from sale of capital assets	290	-	-	-	290
Long-term debt proceeds	-	-	41,375	-	41,375
Bond premium	-	-	587	-	587
Transfers in	31,071	5,635	-	-	36,706
Transfers out	(10,442)	-	(24,344)	-	(34,786)
Total other financing sources (uses)	20,919	5,635	17,618	-	44,172
Net change in fund balances	2,178	4,662	41,470	-	48,310
Fund balances, beginning of year	106,468	24,327	60,852	53	191,700
Fund balances, end of year	\$ 108,646	\$ 28,989	\$ 102,322	\$ 53	\$ 240,010



Nonmajor Special Revenue Funds

COUNTY OF SANTA CLARA

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources, other than those related to major capital projects, that are legally restricted to expenditures for specific purposes. The following summarizes the County's significant Special Revenue Funds:

Roads – accounts for the maintenance and construction of roadways and specialized engineering services to other governmental units and the public. The program is primarily funded by the state's highway use tax and supplemented by federal funds, vehicle code fines and fees, and reimbursement for engineering services.

County Library – accounts for library services for unincorporated areas and certain incorporated cities within the County. Revenues consist primarily of property taxes and federal and state aid.

Parks Operations and Maintenance – accounts for the operation and maintenance of County parks. The primary source of revenue is charges for services. An annual operating transfer from the Parks Acquisition and Development Capital Projects Fund supplements the program.

Housing and Community Development – accounts for grants from the Federal Department of Housing and Community Development.

Clerk-Recorder – accounts for special recording fees collected to support, maintain, and improve document creation, storage retrieval systems.

Fire Districts – accounts for fire protection for the unincorporated areas and certain incorporated cities within the County. Revenues consist of property taxes, state assistance, and contract reimbursements.

Emergency Medical Services – accounts for emergency medical service activities that are funded through special assessments, court fines and by the tobacco tax imposed through a voter approved proposition.

Indigent Health Care – accounts for the proceeds of the tobacco tax imposed through a voter approved proposition, which is legally required to fund non-county hospital and physician contracts for indigent health care.

Environmental Health – includes education, inspection, plan review and permit services related to food, water supply, sewage disposal, noise control, disaster preparedness, and lead contamination. Enforces regulations related to food and hazardous materials. Revenues originate from fees, permits, grants, and municipal contributions.

Vector Control – accounts for the operational and capital improvement activities of the Santa Clara County Vector Control District, which detects and minimizes vector-borne diseases, abates mosquitoes, and assists the public in resolving problems with rodents, wildlife, and insects of medical significance. Revenues come from special assessment.

Proposition 36 – accounts for expenditures related to the substance abuse prevention and crime prevention acts of 2000. Revenues come from state grants and interest earnings.

Other – accounts for activities of various programs including, Correctional Facilities, Fish & Game, Health & Vital Statistics, Inmate Work Furlough, Integrated Waste Management, Juvenile Rehabilitation, Juvenile Welfare, LAFCO, Mortgage and Rental Assistance, Survey Monument Preservation and Weed Abatement.

COUNTY OF SANTA CLARA

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2004
(In thousands)

	Roads	County Library	Parks Operation and Maintenance	Housing and Community Development	Clerk- Recorder	Fire Districts	Emergency Medical Services
Assets:							
Cash and investments:							
Unrestricted	\$ 26,212	\$ 18,245	\$ 403	\$ 14,335	\$ 9,121	\$ 30,411	\$ 1,769
Other restricted	-	-	-	-	-	101	-
Other receivables	360	139	354	15,538	-	502	10
Due from other funds	733	-	-	-	-	-	770
Due from other governmental agencies	2,752	188	197	699	-	2,244	293
Inventories	540	-	-	-	-	-	-
Other assets	-	-	-	1,071	-	-	-
Total assets	<u>\$ 30,597</u>	<u>\$ 18,572</u>	<u>\$ 954</u>	<u>\$ 31,643</u>	<u>\$ 9,121</u>	<u>\$ 33,258</u>	<u>\$ 2,842</u>
Liabilities and Fund Balances:							
Liabilities:							
Accounts payable	\$ 903	\$ 424	\$ 274	\$ 570	\$ 54	\$ 1,561	\$ 1,535
Accrued salaries and benefits	694	452	425	25	-	1,626	-
Other accrued liabilities	67	4	75	30	-	2,218	-
Due to other funds	-	-	-	-	-	-	-
Due to other governmental agencies	1	5	4	90	-	-	-
Deferred revenue – other	3,601	64	444	15,544	-	-	-
Total liabilities	<u>5,266</u>	<u>949</u>	<u>1,222</u>	<u>16,259</u>	<u>54</u>	<u>5,405</u>	<u>1,535</u>
Fund balances:							
Reserved for:							
Encumbrances	8,895	946	481	1,643	324	-	-
Inventories and other assets	540	-	-	1,071	-	-	-
Unreserved:							
Designated	3,030	10,547	-	-	-	9,663	-
Undesignated	12,866	6,130	(749)	12,670	8,743	18,190	1,307
Total fund balances	<u>25,331</u>	<u>17,623</u>	<u>(268)</u>	<u>15,384</u>	<u>9,067</u>	<u>27,853</u>	<u>1,307</u>
Total liabilities and fund balances	<u>\$ 30,597</u>	<u>\$ 18,572</u>	<u>\$ 954</u>	<u>\$ 31,643</u>	<u>\$ 9,121</u>	<u>\$ 33,258</u>	<u>\$ 2,842</u>

COUNTY OF SANTA CLARA

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2004
(In thousands)

Indigent Health Care	Environmental Health	Vector Control	Proposition 36	Other	Total
\$ 324	\$ 7,301	\$ 2,092	\$ 711	\$ 2,780	\$ 113,704
-	763	-	-	-	864
1	292	10	12	1,702	18,920
-	-	-	-	-	1,503
12	312	-	-	-	6,697
-	-	-	-	-	540
-	7	-	-	-	1,078
<u>\$ 337</u>	<u>\$ 8,675</u>	<u>\$ 2,102</u>	<u>\$ 723</u>	<u>\$ 4,482</u>	<u>\$ 143,306</u>
\$ 199	\$ 550	\$ 7	\$ -	\$ 90	\$ 6,167
-	302	69	-	34	3,627
-	763	-	-	625	3,782
138	-	-	-	272	410
-	53	-	-	18	171
-	850	-	-	-	20,503
<u>337</u>	<u>2,518</u>	<u>76</u>	<u>-</u>	<u>1,039</u>	<u>34,660</u>
-	76	35	-	122	12,522
-	7	-	-	-	1,618
-	5,434	1,658	-	429	30,761
-	640	333	723	2,892	63,745
<u>-</u>	<u>6,157</u>	<u>2,026</u>	<u>723</u>	<u>3,443</u>	<u>108,646</u>
<u>\$ 337</u>	<u>\$ 8,675</u>	<u>\$ 2,102</u>	<u>\$ 723</u>	<u>\$ 4,482</u>	<u>\$ 143,306</u>

Assets:

Cash and investments:
Unrestricted
Other restricted
Other receivables
Due from other funds
Due from other governmental agencies
Inventories
Other assets
Total assets

Liabilities and Fund Balances:

Liabilities:
Accounts payable
Accrued salaries and benefits
Other accrued liabilities
Due to other funds
Due to other governmental agencies
Deferred revenue – other
Total liabilities
Fund balances:
Reserved for:
Encumbrances
Inventories and other assets
Unreserved:
Designated
Undesignated
Total fund balances
Total liabilities and fund balances

COUNTY OF SANTA CLARA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2004
(In thousands)

	Roads	County Library	Parks Operation and Maintenance	Housing and Community Development	Clerk- Recorder	Fire Districts	Emergency Medical Services
Revenues:							
Taxes	\$ -	\$ 15,242	\$ -	\$ -	\$ -	\$ 43,704	\$ -
Licenses and permits	580	-	-	156	-	424	-
Fines, forfeitures, and penalties	-	722	2	-	-	-	1,354
Interest and investment income	836	220	531	220	-	2,950	28
Intergovernmental revenues	29,501	4,193	358	4,596	-	409	1,171
Charges for services	971	5,467	3,259	1	5,536	17,742	-
Other revenue	2,055	435	610	1,707	-	40	-
Total revenues	<u>33,943</u>	<u>26,279</u>	<u>4,760</u>	<u>6,680</u>	<u>5,536</u>	<u>65,269</u>	<u>2,553</u>
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Public protection	-	-	-	-	1,087	65,859	-
Public ways and facilities	46,364	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-	3,487
Public assistance	-	-	-	5,737	-	-	-
Education	-	24,456	-	-	-	-	-
Recreation	-	-	21,756	-	-	-	-
Total expenditures	<u>46,364</u>	<u>24,456</u>	<u>21,756</u>	<u>5,737</u>	<u>1,087</u>	<u>65,859</u>	<u>3,487</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,421)</u>	<u>1,823</u>	<u>(16,996)</u>	<u>943</u>	<u>4,449</u>	<u>(590)</u>	<u>(934)</u>
Other financing sources (uses):							
Proceeds from sale of capital assets	163	-	-	-	-	127	-
Transfers in	15,735	51	15,000	-	-	-	-
Transfers out	-	-	-	-	(3,429)	-	-
Total other financing sources (uses)	<u>15,898</u>	<u>51</u>	<u>15,000</u>	<u>-</u>	<u>(3,429)</u>	<u>127</u>	<u>-</u>
Net change in fund balances	<u>3,477</u>	<u>1,874</u>	<u>(1,996)</u>	<u>943</u>	<u>1,020</u>	<u>(463)</u>	<u>(934)</u>
Fund balances, beginning of year	<u>21,854</u>	<u>15,749</u>	<u>1,728</u>	<u>14,441</u>	<u>8,047</u>	<u>28,316</u>	<u>2,241</u>
Fund balances, end of year	<u>\$ 25,331</u>	<u>\$ 17,623</u>	<u>\$ (268)</u>	<u>\$ 15,384</u>	<u>\$ 9,067</u>	<u>\$ 27,853</u>	<u>\$ 1,307</u>

COUNTY OF SANTA CLARA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2004
(In thousands)

Indigent Health Care	Environmental Health	Vector Control	Proposition 36	Other Funds	Total	
\$ -	\$ -	\$ 2,632	\$ -	\$ -	\$ 61,578	Revenues:
-	9,999	-	-	76	11,235	Taxes
-	-	-	-	10	2,088	Licenses and permits
-	100	58	-	8	4,951	Fines, forfeitures, and penalties
264	2,701	-	70	255	43,518	Interest and investment income
-	427	-	4,565	2,121	40,089	Intergovernmental revenues
-	53	3	-	876	5,779	Charges for services
264	13,280	2,693	4,635	3,346	169,238	Other revenue
						Total revenues
						Expenditures:
						Current:
-	-	-	-	2,848	2,848	General government
-	12,727	-	-	76	79,749	Public protection
-	-	-	-	-	46,364	Public ways and facilities
264	-	3,170	-	-	6,921	Health and sanitation
-	-	-	-	148	5,885	Public assistance
-	-	-	-	-	24,456	Education
-	-	-	-	-	21,756	Recreation
264	12,727	3,170	-	3,072	187,979	Total expenditures
						Excess (deficiency) of revenues over (under) expenditures
-	553	(477)	4,635	274	(18,741)	
						Other financing sources (uses):
-	-	-	-	-	290	Proceeds from sale of capital assets
-	285	-	-	-	31,071	Transfers in
-	-	(1,932)	(5,081)	-	(10,442)	Transfers out
-	285	(1,932)	(5,081)	-	20,919	Total other financing sources (uses)
-	838	(2,409)	(446)	274	2,178	Net change in fund balances
-	5,319	4,435	1,169	3,169	106,468	Fund balances, beginning of year
\$ -	\$ 6,157	\$ 2,026	\$ 723	\$ 3,443	\$ 108,646	Fund balances, end of year

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Roads Fund

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	\$ 21,854	\$ 21,854	\$ 21,854	\$ -
Resources (inflows):				
Licenses and permits	750	750	580	(170)
Interest and investment income	981	981	836	(145)
Intergovernmental revenues	28,463	47,718	29,501	(18,217)
Charges for services	961	1,011	971	(40)
Other revenue	24	2,545	2,055	(490)
Interfund transfers	9,170	37,660	15,735	(21,925)
Proceeds from sale of capital assets	1,530	1,530	163	(1,367)
Amounts available for appropriation	<u>41,879</u>	<u>92,195</u>	<u>49,841</u>	<u>(42,354)</u>
Charges to appropriations (outflows):				
Public ways and facilities:				
Salaries and employees benefits	23,728	23,728	22,964	764
Services and supplies	4,154	5,668	4,095	1,573
Capital assets	13,135	77,827	28,200	49,627
Reserves	-	13,487	-	13,487
Total charges to appropriations	<u>41,017</u>	<u>120,710</u>	<u>55,259</u>	<u>65,451</u>
Budgetary fund balances, end of year	<u>\$ 22,716</u>	<u>\$ (6,661)</u>	<u>\$ 16,436</u>	<u>\$ 23,097</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources

Actual amounts (budgetary basis) "total resources" from the budgetary comparison schedule	\$ 49,841
Differences - budget to GAAP:	
Interfund transfers from other funds are inflows of budgetary resources but are not revenues financial reporting purposes	(15,735)
Proceeds from the sale of capital assets are inflows of budgetary resources but are not revenues financial reporting purposes	<u>(163)</u>
Total revenues as reported on the statement of revenues, expenditures and changes fund balance - governmental funds	<u>\$ 33,943</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 55,259
Differences - budget to GAAP:	
Encumbrances for services and supplies ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year services is incurred or supplies received for financial reporting purposes	<u>(8,895)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes fund balance - governmental funds	<u>\$ 46,364</u>

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
County Library Fund

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	\$ 15,749	\$ 15,749	\$ 15,749	\$ -
Resources (inflows):				
Taxes	15,000	15,000	15,242	242
Fines, forfeitures, and penalties	650	650	722	72
Interest and investment income	220	220	220	-
Intergovernmental revenues	4,183	4,311	4,193	(118)
Charges for services	5,585	5,589	5,467	(122)
Other revenue	142	381	435	54
Interfund transfers	-	-	51	51
Amounts available for appropriation	<u>25,780</u>	<u>26,151</u>	<u>26,330</u>	<u>179</u>
Charges to appropriations (outflows):				
Debt Service				
Principal retirement		-	-	-
Education				
Salaries and employees benefits	17,187	17,219	16,479	740
Services and supplies	8,379	10,558	8,774	1,784
Capital assets	100	210	149	61
Reserves	494	13,754	-	13,754
Total charges to appropriations	<u>26,160</u>	<u>41,741</u>	<u>25,402</u>	<u>16,339</u>
Budgetary fund balances, end of year	<u>\$ 15,369</u>	<u>\$ 159</u>	<u>\$ 16,677</u>	<u>\$ 16,518</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources

Actual amounts (budgetary basis) "total resources"	
from the budgetary comparison schedule	\$ 26,330
Differences - budget to GAAP:	
Interfund transfers from other funds are inflows of budgetary resources	
but are not revenues financial reporting purposes	<u>(51)</u>
Total revenues as reported on the statement of revenues, expenditures and	
changes fund balance - governmental funds	<u>\$ 26,279</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations"	
from the budgetary comparison schedule	\$ 25,402
Differences - budget to GAAP:	
Encumbrances for services and supplies ordered but not received is reported	
in the year the order is placed for budgetary purposes, but in the year services	
is incurred or supplies received for financial reporting purposes	<u>(946)</u>
Total expenditures as reported on the statement of revenues, expenditures and	
changes fund balance - governmental funds	<u>\$ 24,456</u>

COUNTY OF SANTA CLARA
 Budgetary Comparison Schedule
 Parks Operation and Maintenance Fund
 For the Fiscal Year Ended June 30, 2004
 (In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balances, beginning of year	\$ 1,728	\$ 1,728	\$ 1,728	\$ -
Resources (inflows):				
Fines, forfeitures, and penalties	-	-	2	2
Interest and investment income	597	597	531	(66)
Intergovernmental revenues	306	324	358	34
Charges for services	3,509	3,509	3,259	(250)
Other revenue	548	548	610	62
Interfund transfers	18,500	18,500	15,000	(3,500)
Amounts available for appropriation	<u>23,460</u>	<u>23,478</u>	<u>19,760</u>	<u>(3,718)</u>
Charges to appropriations (outflows):				
Recreation				
Salaries and employees benefits	15,536	15,536	14,719	817
Services and Supplies	7,700	8,220	7,227	993
Other charges	28	28	27	1
Capital assets	170	345	264	81
Reserves	340	2,867	-	2,867
Total charges to appropriations	<u>23,774</u>	<u>26,996</u>	<u>22,237</u>	<u>4,759</u>
Budgetary fund balances, end of year	<u>\$ 1,414</u>	<u>\$ (1,790)</u>	<u>\$ (749)</u>	<u>\$ 1,041</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources	\$ 19,760
Actual amounts (budgetary basis) "total resources" from the budgetary comparison schedule	
Differences - budget to GAAP:	
Interfund transfers from other funds are inflows of budgetary resources but are not revenues financial reporting purposes	<u>(15,000)</u>
Total revenues as reported on the statement of revenues, expenditures and changes fund balance - governmental funds	<u>\$ 4,760</u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 22,237
Differences - budget to GAAP:	
Encumbrances for services and supplies ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year services is incurred or supplies received for financial reporting purposes	<u>(481)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes fund balance - governmental funds	<u>\$ 21,756</u>

COUNTY OF SANTA CLARA
 Budgetary Comparison Schedule
 Housing and Community Development Fund
 For the Fiscal Year Ended June 30, 2004
 (In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	\$ 14,441	\$ 14,441	\$ 14,441	\$ -
Resources (inflows):				
Licenses and permits	79	79	156	77
Interest and investment income	-	-	220	220
Intergovernmental revenues	4,014	9,495	4,596	(4,899)
Charges for services	-	-	1	1
Other revenue	830	830	1,707	877
Amounts available for appropriation	<u>4,923</u>	<u>10,404</u>	<u>6,680</u>	<u>(3,724)</u>
Charges to appropriations (outflows):				
Public assistance				
Salaries and employees benefits	933	933	900	33
Services and supplies	4,465	25,331	6,480	18,851
Reserves	-	853	-	853
Total charges to appropriations	<u>5,398</u>	<u>27,117</u>	<u>7,380</u>	<u>19,737</u>
Budgetary fund balances, end of year	<u>\$ 13,966</u>	<u>\$ (2,272)</u>	<u>\$ 13,741</u>	<u>\$ 16,013</u>

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 7,380
Differences - budget to GAAP:	
Encumbrances for services and supplies ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year services is incurred or supplies received for financial reporting purposes	<u>(1,643)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes fund balance - governmental funds	<u>\$ 5,737</u>

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Clerk-Recorder Fund

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balances, beginning of year	\$ 8,047	\$ 8,047	\$ 8,047	\$ -
Resources (inflows):				
Charges for services	3,145	3,145	5,536	2,391
Interfund transfers	9	9	-	(9)
Amounts available for appropriation	<u>3,154</u>	<u>3,154</u>	<u>5,536</u>	<u>2,382</u>
Charges to appropriations (outflows):				
Public protection				
Services and supplies	1,587	1,497	1,071	426
Capital assets	20	353	340	13
Interfund transfers	2,474	3,437	3,429	8
Reserves	-	6,169	-	6,169
Total charges to appropriations	<u>4,081</u>	<u>11,456</u>	<u>4,840</u>	<u>6,616</u>
Budgetary fund balances, end of year	<u>\$ 7,120</u>	<u>\$ (255)</u>	<u>\$ 8,743</u>	<u>\$ 8,998</u>

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 4,840
Differences - budget to GAAP:	
Encumbrances for services and supplies ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year services is incurred or supplies received for financial reporting purposes	(324)
Interfund transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(3,429)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes fund balance - governmental funds	<u>\$ 1,087</u>

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Fire Districts Fund

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	\$ 28,316	\$ 28,316	\$ 28,316	\$ -
Resources (inflows):				
Taxes	47,170	46,412	43,704	(2,708)
Licenses and permits	-	268	424	156
Interest and investment income	495	445	2,950	2,505
Intergovernmental revenues	27	27	409	382
Charges for services	13,822	14,124	17,742	3,618
Other revenue	157	288	40	(248)
Proceeds from sale of capital assets	-	-	127	127
Amounts available for appropriation	<u>61,671</u>	<u>61,564</u>	<u>65,396</u>	<u>3,832</u>
Charges to appropriations (outflows):				
Public protection				
Salaries and employees benefits	44,310	44,175	43,084	1,091
Services and supplies	8,738	12,462	15,797	(3,335)
Other charges	5,059	6,459	6,312	147
Capital assets	3,273	1,355	666	689
Reserves	17,900	20,499	-	20,499
Total charges to appropriations	<u>79,280</u>	<u>84,950</u>	<u>65,859</u>	<u>19,091</u>
Budgetary fund balances, end of year	<u>\$ 10,707</u>	<u>\$ 4,930</u>	<u>\$ 27,853</u>	<u>\$ (15,259)</u>

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

Sources/inflows of resources

Actual amounts (budgetary basis) "total resources"			
from the budgetary comparison schedule		\$ 65,396	
Differences - budget to GAAP:			
Other financing sources from sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes		<u>(127)</u>	
Total revenues as reported on the statement of revenues, expenditures and changes fund balance - governmental funds		<u>\$ 65,269</u>	

COUNTY OF SANTA CLARA
 Budgetary Comparison Schedule
 Emergency Medical Services Fund
 For the Fiscal Year Ended June 30, 2004
 (In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	\$ 2,241	\$ 2,241	\$ 2,241	\$ -
Resources (inflows):				
Fines, forfeitures, and penalties	2,250	2,350	1,354	(996)
Interest and investment income	-	-	28	28
Intergovernmental revenues	1,446	1,446	1,171	(275)
Amounts available for appropriation	<u>3,696</u>	<u>3,796</u>	<u>2,553</u>	<u>(1,243)</u>
Charges to appropriations (outflows):				
Health and sanitation				
Services and supplies	3,696	3,796	3,487	309
Reserves	-	2,241	-	2,241
Total charges to appropriations	<u>3,696</u>	<u>6,037</u>	<u>3,487</u>	<u>2,550</u>
Budgetary fund balances, end of year	<u>\$ 2,241</u>	<u>\$ -</u>	<u>\$ 1,307</u>	<u>\$ 1,307</u>

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Indigent Health Care Fund

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balances, beginning of year	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental revenues	300	300	264	(36)
Amounts available for appropriation	300	300	264	(36)
Charges to appropriations (outflows):				
Health and sanitation				
Services and supplies	300	300	264	36
Budgetary fund balances, end of year	\$ -	\$ -	\$ -	\$ -

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Environmental Health Fund

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	\$ 5,319	\$ 5,319	\$ 5,319	\$ -
Resources (inflows):				
Licenses and permits	9,574	9,574	9,999	425
Interest and investment income	161	161	100	(61)
Intergovernmental revenues	3,715	3,950	2,701	(1,249)
Charges for services	362	362	427	65
Other revenue	-	-	53	53
Interfund transfers	217	217	285	68
	<u>14,029</u>	<u>14,264</u>	<u>13,565</u>	<u>(699)</u>
Charges to appropriations (outflows):				
Public protection				
Salaries and employees benefits	10,683	10,666	9,800	866
Services and supplies	3,472	3,875	2,984	891
Capital assets	-	20	19	1
Reserves	-	5,137	-	5,137
	<u>14,155</u>	<u>19,698</u>	<u>12,803</u>	<u>6,895</u>
Budgetary fund balances, end of year	<u>\$ 5,193</u>	<u>\$ (115)</u>	<u>\$ 6,081</u>	<u>\$ 6,196</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources

Actual amounts (budgetary basis) "total resources" from the budgetary comparison schedule	\$ 13,565
Differences - budget to GAAP:	
Interfund transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(285)</u>
Total revenues as reported on the statement of revenues, expenditures and changes fund balance - governmental funds	<u>\$ 13,280</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 12,803
Differences - budget to GAAP:	
Encumbrances for services and supplies ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year services is incurred or supplies received for financial reporting purposes	<u>(76)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes fund balance - governmental funds	<u>\$ 12,727</u>

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Vector Control Fund

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balances, beginning of year	\$ 4,435	\$ 4,435	\$ 4,435	\$ -
Resources (inflows):				
Taxes	2,655	2,655	2,632	(23)
Interest and investment income	99	187	58	(129)
Other revenue	-	-	3	3
Interfund transfers	-	87	-	(87)
Amounts available for appropriation	<u>2,754</u>	<u>2,929</u>	<u>2,693</u>	<u>(236)</u>
Charges to appropriations (outflows):				
Health and sanitation				
Salaries and employees benefits	2,377	2,342	2,247	95
Services and supplies	657	947	890	57
Capital assets	-	68	68	-
Interfund transfers	-	2,019	1,932	87
Reserves	-	2,111	-	2,111
Total charges to appropriations	<u>3,034</u>	<u>7,487</u>	<u>5,137</u>	<u>2,350</u>
Budgetary fund balances, end of year	<u>\$ 4,155</u>	<u>\$ (123)</u>	<u>\$ 1,991</u>	<u>\$ 2,114</u>

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,137
Differences - budget to GAAP:	
Interfund transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1,932)
Encumbrances for services and supplies ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year services is incurred or supplies received for financial reporting purposes	<u>(35)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes fund balance - governmental funds	<u>\$ 3,170</u>

COUNTY OF SANTA CLARA
 Budgetary Comparison Schedule
 Proposition 36 Fund
 For the Fiscal Year Ended June 30, 2004
 (In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	\$ 1,169	\$ 1,169	\$ 1,169	\$ -
Resources (inflows):				
Interest and investment income	-	-	70	70
Intergovernmental revenues	-	-	4,565	4,565
Amounts available for appropriation	-	-	4,635	4,635
Charges to appropriations (outflows):				
Interfund transfers	-	-	5,081	(5,081)
Total charges to appropriations	-	-	5,081	(5,081)
Budgetary fund balances, end of year	<u>\$ 1,169</u>	<u>\$ 1,169</u>	<u>\$ 723</u>	<u>\$ (446)</u>

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,081
Differences - budget to GAAP: Interfund transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(5,081)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes fund balance - governmental funds	<u>\$ -</u>

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Other Special Revenue Funds

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	\$ 3,169	\$ 3,169	\$ 3,169	\$ -
Resources (inflows):				
Licenses and permits	45	45	76	31
Fines, forfeitures, and penalties	5	5	10	5
Interest and investment income	2	2	8	6
Intergovernmental revenues	215	215	255	40
Charges for services	1,031	1,406	2,121	715
Other revenue	677	707	876	169
	<u>1,975</u>	<u>2,380</u>	<u>3,346</u>	<u>966</u>
Amounts available for appropriation				
Charges to appropriations (outflows):				
General government				
Salaries and employees benefits	1,113	1,139	1,088	51
Services and supplies	1,269	2,061	2,018	43
Other charges	22	22	4	18
Reserves	60	2,258	-	2,258
	<u>2,464</u>	<u>5,480</u>	<u>3,110</u>	<u>2,370</u>
Total general government				
Public protection				
Services and supplies	86	91	84	7
	<u>2,550</u>	<u>5,571</u>	<u>3,194</u>	<u>2,377</u>
Total charges to appropriations				
Budgetary fund balances, end of year	<u>\$ 2,594</u>	<u>\$ (22)</u>	<u>\$ 3,321</u>	<u>\$ (1,411)</u>

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,194
Differences - budget to GAAP:	
Encumbrances for services and supplies ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year services is incurred or supplies received for financial reporting purposes	<u>(122)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes fund balance - governmental funds	<u>\$ 3,072</u>

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Other Special Revenue Funds

For the Fiscal Year Ended June 30, 2004
(In thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<u>Mortgage and Rental Assistance</u>				
Budgetary fund balances, beginning of year	\$ 214	\$ 214	\$ 214	\$ -
Resources (inflows):				
Interest and investment income	-	-	3	3
Amounts available for appropriation	-	-	3	3
Charges to appropriations (outflows):				
Public Assistance	-	-	148	(148)
Total charges to appropriations	-	-	148	(148)
Budgetary fund balances, end of year	\$ 214	\$ 214	\$ 69	\$ (145)
<u>Survey Monument Preservation</u>				
Budgetary fund balances, beginning of year	\$ 669	\$ 669	\$ 669	\$ -
Resources (inflows):				
Charges for services	90	90	96	6
Charges to appropriations (outflows):				
General government:				
Services and supplies	30	30	30	-
Reserves	-	731	-	731
Total charges to appropriations	30	761	30	731
Budgetary fund balances, end of year	\$ 729	\$ (2)	\$ 735	\$ 737
<u>Weed Abatement</u>				
Budgetary fund balances, beginning of year	\$ 901	\$ 901	\$ 901	\$ -
Resources (inflows):				
Intergovernmental revenues	40	40	80	40
Charges for services	690	811	1,471	660
Amounts available for appropriation	730	851	1,551	700
Charges to appropriations (outflows):				
General government:				
Salaries and benefits	261	287	287	-
Services and supplies	447	1,020	998	22
Other charges	22	22	4	18
Reserves	-	639	-	639
Total charges to appropriations	730	1,968	1,289	679
Budgetary fund balances, end of year	\$ 901	\$ (216)	\$ 1,163	\$ 1,379
<u>Correctional Facility</u>				
Budgetary fund balances, beginning of year	\$ 2	\$ 2	\$ 2	\$ -
Budgetary fund balances, end of year	\$ 2	\$ 2	\$ 2	\$ -

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Other Special Revenue Funds

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
<u>Integrated Waste Management</u>				
Budgetary fund balances, beginning of year	\$ 598	\$ 598	\$ 598	\$ -
Resources (inflows):				
Intergovernmental revenue	29	29	-	(29)
Charges for services	251	505	543	38
Other revenue	642	672	784	112
Amounts available for appropriation	<u>922</u>	<u>1,206</u>	<u>1,327</u>	<u>121</u>
Charges to appropriations (outflows):				
General government:				
Salaries and benefits	683	683	629	54
Services and supplies	629	771	654	117
Reserves	-	370	-	370
Total charges to appropriations	<u>1,312</u>	<u>1,824</u>	<u>1,283</u>	<u>541</u>
Budgetary fund balances, end of year	<u>\$ 208</u>	<u>\$ (20)</u>	<u>\$ 642</u>	<u>\$ 662</u>
<u>Juvenile Welfare</u>				
Budgetary fund balances, beginning of year	\$ 51	\$ 51	\$ 51	\$ -
Resources (inflows):				
Other Revenue	35	35	48	13
Amounts available for appropriation	<u>35</u>	<u>35</u>	<u>48</u>	<u>13</u>
Charges to appropriations (outflows):				
Public Protection:				
Services and supplies	35	40	39	1
Total charges to appropriations	<u>35</u>	<u>40</u>	<u>39</u>	<u>1</u>
Budgetary fund balances, end of year	<u>\$ 51</u>	<u>\$ 46</u>	<u>\$ 60</u>	<u>\$ 14</u>
<u>LAFCO</u>				
Budgetary fund balances, beginning of year	\$ 201	\$ 201	\$ 201	\$ -
Resources (inflows):				
Licenses and permits	45	45	76	31
Interest and investment income	2	2	4	2
Intergovernmental revenues	175	175	175	-
Amounts available for appropriation	<u>222</u>	<u>222</u>	<u>255</u>	<u>33</u>
Charges to appropriations (outflows):				
General government:				
Salaries and benefits	169	169	172	(3)
Services and supplies	159	204	154	50
Reserves	60	60	-	60
Total charges to appropriations	<u>388</u>	<u>433</u>	<u>326</u>	<u>107</u>
Budgetary fund balances, end of year	<u>\$ 35</u>	<u>\$ (10)</u>	<u>\$ 130</u>	<u>\$ 140</u>
<u>Juvenile Rehabilitation</u>				
Budgetary fund balances, beginning of year	\$ 4	\$ 4	\$ 4	\$ -
Budgetary fund balances, end of year	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ -</u>

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Other Special Revenue Funds

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Fish and Game</u>				
Budgetary fund balances, beginning of year	\$ 70	\$ 70	\$ 70	\$ -
Resources (inflows):				
Fines, forfeitures, and penalties	5	5	10	5
Charges to appropriations (outflows):				
General government:				
Services and supplies	4	36	34	2
Reserves	-	40	-	40
Total charges to appropriations	4	76	34	42
Budgetary fund balances, end of year	<u>\$ 71</u>	<u>\$ (1)</u>	<u>\$ 46</u>	<u>\$ 47</u>
<u>Health Vital Statistics</u>				
Budgetary fund balances, beginning of year	\$ 418	\$ 418	\$ 418	\$ -
Resources (inflows):				
Charges for services	-	-	11	11
Charges to appropriations (outflows):				
Reserves	-	418	-	418
Budgetary fund balances, end of year	<u>\$ 418</u>	<u>\$ -</u>	<u>\$ 429</u>	<u>\$ 429</u>
<u>Inmate Work Furlough</u>				
Budgetary fund balances, beginning of year	\$ 41	\$ 41	\$ 41	\$ -
Resources (inflows):				
Interest and investment income	-	-	1	1
Other Revenue	75	75	42	(33)
Amounts available for appropriation	75	75	43	(32)
Charges to appropriations (outflows):				
Public Protection:				
Services and supplies	51	51	45	6
Budgetary fund balances, end of year	<u>\$ 65</u>	<u>\$ 65</u>	<u>\$ 39</u>	<u>\$ (26)</u>



Nonmajor Debt Service Funds

COUNTY OF SANTA CLARA

Nonmajor Governmental Funds

Debt Service Funds

Debt service funds account for the accumulation of resources for the periodic payment of interest and principal of certain long-term debt of the County. The following are the County's Debt Service Funds:

Multiple Facilities Bonds – accounts for the required debt service reserve amount of the 1992 certificates of participation.

Hospital Facilities Bonds – accounts for the required debt service reserve amount and the principal retirement and related interest payments of the Hospital Facilities Authority Bonds. Revenue sources consist of interest earnings on the reserve amount and the operating transfers from the General Fund.

Justice Facilities Bonds – accounts for the principal retirement and related interest payments of the Justice Facilities Bonds. Revenue sources consist of interest earnings and fines and forfeitures.

Morgan Hill Courthouse Bonds – accounts for the principal retirement and related interest payments of the Morgan Hill Courthouse Bonds. Revenue sources consist of interest earnings and operating transfers from the Morgan Hill Courthouse Capital Projects fund.

COUNTY OF SANTA CLARA

Combining Balance Sheet
Nonmajor Debt Service Funds

June 30, 2004
(In thousands)

	Multiple Facilities Bonds	Hospital Facilities Bonds	Justice Facilities Bonds	Morgan Hill Courthouse Bonds	Total
Assets:					
Cash and investments:					
Restricted with fiscal agents	\$ -	\$ 11,859	\$ -	\$ 213	\$ 12,072
Other restricted	7,437	-	6,814	4,695	18,946
Other receivables	356	54	1	144	555
Total assets	<u>\$ 7,793</u>	<u>\$ 11,913</u>	<u>\$ 6,815</u>	<u>\$ 5,052</u>	<u>\$ 31,573</u>
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 430	\$ -	\$ 430
Other accrued liabilities	-	52	-	-	52
Due to other funds	-	1,927	-	-	1,927
Deferred revenue	-	175	-	-	175
Total liabilities	<u>-</u>	<u>2,154</u>	<u>430</u>	<u>-</u>	<u>2,584</u>
Fund balances:					
Reserved for debt service	7,793	9,759	6,385	5,052	28,989
Total liabilities and fund balances	<u>\$ 7,793</u>	<u>\$ 11,913</u>	<u>\$ 6,815</u>	<u>\$ 5,052</u>	<u>\$ 31,573</u>

COUNTY OF SANTA CLARA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds

For the Fiscal Year Ended June 30, 2004
(In thousands)

	Multiple Facilities Bonds	Hospital Facilities Bonds	Justice Facilities Bonds	Morgan Hill Courthouse Bonds	Total
Revenues:					
Fines, forfeitures, and penalties	\$ -	\$ -	\$ 6,478	\$ -	\$ 6,478
Interest and investment income	-	-	72	334	406
Total revenues	-	-	6,550	334	6,884
Expenditures:					
Debt service:					
Principal retirement	-	366	3,120	-	3,486
Interest and fiscal charges	-	448	3,455	468	4,371
Total expenditures	-	814	6,575	468	7,857
Excess (deficiency) of revenues over (under) expenditures	-	(814)	(25)	(134)	(973)
Other financing sources:					
Transfers in	-	449	-	5,186	5,635
Total other financing sources (uses)	-	449	-	5,186	5,635
Net change in fund balances	-	(365)	(25)	5,052	4,662
Fund balances, beginning of year	7,793	10,124	6,410	-	24,327
Fund balances, end of year	\$ 7,793	\$ 9,759	\$ 6,385	\$ 5,052	\$ 28,989

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Multiple Facilities Bonds Fund

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balances, beginning of year	<u>\$ 7,793</u>	<u>\$ 7,793</u>	<u>\$ 7,793</u>	<u>\$ -</u>
Budgetary fund balances, end of year	<u><u>\$ 7,793</u></u>	<u><u>\$ 7,793</u></u>	<u><u>\$ 7,793</u></u>	<u><u>\$ -</u></u>

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Hospital Facilities Bonds Fund

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	\$ 10,124	\$ 10,124	\$ 10,124	\$ -
Resources (inflows):				
Interest and investment income	1,842	1,842	-	(1,842)
Interfund transfers	<u>660</u>	<u>660</u>	<u>449</u>	<u>(211)</u>
Amounts available for appropriation	<u>2,502</u>	<u>2,502</u>	<u>449</u>	<u>(2,053)</u>
Charges to appropriations (outflows):				
Debt service:				
Principal retirement	400	722	366	356
Interest and fiscal charges	1,113	791	448	343
Reserves	<u>-</u>	<u>811</u>	<u>-</u>	<u>811</u>
Total charges to appropriations	<u>1,513</u>	<u>2,324</u>	<u>814</u>	<u>1,510</u>
Budgetary fund balances, end of year	<u>\$ 11,113</u>	<u>\$ 10,302</u>	<u>\$ 9,759</u>	<u>\$ (543)</u>

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

Sources/inflows of resources

Actual amounts (budgetary basis) "total resources"
from the budgetary comparison schedule

\$ 449

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources
but are not revenues for financial reporting purposes

(449)

Total revenues as reported on the statement of revenues, expenditures and
changes fund balance - governmental funds

\$ -

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Justice Facilities Bonds Fund

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	\$ 6,410	\$ 6,410	\$ 6,410	\$ -
Resources (inflows):				
Fines, forfeitures, and penalties	6,364	6,364	6,478	114
Interest and investment income	218	218	72	(146)
Amounts available for appropriation	<u>6,582</u>	<u>6,582</u>	<u>6,550</u>	<u>(32)</u>
Charges to appropriations (outflows):				
Debt service:				
Principal retirement	3,120	3,120	3,120	-
Interest and fiscal charges	3,462	3,462	3,455	7
Reserves	-	10	-	10
Total charges to appropriations	<u>6,582</u>	<u>6,592</u>	<u>6,575</u>	<u>17</u>
Budgetary fund balances, end of year	<u>\$ 6,410</u>	<u>\$ 6,400</u>	<u>\$ 6,385</u>	<u>\$ (15)</u>

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Morgan Hill Courthouse Bonds Fund

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Interest and investment income	-	-	334	334
Interfund transfers	-	-	5,186	5,186
Amounts available for appropriation	-	-	5,520	5,520
Charges to appropriations (outflows):				
Debt service:				
Principal retirement	-	30	29	1
Interest and fiscal charges	-	859	439	420
Total charges to appropriations	-	889	468	421
Budgetary fund balances, end of year	\$ -	\$ (889)	\$ 5,052	\$ 5,941

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

Sources/inflows of resources

Actual amounts (budgetary basis) "total resources"
from the budgetary comparison schedule

\$ 5,520

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources
but are not revenues for financial reporting purposes

(5,186)

Total revenues as reported on the statement of revenues, expenditures and
changes fund balance - governmental funds

\$ 334

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Nonmajor Capital Project Funds

COUNTY OF SANTA CLARA

Nonmajor Governmental Funds

Capital Projects Funds

Capital Projects Funds account for the financial resources committed to the acquisition or construction of major capital facilities other than those projects that are financed by proprietary funds. The following summarizes the County's Capital Projects Funds:

Measure B Bond Proceeds – accounts for the costs of acquiring, constructing and installing certain transportation improvements within the County included in the County's 1996 Measure B Transportation Improvement Program.

Multiple Facilities Construction – accounts for various construction and renovation projects financed by proceeds of the 1992 certificates of participation.

Parks Acquisition and Development – accounts for the acquisition, development, and maintenance of County parks. The source of revenue is primarily property taxes.

Jail Facilities Construction – accounts for the construction of jail facilities. Revenues consist of State grants and interest earnings.

Juvenile Facilities Construction – accounts for the construction of juvenile facilities of the Probation Department. Revenues consist of interest earnings and contributions from the General fund.

Morgan Hill Courthouse Construction – accounts for the construction of the Morgan Hill Courthouse. Revenues consist of debt proceeds financed by the 2003 Bond Proceeds Series C & D.

COUNTY OF SANTA CLARA

Combining Balance Sheet
Nonmajor Capital Projects Funds

June 30, 2004
(In thousands)

	Measure B Bond Proceeds	Multiple Facilities Construction	Parks Acquisition and Development
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and investments:			
Unrestricted	\$ 634	\$ 1,375	\$ 55,878
Restricted with fiscal agents	13,925	-	-
Other receivables	73	-	156
Due from other governmental agencies	-	-	3,664
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 14,632</u>	<u>\$ 1,375</u>	<u>\$ 59,698</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 241
Other accrued liabilities	-	-	3,000
Due to other funds	-	1,375	-
Deferred revenue – property taxes	-	-	97
Deferred revenue – other	-	-	343
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u> -</u>	<u> 1,375</u>	<u> 3,681</u>
Fund Balances:			
Reserve for:			
Encumbrances	-	-	1,514
Debt service	13,985	-	-
Unreserved - undesignated	647	-	54,503
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>14,632</u>	<u> -</u>	<u>56,017</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 14,632</u>	<u>\$ 1,375</u>	<u>\$ 59,698</u>

COUNTY OF SANTA CLARA

Combining Balance Sheet
Nonmajor Capital Projects Funds

June 30, 2004
(In thousands)

<u>Jail Facilities Construction</u>	<u>Juvenile Facilities Construction</u>	<u>Morgan Hill Courthouse Construction</u>	<u>Total</u>
\$ 65	\$ -	\$ 31,795	\$ 89,747
-	-	-	13,925
-	-	-	229
-	-	-	3,664
<u>\$ 65</u>	<u>\$ -</u>	<u>\$ 31,795</u>	<u>\$ 107,565</u>
\$ -	\$ -	\$ -	\$ 241
-	-	-	3,000
-	187	-	1,562
-	-	-	97
-	-	-	343
<u>-</u>	<u>187</u>	<u>-</u>	<u>5,243</u>
-	2	-	1,516
-	-	-	13,985
65	(189)	31,795	86,821
<u>65</u>	<u>(187)</u>	<u>31,795</u>	<u>102,322</u>
<u>\$ 65</u>	<u>\$ -</u>	<u>\$ 31,795</u>	<u>\$ 107,565</u>

Assets:

Cash and investments:
 Unrestricted
 Restricted with fiscal agents
 Other receivables
 Due from other governmental agencies
 Total assets

Liabilities and Fund Balances:

Liabilities:
 Accounts payable
 Other accrued liabilities
 Due to other funds
 Deferred revenue – property taxes
 Deferred revenue – other
 Total liabilities

Fund Balances:
 Reserve for:
 Encumbrances
 Debt service
 Unreserved - undesignated
 Total fund balances
 Total liabilities and fund balances

COUNTY OF SANTA CLARA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds

For the Fiscal Year Ended June 30, 2004
(In thousands)

	Measure B Bond Proceeds	Multiple Facilities Construction	Parks Acquisition and Development
Revenues:			
Taxes	\$ -	\$ -	\$ 27,049
Interest and investment income	67	-	557
Intergovernmental revenues	-	-	1,839
Charges for services	-	-	10
Total revenues	<u>67</u>	<u>-</u>	<u>29,455</u>
Expenditures:			
Capital outlay	-	-	4,792
Debt service:			
Interest and fiscal charges	-	-	-
Cost of issuance	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>4,792</u>
Excess (deficiency) of revenues over (under) expenditures	<u>67</u>	<u>-</u>	<u>24,663</u>
Other financing sources (uses):			
Long-term debt proceeds	-	-	-
Bond premium	-	-	-
Transfers out	<u>(53)</u>	<u>-</u>	<u>(15,000)</u>
Total other financing sources (uses)	<u>(53)</u>	<u>-</u>	<u>(15,000)</u>
Net change in fund balances	<u>14</u>	<u>-</u>	<u>9,663</u>
Fund balances, beginning of year	<u>14,618</u>	<u>-</u>	<u>46,354</u>
Fund balances, end of year	<u><u>\$ 14,632</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 56,017</u></u>

COUNTY OF SANTA CLARA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds

For the Fiscal Year Ended June 30, 2004
(In thousands)

Jail Facilities Construction	Juvenile Facilities Construction	Morgan Hill Courthouse Construction	Total
\$ -	\$ -	\$ -	\$ 27,049
1	-	-	625
-	-	-	1,839
-	-	-	10
<u>1</u>	<u>-</u>	<u>-</u>	<u>29,523</u>
-	3	-	4,795
-	-	17	17
-	-	859	859
<u>-</u>	<u>3</u>	<u>876</u>	<u>5,671</u>
<u>1</u>	<u>(3)</u>	<u>(876)</u>	<u>23,852</u>
-	-	41,375	41,375
-	-	587	587
-	-	(9,291)	(24,344)
<u>-</u>	<u>-</u>	<u>32,671</u>	<u>17,618</u>
<u>1</u>	<u>(3)</u>	<u>31,795</u>	<u>41,470</u>
<u>64</u>	<u>(184)</u>	<u>-</u>	<u>60,852</u>
<u>\$ 65</u>	<u>\$ (187)</u>	<u>\$ 31,795</u>	<u>\$ 102,322</u>

Revenues:

Taxes
Interest and investment income
Intergovernmental revenues
Charges for services
Total revenues

Expenditures:

Capital outlay
Debt service:
Interest and fiscal charges
Cost of issuance
Total expenditures

Excess (deficiency) of revenues over
(under) expenditures

Other financing sources (uses):

Long-term debt proceeds
Bond premium
Transfers out
Total other financing sources (uses)

Net change in fund balances

Fund balances, beginning of year

Fund balances, end of year

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Capital Improvement Fund

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	\$ 85,775	\$ 85,775	\$ 85,775	\$ -
Resources (inflows):				
Interest and investment income	1,350	1,350	635	(715)
Intergovernmental revenues	-	19,370	8,953	(10,417)
Charges for services	-	2,535	2,627	92
Interfund transfers	8,620	50,714	18,918	(31,796)
Other financing sources	-	33,820	33,820	-
Amounts available for appropriation	<u>9,970</u>	<u>107,789</u>	<u>64,953</u>	<u>(42,836)</u>
Charges to appropriations (outflows):				
General government:				
Services and supplies	-	109	122	(13)
Capital outlay	9,970	205,787	111,527	94,260
Interfund transfers	830	10,157	10,157	-
Reserves	-	28,310	-	28,310
Total charges to appropriations	<u>10,800</u>	<u>244,363</u>	<u>121,806</u>	<u>122,557</u>
Budgetary fund balances, end of year	<u>\$ 84,945</u>	<u>\$ (50,799)</u>	<u>\$ 28,922</u>	<u>\$ 79,721</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources

Actual amounts (budgetary basis) "total resources" from the budgetary comparison schedule	\$ 64,953
Differences - budget to GAAP:	
Interfund transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(18,918)
Other financing sources from advances are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(33,820)</u>
Total revenues as reported on the statement of revenues, expenditures and changes fund balance - governmental funds	<u>\$ 12,215</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 121,806
Differences - budget to GAAP:	
Encumbrances for services and supplies ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year services is incurred or supplies received for financial reporting purposes	(22,571)
Interfund transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(10,157)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes fund balance - governmental funds	<u>\$ 89,078</u>

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Measure B Bond Proceeds Fund

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	\$ 14,618	\$ 14,618	\$ 14,618	\$ -
Resources (inflows):				
Interest and investment income	253	346	67	(279)
Amounts available for appropriation	253	346	67	(279)
Charges to appropriations (outflows):				
Capital outlay	253	253	-	253
Interfund Transfers	-	93	53	40
Total charges to appropriations	253	346	53	293
Budgetary fund balances, end of year	<u>\$ 14,618</u>	<u>\$ 14,618</u>	<u>\$ 14,632</u>	<u>\$ 14</u>

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations"
from the budgetary comparison schedule

\$ 53

Differences - budget to GAAP:

Interfund transfers to other funds are outflows of budgetary resources but
are not expenditures for financial reporting purposes

(53)

Total expenditures as reported on the statement of revenues, expenditures and
changes fund balance - governmental funds

\$ -

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Parks Acquisition and Development Fund
For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balances, beginning of year	\$ 46,354	\$ 46,354	\$ 46,354	\$ -
Resources (inflows):				
Taxes	26,196	26,196	27,049	853
Interest and investment income	550	550	557	7
Intergovernmental revenues	1,113	1,178	1,839	661
Charges for services	50	50	10	(40)
Interfund transfers	500	6,304	-	(6,304)
Amounts available for appropriation	<u>28,409</u>	<u>34,278</u>	<u>29,455</u>	<u>(4,823)</u>
Charges to appropriations (outflows):				
Capital outlay	8,781	26,241	6,306	19,935
Interfund transfers	19,500	24,804	15,000	9,804
Total charges to appropriations	<u>28,281</u>	<u>51,045</u>	<u>21,306</u>	<u>29,739</u>
Budgetary fund balances, end of year	<u>\$ 46,482</u>	<u>\$ 29,587</u>	<u>\$ 54,503</u>	<u>\$ 24,916</u>

Explanation of Differences between Budgetary Outflows and GAAP and Expenditures:

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 21,306
Differences - budget to GAAP:	
Encumbrances for services and supplies ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year services is incurred or supplies received for financial reporting purposes	(1,514)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(15,000)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes fund balance - governmental funds	<u>\$ 4,792</u>

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Jail Facilities Construction Fund

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balances, beginning of year	\$ 64	\$ 64	\$ 64	\$ -
Resources (inflows):				
Interest and investment income	-	-	1	1
Amounts available for appropriation	-	-	1	1
Charges to appropriations (outflows):				
Reserves	-	64	-	64
Total charges to appropriations	-	64	-	64
Budgetary fund balances, end of year	<u>\$ 64</u>	<u>\$ -</u>	<u>\$ 65</u>	<u>\$ 65</u>

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
 Juvenile Facilities Construction Fund

For the Fiscal Year Ended June 30, 2004
 (In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	\$ (184)	\$ (184)	\$ (184)	\$ -
Charges to appropriations (outflows):				
General government:				
Capital outlay	-	63	5	58
Budgetary fund balances, end of year	<u>\$ (184)</u>	<u>\$ (247)</u>	<u>\$ (189)</u>	<u>\$ 58</u>

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Sources/outflows of resources

Actual amounts (budgetary basis) "total resources"
 from the budgetary comparison schedule

\$ 5

Differences - budget to GAAP:

Encumbrances for services and supplies ordered but not received is reported
 in the year the order is placed for budgetary purposes, but in the year services
 is incurred or supplies received for financial reporting purposes

(2)

Total revenues as reported on the statement of revenues, expenditures and
 changes fund balance - governmental funds

\$ 3

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Morgan Hill Courthouse Construction Fund
For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balances, beginning of year	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Interfund transfers	-	28	-	(28)
Proceeds and premium from long-term debt	-	41,962	41,962	-
Amounts available for appropriation	<u>-</u>	<u>41,990</u>	<u>41,962</u>	<u>(28)</u>
Charges to appropriations (outflows):				
General government:				
Debt service:				
Interest and fiscal charges	-	17	17	-
Cost of issuance	-	886	859	27
Interfund transfers	-	41,086	9,291	31,795
Charges to appropriations (outflows)	<u>-</u>	<u>41,989</u>	<u>10,167</u>	<u>31,822</u>
Budgetary fund balances, end of year	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 31,795</u>	<u>\$ 31,794</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources

Actual amounts (budgetary basis) "total resources" from the budgetary comparison schedule	\$ 41,962
Differences - budget to GAAP:	
Other financing sources from long-term debt proceeds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(41,962)</u>
Total revenues as reported on the statement of revenues, expenditures and changes fund balance - governmental funds	<u>\$ -</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 10,167
Differences - budget to GAAP:	
Interfund transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(9,291)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes fund balance - governmental funds	<u>\$ 876</u>

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Nonmajor Enterprise Funds

COUNTY OF SANTA CLARA

Nonmajor Enterprise funds

Enterprise Funds account for operations that operate in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed primarily through user charges. The following summarizes the County's Enterprise Funds:

Airport – accounts for the maintenance and operation of the County airports. Revenues consist primarily of user service charges.

Sanitation District – accounts for the operation of the County Sanitation District 2 - 3. Revenues consist primarily of user service charges.

COUNTY OF SANTA CLARA
Combining Statement of Fund Net Assets
Nonmajor Enterprise Funds
June 30, 2004
(In thousands)

Assets	Airport	Sanitation District	Total
Current assets:			
Cash and investments:			
Unrestricted	\$ 1,217	\$ 8,581	\$ 9,798
Restricted with fiscal agent	5,863	97	5,960
Other receivables	102	44	146
Due from other governmental agencies	65	-	65
Total current assets	<u>7,247</u>	<u>8,722</u>	<u>15,969</u>
Noncurrent assets:			
Other assets	210	-	210
Capital assets:			
Nondepreciable:	5,320	-	5,320
Depreciable	8,298	3,614	11,912
Capital assets, net	<u>13,618</u>	<u>3,614</u>	<u>17,232</u>
Total noncurrent assets	<u>13,828</u>	<u>3,614</u>	<u>17,442</u>
Total assets	<u>21,075</u>	<u>12,336</u>	<u>33,411</u>
Liabilities			
Current liabilities:			
Accounts payable	280	1,104	1,384
Accrued salaries and benefits	26	-	26
Other accrued liabilities	213	10	223
Deferred revenue	79	-	79
Current portion of accrued vacation and sick leave	6	-	6
Current portion of bonds payable	224	26	250
Total current liabilities	<u>828</u>	<u>1,140</u>	<u>1,968</u>
Noncurrent liabilities:			
Noncurrent portion of accrued vacation and sick leave	59	-	59
Noncurrent portion of bonds payable	6,322	1,322	7,644
Total noncurrent liabilities	<u>6,381</u>	<u>1,322</u>	<u>7,703</u>
Total liabilities	<u>7,209</u>	<u>2,462</u>	<u>9,671</u>
Net Assets			
Investment in capital assets, net of related debt	12,305	2,266	14,571
Restricted for debt service	840	97	937
Unrestricted	721	7,511	8,232
Total net assets	<u>\$ 13,866</u>	<u>\$ 9,874</u>	<u>\$ 23,740</u>

COUNTY OF SANTA CLARA

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2004

(In thousands)

	<u>Airport</u>	<u>Sanitation District</u>	<u>Total</u>
Operating revenues:			
Charges for service	\$ 2,563	\$ 1,869	\$ 4,432
Other	-	1	1
Operating revenues	<u>2,563</u>	<u>1,870</u>	<u>4,433</u>
Operating expenses:			
Salaries and benefits	999	515	1,514
Services and supplies	801	2	803
Professional services	-	430	430
Depreciation and amortization	396	96	492
Insurance	-	18	18
Other	113	1,618	1,731
Total operating expenses	<u>2,309</u>	<u>2,679</u>	<u>4,988</u>
Operating income (loss)	<u>254</u>	<u>(809)</u>	<u>(555)</u>
Nonoperating revenues (expenses):			
Interest income	76	133	209
Interest expense	(333)	(377)	(710)
Loss on disposal of capital assets	(11)	-	(11)
Other, net	92	-	92
Total nonoperating revenues (expenses), net	<u>(176)</u>	<u>(244)</u>	<u>(420)</u>
Income (loss) before capital contributions and transfers	78	(1,053)	(975)
Capital contributions	370	-	370
Transfers in	10	-	10
Change in net assets	458	(1,053)	(595)
Net assets at beginning of year	<u>13,408</u>	<u>10,927</u>	<u>24,335</u>
Net assets, end of year	<u>\$ 13,866</u>	<u>\$ 9,874</u>	<u>\$ 23,740</u>

COUNTY OF SANTA CLARA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Airport</u>	<u>Sanitation District</u>	<u>Total</u>
Cash flows from operating activities:			
Cash receipts from customers and users	\$ 2,610	\$ 1,869	\$ 4,479
Cash payment to suppliers for goods and services	(831)	(1,101)	(1,932)
Cash payment to employees for services	(1,007)	(515)	(1,522)
Other payments	(108)	-	(108)
Other receipts	200	-	200
Net cash provided by (used in) operating activities	<u>864</u>	<u>253</u>	<u>1,117</u>
Cash flows from noncapital financial activities:			
Transfers in	10	-	10
Cash (payments to) receipts from other funds	(386)	35	(351)
Net cash provided by (used in) noncapital financing activities	<u>(376)</u>	<u>35</u>	<u>(341)</u>
Cash flows from capital and related financing activities:			
Repayment of bonds	(209)	(24)	(233)
Interest paid	(333)	(377)	(710)
Acquisition of capital assets	(1,564)	-	(1,564)
Capital grants received	370	-	370
Net cash used in capital and related financing activities	<u>(1,736)</u>	<u>(401)</u>	<u>(2,137)</u>
Cash flows provided by investing activities:			
Interest received	76	115	191
Net change in cash and cash equivalents	<u>(1,172)</u>	<u>2</u>	<u>(1,170)</u>
Cash and cash equivalents, beginning of year	8,252	8,676	16,928
Cash and cash equivalents, end of year	<u>\$ 7,080</u>	<u>\$ 8,678</u>	<u>\$ 15,758</u>
Cash and cash equivalents:			
Cash and investments:			
Unrestricted	\$ 1,217	\$ 8,581	\$ 9,798
Restricted with fiscal agent	5,863	97	5,960
Total cash and cash equivalents	<u>\$ 7,080</u>	<u>\$ 8,678</u>	<u>\$ 15,758</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 254	\$ (809)	\$ (555)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	396	96	492
Miscellaneous nonoperating expense	92	-	92
Decrease (increase) in assets:			
Receivables	(63)	-	(63)
Due from other governmental agencies	74	-	74
Prepaid and other assets	6	-	6
Increase (decrease) in liabilities:			
Accounts payable	73	965	1,038
Accrued salaries and benefits	(8)	-	(8)
Accrued liabilities	4	2	6
Deferred revenue	36	(1)	35
Net operating cash provided by (used in) operating activities	<u>\$ 864</u>	<u>\$ 253</u>	<u>\$ 1,117</u>



Internal Service Funds

COUNTY OF SANTA CLARA

Internal Service Funds

Internal Service funds account for the financing of goods and services by one department or agency to other departments or agencies of the County, or to other governments, on a cost – reimbursement basis. Internal Service Funds bill users for services provided. The following are the County’s Internal Service Funds:

Information Services – accounts for centralized information management services.

Fleet Management – accounts for vehicles and maintenance service provided to County departments.

Insurance – accounts for liability claims against the County, the administration of the insurance program, and associated legal and adjustment expenses.

Printing – accounts for printing service functions such as reproduction, layouts and forms.

Unemployment Insurance – accounts for unemployment compensation claims filed against the County.

Workers Compensation – accounts for disability, medical, and rehabilitation expenses and related costs associated with on-the-job injuries.

Employee Benefits – accounts for employee life insurance and dental insurance benefits related to the settlement of employee claims.

Retiree Healthcare – accounts for contributions from the County, its employees and earnings from investments. Disbursements are made to retirees for healthcare, disability and death benefits (based on a defined benefit formula) and administrative expenses.

COUNTY OF SANTA CLARA
 Combining Statement of Fund Net Assets
 Internal Service Funds

June 30, 2004
 (In thousands)

	<u>Information Services</u>	<u>Fleet Management</u>	<u>Insurance</u>	<u>Printing</u>
Assets:				
Current assets:				
Cash and investments:				
Unrestricted	\$ 2,579	\$ 2,675	\$ 50,665	\$ 1,063
Other restricted	-	-	-	-
Accounts receivable, net	101	16	269	4
Due from other funds	-	-	-	-
Due from other governmental agencies	-	116	-	-
Inventories	527	367	-	168
Prepaid rent/insurance	453	-	661	-
Total current assets	<u>3,660</u>	<u>3,174</u>	<u>51,595</u>	<u>1,235</u>
Noncurrent assets:				
Advances to other funds	-	-	-	-
Capital assets:				
Depreciable	<u>1,603</u>	<u>6,653</u>	<u>15</u>	<u>413</u>
Total capital assets	<u>1,603</u>	<u>6,653</u>	<u>15</u>	<u>413</u>
Total assets	<u>\$ 5,263</u>	<u>\$ 9,827</u>	<u>\$ 51,610</u>	<u>\$ 1,648</u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 149	\$ 524	\$ 2,172	\$ 4
Accrued salaries and benefits	644	112	32	26
Insurance claims	-	-	7,683	-
Due to other governmental agencies	-	-	59	-
Deferred revenue	633	-	-	-
Current portion of accrued vacation and sick leave	957	114	1	2
Current portion of capital lease obligations	-	1,824	-	-
Current portion of advances from other funds	-	22	-	-
Total current liabilities	<u>2,383</u>	<u>2,596</u>	<u>9,947</u>	<u>32</u>
Noncurrent liabilities:				
Long-term insurance claims	-	-	17,389	-
Advances from other funds, net of current portion	-	42	-	-
Accrued vacation and sick leave, noncurrent	1,692	168	114	109
Capital lease obligations, net of current portion	<u>-</u>	<u>1,760</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>1,692</u>	<u>1,970</u>	<u>17,503</u>	<u>109</u>
Total liabilities	<u>4,075</u>	<u>4,566</u>	<u>27,450</u>	<u>141</u>
Net assets:				
Invested in capital assets net of related debt	1,603	3,069	15	413
Unrestricted (deficit)	<u>(415)</u>	<u>2,192</u>	<u>24,145</u>	<u>1,094</u>
Total net assets (deficit)	<u>\$ 1,188</u>	<u>\$ 5,261</u>	<u>\$ 24,160</u>	<u>\$ 1,507</u>

COUNTY OF SANTA CLARA

Combining Statement of Fund Net Assets
Internal Service Funds

June 30, 2004
(In thousands)

<u>Unemployment Insurance</u>	<u>Workers' Compensation</u>	<u>Employee Benefits</u>	<u>Retiree Healthcare</u>	<u>Total</u>	
\$ 689	\$ 50,191	\$ 6,269	\$ 231,228	\$ 345,359	Assets:
-	-	370	-	370	Current assets:
60	965	659	706	2,780	Cash and investments:
-	1,613	-	-	1,613	Unrestricted
-	-	-	357	473	Other restricted
-	-	-	-	1,062	Accounts receivable, net
2	15	-	-	1,131	Due from other funds
<u>751</u>	<u>52,784</u>	<u>7,298</u>	<u>232,291</u>	<u>352,788</u>	Due from other governmental agencies
					Inventories
					Prepaid rent/insurance
					Total current assets
-	-	-	53,180	53,180	Noncurrent assets:
					Advances to other funds
-	479	-	-	9,163	Capital assets:
					Depreciable
-	479	-	53,180	62,343	Total capital assets
<u>\$ 751</u>	<u>\$ 53,263</u>	<u>\$ 7,298</u>	<u>\$ 285,471</u>	<u>\$ 415,131</u>	Total assets
					Liabilities:
\$ 3	\$ 1,190	\$ 772	\$ 232	\$ 5,046	Current liabilities:
-	93	-	-	907	Accounts payable
1,314	20,719	2,205	-	31,921	Accrued salaries and benefits
-	-	-	-	59	Insurance claims
-	-	-	-	633	Due to other governmental agencies
-	14	-	-	1,088	Deferred revenue
-	-	-	-	1,824	Current portion of accrued vacation and sick leave
-	-	-	-	22	Current portion of capital lease obligations
<u>1,317</u>	<u>22,016</u>	<u>2,977</u>	<u>232</u>	<u>41,500</u>	Current portion of advances from other funds
					Total current liabilities
-	59,206	-	-	76,595	Noncurrent liabilities:
					Long-term insurance claims
-	-	-	-	42	Advances from other funds, net of current portion
-	204	-	-	2,287	Accrued vacation and sick leave, noncurrent
-	-	-	-	1,760	Capital lease obligations, net of current portion
<u>-</u>	<u>59,410</u>	<u>-</u>	<u>-</u>	<u>80,684</u>	Total noncurrent liabilities
<u>1,317</u>	<u>81,426</u>	<u>2,977</u>	<u>232</u>	<u>122,184</u>	Total liabilities
					Net assets:
-	479	-	-	5,579	Invested in capital assets net of related debt
(566)	(28,642)	4,321	285,239	287,368	Unrestricted (deficit)
<u>\$ (566)</u>	<u>\$ (28,163)</u>	<u>\$ 4,321</u>	<u>\$ 285,239</u>	<u>\$ 292,947</u>	Total net assets (deficit)

COUNTY OF SANTA CLARA

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Information Services</u>	<u>Fleet Management</u>	<u>Insurance</u>	<u>Printing</u>
Operating revenues:				
Charges for services	\$ 27,790	\$ 13,800	\$ 8,811	\$ 1,760
Operating expenses:				
Salaries and benefits	21,354	3,576	1,072	1,005
Services and supplies	6,279	4,083	455	1,045
General and Administrative	1,420	-	-	-
Professional services	-	880	819	26
Depreciation and amortization	644	4,300	6	193
Lease and rentals	31	213	92	-
Insurance claims and premiums	-	-	5,836	-
Total operating expenses	<u>29,728</u>	<u>13,052</u>	<u>8,280</u>	<u>2,269</u>
Operating income (loss)	<u>(1,938)</u>	<u>748</u>	<u>531</u>	<u>(509)</u>
Nonoperating revenues (expenses):				
Interest and investment income	5	35	396	20
Interest expense	-	(256)	-	-
Loss on disposal of capital assets	(58)	(128)	-	-
Other	6	332	-	3
Total nonoperating revenues (expenses)	<u>(47)</u>	<u>(17)</u>	<u>396</u>	<u>23</u>
Income (loss) before transfers	<u>(1,985)</u>	<u>731</u>	<u>927</u>	<u>(486)</u>
Transfers in	1,200	-	-	-
Transfers out	-	-	-	(60)
Change in net assets	<u>(785)</u>	<u>731</u>	<u>927</u>	<u>(546)</u>
Net assets, beginning of year	<u>1,973</u>	<u>4,530</u>	<u>23,233</u>	<u>2,053</u>
Net assets, end of year	<u>\$ 1,188</u>	<u>\$ 5,261</u>	<u>\$ 24,160</u>	<u>\$ 1,507</u>

COUNTY OF SANTA CLARA

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds

For the Fiscal Year Ended June 30, 2004
(In thousands)

<u>Unemployment Insurance</u>	<u>Workers' Compensation</u>	<u>Employee Benefits</u>	<u>Retiree Healthcare</u>	<u>Total</u>	
\$ 1,919	\$ 28,108	\$ 19,508	\$ 36,068	\$ 137,764	Operating revenues: Charges for services
-	2,985	-	-	29,992	Operating expenses: Salaries and benefits
13	3,693	1,050	45	16,663	Services and supplies
-	1,123	-	637	3,180	General and Administrative
83	-	148	-	1,956	Professional services
-	25	-	-	5,168	Depreciation and amortization
23	191	-	-	550	Lease and rentals
1,776	31,644	16,067	25,002	80,325	Insurance claims and premiums
1,895	39,661	17,265	25,684	137,834	Total operating expenses
24	(11,553)	2,243	10,384	(70)	Operating income (loss)
11	394	99	28,931	29,891	Nonoperating revenues (expenses): Interest and investment income
-	-	(8)	-	(264)	Interest expense
-	-	-	-	(186)	Loss on disposal of capital assets
-	68	-	-	409	Other
11	462	91	28,931	29,850	Total nonoperating revenues (expenses)
35	(11,091)	2,334	39,315	29,780	Income (loss) before transfers
-	-	-	-	1,200	Transfers in
-	-	-	-	(60)	Transfers out
35	(11,091)	2,334	39,315	30,920	Change in net assets
(601)	(17,072)	1,987	245,924	262,027	Net assets, beginning of year
<u>\$ (566)</u>	<u>\$ (28,163)</u>	<u>\$ 4,321</u>	<u>\$ 285,239</u>	<u>\$ 292,947</u>	Net assets, end of year

COUNTY OF SANTA CLARA
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Information Services</u>	<u>Fleet Management</u>	<u>Insurance</u>	<u>Printing</u>
Cash flows from operating activities:				
Cash receipts from customers and users	\$ 28,673	\$ 13,820	\$ 8,937	\$ 1,767
Cash payment to suppliers for goods and services	(7,744)	(4,884)	(683)	(1,176)
Cash payment to employees for services	(21,472)	(3,582)	(1,059)	(1,032)
Cash payment for judgments and claims	-	-	(12,250)	-
Other receipts	6	332	-	3
Net cash provided by (used in) operating activities	<u>(537)</u>	<u>5,686</u>	<u>(5,055)</u>	<u>(438)</u>
Cash flows from noncapital financing activities:				
Transfers in	1,200	-	-	-
Transfers out	-	-	-	(60)
Advances to other funds	-	-	-	-
Cash (payments to) receipts from other funds	-	(100)	-	-
Net cash provided by noncapital financing activities	<u>1,200</u>	<u>(100)</u>	<u>-</u>	<u>(60)</u>
Cash flows from capital and related financing activities:				
Repayment of capital leases	-	(2,423)	-	-
Interest paid	-	(256)	-	-
Acquisition of capital assets	(574)	(976)	-	-
Proceeds from sale of capital assets	-	105	-	-
Net cash used in capital and related financing activities	<u>(574)</u>	<u>(3,550)</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Purchases of investments	-	-	-	-
Interest received	5	35	396	20
Net cash provided by investing activities	<u>5</u>	<u>35</u>	<u>396</u>	<u>20</u>
Net change in cash and cash equivalents	94	2,071	(4,659)	(478)
Cash and cash equivalents, beginning of year	2,485	604	55,324	1,541
Cash and cash equivalents, end of year	<u>\$ 2,579</u>	<u>\$ 2,675</u>	<u>\$ 50,665</u>	<u>\$ 1,063</u>
Cash and cash equivalents:				
Cash and investments:				
Unrestricted	\$ 2,579	\$ 2,675	\$ 50,665	\$ 1,063
Other restricted	-	-	-	-
Less deposits and investments not meeting the definition of cash and cash equivalents	-	-	-	-
Cash and cash equivalents	<u>\$ 2,579</u>	<u>\$ 2,675</u>	<u>\$ 50,665</u>	<u>\$ 1,063</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (1,938)	\$ 748	\$ 531	\$ (509)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	644	4,300	6	193
Miscellaneous nonoperating income	6	332	-	3
Decrease (increase) in assets:				
Receivables	1,172	24	77	5
Due from (to) other funds	-	2	49	2
Due from other governmental agencies	-	(6)	-	-
Inventories	(2)	65	-	50
Prepaid rent/insurance	514	-	(156)	-
Increase (decrease) in liabilities:				
Accounts payable	(526)	227	857	(155)
Accrued liabilities	162	25	9	3
Accrued vacation and sick leave	(280)	(31)	4	(30)
Insurance claims	-	-	(6,414)	-
Due to other governmental agencies	-	-	(18)	-
Deferred revenue	(289)	-	-	-
Net cash provided by (used in) operating activities	<u>\$ (537)</u>	<u>\$ 5,686</u>	<u>\$ (5,055)</u>	<u>\$ (438)</u>
Supplemental disclosure of noncash investing activities:				
Net appreciation in investments reported at fair value but not considered cash and cash equivalents	\$ -	\$ -	\$ -	\$ -

COUNTY OF SANTA CLARA
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2004
(In thousands)

Unemployment Insurance	Workers' Compensation	Employee Benefits	Retiree Healthcare	Total
\$ 1,896	\$ 30,568	\$ 19,362	\$ 35,753	\$ 140,776
(119)	(4,403)	(1,000)	(768)	(20,777)
(4)	(2,935)	-	-	(30,084)
(1,886)	(28,670)	(17,188)	(25,002)	(84,996)
-	68	-	-	409
<u>(113)</u>	<u>(5,372)</u>	<u>1,174</u>	<u>9,983</u>	<u>5,328</u>
-	-	-	-	1,200
-	-	-	-	(60)
-	-	-	(33,820)	(33,820)
-	-	-	2,640	2,540
<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,180)</u>	<u>(30,140)</u>
-	-	-	-	(2,423)
-	-	(8)	-	(264)
-	(483)	-	-	(2,033)
-	-	-	-	105
<u>-</u>	<u>(483)</u>	<u>(8)</u>	<u>-</u>	<u>(4,615)</u>
-	-	-	(5,791)	(5,791)
11	394	99	13,098	14,058
<u>11</u>	<u>394</u>	<u>99</u>	<u>7,307</u>	<u>8,267</u>
(102)	(5,461)	1,265	(13,890)	(21,160)
791	55,652	5,374	101,916	223,687
<u>\$ 689</u>	<u>\$ 50,191</u>	<u>\$ 6,639</u>	<u>\$ 88,026</u>	<u>\$ 202,527</u>
\$ 689	\$ 50,191	\$ 6,269	\$ 231,228	\$ 345,359
-	-	370	-	370
<u>-</u>	<u>-</u>	<u>-</u>	<u>(143,202)</u>	<u>(143,202)</u>
<u>\$ 689</u>	<u>\$ 50,191</u>	<u>\$ 6,639</u>	<u>\$ 88,026</u>	<u>\$ 202,527</u>
\$ 24	\$ (11,553)	\$ 2,243	\$ 10,384	\$ (70)
-	25	-	-	5,168
-	68	-	-	409
(24)	(193)	(156)	(415)	490
1	2,653	10	143	2,860
-	-	-	(43)	(49)
-	-	-	-	113
-	1	-	-	359
-	603	198	(86)	1,118
(2)	26	-	-	223
(2)	24	-	-	(315)
(110)	2,974	(1,121)	-	(4,671)
-	-	-	-	(18)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(289)</u>
<u>\$ (113)</u>	<u>\$ (5,372)</u>	<u>\$ 1,174</u>	<u>\$ 9,983</u>	<u>\$ 5,328</u>
\$ -	\$ -	\$ -	\$ 15,833	\$ 15,833

Cash flows from operating activities:
Cash receipts from customers and users
Cash payment to suppliers for goods and services
Cash payment to employees for services
Cash payment for judgments and claims
Other receipts
Net cash provided by (used in) operating activities

Cash flows from noncapital financing activities:
Transfers in
Transfers out
Advances to other funds
Cash (payments to) receipts from other funds
Net cash provided by noncapital financing activities

Cash flows from capital and related financing activities:
Repayment of capital leases
Interest paid
Acquisition of capital assets
Proceeds from sale of capital assets
Net cash used in capital and related financing activities

Cash flows from investing activities:
Purchases of investments
Interest received
Net cash provided by investing activities
Net change in cash and cash equivalents

Cash and cash equivalents, beginning of year
Cash and cash equivalents, end of year

Cash and cash equivalents:
Cash and investments:
Unrestricted
Other restricted
Less deposits and investments not meeting the definition of cash and cash equivalents
Cash and cash equivalents

Cash flows from operating activities:
Operating income (loss)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:
Depreciation and amortization
Miscellaneous nonoperating income
Decrease (increase) in assets:
Receivables
Due from (to) other funds
Due from other governmental agencies
Inventories
Prepaid rent/insurance
Increase (decrease) in liabilities:
Accounts payable
Accrued liabilities
Accrued vacation and sick leave
Insurance claims
Due to other governmental agencies
Deferred revenue
Net cash provided by (used in) operating activities

Supplemental disclosure of noncash investing activities:
Net appreciation in investments reported at fair value but not considered cash and cash equivalents

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Fiduciary Funds

COUNTY OF SANTA CLARA

Fiduciary Fund Types

Fiduciary Funds account for assets held by the County in a trustee capacity, or as an agent for private organizations, other governmental units, or other funds. The following are the County's Fiduciary Funds:

Investment Trust Funds

Commingled Pool – These funds are used by the County to account for the assets of legally separate entities that deposit cash with the County Treasurer. These include school and community college districts, other special districts and other agencies (other than schools and special districts), which use the County treasury as their depository.

Individual Investment Account – This fund is used to account for specific investments acquired for the Moreland and Palo Alto School Districts. These investments are separate from the County's investment pool. The income from and changes in the value of these investments affect only the Moreland and Palo Alto School Districts.

Private Purpose Trust Fund

Private Purpose Trust fund – accounts for resources held in a trust capacity for and benefit primarily individuals, private organizations and other governments.

Agency Funds

Child Support Trust – accounts for the collection and disbursement of child support payments collected from responsible absent parents and made to the custodial parents not on welfare and the Social Services Department for recoup of welfare aid amounts expended.

Superior Court – accounts for bail money posted with various municipal courts that is not needed immediately for current operations.

County Income Protection Plan – accounts for premiums deducted from the employee's payroll and remitted to the County's long-term disability insurance providers. Administrative fees owed and paid to the County's long-term disability insurance providers are also accounted for in this fund.

County Supplemental Life Insurance – accounts for premiums deducted from the employee's payroll and remitted to the County's insurance providers for supplemental life insurance for the County's employees. Administrative fees owed and paid to the insurance providers are also accounted for in this fund.

Welfare Revolving – serves as a revolving fund to facilitate the payment of categorical aids and SSI emergency loans to recipients. This fund is restricted to Department of Social Services use.

Apportioned Tax Resources – accounts for funds reserved for losses and property tax receipts apportioned to other local government agencies participating in the Teeter Plan.

Other Agency – accounts for assets held for other governmental agencies and governmental units by the County in a fiduciary capacity.

COUNTY OF SANTA CLARA

Combining Statement of Fiduciary Net Assets
Investment Trust Funds

June 30, 2004
(In thousands)

	<u>Commingled Pool</u>			<u>Individual Investment Account</u>	<u>Total</u>
	<u>Special Districts</u>	<u>School Districts</u>	<u>Other Investment Trust</u>		
Assets:					
Cash and investments:					
Unrestricted	\$ 137,363	\$ 1,769,638	\$ 36,674	\$ 17,063	\$ 1,960,738
Other restricted	37	-	-	-	37
Interest receivable	511	7,387	106	168	8,172
Total assets	<u>137,911</u>	<u>1,777,025</u>	<u>36,780</u>	<u>17,231</u>	<u>1,968,947</u>
Net assets held in trust for pool participants	<u>\$ 137,911</u>	<u>\$ 1,777,025</u>	<u>\$ 36,780</u>	<u>\$ 17,231</u>	<u>\$ 1,968,947</u>

COUNTY OF SANTA CLARA

Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds

For the Fiscal Year Ended June 30, 2004
(In thousands)

	Commingled Pool			Individual Investment Account	Total
	Special Districts	School Districts	Other Investment Trust		
Additions:					
Contributions to pooled investments	\$ 194,159	\$ 8,597,125	\$ 77,927	\$ 14,759	\$ 8,883,970
Interest and investment income	1,074	16,658	780	(486)	18,026
Total additions	195,233	8,613,783	78,707	14,273	8,901,996
Deductions:					
Distribution from pooled investments	181,820	8,840,016	88,310	10,056	9,120,202
Net change in net assets	13,413	(226,233)	(9,603)	4,217	(218,206)
Net assets held in trust, beginning of year	124,498	2,003,258	46,383	13,014	2,187,153
Net assets held in trust, end of year	<u>\$ 137,911</u>	<u>\$ 1,777,025</u>	<u>\$ 36,780</u>	<u>\$ 17,231</u>	<u>\$ 1,968,947</u>

COUNTY OF SANTA CLARA

Combining Statement of Changes in Assets and Liabilities
Agency Funds

For the Fiscal Year Ended June 30, 2004
(In thousands)

	<u>Balance June 30, 2003</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2004</u>
Child Support Trust				
Assets:				
Cash and investments:				
Unrestricted	\$ 7,216	\$ 156,009	\$ 155,414	\$ 7,811
Receivable:				
Interest and other	463	538	838	163
Total assets	<u>\$ 7,679</u>	<u>\$ 156,547</u>	<u>\$ 156,252</u>	<u>\$ 7,974</u>
Liabilities:				
Fiduciary liabilities	<u>\$ 7,679</u>	<u>\$ 242,744</u>	<u>\$ 242,449</u>	<u>\$ 7,974</u>
Total liabilities	<u>\$ 7,679</u>	<u>\$ 242,744</u>	<u>\$ 242,449</u>	<u>\$ 7,974</u>
Superior Court				
Assets:				
Cash and investments:				
Unrestricted	\$ 4,670	\$ 846	\$ 1,589	\$ 3,927
Other restricted	1,892	1,158	-	3,050
Receivable:				
Interest and other	-	11	11	-
Total assets	<u>\$ 6,562</u>	<u>\$ 2,015</u>	<u>\$ 1,600</u>	<u>\$ 6,977</u>
Liabilities:				
Fiduciary liabilities	<u>\$ 6,562</u>	<u>\$ 2,778</u>	<u>\$ 2,363</u>	<u>\$ 6,977</u>
Total liabilities	<u>\$ 6,562</u>	<u>\$ 2,778</u>	<u>\$ 2,363</u>	<u>\$ 6,977</u>
County Income Protection Plan				
Assets:				
Cash and investments:				
Unrestricted	\$ 7,519	\$ 3,934	\$ 4,322	\$ 7,131
Other restricted	202	-	87	115
Receivable:				
Interest and other	9	40	22	27
Due from other funds	13	-	13	-
Other assets	115	-	115	-
Total assets	<u>\$ 7,858</u>	<u>\$ 3,974</u>	<u>\$ 4,559</u>	<u>\$ 7,273</u>
Liabilities:				
Fiduciary liabilities	<u>\$ 7,858</u>	<u>\$ 10,107</u>	<u>\$ 10,692</u>	<u>\$ 7,273</u>
Total liabilities	<u>\$ 7,858</u>	<u>\$ 10,107</u>	<u>\$ 10,692</u>	<u>\$ 7,273</u>

COUNTY OF SANTA CLARA

Combining Statement of Changes in Assets and Liabilities (Continued)

Agency Funds

For the Fiscal Year Ended June 30, 2004

(In thousands)

	<u>Balance June 30, 2003</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2004</u>
County Supplemental Life Insurance				
Assets:				
Cash and investments:				
Unrestricted	\$ 11,394	\$ 1,681	\$ 4,824	\$ 8,251
Other restricted	883	-	-	883
Receivable:				
Interest and other	14	50	30	34
Due from other funds	20	-	20	-
Total assets	<u>\$ 12,311</u>	<u>\$ 1,731</u>	<u>\$ 4,874</u>	<u>\$ 9,168</u>
Liabilities:				
Fiduciary liabilities	<u>\$ 12,311</u>	<u>\$ 6,250</u>	<u>\$ 9,393</u>	<u>\$ 9,168</u>
Total liabilities	<u>\$ 12,311</u>	<u>\$ 6,250</u>	<u>\$ 9,393</u>	<u>\$ 9,168</u>
Welfare Revolving				
Assets:				
Cash and investments:				
Unrestricted	\$ (3,267)	\$ 420,268	\$ 412,754	\$ 4,247
Other restricted	7,574	86,568	93,885	257
Receivable:				
Interest and other	-	12	12	-
Total assets	<u>\$ 4,307</u>	<u>\$ 506,848</u>	<u>\$ 506,651</u>	<u>\$ 4,504</u>
Liabilities:				
Fiduciary liabilities	<u>\$ 4,307</u>	<u>\$ 581,917</u>	<u>\$ 581,720</u>	<u>\$ 4,504</u>
Total liabilities	<u>\$ 4,307</u>	<u>\$ 581,917</u>	<u>\$ 581,720</u>	<u>\$ 4,504</u>
Apportioned Tax Resources				
Assets:				
Cash and investments:				
Unrestricted	\$ (26,676)	\$ 127,414	\$ 148,358	\$ (47,620)
Receivable:				
Property taxes	61,894	74,514	66,804	69,604
Interest and other	9	48,910	48,911	8
Due from other funds	13	144	157	-
Due from other governmental agencies	-	1,929	-	1,929
Total assets	<u>\$ 35,240</u>	<u>\$ 252,911</u>	<u>\$ 264,230</u>	<u>\$ 23,921</u>
Liabilities:				
Fiduciary liabilities	<u>\$ 35,240</u>	<u>\$ 86,211</u>	<u>\$ 97,530</u>	<u>\$ 23,921</u>
Total liabilities	<u>\$ 35,240</u>	<u>\$ 86,211</u>	<u>\$ 97,530</u>	<u>\$ 23,921</u>

COUNTY OF SANTA CLARA

Combining Statement of Changes in Assets and Liabilities (Continued)

Agency Funds

For the Fiscal Year Ended June 30, 2004

(In thousands)

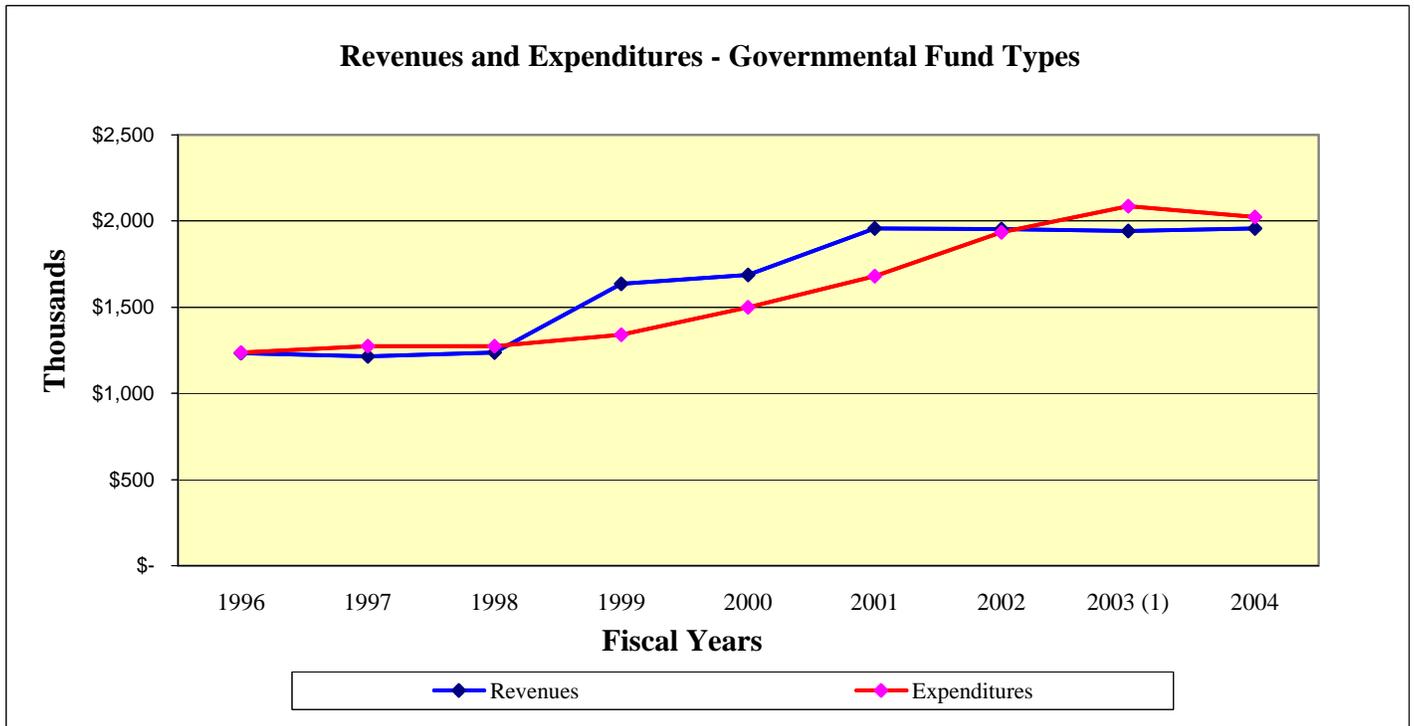
	Balance June 30, 2003	Increase	Decrease	Balance June 30, 2004
Other Agency				
Assets:				
Cash and investments:				
Unrestricted	\$ 94,293	\$ 4,881,261	\$ 4,874,500	\$ 101,054
Other restricted	8	-	-	8
Receivable:				
Property taxes	2,792	-	2,771	21
Interest and other	5,274	9,448	8,357	6,365
Due from other funds	106	232	338	-
Other assets	3,591	357	1,588	2,360
Total assets	<u>\$ 106,064</u>	<u>\$ 4,891,298</u>	<u>\$ 4,887,554</u>	<u>\$ 109,808</u>
Liabilities:				
Due to other funds	\$ 241	\$ -	\$ 241	\$ -
Other liabilities	6,350	-	6,350	-
Fiduciary liabilities	99,473	9,735,543	9,725,208	109,808
Total liabilities	<u>\$ 106,064</u>	<u>\$ 9,735,543</u>	<u>\$ 9,731,799</u>	<u>\$ 109,808</u>
Totals				
Assets:				
Cash and investments:				
Unrestricted	\$ 95,149	\$ 5,591,413	\$ 5,601,761	\$ 84,801
Other restricted	10,559	87,726	93,972	4,313
Receivable:				
Property taxes	64,686	74,514	69,575	69,625
Interest and other	5,769	58,986	58,158	6,597
Due from other funds	152	376	528	-
Due from other governmental agencies	-	1,929	-	1,929
Other assets	3,706	357	1,703	2,360
Total assets	<u>\$ 180,021</u>	<u>\$ 5,815,301</u>	<u>\$ 5,825,697</u>	<u>\$ 169,625</u>
Liabilities:				
Due to other funds	\$ 241	\$ -	\$ 241	\$ -
Other liabilities	6,350	-	6,350	-
Fiduciary liabilities	173,430	10,665,550	10,669,355	169,625
Total liabilities	<u>\$ 180,021</u>	<u>\$ 10,665,550</u>	<u>\$ 10,675,946</u>	<u>\$ 169,625</u>



Statistical Section

COUNTY OF SANTA CLARA
Revenues and Expenditures - All Governmental Fund Types
Last Ten Fiscal Years
(Dollars in thousands)
(Unaudited)

Fiscal Year	Revenues	Expenditures
2004	\$ 1,955,469	\$ 2,022,240
2003 ⁽¹⁾	1,941,609	2,087,296
2002	1,954,511	1,933,381
2001	1,956,714	1,681,424
2000	1,686,100	1,499,391
1999	1,636,929	1,338,803
1998	1,237,278	1,275,838
1997	1,215,228	1,274,445
1996	1,232,287	1,238,098
1995	1,170,472	1,287,467



⁽¹⁾ The First 5 Santa Clara County was reported as a discretely presented component unit starting in this fiscal year.

Source: County Controller's Office

COUNTY OF SANTA CLARA
Revenues and Expenditures - All Governmental Fund Types
Last Ten Fiscal Years
(Dollars in thousands)
(Unaudited)

Revenues (by Source):

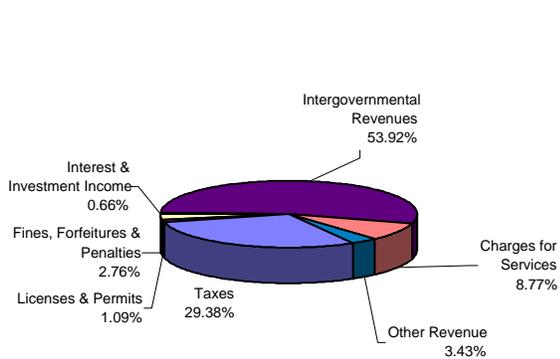
Fiscal Year	Taxes	Licenses and Permits	Fines, Forfeitures and Penalties	Interest and Investment Income	Inter-governmental Revenues	Charges for Services	Other Revenue	Total
2004	\$ 574,480	\$ 21,251	\$ 53,919	\$ 12,919	\$1,054,298	\$ 171,589	\$ 67,013	\$1,955,469
2003	586,365	20,446	32,348	26,917	1,064,064	167,077	44,392	1,941,609
2002	582,291	19,422	31,524	50,069	1,082,633	158,240	30,332	1,954,511
2001	654,107	20,666	26,255	74,712	1,018,640	138,029	24,305	1,956,714
2000	482,747	19,709	29,691	57,383	950,366	129,135	17,069	1,686,100
1999	615,004	18,948	26,569	50,167	807,244	108,453	10,544	1,636,929
1998	278,263	18,087	23,121	36,444	773,421	101,756	6,186	1,237,278
1997	242,813	16,760	12,001	44,326	790,209	98,197	10,922	1,215,228
1996	243,657	14,629	12,109	49,521	804,758	99,651	7,962	1,232,287
1995	226,605	13,997	11,522	48,837	763,433	86,345	19,733	1,170,472

Expenditures (by Function):

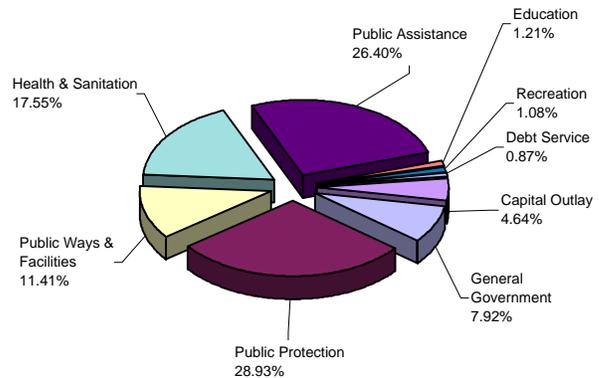
Fiscal Year	General Government	Public Protection	Public Ways and Facilities	Health and Sanitation	Public Assistance	Education	Recreation	Debt Service	Capital Outlay	Total
2004	\$ 160,259	\$ 584,999	\$ 230,648	\$ 354,942	\$ 533,907	\$ 24,456	\$ 21,756	\$ 17,500	\$93,773	\$2,022,240
2003	159,230	594,685	364,712	348,738	512,541	25,823	17,567	20,831	43,169	2,087,296
2002	157,538	555,278	320,879	307,285	481,837	37,930	17,565	21,495	33,574	1,933,381
2001	143,070	484,951	305,867	244,455	413,262	24,641	15,357	26,378	23,443	1,681,424
2000	135,229	455,976	123,051	326,918	369,304	21,377	14,103	29,638	23,795	1,499,391
1999	107,990	424,865	82,636	282,357	355,366	19,515	13,807	29,494	22,773	1,338,803
1998	101,292	409,959	33,630	262,092	356,145	18,500	12,522	34,317	47,381	1,275,838
1997	74,667	417,141	38,883	240,085	390,270	18,407	12,467	34,475	48,050	1,274,445
1996	78,888	390,623	50,571	211,473	419,856	15,390	12,505	32,588	26,204	1,238,098
1995	118,262	371,071	34,222	239,559	421,442	12,133	11,448	32,541	46,789	1,287,467

For Fiscal Year 2004

Revenues by Sources



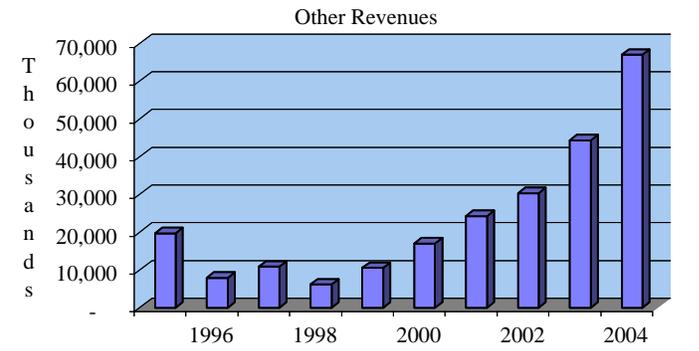
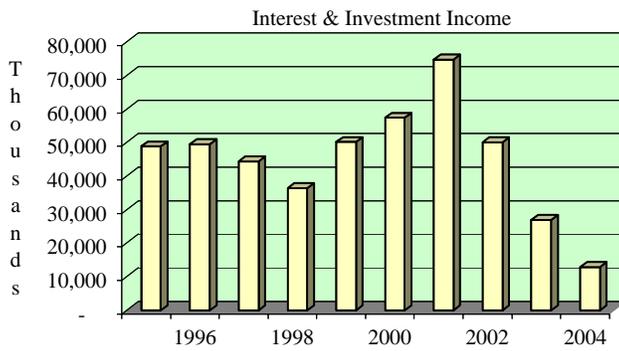
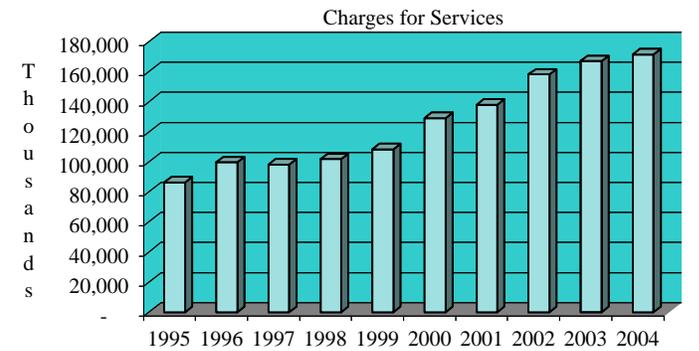
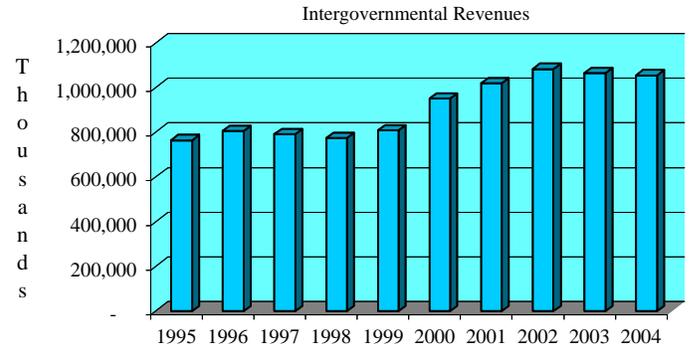
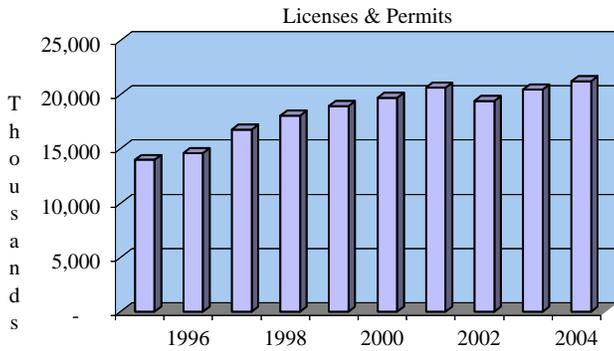
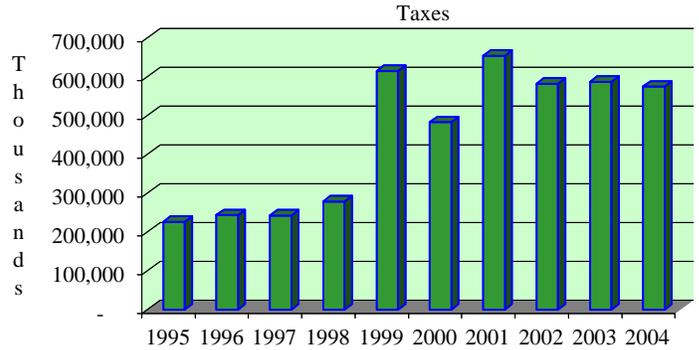
Expenditures by Function



Source: County Controller's Office

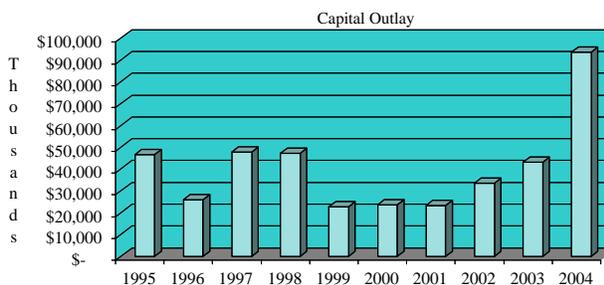
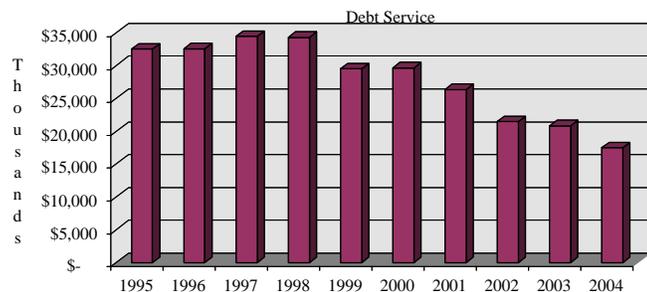
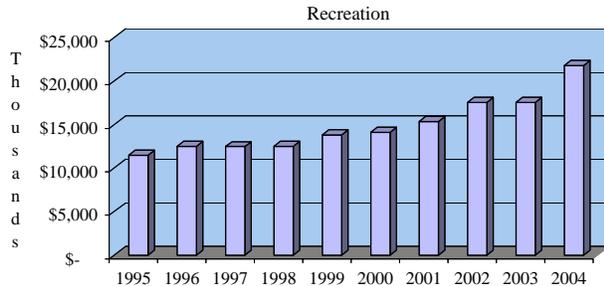
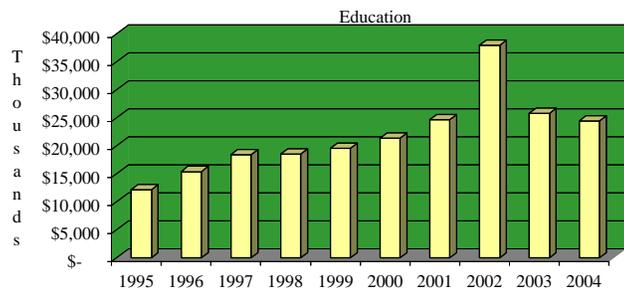
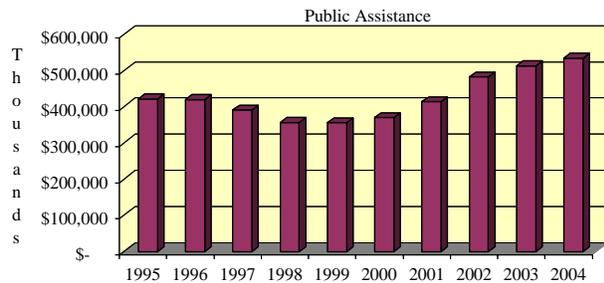
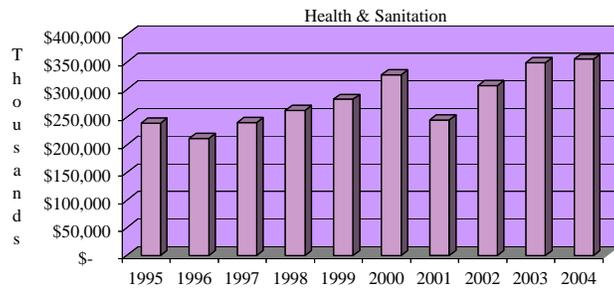
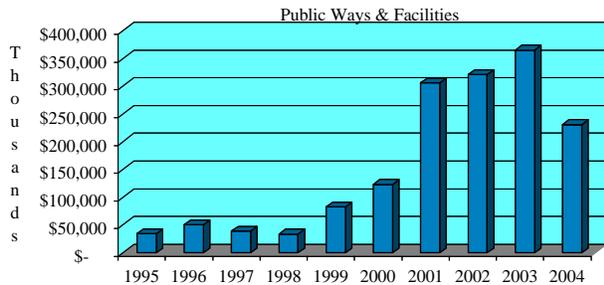
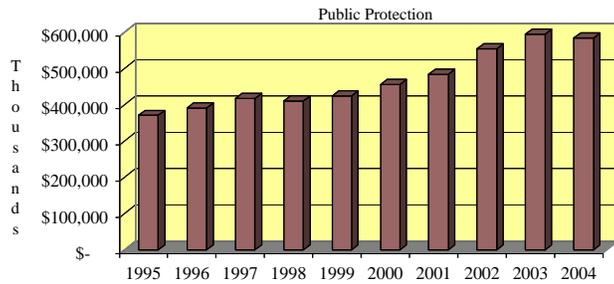
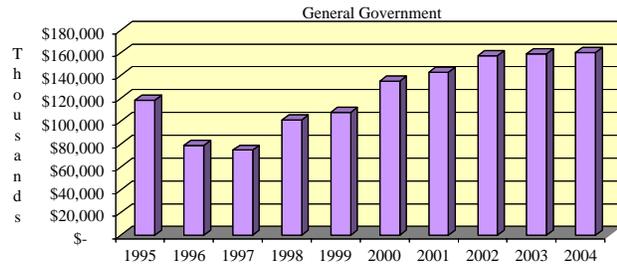
COUNTY OF SANTA CLARA
Revenues by Source - All Governmental Fund Types
Last Ten Fiscal Years
(Dollars in thousands)
(Unaudited)

Fiscal Year	Taxes	Licenses and Permits	Fines, Forfeitures and Penalties	Interest and Investment Income	Inter-governmental Revenues	Charges for Services	Other Revenue
2004	\$ 574,480	\$ 21,251	\$ 53,919	\$ 12,919	\$ 1,054,298	\$ 171,589	\$ 67,013
2003	586,365	20,446	32,348	26,917	1,064,064	167,077	44,392
2002	582,291	19,422	31,524	50,069	1,082,633	158,240	30,332
2001	654,107	20,666	26,255	74,712	1,018,640	138,029	24,305
2000	482,747	19,709	29,691	57,383	950,366	129,135	17,069
1999	615,004	18,948	26,569	50,167	807,244	108,453	10,544
1998	278,263	18,087	23,121	36,444	773,421	101,756	6,186
1997	242,813	16,760	12,001	44,326	790,209	98,197	10,922
1996	243,657	14,629	12,109	49,521	804,758	99,651	7,962
1995	226,605	13,997	11,522	48,837	763,433	86,345	19,733



COUNTY OF SANTA CLARA
Expenditures by Function - All Governmental Fund Types
Last Ten Fiscal Years
(Dollars in thousands)
(Unaudited)

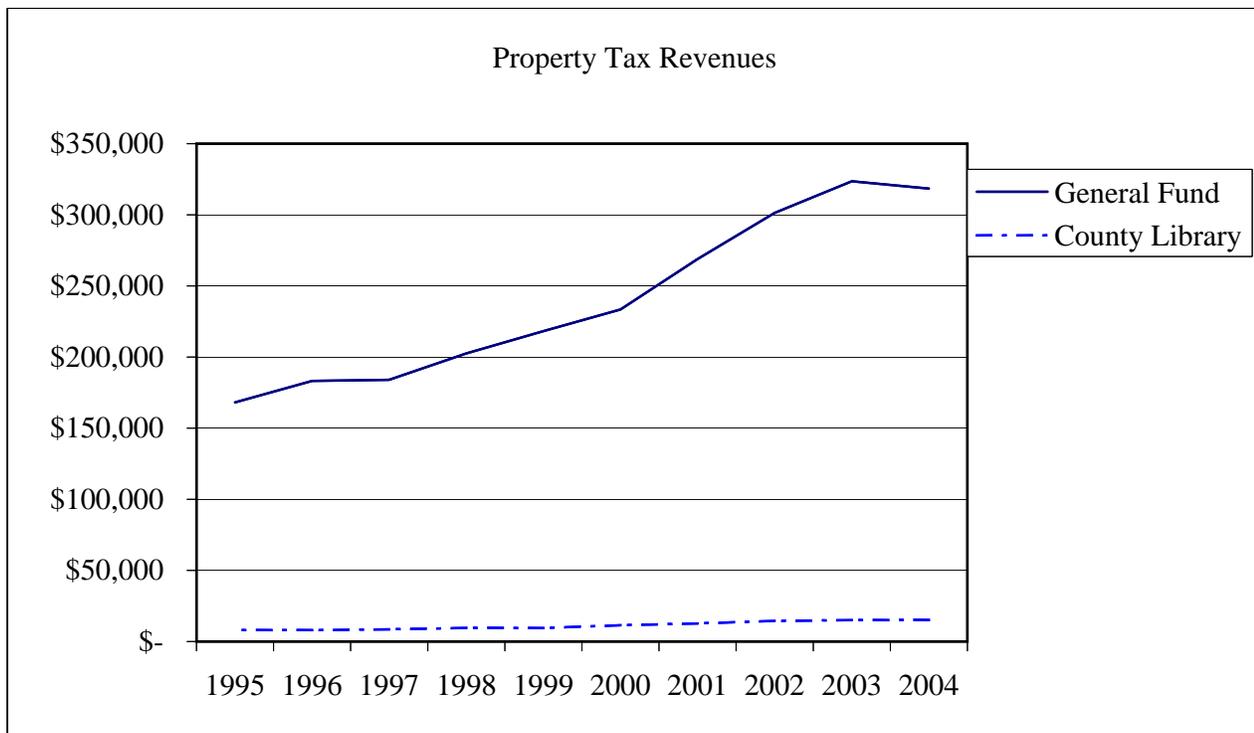
Fiscal Year	General Government	Public Protection	Public Ways and Facilities	Health and Sanitation	Public Assistance	Education	Recreation	Debt Service	Capital Outlay
2004	\$ 160,259	\$ 584,999	\$ 230,648	\$ 354,942	\$ 533,907	\$ 24,456	\$ 21,756	\$ 17,500	\$ 93,773
2003	159,230	594,685	364,712	348,738	512,541	25,823	17,567	20,831	43,169
2002	157,538	555,278	320,879	307,285	481,837	37,930	17,565	21,495	33,574
2001	143,070	484,951	305,867	244,455	413,262	24,641	15,357	26,378	23,443
2000	135,229	455,976	123,051	326,918	369,304	21,377	14,103	29,638	23,795
1999	107,990	424,865	82,636	282,357	355,366	19,515	13,807	29,494	22,773
1998	101,292	409,959	33,630	262,092	356,145	18,500	12,522	34,317	47,381
1997	74,667	417,141	38,883	240,085	390,270	18,407	12,467	34,475	48,050
1996	78,888	390,623	50,571	211,473	419,856	15,390	12,505	32,588	26,204
1995	118,262	371,071	34,222	239,559	421,442	12,133	11,448	32,541	46,789



Source: County Controller's Office

COUNTY OF SANTA CLARA
Property Tax Revenues
Last Ten Fiscal Years
(Dollars in thousands)
(Unaudited)

<u>Fiscal Year</u>	<u>General Fund</u>	<u>County Library</u>	<u>Total</u>
2004	\$ 318,446	\$ 15,242	\$ 333,688
2003	323,551	15,048	338,599
2002	301,335	14,544	315,879
2001	268,932	12,761	281,693
2000	233,501	11,537	245,038
1999	218,222	9,473	227,695
1998	202,543	9,655	212,198
1997	183,969	8,568	192,537
1996	183,171	8,071	191,242
1995	168,119	8,037	176,156

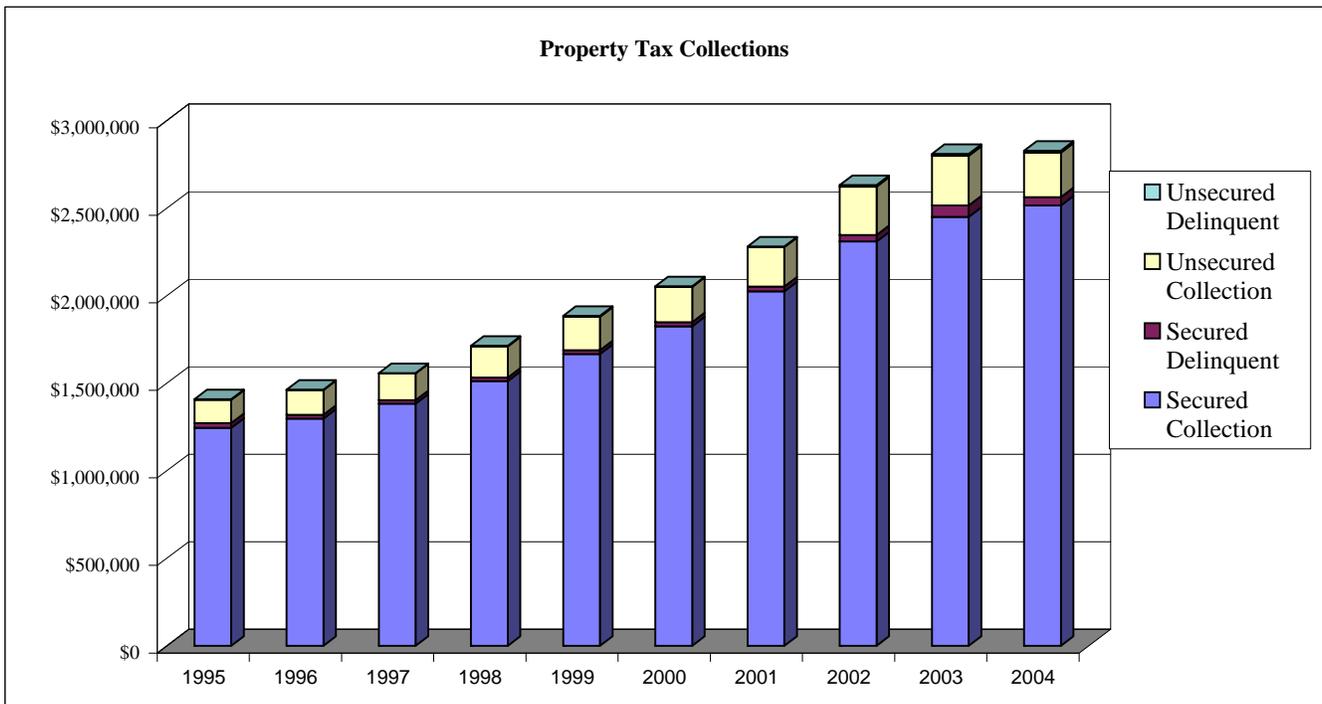


Note: Only includes the General Fund and County Library Fund.

Source: County Controller's Office

COUNTY OF SANTA CLARA
Property Tax Charges and Collections
Last Ten Fiscal Years
(Dollars in thousands)
(Unaudited)

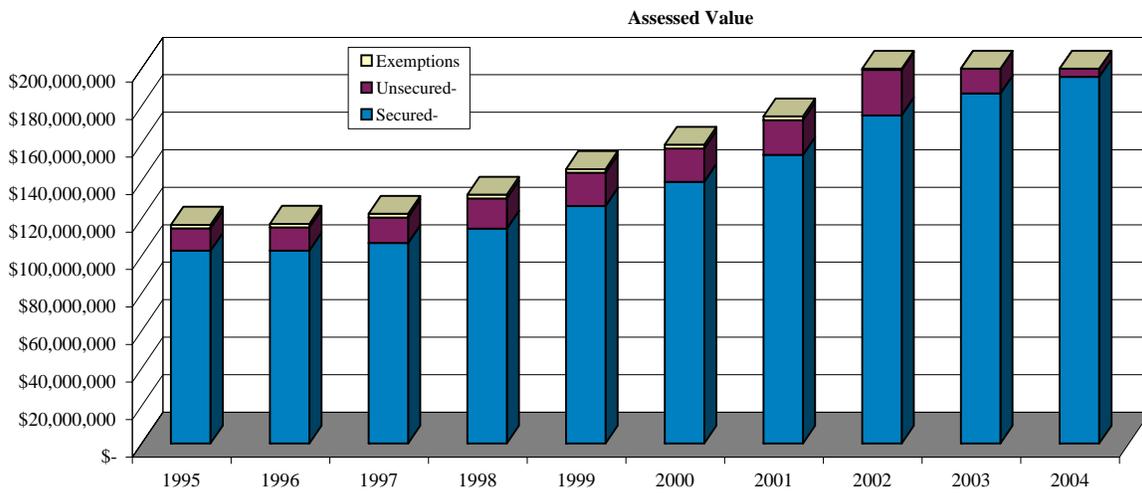
Fiscal Year	Secured Roll				Unsecured Roll			
	Tax Charges	Collections	Delinquent at June 30	Percent Delinquent	Tax Charges	Collections	Delinquent at June 30	Percent Delinquent
2004	\$ 2,581,411	\$ 2,516,470	\$ 46,387	1.80%	\$ 265,955	\$ 254,894	\$ 11,060	4.16%
2003	2,516,738	2,450,862	65,876	2.62%	294,833	282,888	11,945	4.05%
2002	2,370,736	2,309,961	36,511	1.54%	285,796	277,325	8,471	2.96%
2001	2,088,616	2,024,738	27,753	1.33%	227,194	225,230	3,691	1.62%
2000	1,873,382	1,825,910	23,759	1.27%	204,084	202,046	3,266	1.60%
1999	1,710,844	1,667,933	21,018	1.23%	198,157	190,638	5,664	2.86%
1998	1,547,433	1,512,986	19,339	1.25%	184,147	178,217	3,333	1.81%
1997	1,411,731	1,384,142	19,611	1.39%	156,187	152,555	2,096	1.34%
1996	1,320,990	1,298,094	21,572	1.63%	145,032	141,536	1,697	1.17%
1995	1,275,573	1,245,839	26,169	2.05%	137,986	133,397	3,316	2.40%



Source: Santa Clara County Tax Collector's Office

COUNTY OF SANTA CLARA
Assessed Value of Taxable Property
Last Ten Fiscal Years
(Dollars in thousands)
(Unaudited)

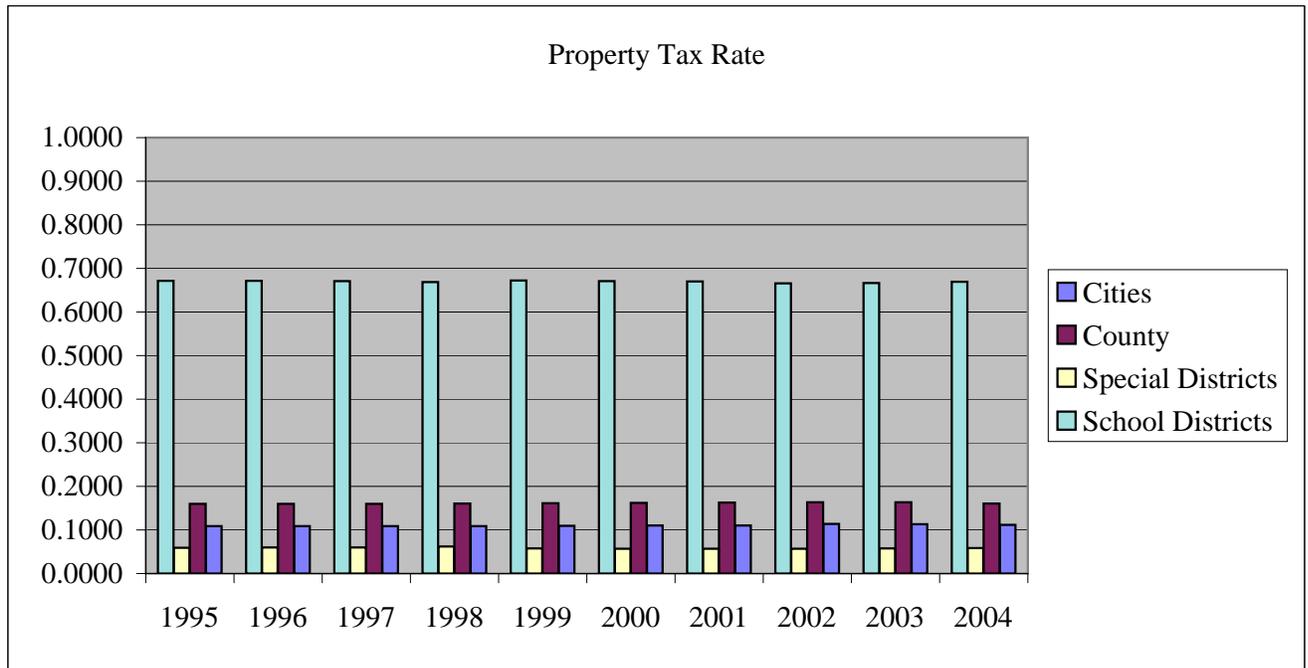
Fiscal Year	Assessed Value			Less	Net	Increase	
	Secured-Real Property	Unsecured-Personal Property	Total	Exemptions	Assessed Value of Taxable Property	Amount	Percentage
2004	\$ 195,623,187	\$ 22,076,991	\$ 217,700,178	\$ 1,967,623	\$ 215,732,555	\$ 7,134,195	3.42%
2003	186,689,969	23,906,620	210,596,589	1,998,229	208,598,360	11,281,197	5.72%
2002	175,137,459	24,194,609	199,332,068	2,014,905	197,317,163	26,810,759	15.72%
2001	154,012,041	18,505,086	172,517,127	2,010,723	170,506,404	15,133,716	9.74%
2000	139,616,743	17,770,942	157,387,685	2,014,997	155,372,688	12,934,077	9.08%
1999	126,721,776	17,716,803	144,438,579	1,999,968	142,438,611	13,651,701	10.60%
1998	114,561,712	16,196,939	130,758,651	1,971,741	128,786,910	10,122,369	8.53%
1997	106,946,415	13,649,636	120,596,051	1,931,510	118,664,541	5,294,428	4.67%
1996	102,964,995	12,326,717	115,291,712	1,921,599	113,370,113	470,980	0.42%
1995	102,901,517	11,899,863	114,801,380	1,902,247	112,899,133	519,608	0.46%



Source: County Controller's Office

COUNTY OF SANTA CLARA
Property Tax Rate - Direct and Overlapping Governments
Last Ten Fiscal Years
(Unaudited)
(Per \$100 Assessed Valuation)

<u>Fiscal Year</u>	<u>County</u>	<u>Cities</u>	<u>School Districts</u>	<u>Special Districts</u>	<u>Total</u>
2004	0.1609	0.1114	0.6696	0.0581	1.00
2003	0.1636	0.1128	0.6661	0.0575	1.00
2002	0.1637	0.1136	0.6655	0.0572	1.00
2001	0.1628	0.1104	0.6702	0.0568	1.00
2000	0.1621	0.1101	0.6709	0.0569	1.00
1999	0.1612	0.1092	0.6722	0.0574	1.00
1998	0.1607	0.1089	0.6686	0.0618	1.00
1997	0.1600	0.1088	0.6712	0.0600	1.00
1996	0.1602	0.1084	0.6718	0.0596	1.00
1995	0.1601	0.1089	0.6718	0.0592	1.00



Source: County Controller's Office

COUNTY OF SANTA CLARA
Ten Largest Taxpayers Ranked by Assessed Valuation
June 30, 2004
(Dollars in thousands)
(Unaudited)

<u>Name</u>	<u>Type of Business</u>	<u>Assessed Property Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Intel Corp.	Computer Manufacturing	\$ 1,397,104	0.65%
Sobrato Interests	Real Estate	1,337,625	0.62%
Spieker Properties, LP	Property Management	1,323,541	0.61%
Pacific Gas & Electric	Electric Utilities	1,017,862	0.47%
Hewlett Packard Company	Computer Manufacturing	986,789	0.46%
Cisco Systems, Incorporated	Networking Manufacturing	933,885	0.43%
Berg & Berg Developers, et al	Real Estate Development	923,140	0.43%
SBC California	Public Utilities	826,379	0.38%
Applied Materials	Electronic Components & Accessories	807,579	0.37%
Arrillaga, Perry, et al	Real Estate Development	803,387	0.37%
Total		<u>\$ 10,357,291</u>	<u>4.80%</u>
Net Assessed Value of Taxable Property, Santa Clara County		<u>\$ 215,732,555</u>	

Source: Santa Clara County Tax Collector's Office

MAJOR EMPLOYERS

<u>Name</u>	<u>Industry</u>	<u>Location</u>
Agilent Technologies, Inc.	Electronic Components & Accessories	Palo Alto
Apple Computer, Inc.	Computer & Office Equipment Mfg.	Cupertino
Applied Materials, Inc.	Electronic Components & Accessories	Santa Clara
Cisco Systems, Inc.	Computer & Data Processing Services	San Jose
Flextronics International, Ltd.	Electronic Components & Accessories	San Jose
Hewlett-Packard Co.	Electronic Components & Accessories	Palo Alto
International Business Machines (IBM) Corp.	Computer & Office Equipment Mfg.	San Jose
Intel Corp.	Electronic Components & Accessories	Santa Clara
KLA-Tencor Corp.	Electronic Components & Accessories	San Jose
Lockheed Martin Space Systems	Machinery, Equipment & Supplies	Sunnyvale
Santa Clara Valley Medical Center	Hospitals	San Jose
Solectron Corp.	Electronic Components & Accessories	Milpitas
Stanford Hospital & Clinics	Hospitals	Palo Alto
Stanford University	Colleges & Universities	Stanford
Sun Microsystems, Inc.	Computer & Office Equipment Mfg.	Palo Alto

Source: America's Labor Market Information System (ALMIS), from infoUSA (2002).
www.calmis.cahwnet.gov

COUNTY OF SANTA CLARA
Computation of Legal Debt Margin
Last Ten Fiscal Years
(Dollars in thousands)
(Unaudited)

Fiscal Year	Total Assessed Valuation (1)	Legal Debt Limit (2)	General Bonded Debt (3)	Legal Debt Margin (4)
2004	\$ 217,700,178	\$ 2,721,252	--	\$ 2,721,252
2003	210,596,589	2,632,457	--	2,632,457
2002	199,332,068	2,491,651	--	2,491,651
2001	172,517,127	2,156,464	--	2,156,464
2000	157,387,685	1,967,346	--	1,967,346
1999	144,438,579	1,805,482	--	1,805,482
1998	130,758,651	1,634,483	--	1,634,483
1997	120,596,051	1,470,753	--	1,470,753
1996	115,291,712	1,441,146	--	1,441,146
1995	114,801,380	1,435,017	--	1,435,017

- (1) Total assessed valuation includes exempt property.
- (2) The legal debt limit is set by statute at 1.25 percent of the total assessed valuation.
- (3) The County does not have any General Bonded Debt.
- (4) The legal debt margin is the legal debt limit reduced by all general bonded debt.



Source: County Controller's Office

COUNTY OF SANTA CLARA
Comparative Outstanding Voter-Approved General Bonded Indebtedness
Last Ten Fiscal Years
(Dollars in thousands)
(Unaudited)

Fiscal Year	(1) General County	(2) School Districts	(2) Special Districts	Total
2004	\$ -	\$ 2,545,813	\$ 11,689	\$2,557,502
2003	-	2,296,484	13,384	2,309,868
2002	-	2,038,100	14,594	2,052,694
2001	-	1,656,920	16,629	1,673,549
2000	-	1,193,728	12,832	1,206,560
1999	-	900,015	14,730	914,745
1998	-	692,469	16,175	708,644
1997	-	518,983	17,850	536,833
1996	-	219,258	19,460	238,718
1995	-	127,444	22,238	149,682

(1) The County does not have any general obligation bonded debt.

(2) Not included in accompanying basic financial statements.

Source: County Controller's Office

COUNTY OF SANTA CLARA
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years
(Dollars in thousands)
(Unaudited)

Fiscal Year	(1) Population	Assessed Value	(2) General Bonded Debt	Less Funds Available for Debt Retirement	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2004	\$ 1,731	\$ 215,732,555	-	-	-	0%	-
2003	1,730	208,598,360	-	-	-	0%	-
2002	1,720	197,317,162	-	-	-	0%	-
2001	1,698	170,506,404	-	-	-	0%	-
2000	1,683	155,372,688	-	-	-	0%	-
1999	1,658	142,438,611	-	-	-	0%	-
1998	1,638	128,786,910	-	-	-	0%	-
1997	1,613	118,664,541	-	-	-	0%	-
1996	1,586	113,370,113	-	-	-	0%	-
1995	1,568	112,899,133	-	-	-	0%	-

(1) Source: California Department of Finance, Demographic Research Unit
Sacramento, California, January 2004

(2) The County does not have any general obligation bonded debt.

COUNTY OF SANTA CLARA
Ratio of Annual Debt Service Expenditures for General Bonded Debt
Last Ten Fiscal Years
(Dollars in thousands)
(Unaudited)

Fiscal Year	(1) Debt Service Expenditures			(2)	Ratio of Debt Service to Total General Expenditures
	Principal	Interest		General Expenditures	
2004	\$ -	\$ -	-	\$ 2,022,240	0.00%
2003	-	-	-	2,087,296	0.00%
2002	-	-	-	1,933,381	0.00%
2001	-	-	-	1,681,424	0.00%
2000	-	-	-	1,499,391	0.00%
1999	-	-	-	1,338,803	0.00%
1998	-	-	-	1,275,838	0.00%
1997	-	-	-	1,274,445	0.00%
1996	-	-	-	1,238,098	0.00%
1995	-	-	-	1,287,467	0.00%

(1) Includes Debt Service expenditures for General Obligation Bonded Debt only.

(2) Governmental Funds, including General Fund and Other Governmental Funds.

Source: County Controller's Office

COUNTY OF SANTA CLARA
Direct and Overlapping Bonded Debt
June 30, 2004
(Unaudited)

2003-04 Assessed Valuation (includes unitary utility valuation)	\$ 220,551,693,256
Less: Redevelopment Incremental Valuation	26,221,995,661
Adjusted Assessed Valuation	\$ 194,329,697,595

Direct and Overlapping Tax and Assessment Debt:	% Applicable	Debt 6/30/04
Santa Clara Water District, Zones NC-1 and W-1	100%	5,835,000
Community College Districts	100	334,405,802
Gilroy Unified School District	100	50,000,000
Milpitas Unified School District	100	58,245,000
Morgan Hill Unified School District	100	72,077,754
Palo Alto Unified School District	100	120,730,000
Patterson Joint Unified School District	1.204	261,450
San Jose Unified School District	100	226,209,561
Santa Clara Unified School District	100	122,490,000
East Side Union High School District	100	233,274,948
Fremont Union High School District	100	133,910,000
Other High School Districts	93.896-100	187,433,680
Campbell School District	100	78,953,307
Cupertino Union School District	100	122,304,552
Evergreen School District and Community Facilities District No. 92-1	100	92,029,701
Los Altos School District	100	92,061,263
Oak Grove School District	100	68,729,817
Saratoga Union School District	100	56,739,799
Union School District	100	62,476,634
Other School Districts	21.670-100	401,869,694
City of San Jose	100	178,480,000
City of Saratoga	100	14,695,000
Saratoga Fire Protection District	100	5,853,737
North County Library District Special Tax Obligations	100	2,125,000
Parking Districts	100	426,000
City Community Facilities Districts	100	81,080,000
City of San Jose Special Assessment Bonds	100	43,646,717
Other City 1915 Act Bonds (Estimated)	100	133,357,128
Santa Clara Valley Water District Benefit Assessment District	100	197,110,000
Total Gross Overlapping Tax and Assessment Debt		\$ 3,176,811,544

COUNTY OF SANTA CLARA
Direct and Overlapping Bonded Debt - Continued (Unaudited)
June 30, 2004

Direct and Overlapping General Fund Obligation Debt:	% Applicable	Debt 6/30/04
Santa Clara County General Fund Obligations	100%	\$ 630,040,000
Santa Clara County Office of Education Certificates of Participation	100	18,510,000
Foothill-DeAnza Community College District Certificates of Participation	100	24,385,000
Other Community College District General Fund Obligations	Various	34,005,565
Gilroy Unified School District General Fund Obligations	100	46,035,000
San Jose Unified School District School General Fund Obligations	100	105,889,371
Santa Clara Unified School District Certificates of Participation	100	7,575,000
Franklin-McKinley School District Certificates of Participation	100	17,891,105
Other School District General Fund Obligations	Various	36,202,849
City of Campbell Certificates of Participation	100	24,155,843
City of Cupertino Certificates of Participation	100	54,770,000
City of Gilroy Certificates of Participation	100	45,900,000
City of Mountain View General Fund Obligations	100	26,440,000
City of San Jose General Fund Obligations	100	757,731,740
City of Santa Clara General Fund Obligations	100	70,010,000
City of Sunnyvale General Fund Obligations	100	34,775,000
Other City General Fund Obligations	100	33,315,000
Midpeninsula Regional Park District General Fund Obligations	69.474	81,156,187
El Camino Hospital District	100	840,000
Total Gross Direct and Overlapping General Fund Obligation Debt		2,049,627,660
Less: Cities of San Jose and Mountain View Certificates of Participation (100% self-supporting from tax increment revenues)		198,320,000
El Camino Hospital Authority		840,000
Total Net Direct and Overlapping General Fund Obligation Debt		1,850,467,660
Gross Combined Total Debt		\$ 5,226,439,204 (1)
Net Combined Total Debt		\$ 5,027,279,204

Ratios to 2003-04 Assessed Valuation:

Total Gross Overlapping Tax and Assessment Debt	1.44%
Total Net Overlapping Tax and Assessment Debt	0.00%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$630,040,000)	0.32%
Gross Combined Total Debt	2.69%
Net Combined Total Debt	2.59%

State School Building Aid Repayable as of 6/30/04: \$ 8,787,383

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

COUNTY OF SANTA CLARA
Revenue Bond Coverage by Enterprise Revenues
Santa Clara Valley Medical Center and County Sanitation District 2 - 3
Last Ten Fiscal Years (1)
(Dollars in thousands)
(Unaudited)

Fiscal Year	(2) Net Revenues	(3) Net Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Debt Service Coverage
				Principal	Interest	Total	
2004	\$ 644,445	\$ 622,815	\$ 21,630	\$ 9,029	\$ 14,902	\$ 23,931	0.90
2003	612,752	585,867	26,885	8,236	16,446	24,682	1.09
2002	537,961	514,786	23,175	6,883	15,679	22,562	1.03
2001	480,906	463,107	17,799	6,435	18,632	25,067	0.71
2000	447,419	410,338	37,081	6,953	14,474	21,427	1.73
1999	418,153	388,352	29,801	1,900	13,952	15,852	1.88
1998	363,589	339,448	24,141	1,694	6,098	7,792	3.10
1997	318,240	302,675	15,565	1,575	3,790	5,365	2.90
1996	295,665	290,524	5,141	1,459	3,427	4,886	1.05
1995	257,914	262,006	(4,092)	1,345	2,960	4,305	(0.95)

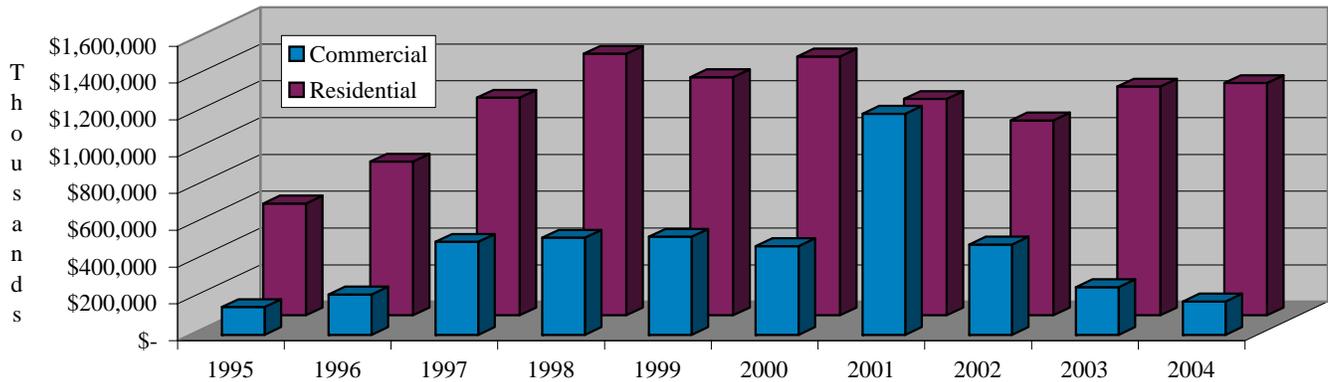
- (1) Entities included in each fiscal year varies, depending on the existence of debt payments.
The Transit District was removed from the County's financial statements beginning in fiscal year 1995.
- (2) Includes operating revenues, net nonoperating revenues, and net operating transfers.
- (3) Excludes depreciation, amortization and interest expense.

Source: County Controller's Office

COUNTY OF SANTA CLARA
Property Value, Construction and Bank Deposits
Last Ten Fiscal Years
(Dollars in thousands)
(Unaudited)

<u>Fiscal Year</u>	<u>Commercial & Residential Assessed Property Value (1)</u>	<u>New Commercial Construction Value (2)</u>	<u>New Residential Construction Value (2)</u>	<u>Bank Deposits (3)</u>
2004	\$ 215,732,555	\$ 180,975	\$ 1,262,569	\$ 41,637,000
2003	208,598,360	258,812	1,243,608	38,316,000
2002	197,317,162	490,789	1,059,160	37,150,000
2001	170,506,404	1,201,453	1,175,799	36,449,275
2000	155,372,688	482,426	1,406,716	34,750,000
1999	142,438,611	532,770	1,294,487	30,098,195
1998	128,786,910	528,014	1,421,101	27,414,152
1997	118,664,541	505,553	1,182,419	25,236,431
1996	113,370,113	218,947	835,025	22,949,135
1995	112,899,133	151,084	608,289	21,654,088

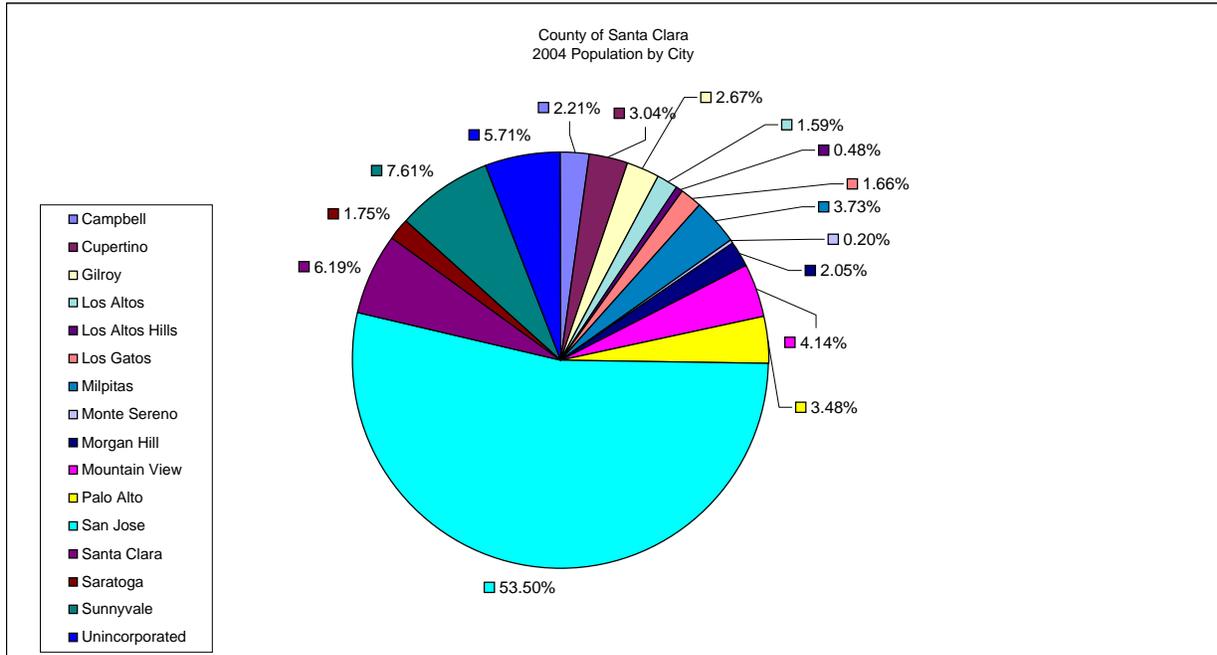
New Construction Valuation



(1) A breakdown into commercial and residential categories is not available.
(2) Source: Construction Industry Research Board
(3) Source: FDIC Data Book and Office of Thrift Supervision <http://www3.fdic.gov/sod>

COUNTY OF SANTA CLARA
Population by City
Ten Year Comparison
(Unaudited)

City	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Campbell	\$ 37,950	\$ 38,450	\$ 39,350	\$ 39,700	\$ 39,850	\$ 40,850	\$ 38,672	\$ 38,401	\$ 38,300	\$ 38,200
Cupertino	43,150	43,850	44,800	46,700	47,650	52,900	51,334	52,235	52,167	52,600
Gilroy	33,300	34,200	35,300	37,450	39,050	40,150	43,539	43,935	44,975	46,200
Los Altos	27,000	27,450	28,000	28,400	28,500	28,600	28,093	27,870	27,722	27,500
Los Altos Hills	7,725	7,825	8,000	8,175	8,250	8,300	8,017	8,007	8,229	8,350
Los Gatos	28,750	29,100	29,700	30,100	30,250	30,450	29,083	28,928	28,910	28,750
Milpitas	59,100	60,000	61,300	62,600	64,300	65,300	63,823	63,768	65,049	64,600
Monte Sereno	3,240	3,300	3,370	3,420	3,440	3,470	3,524	3,520	3,503	3,500
Morgan Hill	26,900	28,100	29,300	30,800	31,900	33,100	34,596	34,785	34,918	35,500
Mountain View	70,900	72,000	73,100	74,700	75,200	76,000	72,242	71,610	72,006	71,600
Palo Alto	58,100	58,800	59,900	60,500	61,200	61,500	60,835	60,487	60,465	60,200
San Jose	839,300	853,700	874,200	894,000	909,100	923,600	918,833	917,971	924,950	926,200
Santa Clara	97,400	98,500	100,100	101,900	102,700	102,900	104,616	104,306	105,831	107,200
Saratoga	29,350	29,750	30,600	31,100	31,250	31,300	30,186	30,444	30,482	30,300
Sunnyvale	125,000	126,800	129,400	131,100	132,900	133,200	133,983	132,825	132,501	131,700
Unincorporated	107,700	109,000	108,300	109,300	109,800	105,200	102,304	100,473	99,909	98,900
Total	1,594,865	1,620,825	1,654,720	1,689,945	1,715,340	1,736,820	1,723,680	1,719,565	1,729,917	1,731,300



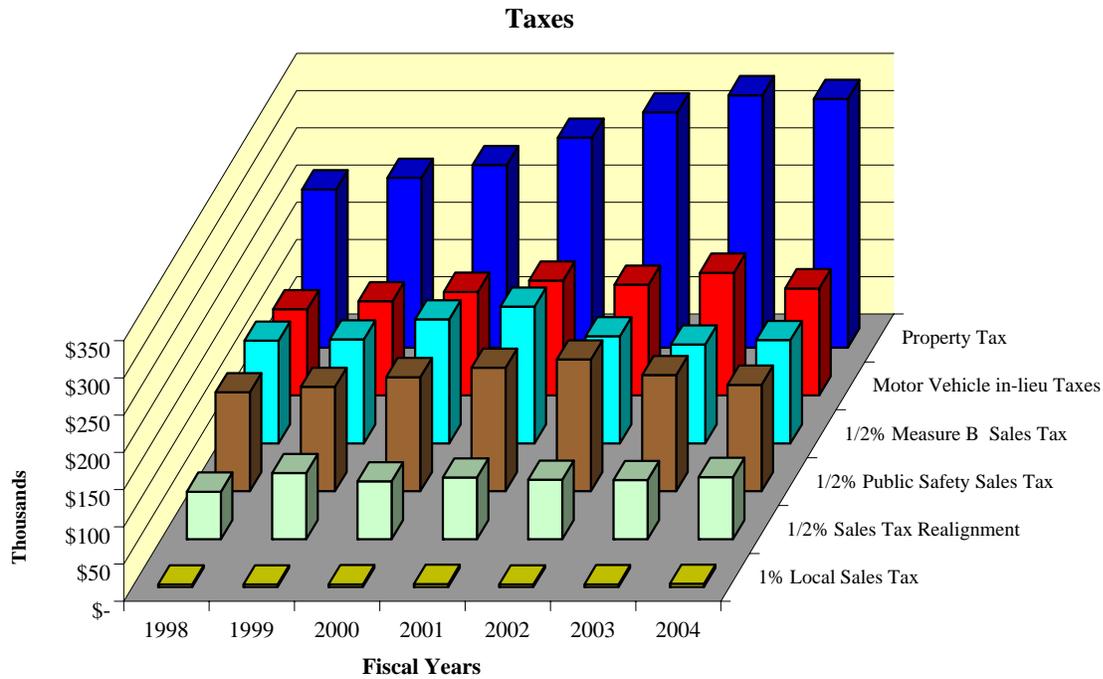
Source: Official State Estimates as of January 1, 2003, California Department of Finance, Demographic Research Unit.

COUNTY OF SANTA CLARA
Taxes
Last Eight Fiscal Years
(Dollars in thousands)
(Unaudited)

Fiscal Year	Sales Tax				Motor Vehicle In- Lieu Taxes	Property Tax
	Local (2)	Realignment (3)	Public Safety (3)	Measure B (2)		
2004	\$ 4,367	\$ 83,317	\$ 142,924	\$ 138,714	\$ 143,727	\$ 333,688
2003	3,696	79,294	155,964	132,657	164,600	338,599
2002	3,528	79,606	176,674	143,871	148,450	315,879
2001	4,130	82,806	165,730	183,505	154,082	281,693
2000	3,718	77,499	153,100	166,338	139,038	245,038
1999	3,360	88,570	140,033	139,359	126,508	227,695
1998	3,366	63,714	132,934	137,862	115,757	212,198
1997	3,028	56,295	119,845	31,680	105,489	192,537

- (1) Includes property tax revenues for the General Fund and the County Library.
- (2) Reported as tax revenues in financial statements.
- (3) Reported as part of the intergovernmental revenues in financial statements.

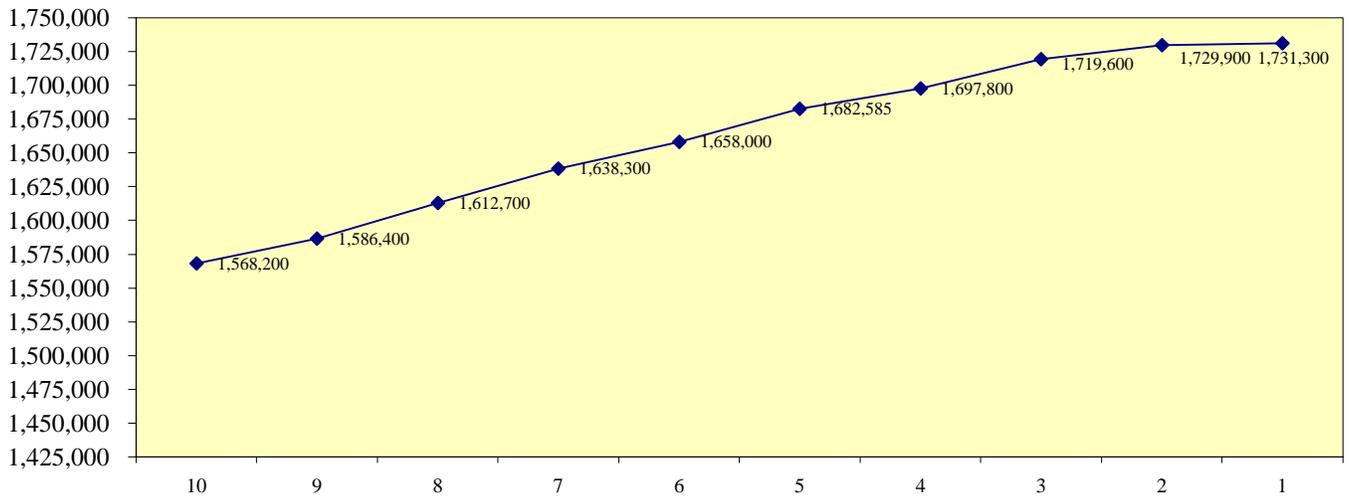
Information beyond eight years is not readily available.



COUNTY OF SANTA CLARA, CALIFORNIA
Demographic Statistical Data
Last Ten Years
(Unaudited)

Fiscal Year	(1) County Population	(2) Civilian Employment All Industries	(3) Per Capita Personal Income	(4) Unemployment Rate
2004	1,731,300	n/a	n/a	6.3%
2003	1,729,900	n/a	n/a	8.6%
2002	1,719,600	n/a	n/a	7.6%
2001	1,697,800	967,500	n/a	4.5%
2000	1,682,585	988,200	55,157	2.0%
1999	1,658,000	936,300	45,928	3.0%
1998	1,638,300	927,900	40,185	3.2%
1997	1,612,700	909,200	37,616	3.0%
1996	1,586,400	862,800	34,675	3.6%
1995	1,568,200	824,200	32,488	4.9%

County Population
Last Ten Fiscal Years



- (1) Source: California Department of Finance, Demographic Research Unit
Sacramento, California, January 2004
- (2) Source: State of California, Employment Development Department,
Labor Market Information Division
- (3) Source: U.S. Department of Commerce, Bureau of Economic Analysis
- (4) Source: State of California, Employment Development Department,
Labor Market Information Division, June 2004

COUNTY OF SANTA CLARA
Miscellaneous Statistical Data
June 30, 2004
(Unaudited)

Geographic Location:	The County of Santa Clara, also referred to as "Silicon Valley," is the largest of the nine counties that make up the San Francisco Bay Area. It was one of the original 27 counties when the state was formed.	
County Seat:	San Jose, California	
Date of Incorporation:	February 18, 1850	
Form of Government:	Charter County, governed by a five-member Board of Supervisors	
Fiscal Year:	July 1 through June 30	
Area of County:	1,316 square miles	
Highest Altitude:	4,209 feet at Mt. Hamilton	
Streets, Roads & Highways, 2000:	4,719.5 miles	
Incorporated Cities:	15	
Population:	2004	1,731,300
	2003	1,729,900
County Employees:	as of June 30, 2004	17,672
Employment Distribution (July, 2004):		
Service	44.67%	
Manufacturing	20.36%	
Retail	9.48%	
Government	10.50%	
Wholesale Trade	4.10%	
Construction and Mining	4.67%	
Finance, Insurance and Real Estate	4.07%	
Transportation and Utilities	1.59%	
Agriculture	0.56%	

Source: California Employment Development Dept
Labor Market Information Division

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Glossary

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ACCOUNTS PAYABLE. A short-term liability account reflecting amounts owed to private persons or organizations for goods and services received by a government.

ACCOUNTS RECEIVABLE. An asset account reflecting amounts due from private persons or organizations for goods and services furnished by a government (but not including amounts due from other funds or other governments).

ACCRUAL BASIS. The recording of the financial effects on a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

ACCUMULATED DEPRECIATION. A contra-asset account used to report the accumulation of periodic credits to reflect the expiration of the estimated service life of capital assets.

ADVANCE FROM OTHER FUNDS. A liability account used to record noncurrent portions of a long-term debt owed by one fund to another fund within the same reporting entity. See **DUE TO OTHER FUNDS** and **INTERFUND RECEIVABLE/PAYABLE**.

ADVANCE TO OTHER FUNDS. An asset account used to record noncurrent portions of a long-term loan from one fund to another fund within the same reporting entity. See **DUE FROM OTHER FUNDS**.

AGENCY FUND. A fund normally used to account for assets held by a government as an agent for individuals, private organizations or other governments and/or other funds.

AMORTIZATION. (1) The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

APPROPRIATION. A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and time it may be expended.

ASSESSED VALUATION. A valuation set upon real estate or other property by a government as a basis for levying taxes.

AUDITOR'S REPORT. In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor's opinion on the fairness of presentation of the financial information in conformity with GAAP or some other comprehensive basis of accounting.

BALANCE SHEET. The financial statement disclosing the assets, liabilities and equity of an entity at a specified date in conformity with GAAP.

BASIC FINANCIAL STATEMENTS (BFS). The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP. Basic financial statements have three components: government-wide financial statements, fund financial statements and notes to the financial statements.

BASIS OF ACCOUNTING. A term used to refer to *when* revenues, expenditures, expenses, and transfers - and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the *timing* of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual method.

BUDGET. A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating governing body for adoption, and sometimes, the plan finally approved by that body.

BUDGETARY CONTROL. The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

CAPITAL ASSETS. Long-lived tangible assets obtained or controlled as a result of past transactions, events or circumstances. Capital assets include buildings, equipment, and improvements other than buildings, land and infrastructure. In the private sector, these assets are referred to most often as property, plant and equipment.

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CAPITAL EXPENDITURES. Expenditures resulting in the acquisition of or addition to the government's general capital assets.

CAPITALIZATION POLICY. The criteria used by a government to determine which outlays should be reported as capital assets.

CAPITAL LEASE. An agreement that conveys the right to use property, plant or equipment, usually for a stated period of time. See **LEASE-PURCHASE AGREEMENTS**.

CAPITAL PROJECTS FUND. A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

CASH BASIS. A basis of accounting under which transactions are recognized only when cash is received or disbursed.

CASH WITH FISCAL AGENT. An asset account reflecting deposits with fiscal agents, such as commercial banks, for the payment of bond principal and interest.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING PROGRAM. A voluntary program administered by the GFOA to encourage governments to publish efficiently organized and easily readable CAFR's and to provide technical assistance and peer recognition to the finance officers preparing them.

CHANGE IN THE FAIR VALUE OF INVESTMENTS. The difference between the fair value of investments at the beginning of the year and at the end of the year, taking into consideration investment purchases, sales, and redemptions.

COMPENSATED ABSENCES. Absences, such as vacation, illness and holidays, for which it is expected employees will be paid. The term does not encompass severance or termination pay, postretirement benefits, deferred compensation or other long-term fringe benefits, such as group insurance and long-term disability pay.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR). A financial report that encompasses all funds and component units of the government. The CAFR should contain (a) the basic financial statements and required supplementary information, (b) combining statements to support columns in the basic financial statements that

aggregate information from more than one fund or component unit, and (c) individual fund statements as needed. The CAFR is the governmental unit's official annual report and also should contain introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data.

CONCENTRATION OF CREDIT RISK. The risk of loss attributed to the magnitude of a government's investment in a single issuer.

CONTINGENT LIABILITY. Items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending lawsuits, judgments under appeal, unsettled disputed claims, unfilled purchase orders and uncompleted contracts. Contingent liabilities should be disclosed within the financial statements (including the notes) when there is a reasonable possibility a loss may have been incurred. Guarantees, however, should be disclosed even though the possibility of loss may be remote.

CREDIT RISK. The risk that an issuer or a counter-party to an investment will not fulfill its obligations.

CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS. Measurement focus according to which the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for state and local governments and is used solely for reporting the financial position and results of operations of governmental funds.

DEBT. An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, time warrants and notes.

DEBT SERVICE FUND. A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

DEFERRED CHARGES. Expenditures that are not chargeable to the fiscal period in which they were made but that are carried as an asset on the balance sheet, pending amortization or other disposition (e.g. bond issuance costs). Deferred charges differ from prepaid

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items in that they usually extend over a long period of time (more than five years) and are not regularly recurring costs of operation.

DEFERRED REVENUE. Resource inflows that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period.

DEFICIT. (1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period or, in the case of proprietary funds, the excess of expenses over revenues during an accounting period.

DEFINED BENEFIT PENSION PLAN. A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation.

DEPRECIATION. (1) Expiration in the service life of capital assets, other than wasting assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy and obsolescence. (2) The portion of the cost of a capital asset, other than a wasting asset, charged as an expense during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

DESIGNATED FUND BALANCE. A portion of an unreserved fund balance that has been "earmarked" by the chief executive officer or the legislative body for specified purposes.

DUE FROM OTHER FUNDS. An asset account used to indicate amounts owed to a particular fund by another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans.

DUE TO OTHER FUNDS. A liability account reflecting amounts owed by a particular fund to another fund for goods sold or services rendered. These amounts include only short-term obligations on open account, not interfund loans.

ECONOMIC RESOURCES MEASUREMENT FOCUS. Measurement focus under which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity's net assets. The economic resources measurement focus is used for proprietary and fiduciary funds, as well as for government-wide financial reporting. It is also used by business enterprises in the private sector.

ENCUMBRANCES. Commitments related to unperformed (executory) contracts for goods or services. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

ENTERPRISE FUND. Proprietary fund type used to report an activity for which a fee is charged to external users for goods and services.

EXPENDITURE-DRIVEN GRANTS. Government-mandated or voluntary nonexchange transactions in which expenditure is the prime factor for determining eligibility. Also referred to as reimbursement grants.

EXCHANGE-LIKE TRANSACTION. Transaction in which there is an identifiable exchange between the reporting government and another party, but the values exchanged may not be quite equal or the direct benefits of the exchange may not be exclusively for the parties to the exchange.

EXPENDITURES. Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service and capital outlays, and intergovernmental grants, entitlement and shared revenues.

EXPENSES. Outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operations.

EXTERNAL AUDITORS. Independent auditors typically engaged to conduct an audit of a government's financial statements.

EXTERNAL INVESTMENT POOL. An arrangement that commingles (pools) the moneys of more than one legally separate

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entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsors reporting entity. An external investment pool can be sponsored by an individual government, jointly by more than one government, or by a nongovernmental entity. An investment pool that is sponsored by an individual state or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government-sponsored pool includes only the primary government and its component units, it is an internal investment pool and not an external investment pool.

FAIR VALUE. The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL DEPOSIT INSURANCE CORPORATION. A corporation created by the federal government that insures deposits in banks and savings associations.

FIDUCIARY FUNDS. The trust and agency funds used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other government units and/or other funds.

FINANCIAL RESOURCES. Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g. receivables, investments). Financial resources may also include inventories and pre-pays (because they obviate the need to expend current available resources).

FISCAL AGENT. A fiduciary agent, usually a bank or county treasurer, who performs the function of paying debt principal and interest when due.

FOREIGN EXCHANGE RISK. The risk that changes in exchange rate will adversely affect the fair value of an investment or a deposit.

FUND. A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein, are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions or limitations.

FUND BALANCE. The difference between fund assets and fund liabilities of governmental and similar trust funds.

FUND FINANCIAL STATEMENTS. Basic financial statements presented on the basis of funds. Term used in contrast with *government-wide financial statements*.

FUND TYPE. Any one of seven categories into which all funds are classified in governmental accounting. The seven fund types are: general, special revenue, debt service, capital projects, enterprise, internal service, and trust and agency.

GENERAL REVENUES. All revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax – for example, property tax, sales tax, transient occupancy tax. All other nontax revenues (including interest, grants and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.

GENERAL FUND. The general fund is one of five governmental fund types and typically serves as the chief operating fund of the government. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP). The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local governments are set forth by SAS No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles"* in the Independent Auditor's Report.

GOVERNMENTAL ACCOUNTING. The composite activity of analyzing, recording, summarizing, reporting and interpreting the financial transactions of governments.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB). The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The GASB was established in June 1984 to replace the National Council on Governmental Accounting (NCGA).

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GOVERNMENTAL FUNDS. Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds and permanent funds.

GOVERNMENT-WIDE FINANCIAL STATEMENTS. Financial statements that incorporate all of a government's governmental and business-type activities, as well as its nonfiduciary component units. There are two basic government-wide financial statements: the statement of net assets and the statement of net activities. Both basic governmental financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

INFRASTRUCTURE. Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems.

INTEREST RATE RISK. The risk that changes in interest rates will adversely affect the fair value of an investment or a deposit.

INTERFUND RECEIVABLE/PAYABLE. Short-term loans made by one fund to another, or the current portion of an advance to or from another fund.

INTERFUND TRANSFERS. Flow of assets (such as cash or goods) between funds and blended component units of the primary government without equivalent flows of assets in return and without a requirement for payment.

INTERNAL SERVICE FUND. A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

JOINT VENTURE. A legal entity or other contractual arrangement in which a government participates as a separate and specific activity for the benefit of the public or service recipients and in which the government retains an ongoing financial interest.

LAPSE. As applied to appropriations, the automatic termination of an appropriation. Except for indeterminate appropriations and continuing appropriations, an appropriation is made for a certain period of time. At the end of this period, any unexpended or

unencumbered balance thereof lapses, unless otherwise provided by law.

LEASE-PURCHASE AGREEMENTS. Contractual agreements that are termed leases, but that in substance are purchase contracts.

LEGAL LEVEL OF BUDGETARY CONTROL. The level at which spending in excess of budgeted amounts would be a violation of law.

LEVEL OF BUDGETARY CONTROL. The level at which a government's management may not reallocate resources without special approval from the legislative body.

LIABILITIES. Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

LOANS RECEIVABLE. An asset account reflecting amounts loaned to individuals or organizations external to a government, including notes taken as security for such loans. Loans to other funds and governments should be recorded and reported separately.

MAJOR FUND. A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The general fund is always a major fund. Otherwise, major funds are funds whose revenues/expenditures, assets or liabilities are at least 10 percent of corresponding totals for all government or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other government or enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

MANAGEMENT'S DISCUSSION AND ANALYSIS. A component of required supplementary information used to introduce the basic financial statements and to provide an analytical overview of the government's financial activities.

MEASUREMENT FOCUS. A way of presenting an entity's financial performance and position by considering which *resources* are measured (financial or economic) and *when* the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide

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financial statements, proprietary fund financial statements and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

MODIFIED ACCRUAL BASIS. The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g. bond issue proceeds) are recognized when they become susceptible to accrual, that is when they become both "measurable" and "available to finance expenditures of the current period." "Available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, expenditures are recognized when the fund liability is incurred. All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting.

OTHER FINANCING SOURCES. An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the other financing sources category is limited to items so classified by GAAP.

OPERATING LEASE. A lease does not transfer ownership rights, risks and rewards from the lessor to the lessee, the lease is called an operating lease and is similar to a rental.

OTHER FINANCING USES. A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of other financing uses category is limited to items so classified by GAAP.

OVERLAPPING DEBT. The proportionate share property within each government must bear of the debts of all local governments located wholly or in part within the geographic boundaries of the reporting government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessment receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

PROGRAM REVENUES. Term used in connection with the government-wide statement of activities. Revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

PROPRIETARY FUNDS. Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

REBATABLE ARBITRAGE. A term used in connection with the reinvestment of the proceeds of tax-exempt debt. A requirement to remit to the federal government interest revenue in excess of interest costs when the proceeds from the sale of tax-exempt securities are reinvested in a taxable money market instrument with a materially higher yield.

REPORTING ENTITY. The oversight unit and all of its component units, if any, that are combined in the CAFR/BFS.

REQUIRED SUPPLEMENTARY INFORMATION. Consists of statements, schedules, statistical data or other information which, according to the GASB, is necessary to supplement, although not required to be a part of the basic financial statements.

RESERVED FUND BALANCE. The portion of a governmental fund's net assets that is not available for appropriation.

RESTRICTED ASSETS. Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

RESTRICTED NET ASSETS. A component of net assets calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

RETAINED EARNINGS. An equity account reflecting the accumulated earnings of an enterprise or internal service fund.

REVENUE BONDS. Bonds whose principal and interest are payable exclusively from earnings of an enterprise fund. In addition

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to a pledge of revenues, such bonds sometimes contain a mortgage on the enterprise fund's property.

RISK MANAGEMENT. All the ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

SELF-INSURANCE. A term often used to describe the retention by an entity of a risk of loss arising out of the ownership of property or from some other cause, instead of transferring that risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets to fund any related losses. Because no insurance is involved, the term self-insurance is a misnomer.

SINGLE AUDIT. An audit performed in accordance with the Single Audit Act of 1997 and Office of Management and Budget's (OMB) Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. The Single Audit Act allows or requires governments (depending on the amount of federal assistance received) to have one audit performed to meet the needs of all federal agencies.

SPECIAL DISTRICT. An independent unit of local government organized to perform a single government function or a restricted number of related functions. Special districts usually have the power to incur debt and levy taxes; however, certain types of special districts are entirely dependent upon enterprise earnings and cannot impose taxes. Examples of special districts are water districts, drainage districts, flood control districts, hospital districts, fire protection districts, transit authorities, port authorities and electric power authorities.

SPECIAL REVENUE FUND. A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

TAX AND REVENUE ANTICIPATION NOTES (TRANS). Notes issued in anticipation of the collection of taxes and revenues, usually retirable only from tax collections, and frequently only from the proceeds of the tax and revenues levy whose collection they anticipate.

TRUST FUNDS. Funds used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments and/or other funds.

UNDESIGNATED UNRESERVED FUND BALANCE. That portion of a fund balance that is available for spending or appropriation and has not been "earmarked" for specified purposes by the chief executive officer or the legislative body.

UNQUALIFIED OPINION. An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

UNRESERVED FUND BALANCE. That portion of a fund balance available for spending or appropriation in the future.

UNRESTRICTED NET ASSETS. That portion of net assets that is neither restricted nor invested in capital assets (net of related debt).

VARIABLE-RATE INVESTMENT. An investment with terms that provide for the adjustment of its interest rate (such as the last day of the month or a calendar quarter) and that, upon each adjustment until the final maturity of the instrument or the period remaining until the principal amount can be recovered through demand, can reasonably be expected to have a fair value that will be unaffected by interest rate changes.

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