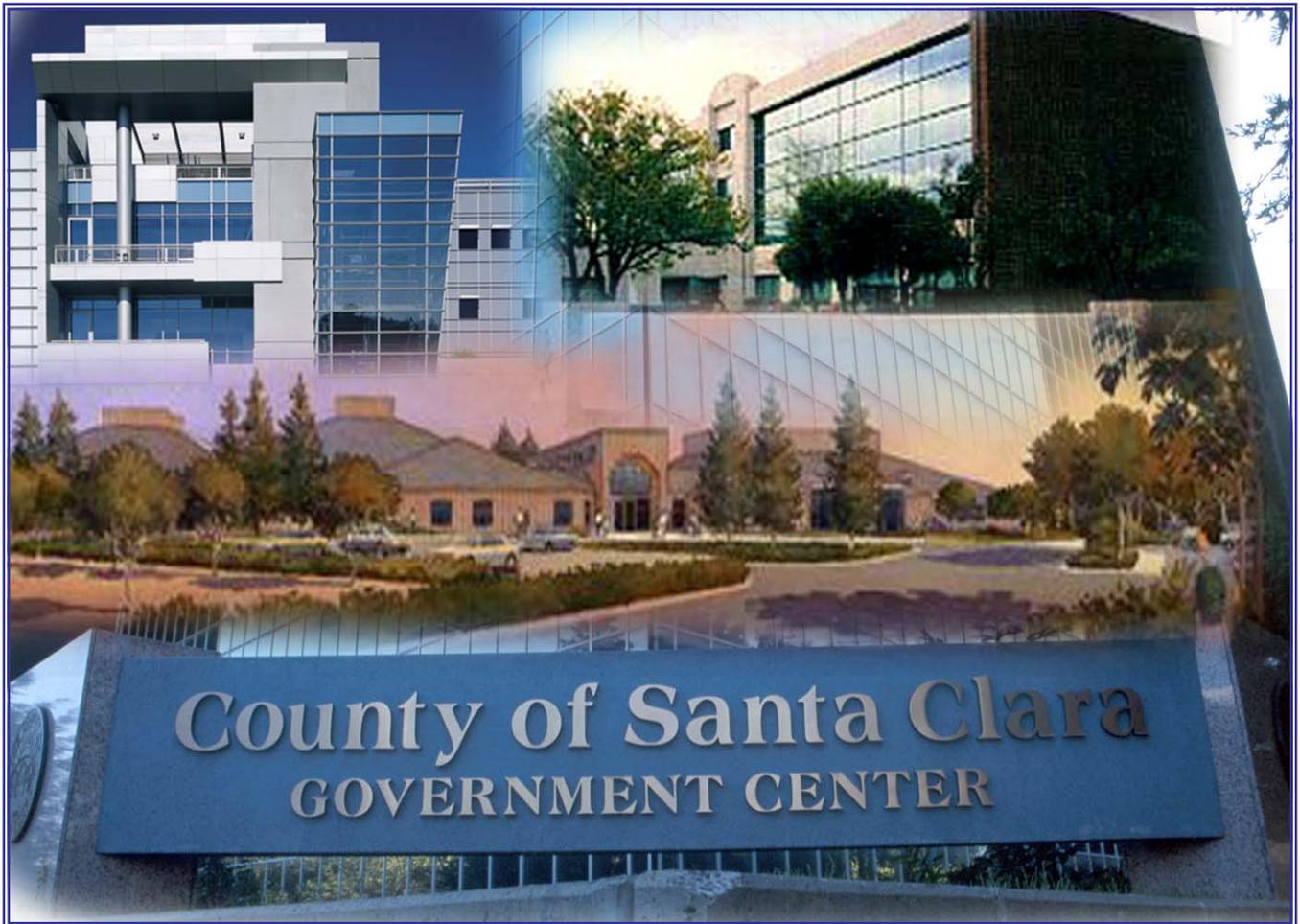


**COUNTY OF SANTA CLARA
STATE OF CALIFORNIA**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2006



**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, 2006

Prepared by the 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
70 West Hedding Street
San Jose, California 95110
(408) 299-5200 FAX 289-8629



November 28, 2006

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

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This Comprehensive Annual Financial Report (CAFR) is published to fulfill that requirement for the fiscal year ended June 30, 2006.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework it established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Macias Gini & O'Connell LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the County of Santa Clara's financial statements for the year ended June 30, 2006. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The County of Santa Clara (the County) 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 more than 60 percent since 1970. It is the sixth most populated county in California. Santa Clara County was home to more than 1.7 million residents in 2005, 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 in San Jose, which is the 3rd largest city in California, and is the largest city in the Bay Area.

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. two in 2006 and three in 2008). 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 County's operations include various component units which provide specific services County-wide or to distinct geographic areas within the County. They are legally separate entities for which the County is financially accountable as their governing boards are substantially the same as the County Board. Because of this governing board relationship and the exclusivity of county services, 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.

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 operates.

Economy

Santa Clara County is the largest member of the economic region, called the Silicon Valley—a world leader in development of new technologies and industries. In a little over three decades, the Valley's economy has transitioned from being sustained first by agriculture, next by manufacturing, then by services, followed by high technology, and finally launching into an economy of high-productivity and cutting-edge innovation. During this period, the Valley's economy has moved from employing Brown to Blue to White to Gold Collared workers. The region's major industry clusters are software, semiconductor, hardware, innovation services, biomedical, and electronic components. The Valley is the number one region garnering the largest amount of venture capital in recent years. It represents 26 percent of all U.S. venture capital investment.

Recent economic indicators show that after some years of economic downturn, the Valley's economy has shown signs of moderate recovery. In 2005, the unemployment rate dropped sharply, falling 1.1 percentage points to 5.5 percent, just above the state's rate of 5.4 percent for the same year. The Valley added jobs for the first time since 2001. Productivity of the region's work force is more than twice the national average. Taxable sales continue to show signs of positive growth. Sales of single-family homes are declining while inventory for the homes are rising. Unlike the previous years, the appreciation of median price of single-family homes has been moderate.

The County's budget has structural shortfalls and a moderate economic recovery will not be enough to cure those shortfalls. The County's revenue growth, for the past few years, has fallen short of its rising costs, and this trend is expected to continue in the future. Decisions necessitated by circumstances in the last 10 years such as enhanced retirement benefits for safety employees, and the construction of a new hospital required for seismic purposes have significantly escalated the overall cost of County services. The cost of health care impacts both the cost of health insurance for employees and the General Fund subsidy to Santa Clara Valley Medical Center, which provides health care to a large population of under-or-uninsured patients. In addition, the County's revenue stream is limited by the State of California's fiscal problems and continues to see a reduction in the level of State support of the County's General Fund services. The FY07 deficit was estimated at \$164.6 million. The FY07 budget used the following strategies to solve the budget deficit:

- \$123.8 million - One-time funding for ongoing operations
- \$ 40.8 million - Departmental reductions

The department reductions of \$40.8 million represent a combination of spending reductions and revenue solutions. The budget included a net reduction of 39 full-time equivalent (FTE) positions that will affect the departments' service level capacity.

Long-term financial planning

1. The County's largest discretionary revenue source, secured property taxes, grew 8.8 percent in FY06. This tax source is projected to grow 9.5 percent in FY07 and is projected to grow at a reduced rate in future years of approximately 8.0 percent. The growth in other revenues is not as significant. The expenditures for salaries and benefit, which are about half of County's total operating costs are projected based on agreements with major bargaining units and labor organizations, as well as the projected increase in retirement and health insurance costs. Other expenditures are projected based on the departments business needs.
2. For FY07, the County has set aside \$87.7 million in contingency reserves. Contingency reserve is a major unobligated reserve budgeted in the General Fund, and its use is limited by the Board's policy. A reserve for economic uncertainty tends to grow during good economic times and become depleted following downturns in the business cycle. The contingency reserve is funded with one-time funds, as is the serve for economic uncertainty. These reserves are re-examined each year.
3. The 10-year capital improvement plan (CIP) projects future capital needs for the County. It identifies how the County plans to fund its capital projects over the ten-year period. The FY07 budget includes \$133.8 million for various long-term capital projects. Some of these projects are funded through debt financing. The budget also included \$10.0 million in one-time funds for new projects, such as the Security Master Plan and Life Cycle Infrastructure Investment Program.
4. In FY07, the County plans to issue approximately \$100 million in debt to provide funds for the Valley Health Clinic in Milpitas, a new building in San Jose to consolidate the three Fleet facilities to one location, and the remainder for seismic retrofitting of the Courthouse in Los Gatos. In addition, the County will act as the conduit issuer for a \$6 million Housing Authority lease revenue Bond. The County also plans to undertake a securitization financing of approximately \$100 million, which secured by future pledge Tobacco Settlement revenues.

Relevant Financial Policies

Use of Fund Balance

Any undesignated General Fund balance at the fiscal year end is treated as a one-time source of funding. The Board policy discourages using the one-time funds for ongoing operations and limits their appropriation only to meet the one-time expenditures. The only exception is the use of one-time reserves to ease the transition to downsized and/or reorganized operations.

Contingency Reserves

Use of contingency reserves is restricted to support costs on one-time basis for the following purposes:

- When the County is impacted by an unanticipated reduction in State and/or Federal grants and aid.
- When the County faces economic recession or depression and the County must take budget action before the beginning of any fiscal year.
- When the County is impacted by a natural disaster.
- When the County is presented with an unanticipated or unbudgeted lease expense that is necessary for the delivery of local services.
- When the County is affected by unforeseen events that require the allocation of funds.

The County can use contingency reserves to support ongoing costs, as a financing mechanism, when presented with critical program initiatives that have a time requirement that cannot be deferred.

Capital Project Financing

The County has a long-term capital improvement plan (CIP) that identifies how the County plans to fund both its ‘pay-as-you-go’ and its debt financed 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 Management

The debt management policy sets forth certain debt management objectives for the County and establishes overall parameters for issuing and administering the County’s debt. The Board supports the Administration’s effort to limit issuance of short-term debt to cover cyclical cash flow needs. The policy allows for the issuance of long-term debt to finance major capital improvements. However, the County historically has required a careful assessment of capital improvement priorities, capital costs, annual debt service capacities, and annual operating and maintenance costs on the scheduled improvement in advance of incurring the indebtedness.

Cash Management

- **Commingled Pool**—the County’s pooled deposits and investments are governed by California Government Code and by a County investment policy. This policy is reviewed annually by the County Treasury Oversight Committee and approved annually by 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 audits and reports. The County’s investment policy stipulates, among other items, approved investment categories, maturity limits and credit rating minimums for County investments. 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.
- Government Code Sections 53620-53622 grant the County authority to invest the assets of the County Retiree Health Trust in a form or type of investment deemed prudent by the governing body. Accordingly, the County’s investment policy allows the purchase of securities with final maturities of 30 years or less and a Moody’s credit rating of A3 or higher. Additionally, up to 67 percent of the assets (minus near-term liability pay-outs) of the County Retiree Health Trust 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. The County Retiree Health Trust is reported as an Internal Service Fund in the financial statements, and will be converted to an irrevocable trust as part of the implementation of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions, in the next couple of years.

Multi-Year Financial Forecasting

The County’s Proposed Budget includes a five-year financial forecast of projected budgetary deficit focusing on the types of solutions required to solve the deficit.

Major Initiatives

In the County’s Proposed Budget, the County Executive outlines various major programs (initiatives), accomplishments and challenges aligned with the County’s Strategic Plan. That document is available via the Internet at <http://www.sccgov.org/portal/site/scc>. Some of the initiatives included in the recommended budget are included here.

Contingency Reserves

The Board has made a commitment to increase the General Fund contingency reserves to 5.0 percent of the Fund's revenues, net of pass-throughs, by July 1, 2007. The Board has established targets to set the reserve at 2.5 percent of General Fund revenues in FY05, 3.0 percent in FY06 and 4.0 percent in FY07, all net of pass-throughs. The FY07 recommended budget set aside \$82.4 million or 4.25 percent of contingency reserves. Additionally, the Board approved \$5.3 million to increase the FY07 General Fund contingency reserves at \$87.7 million or 4.7 percent of the Fund's revenues, net of pass-through. In doing so, the Board exceeded its 4.0 percent target for FY07.

General Fund Subsidy to SCVMC

Santa Clara Valley Medical Center (SCVMC), a County operated public hospital is the largest and busiest hospital and clinic system (outside of Kaiser) in the South Bay and is, in many respects, what holds together the entire hospital system, public and private. The Board has adopted an Open Door Policy to provide high quality, cost-effective healthcare to all residents regardless of their ability to pay. Since revenues from treating a largely under-or-uninsured patient population cannot cover the cost of providing patient care services, SCVMC depends on an operating subsidy from the General Fund for its operations. This General Fund subsidy is comprised of three basic elements: pass-through revenues, unreimbursed County services (e.g. medical care for inmates and employee physicals), and the General Fund grant. The FY07 budget includes a General Fund subsidy of \$166.9 million to SCVMC.

Equity in Workforce Reductions

As stated earlier, the County's budget has structural shortfalls. The FY07 budget includes \$164.6 million in deficit solutions, raising the cumulative total of deficit solutions since FY03 to \$802.7 million. These solutions include department reductions, revenue enhancements, and the use of one-time funding for ongoing operations to ensure continuity of essential County services. The General Fund has eliminated over 1,200 FTE positions over the past five years. In deleting those positions, the County Executive maintained his commitment to the Board, labor unions, and employees to pay close attention to reductions that are "vertically appropriate;" improvement in the Countywide staff-to-supervisor ratio, and balance in reductions across the Board policy committee areas. The position eliminations have come from all levels of County hierarchy. The FY07 recommended budget aim at keeping the percentage of executives, managers and supervisors and line staff relatively unchanged. Executive Management positions are the same, Manager and Supervisor positions will be slightly reduced, and the percentage of line staff positions is slightly increased. The countywide ratio of staff-to-supervisor has improved from a base of 10.2:1 in the FY06 budget to 10.6:1 in the FY07 budget.

Health and Hospital Strategic Facilities Plan

In 1994, Senate Bill 1953 (SB1953) was signed into law as an amendment to the Alfred E. Alquist Hospital Seismic Safety Act of 1993. The objective of this Act is to assure that acute care hospital buildings are remaining intact after a seismic event by the year 2013, and also capable of continued operations of acute care medical services by the year 2030. As a result of the seismic requirements, the County is required to make substantial changes to the SCVMC campus or will be forced to reduce the number of available inpatient beds. The estimated total cost to comply with SB1953 is approximately \$1.2 billion. One of the major capital initiatives in the coming years will be the seismic retrofitting of the SCVMC inpatient facilities. The long-term financial plan for this project considers the use of one-time funds and grants as well as issuance of bonds to complete this project.

Other Information

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, 2005. This was the seventh consecutive year the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an

easily readable and efficiently organized CAFR. 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 CAFR 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.

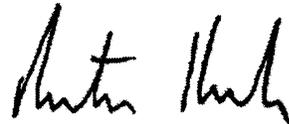
Acknowledgments

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, 2005

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



Carla E. Perry

President

Jeffrey R. Egan

Executive Director

COUNTY OF SANTA CLARA

BOARD OF SUPERVISORS AND PRINCIPAL COUNTY OFFICIALS

JUNE 30, 2006

BOARD OF SUPERVISORS



Donald F. Gage
District 1



Blanca Alvarado
District 2



Pete McHugh
District 3



James T. Beall, Jr.
District 4



Liz Kniss
District 5

PRINCIPAL COUNTY OFFICIALS



Peter Kutras, Jr.
County Executive



John V. Guthrie
Director of Finance



Ann Miller Ravel
County Counsel



George Kennedy
District Attorney

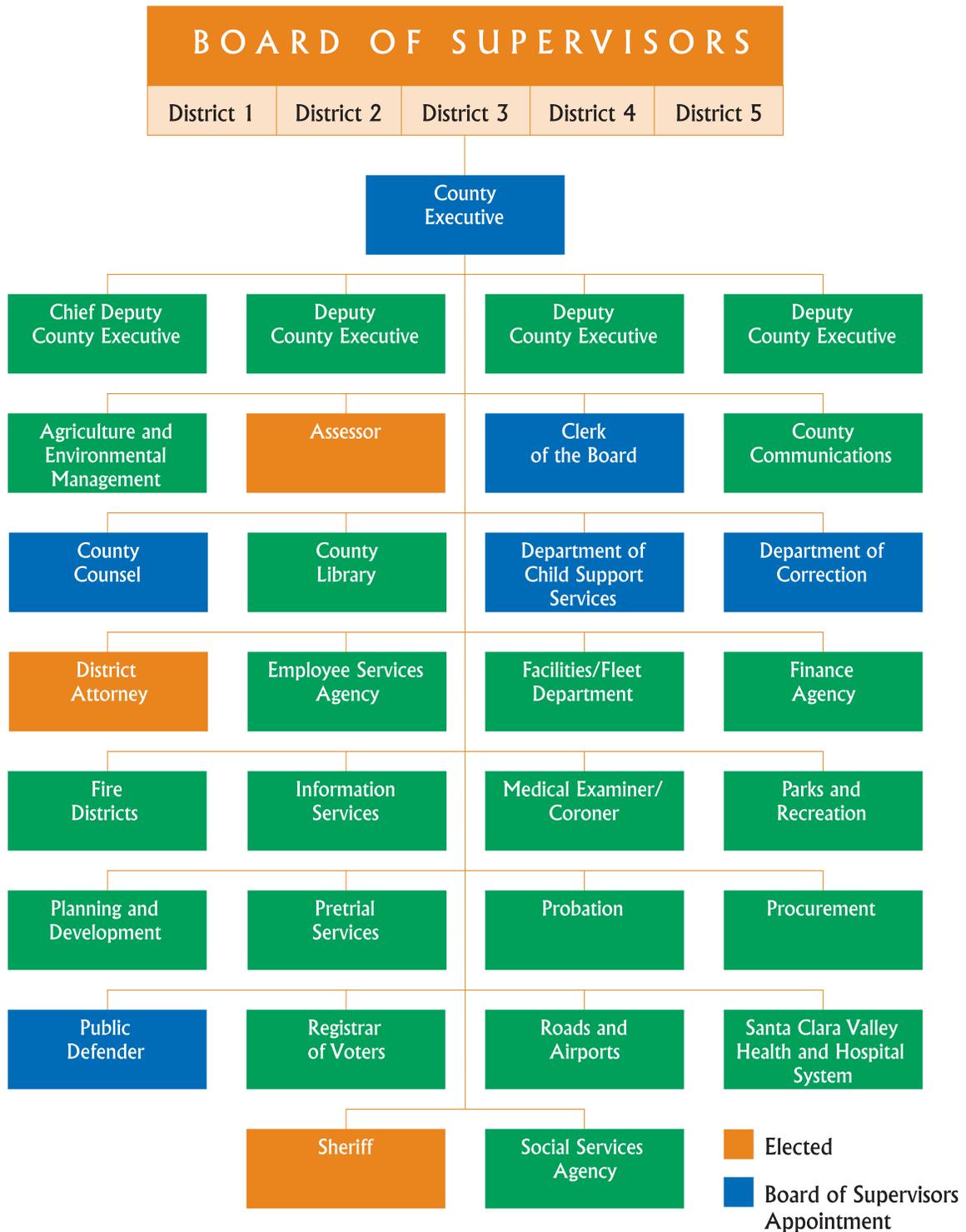


Laurie Smith
Sheriff



Larry Stone
Assessor

COUNTY OF SANTA CLARA ORGANIZATION CHART



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Financial Section



MACIAS GINI & O'CONNELL LLP
 CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300
 Sacramento, CA 95816
 916.928.4600

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 San Diego, CA 92101
 619.573.1112

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

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and 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, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We 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, net assets and revenues as of and for the fiscal year ended June 30, 2006:

| Opinion Unit | Assets | Net Assets | Revenues |
|--|--------|------------|----------|
| Governmental activities | 2.3% | 2.7% | 3.2% |
| Business-type activities | 1.4% | 19.2% | 0.4% |
| Aggregate discretely presented component units and remaining fund information | 4.1% | 4.4% | 1.2% |

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, and the aggregate discretely presented component units and remaining fund information of the County as of June 30, 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2006, 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.


Certified Public Accountants
Walnut Creek, California

November 28, 2006

Management's Discussion and Analysis

County of Santa Clara
Management's Discussion and Analysis
Required Supplementary Information - Unaudited

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, 2006. 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 vi of this report.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities by \$1.8 billion (*net assets*) for the year. 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 \$138.0 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 \$619.7 million. (See further detail in Table 1 on page 6).
- The County's total net assets increased by \$27.2 million for the year. (See further detail in Table 2 on page 8).
- At June 30, 2006, the County governmental funds reported combined fund balances of \$991.7 million, an increase of \$10.9 million from prior year. Approximately 78.2 percent of the combined fund balances, \$775.8 million, is available to meet the County's current and future needs (*unreserved fund balance*), which represents a \$68.8 million decrease from prior year.
- At June 30, 2006, the County's unreserved fund balance for the General Fund was \$554.0 million or 30.3 percent of total General Fund expenditures.
- The County's investments in capital assets increased by \$55.7 million or 5.3 percent. (See further detail in Table 5 on page 16).
- The County's total long-term debt, net of debt service principal pay-off of \$90.1 million for the year, increased by \$116.4 million or 14.7 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 Districts 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 Districts 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 25 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. 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, employee benefits and retirees’ healthcare. 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 - 83 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 85 - 98 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 101 - 162 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The County’s assets exceeded its liabilities by \$1.8 billion at June 30, 2006. As stated earlier, 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 | |
|---|--------------------------|--------------|--------------------------|------------|--------------|--------------|---------------|----------------|
| | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | Dollar Change | Percent Change |
| | Current and other assets | \$ 1,745,639 | \$ 1,796,957 | \$ 319,177 | \$ 396,516 | \$ 2,064,816 | \$ 2,193,473 | \$ 128,657 |
| Capital assets | 819,611 | 785,388 | 237,947 | 327,855 | 1,057,558 | 1,113,243 | 55,685 | 5.3% |
| Total assets | 2,565,250 | 2,582,345 | 557,124 | 724,371 | 3,122,374 | 3,306,716 | 184,342 | 5.9% |
| Current and other liabilities | 162,085 | 189,105 | 73,066 | 73,087 | 235,151 | 262,192 | 27,041 | 11.5% |
| Long-term liabilities | 600,334 | 616,726 | 489,618 | 602,076 | 1,089,952 | 1,218,802 | 128,850 | 11.8% |
| Total liabilities | 762,419 | 805,831 | 562,684 | 675,163 | 1,325,103 | 1,480,994 | 155,891 | 11.8% |
| Net assets: | | | | | | | | |
| Invested in capital assets, net of related debt | 671,131 | 598,143 | (25,665) | 21,529 | 645,466 | 619,672 | (25,794) | (4.0%) |
| Restricted net assets | 81,606 | 98,931 | 25,608 | 39,026 | 107,214 | 137,957 | 30,743 | 28.7% |
| Unrestricted net assets | 1,050,094 | 1,079,440 | (5,503) | (11,347) | 1,044,591 | 1,068,093 | 23,502 | 2.2% |
| Total net assets | \$ 1,802,831 | \$ 1,776,514 | \$ (5,560) | \$ 49,208 | \$ 1,797,271 | \$ 1,825,722 | \$ 28,451 | 1.6% |

Assets

The County’s total assets increased by \$184.3 million or 5.9 percent primarily due to the following:

Governmental activities. Total assets for the governmental activities increased by \$17.1 million or 0.7 percent—an increase of \$51.3 million in current and other assets and a decrease of \$34.2 million in capital assets. The increases in current and other assets were due to the following reasons: 1) issuance of the 2006 Lease Revenue Series I bonds attributed to a \$16.9 million increase in restricted cash and investments; 2) advanced payment from the County Measure B program to Valley Transportation Authority (VTA) for various transit related projects accounted for \$3.8 million increase in other assets; and 3) increase in cash collection from advances to SCVMC and receivables from other governmental agencies contributed to the remaining increases. Capital assets used to support governmental activities decreased by \$34.2 million or 4.2 percent; depreciable capital assets increased by \$3.0 million, while non-depreciable capital assets decreased by \$37.3 million. Changes in capital assets will be discussed in the Capital Assets section on page 15.

Business-type activities. Total assets for the business-type activities increased by \$167.2 million or 30.0 percent mainly due to issuance of the 2006 Lease Revenue Series I and J bonds for construction of two new valley health center facilities. Bond proceeds expended for construction activities resulted in an \$89.9 million increase in capital assets. Bond proceeds not yet spent are reported as restricted cash and investments, which increased by \$78.8 million.

Liabilities

The County’s total liabilities increased by \$155.9 million or 11.8 percent mainly due to the following:

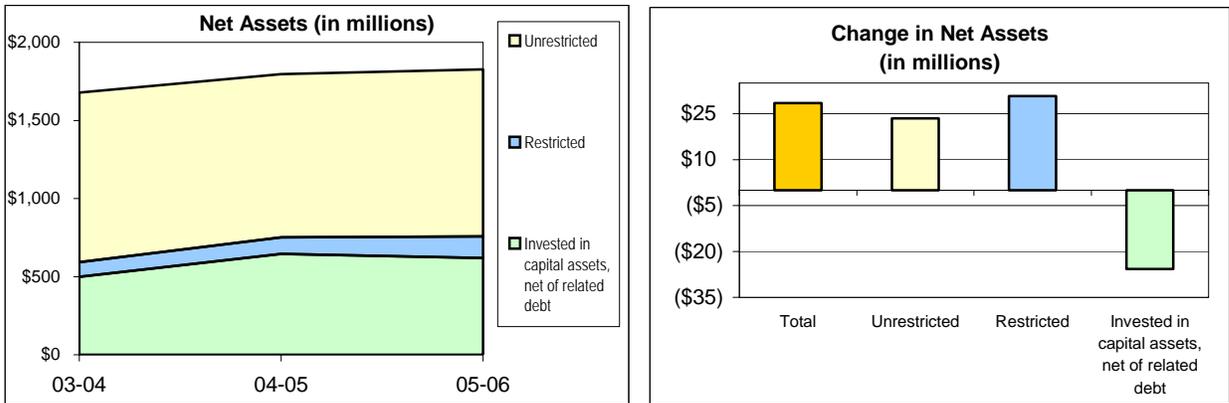
Governmental activities. Total liabilities for the governmental activities increased by \$43.4 million—\$27.0 million in current and other liabilities and \$16.4 million in long-term liabilities. The increases in current and other liabilities included \$8.0 million in accrual salaries and benefits and \$19.0 million in other current payables. Changes in long-term liabilities consisted of \$8.7 million in long-term debts and \$7.7 million in other long-term liabilities. The increases in other long term liabilities primarily came from a \$7.2 million increase in accrued vacation and sick leave due to increased leave balances and the higher average hourly rate. Changes in long-term debt will be discussed in the Long-term Debt section on page 17.

Business-type activities. Total liabilities for the business-type activities increased by \$112.5 million mainly due to the issuance of \$116.1 million of 2006 Lease Revenue Series I and J bonds for reasons explained above.

Net Assets

The largest portion of the County’s net assets (58.5%) 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 \$619.7 million (33.9%) 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 \$138.0 million (7.6%) 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 *Unrestricted net assets* for the business-type had a deficit of \$11.3 million because the SCVMC revenues fell short of its operating expenses for the year.



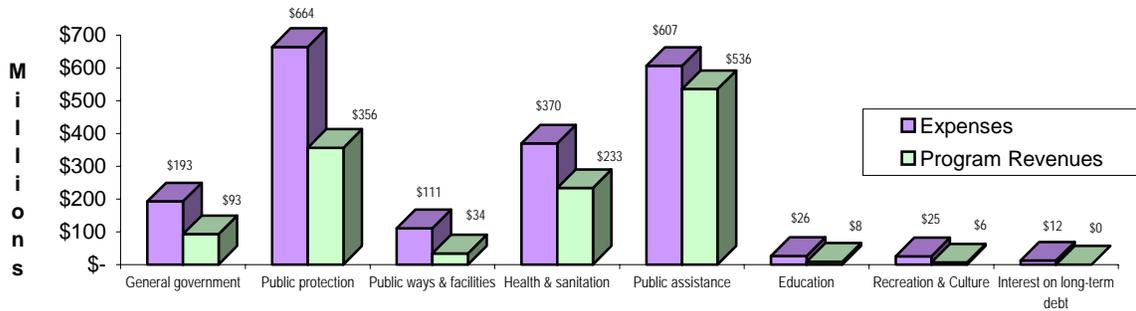
The County’s net assets increased by \$27.2 million or 1.5 percent for the year. This change in net assets is explained below in the context of the County’s governmental and business-type activities.

Governmental activities

The governmental activities decreased the County’s net assets by \$26.3 million. Revenues exceeded expenses by \$212.7 million. Net transfers of \$239.0 million to the business-type activities fully offset these excess revenues and have contributed to 100.0 percent of the decrease in net assets.

As an arm of the state government, the County provides various mandated services, such as public assistance, public health, and mental health. 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:

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

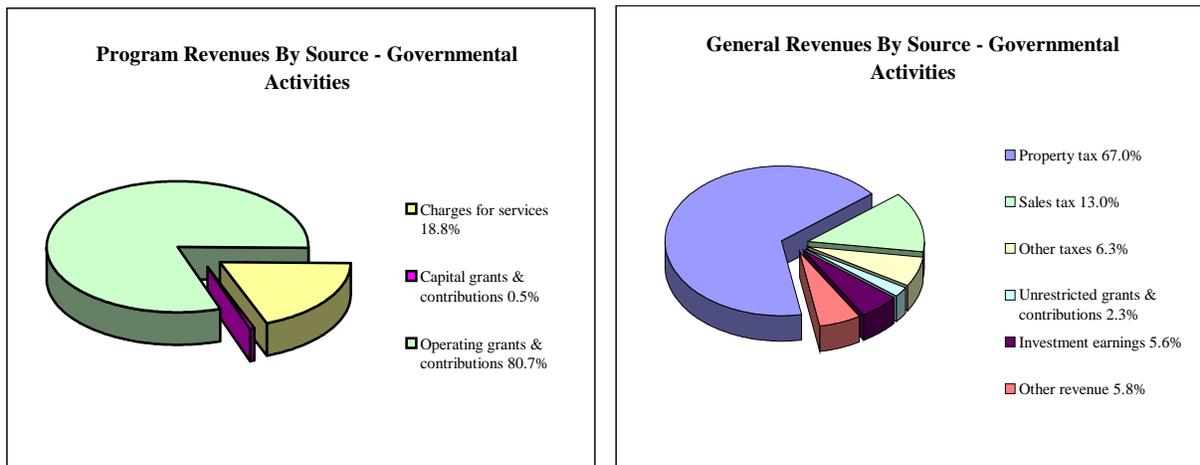
| | Governmental Activities | | Business-type Activities | | Total | | Total | |
|---|-------------------------|---------------------|--------------------------|------------------|---------------------|---------------------|------------------|----------------|
| | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | Dollar Change | Percent Change |
| Revenues: | | | | | | | | |
| Program revenues: | | | | | | | | |
| Charges for services | \$ 237,046 | \$ 238,319 | \$ 419,287 | \$ 534,091 | \$ 656,333 | \$ 772,410 | \$ 116,077 | 17.7% |
| Operating grants and contributions | 933,070 | 1,021,337 | 108,239 | 14,264 | 1,041,309 | 1,035,601 | (5,708) | (0.5%) |
| Capital grants and contributions | 5,212 | 6,181 | 6,200 | 15,865 | 11,412 | 22,046 | 10,634 | 93.2% |
| General revenues: | | | | | | | | |
| Property taxes | 586,999 | 639,557 | - | - | 586,999 | 639,557 | 52,558 | 9.0% |
| Sales and use taxes | 148,775 | 123,623 | 9,611 | 9,664 | 158,386 | 133,287 | (25,099) | (15.8%) |
| Other taxes | 102,911 | 60,263 | - | - | 102,911 | 60,263 | (42,648) | (41.4%) |
| Unrestricted grants and contributions | 22,497 | 22,055 | - | - | 22,497 | 22,055 | (442) | (2.0%) |
| Unrestricted investment income | 39,841 | 53,136 | 4,873 | 2,740 | 44,714 | 55,876 | 11,162 | 25.0% |
| Gain on sale of capital assets | 8,707 | 4,300 | - | - | 8,707 | 4,300 | (4,407) | (50.6%) |
| Other revenue | 57,148 | 51,173 | - | - | 57,148 | 51,173 | (5,975) | (10.5%) |
| Total revenues | 2,142,206 | 2,219,944 | 548,210 | 576,624 | 2,690,416 | 2,796,568 | 106,152 | 3.9% |
| Program expenses: | | | | | | | | |
| General government | 171,077 | 192,708 | - | - | 171,077 | 192,708 | 21,631 | 12.6% |
| Public protection | 639,554 | 664,477 | - | - | 639,554 | 664,477 | 24,923 | 3.9% |
| Public ways and facilities | 140,842 | 110,554 | - | - | 140,842 | 110,554 | (30,288) | (21.5%) |
| Health and sanitation | 334,667 | 369,511 | - | - | 334,667 | 369,511 | 34,844 | 10.4% |
| Public assistance | 561,919 | 606,717 | - | - | 561,919 | 606,717 | 44,798 | 8.0% |
| Education | 25,353 | 26,157 | - | - | 25,353 | 26,157 | 804 | 3.2% |
| Recreation and culture | 23,214 | 25,105 | - | - | 23,214 | 25,105 | 1,891 | 8.1% |
| Interest on long-term liabilities | 6,607 | 12,032 | - | - | 6,607 | 12,032 | 5,425 | 82.1% |
| SCVMC | - | - | 659,863 | 756,638 | 659,863 | 756,638 | 96,775 | 14.7% |
| Airport | - | - | 3,473 | 3,534 | 3,473 | 3,534 | 61 | 1.8% |
| Sanitation District | - | - | 1,634 | 1,928 | 1,634 | 1,928 | 294 | 18.0% |
| Total expenses | 1,903,233 | 2,007,261 | 664,970 | 762,100 | 2,568,203 | 2,769,361 | 201,158 | 7.8% |
| Excess (deficiency) before transfers | 238,973 | 212,683 | (116,760) | (185,476) | 122,213 | 27,207 | (95,006) | (77.7%) |
| Transfers | (100,271) | (239,000) | 100,271 | 239,000 | - | - | - | n/a |
| Increase (decrease) in net assets | 138,702 | (26,317) | (16,489) | 53,524 | 122,213 | 27,207 | (95,006) | (77.7%) |
| Net assets, beginning of year, as previously reported | 1,664,129 | 1,802,831 | 13,265 | (5,560) | 1,677,394 | 1,797,271 | 119,877 | 7.1% |
| Prior period adjustment | - | - | (2,336) | 1,244 | (2,336) | 1,244 | 3,580 | (153.3%) |
| Net assets, beginning of year, as restated | 1,664,129 | 1,802,831 | 10,929 | (4,316) | 1,675,058 | 1,798,515 | 123,457 | 7.4% |
| Net assets, end of year | \$ 1,802,831 | \$ 1,776,514 | \$ (5,560) | \$ 49,208 | \$ 1,797,271 | \$ 1,825,722 | \$ 28,451 | 1.6% |

Revenues

The County's revenue for its governmental activities increased by \$77.7 million or 3.6 percent to \$2.2 billion. The program revenues increased by \$90.5 million or 7.7 percent, while general revenues decreased by \$12.8 million or 1.3 percent. Over the past three years, the County's program revenues from its governmental

activities have contributed about 57.0 percent of the cost of running those governmental programs. The general revenues support the programs by covering the remaining 43.0 percent of the costs.

Program revenues increased as demand for public assistance and health related services increased and the cost of providing these services grew. The largest source of program revenues for the County’s governmental activities is federal and state grants and contributions, both operating and capital. These revenues amount to about 81.2 percent of the County’s program revenues, and about 46.3 percent of its total revenues. For the year, revenues from grants and contributions increased by \$89.2 million or 9.5 percent, while the revenues from charges for services increased by \$1.3 million or 0.5 percent. Operating grants and contributions increased due to growth in revenues from public assistance, health administration, homeland security, traffic congestion relief, and other public safety related programs, while capital grants and contributions increased due to more state funding for various parks and recreation capital projects. Revenues from charges for services increased mainly because of change in County practice of charging the Courts for Criminal Justice Information Control (CJIC) services through direct billing instead of expense reimbursement.



The County’s general revenues decreased by \$12.8 million or 1.3 percent from the prior year. General revenues include taxes, investment earnings, unrestricted grants and contributions, and some miscellaneous revenues not directly related to governmental programs. 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 \$823.4 million in tax revenues (property tax, property tax in lieu of motor vehicle license fee, and sales tax) for the current year. This is approximately 86.3 percent of the general revenues, and 37.1 percent of the total current year revenues. These general revenues provide the Board of Supervisors (the Board) with most of its discretionary spending ability.

Property tax revenues increased by \$52.6 million which reflected 9.0 percent growth in the real property assessed value. This increase included a \$10.5 million growth in property tax swap for the motor vehicle license fee (MVLFF) under SB1096. Higher property transfer and supplemental tax (\$13.4 million) revenues also contributed to the growth in property tax revenues. Unsecured business tax revenues fell by \$1.5 million. Sales tax revenues decreased by \$25.2 million as the Measure B program ended in March 2006. In FY 2005, the State reimbursed the County \$42.9 million of the Motor Vehicle in Lieu (MVIL) backfill loan for earlier years. This was a one-time revenue source in FY 2005 only. Hence the other taxes of the current year were lower than last year by the same amount. Other revenues fell by \$6.0 million or 10.5 percent due to a \$1.5 million decrease in revenues from tobacco settlement and a \$3.2 million revenue reduction from penalties on delinquent taxes. Reduction in various one-time revenues from FY 2005 caused the remaining \$1.2 million decreases.

Investment earnings increased by \$13.3 million. Higher interest rates and average daily cash balances increased the County’s commingled investment pool investment earnings by \$12.3 million. The commingled investment pool’s average quarterly earnings rate increased from 2.1 percent last year to 3.8 percent in the

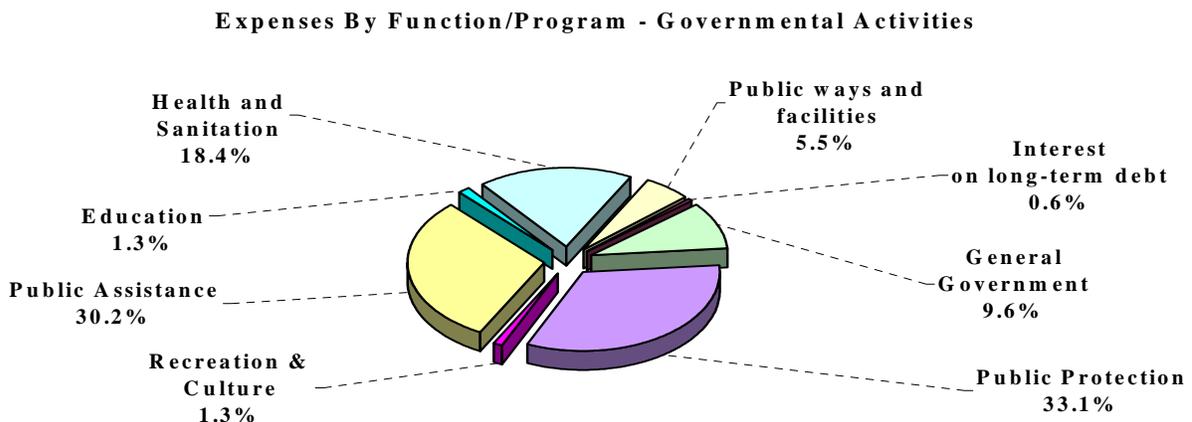
current year. The investment portfolio for the Retiree Healthcare Internal Service Fund earned \$21.6 million for the current year, an increase of \$2.3 million from last year due to market performance. This fund invests two-third of its available cash reserves in equity index funds, which continued to perform well. The S&P 500 index has increased by 6.6 percent from last year. The internal service funds are included in governmental activities in the government-wide financial statements.

Expenses

Expenses for the governmental activities increased by \$104.0 million or 5.5 percent, and transfers to the business-type activities increased by \$138.7 million to \$239.0 million. With the exception of public ways and facilities, costs for all categories of governmental activities were higher for the year. Primary reasons for changes in expenses and transfers are explained below:

- Overall payroll costs increased by 9.8 percent from the prior year primarily due to escalating health insurance, employee retirement contribution, and workers’ compensation costs. The PERS rate for miscellaneous staff jumped from 5.0 percent to 11.7 percent, and for public safety staff rose from 22.4 percent to 25.2 percent. As a result, the County’s pension costs for the governmental activities increased by \$44.2 million. Health insurance rates rose by 12.0 percent increasing healthcare costs by \$14.0 million for the existing employees and \$2.4 million for retirees. Workers’ compensation rate increased from 1.07 to 2.42 percent, which contributed to a \$12.1 million in extra costs over prior year. Pay increases contributed additional \$22.3 million or 3.5 percent from last year.
- Public assistance program costs increased by \$44.8 million or 8.0 percent. In addition to the increase in payroll related costs, expenses for the implementation of a new computer welfare system, CalWIN, also largely contributed to the increases.
- Higher demand for health service programs and higher cost of supplies contributed to a \$34.8 million or 10.4 percent increases for health and sanitation costs.
- Higher payroll and benefit costs contributed to increased expenses for the County’s general government (\$21.6 million), public protection (\$24.9 million), and education and recreation (\$2.7 million) functions.
- Interest on long-term debt increased by \$5.4 million or 82.1 percent mainly from higher interest expense for the 2005 Lease Revenue bonds issued at the end of FY 2005.
- Public ways and facilities were lower by \$30.3 million or 21.5 percent because of reduction in the number of capital projects funded through the Measure B Transportation Improvement Program, which ended in March 2006.
- Transfers increased by \$138.7 million to \$239.0 million. This included an additional \$81.8 million subsidy transfers from the General Fund to SCVMC for supporting its operations. The net transfers between the general capital improvement fund and SCVMC for capital construction projects related to the Valley Specialty Center and various valley health centers contributed the remaining \$56.9 million increases.

The following chart shows the County’s expenses by functional category for the governmental activities.

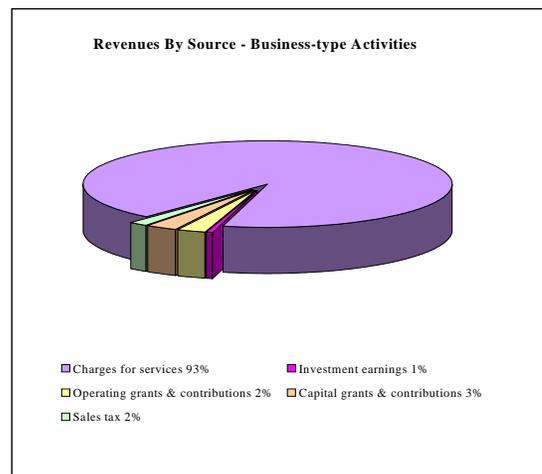
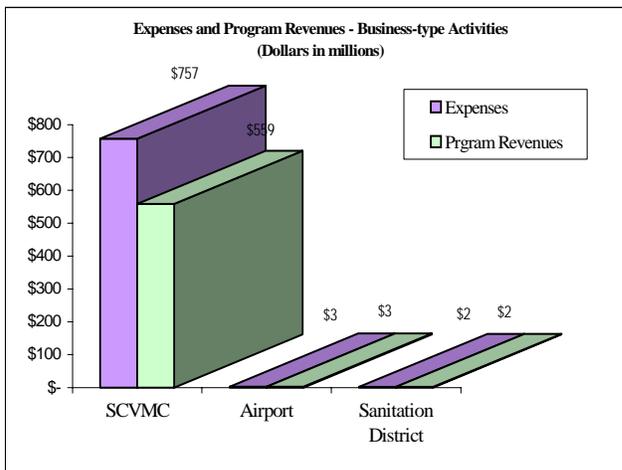


Business-type activities

Business-type activities increased the County’s net assets by \$53.5 million. The business-type activities had net expenses of \$197.9 million before considering the transfer of operating subsidy and capital assets of \$239.0 million from the governmental activities and general revenues of \$12.4 million.

The largest of the County’s business-type activities, SCVMC, had \$756.6 million in expenses and \$558.7 million in program revenues for the year. This is about 99.0 percent of the program revenues of all business-type activities. Its program revenues increased by \$30.0 million primarily due to increase in patient activity. Charge for services increased by \$114.7 million, while operating grants and contributions revenues decreased by \$94.0 million because the Medi-Cal Disproportionate Share Hospital program (SB855) and Emergency Services and Supplemental Payments program (SB1255) were incorporated into California’s Medi-Cal Hospital/Uninsured Care Demonstration Project in FY2006. The recording of the two programs changed from program revenues to charges for services. SCVMC’s expenses increased by 96.8 million primarily due to increase in payroll costs, which was affected by the same factors as the governmental activities discussed earlier. Increase in medical supplies, insurance costs and patient activities also attributed to the increases. SCVMC consists of a) Valley Medical Center—a 574-bed licensed acute-care hospital, and clinics for outpatient and ambulatory services and b) Valley Health Plan—a licensed HMO with 57,000 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.



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, 2006, the County’s governmental funds reported total fund balances of \$991.7 million, an increase of \$10.9 million or 1.1 percent from the prior year. Approximately 78.2 percent of the combined fund balances, \$775.8 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 - \$64.9 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 - \$25.8 million; and c) liquidate contractual commitments of the period - \$125.3 million.

For its governmental funds, the County's total revenues for the current fiscal year were \$2.2 billion—an increase of \$88.4 million or 4.2 percent over the last year. Total governmental fund expenditures increased by \$242.2 million or 12.8 percent to \$2.1 billion for the year. Primary reasons for this significant increase in revenues and expenditures for the governmental funds are explained in the framework of individual funds.

The General Fund is the chief operating fund of the County, and its unreserved fund balance was \$554.0 million at June 30, 2006, while its total fund balance was \$588.5 million, a \$62.7 million decline from prior year due to an additional \$81.8 million subsidy transfers to the SCVMC. 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 total fund expenditures. The unreserved fund balance and the total fund balance represent 30.3 percent and 32.2 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 \$553.9 million General Fund unreserved fund balance, \$299.5 million or 54.1 percent is designated for future expenditures. The unreserved, undesignated fund balance for the General Fund at year-end was \$254.4 million. The fund balance designations are listed below:

| Fund balance designated for: | Amount (Millions) |
|---|----------------------|
| - Transportation improvement projects funded by Measure B (one-half percent Countywide sales tax) revenues | \$ 150.6 |
| - Future operations of the Santa Clara Valley Medical Center | 90.3 |
| - Litigation Reserve | 10.0 |
| - Various contingencies designated by the Board of Supervisors | 48.4 |
| - Environment Resources Agency projects | 0.2 |
| Total General Fund designated fund balance | <u>\$ 299.5</u> |

General Fund revenues and expenditures for the year were \$1.9 billion and \$1.8 billion, respectively. While its revenues increased by \$60.7 million or 3.2 percent for the year, its expenditures increased significantly by \$184.0 million or 11.2 percent primarily due to payroll costs increases (\$99.8 million) for the reasons discussed earlier on the countywide expenses, and due to increases in debt principal and interest payments (\$73.9 million). 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 2005 | | FY 2006 | | Increase/(Decrease) | |
|----------------------------------|---------------------|---------------|---------------------|---------------|---------------------|-------------|
| | Amount | Percent | Amount | Percent | Amount | Percent |
| Taxes | \$ 637,241 | 34.1% | \$ 659,213 | 34.1% | \$ 21,972 | 3.4% |
| Licenses and permits | 10,037 | 0.5% | 11,882 | 0.6% | 1,845 | 18.4% |
| Fines, forfeitures and penalties | 45,625 | 2.4% | 38,321 | 2.0% | (7,304) | (16.0%) |
| Interest and investment income | 13,853 | 0.7% | 19,939 | 1.0% | 6,086 | 43.9% |
| Intergovernmental revenues | 989,296 | 52.9% | 1,037,252 | 53.7% | 47,956 | 4.8% |
| Charges for services | 134,464 | 7.2% | 124,859 | 6.5% | (9,605) | (7.1%) |
| Other | 40,021 | 2.1% | 39,800 | 2.1% | (221) | (0.6%) |
| Total | <u>\$ 1,870,537</u> | <u>100.0%</u> | <u>\$ 1,931,266</u> | <u>100.0%</u> | <u>\$ 60,729</u> | <u>3.2%</u> |

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

| Expenditures by function | FY 2005 | | FY 2006 | | Increase/(Decrease) | |
|-----------------------------|---------------------|---------------|------------------|---------------|---------------------|--------------|
| | Amount | Percent | Amount | Percent | Amount | Percent |
| General government | \$ 136,903 | 8.3% | \$ 156,327 | 8.6% | \$ 19,424 | 14.2% |
| Public protection | 532,644 | 32.4% | 583,935 | 31.9% | 51,291 | 9.6% |
| Public ways and facilities | 94,530 | 5.7% | 59,661 | 3.3% | (34,869) | (36.9%) |
| Health and sanitation | 326,151 | 19.8% | 346,283 | 18.9% | 20,132 | 6.2% |
| Public assistance | 545,686 | 33.2% | 599,749 | 32.8% | 54,063 | 9.9% |
| Debt service | | | | | | |
| Principal retirement | 5,098 | 0.3% | 73,974 | 4.0% | 68,876 | 1,351.0% |
| Interest and fiscal charges | 3,416 | 0.2% | 8,502 | 0.5% | 5,086 | 148.9% |
| Totals | <u>\$ 1,644,428</u> | <u>100.0%</u> | <u>1,828,431</u> | <u>100.0%</u> | <u>\$ 184,003</u> | <u>11.2%</u> |

General Fund revenues from all sources, except for fines, forfeitures and penalties, charges for services and other revenues, increased for the year. Its expenditures on all governmental functions, except for public ways and facilities, also increased. Combined debt service expenditures (principal and interest) increased due to larger amount of principal payments on outstanding bonds.

Our discussion on the County's governmental activities identified key reasons for changes in its revenues and expenses that also help explain significant changes in the General Fund because it is the chief operating fund of the County, and its revenues and expenditures respectively cover 88.8 percent and 85.7 percent of the County's total current year revenues and expenditures of all governmental funds. For this reason, we will briefly mention the points that were elaborated in our earlier discussion on the countywide revenues and expenses. This section will elaborate only those points that were not included in our earlier discussion.

- Pertinent reasons for the \$22.0 million or 3.4 percent growth in tax revenues were explained in earlier discussion on the countywide governmental programs and activities.
- Licenses and permits increased by \$1.8 million or 18.4 percent. This included an increased of \$1.1 million in revenues from construction permits issued for new homes and remodeling projects. The remaining amount of increase came from higher fee charged by the Fire Marshal and Emergency Medical Services (EMS) programs. Fire Marshall increased the inspection and permit fees by about 25.0 percent, while the annual fee for EMS increased from \$50,000 to \$75,000.
- Fine, forfeiture and penalties decreased by \$7.3 million or 16.0 percent due to a \$3.2 million reduction in delinquent tax revenues transferred from the Tax Loss Reserve Fund to the General Fund. Reduction in various one-time revenues from FY 2005 caused the remaining \$4.1 million decreases.
- Interest and investment income increased by \$6.1 million or 43.9 percent due to higher interest rates and average daily cash balances. The commingled investment pool's average quarterly earnings rate increased from 2.1 percent last year to 3.8 percent in the current year. Average daily cash balance increased 70.0 percent from \$366.0 million to \$623.0 million.
- Net revenues from intergovernmental sources increased by \$48.0 million or 4.8 percent. Federal and state grants for public assistance and health administration related programs increased by \$67.1 million due to increased demands for these services as well as higher costs to run these programs; public safety sales tax revenues increased by \$6.8 million; and revenues collected from SB 90 mandated programs, Registrar of Voters, homeland security and other programs also increased by \$14.5 million. These increases were offset by decline of \$42.9 million in one-time revenues from Motor Vehicle in Lieu (MVIL) backfill loan.
- Charges for services decreased by \$9.6 million or 7.1 percent. This included a reduction of \$5.3 million in SB855 program revenues for reasons explained earlier on the countywide business-type activities, a \$2.6 million decline in election service charges due to fewer elections held in this year, and a decrease of \$2.0 million in booking fees as a result of the State legislation reducing fees charged to cities.

- Pertinent reasons for changes in General Fund expenditures are not different from what was explained in earlier discussion on the countywide governmental programs and activities.
- Operating subsidy (transfers) to the SCVMC increased by \$81.8 million due to rising health service cost.

The fund balances for the non-major governmental funds increased by \$73.6 million or 22.3 percent to \$403.2 million. The following non-major governmental funds had significant increases in fund balances: County Library (\$3.6 million), Vector Control (\$3.3 million), Multiple Facilities Bonds (\$18.1 million), Multiple Facilities Construction (\$47.8 million) and Parks Acquisition and Development (\$8.8 million). Morgan Hill Courthouse Construction fund had significant decrease in its fund balance (\$10.1 million).

Revenues for nonmajor governmental funds increased by \$27.7 million or 12.9 percent for the year.

- Property taxes for the County library, Parks, and the fire districts increased by \$12.2 million or 12.9 percent for reasons explained earlier.
- Revenues from licenses and permits increased by \$0.8 million due to higher demand for governmental services.
- Investment income increased by \$5.3 million or 45.4 percent for reasons explained earlier.
- Intergovernmental revenues increased by \$9.5 million or 20.6 percent because the State resumed funding for the traffic congestion relief program that was suspended for two years. In the current year, the County received \$5.5 million in revenues from this program. Increased funding from state tobacco tax (\$1.5 million), state grant (\$1.2 million) for parks capital projects, as well as funding from the Federal for housing and community developments (\$0.8 million), and other miscellaneous funding (\$0.4 million) also contributed to higher revenues.
- Charge for services increased by \$2.7 million or 8.6 percent. This included a \$1.7 million increase from the Fire Districts resulted mostly from fee increases, which reflects its cost increases for providing services, primarily from employee retirement contribution and workers' compensation costs. Roads fund also had an increase of \$1.0 million mainly from capital and road maintenance projects. The total increases in charge for services were offset by \$2.7 million decrease in other revenues.

Expenditures for non-major governmental funds increased by \$58.1 million or 23.4 percent for the year.

- Overall salaries and benefits expenditures increased by \$8.7 million for reasons discussed earlier.
- Capital project expenditures increased by \$47.7 million primarily due to increase in number of general capital improvement projects.
- Combined debt service (principal retirement and interest) expenditures increased by \$1.8 million mainly from increased interest expenditures for the 2005 bonds and the issuance costs for the new 2006 bonds.

Non-major governmental funds' transfers in exceeded transfers out by \$46.0 million for various capital projects undertaken by the General Capital Improvements, Parks, and Roads. The Multiple Facilities Construction Fund received \$88.6 million in proceeds from the 2006 Lease Revenue Series I bonds for construction, furnishing and equipping of a new crime laboratory in San Jose and seismic retrofitting for the County courthouses.

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, 2006, the County's net assets in its enterprise funds were \$54.7 million. The investment in capital assets net of depreciation and related debt was \$21.5 million. The restricted net assets of the enterprise funds were \$39.0 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, 2006 had a deficit balance of \$5.8 million.

The net assets of the County's enterprise funds increased by \$53.2 million for the year. Primary reasons for change in net assets are explained in the framework of individual enterprise funds.

SCVMC is the largest enterprise fund and its revenues and expenses comprise 99.3 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 SCVMC increased by \$52.7 million, which included a \$97.0 million transfer from the general capital improvement fund for various completed and in-progress capital construction projects. Its unrestricted net assets were a deficit of \$14.2 million. Operating revenues increased by \$20.7 million or 4.0 percent and expenses rose by \$103.0 million or 16.3 percent. The net transfers were \$239.0 million for the year. The primary reason for increased expenses were higher salary and benefit costs and increased cost of medical supplies and services due to rising prices and increased activity. The restricted net assets of SCVMC were \$38.2 million at June 30, 2006. The net assets invested in capital assets, net of related debt were \$7.2 million. 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 FY 2006 were \$2.5 billion, which was \$49.6 million or 2.1 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, or to pay for increased service level that was not expected when the original budget was approved.

General fund revenues and expenditures were less than budgetary estimates for the year. Estimated revenues for the year exceeded actual revenues by \$19.2 million or 0.9 percent. While taxes, licenses and permits, interest and investment income, other financing sources, and inter-fund transfers surpassed their estimates, all other revenue sources came in lower than estimates. Final budgetary appropriations exceeded actual expenditures by \$327.5 million or 13.3 percent for the year. The bulk of these cost savings resulted from unspent appropriations of a) \$134.9 million in contingency reserves; b) \$16.4 million in salaries and benefits costs due to elimination of vacant positions; c) \$141.3 million in services and supplies costs for government programs—general government, public assistance, health and sanitation, and Measure B programs; d) \$31.5 million in inter-fund transfers primarily for Measure B transportation improvement projects that have extended beyond current fiscal year and SCVMC subsidy; and e) \$3.4 million in capital assets and debt service payments.

The General Fund budgetary comparison schedule starts on page 88 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, 2006 was \$1.1 billion. This includes investment in land, buildings and improvements, leasehold improvements, infrastructure, equipment and vehicles, and construction in progress.

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

| | Governmental Activities | | Business-type Activities | | Total | | Dollar Change | Percent Change |
|--------------------------|-------------------------|-------------------|--------------------------|-------------------|---------------------|---------------------|------------------|----------------|
| | FY2005 | FY2006 | FY2005 | FY2006 | FY2005 | FY2006 | | |
| Land | \$ 177,801 | \$ 177,953 | \$ 6,310 | \$ 6,310 | \$ 184,111 | \$ 184,263 | \$ 152 | 0.1% |
| Buildings & improvements | 306,386 | 302,167 | 186,933 | 196,980 | 493,319 | 499,147 | 5,828 | 1.2% |
| Infrastructure | 116,330 | 126,420 | - | - | 116,330 | 126,420 | 10,090 | 8.7% |
| Equipment and vehicles | 40,498 | 37,659 | 19,427 | 22,102 | 59,925 | 59,761 | (164) | (0.3%) |
| Leasehold improvements | - | - | 1,350 | 1,087 | 1,350 | 1,087 | (263) | (19.5%) |
| Construction in progress | 178,596 | 141,189 | 23,927 | 101,376 | 202,523 | 242,565 | 40,042 | 19.8% |
| Total | \$ 819,611 | \$ 785,388 | \$ 237,947 | \$ 327,855 | \$ 1,057,558 | \$ 1,113,243 | \$ 55,685 | 5.3% |

The County’s net capital assets increased \$55.7 million or 5.3 percent for the year. Net capital assets for the governmental activities decreased by 4.2 percent, while the business-type activities’ net capital assets increased by 37.8 percent. Changes in capital assets by activity type were as follows:

Governmental Activities

The County acquired \$101.9 million in new capital assets for its governmental activities, as follows:

- Equipment and vehicles – \$6.8 million was spent for equipment and vehicles, including law enforcement and specialized vehicles, 911 dispatcher communication equipment, high-speed mail processors and optical scan readers for Registrar of Voters, data storage devices, and computer equipment. Expenditure also included live scan booking stations and Rapid Development Kit (RDK) for quick assessment and management of gaseous threat for the Sheriff Department, protein array system for Public Health, self-check systems for various libraries, electric sprayers for Vector Control, and trail bulldozers for Parks.
- Specialized equipment for the Fire Departments was acquired for \$1.5 million. This consisted of two fire engines and several fire hydrants.
- Construction in progress activities of \$93.5 million were added for the year.
 - Capital improvement projects of \$79.1 million undertaken by the County Facilities and Fleet (FAF) for the continued construction and improvement of Valley Specialty Center, various county business centers, Morgan Hill Courthouse, various valley health centers, the Crime Lab, juvenile facilities, jail and justice facilities, and other small projects.
 - Technology infrastructure improvement projects of \$0.7 million.
 - Roads projects for \$11.1 million consisted of bridge repairs and rehabilitation, pedestrian and bicycle routes improvements, signal synchronization programs, pavement management of Measure B projects, and the continued comprehensive study and planning for the County expressways.
 - Parks projects for \$2.6 million included implementation of master plans for Alviso Marina Park, a water tank replacement at Sanborn Park, road re-pavement and rehabilitation of an irrigation system at Vasona Park, and other improvements.

Transfers of \$130.9 million construction in progress comprised various completed (\$64.9 million) and in progress (\$66.0 million) projects during the year. The completed projects included \$47.6 million in capitalized costs of various FAF capital projects (including \$25.5 million for building and improvements, \$0.7 million for equipment, and \$21.4 million for Valley Health Center at Tully Road), \$16.9 million of infrastructure projects undertaken by the Roads Department (\$6.0 million for signal synchronization project and \$6.0 million for expressway, highway, road, and bridge improvement projects) and Parks and Recreation (\$3.8 million for Alviso Marina County Park master plan implementation and \$1.1 million for park infrastructure improvements), and \$0.3 million for technology improvement projects undertaken by the Information System Department. The in-progress projects undertaken by FAF were solely for SCVMC.

Retirement of \$15.8 million depreciable capital assets included the San Martin Court House building impairment (\$9.1 million), vehicles (\$1.9 million), computer equipment (\$2.0 million), and other equipment (\$2.8 million)—including office equipment, movable medical equipment, live scan devices, and specialized equipment used by Fire Departments.

Business-type activities

Net capital assets for business-type activities increased by \$89.9 million for the year. SCVMC spent \$12.3 million for patient care equipment and \$2.4 million on building improvements. The construction in progress includes \$93.4 million for various buildings, building improvements, and fixed equipment at SCVMC, and \$7.9 million for the aircraft hangar improvements at South County Airport and Palo Alto Airport.

Commitment of Resources for Construction Work in Progress

At June 30, 2006, the County had committed \$31.4 million of its net assets from the governmental activities and \$142.1 million of its net assets from the business-type activities for various uncompleted capital projects included in the construction in progress.

Additional information on the County's capital assets can be found in Note 6 on page 55 of this report.

Long-term debt

The County's long-term outstanding debt as of June 30, 2006 was \$909.0 million as shown in Table 6 below:

TABLE 6-Outstanding Debt (in thousands)

| | Governmental | | Business-type | | Total | | Total | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| | Activities | | Activities | | Total | | Dollar Change | Percent Change |
| | FY 2005 | FY 2006 | FY 2005 | FY 2006 | FY 2005 | FY 2006 | | |
| Lease revenue bonds (net of discounts and deferred loss on refunding) | \$ 208,770 | \$ 288,130 | \$ 435,659 | \$ 543,387 | \$ 644,429 | \$ 831,517 | \$ 187,088 | 29.0% |
| Special obligation bonds (net of premium) | 142,868 | 71,626 | - | - | 142,868 | 71,626 | (71,242) | (49.9%) |
| Certificates of participation | 805 | 550 | - | - | 805 | 550 | (255) | (31.7%) |
| Capital lease obligations | 4,472 | 5,288 | - | - | 4,472 | 5,288 | 816 | 18.2% |
| Total | \$ 356,915 | \$ 365,594 | \$ 435,659 | \$ 543,387 | \$ 792,574 | \$ 908,981 | \$ 116,407 | 14.7% |

The County's long-term debt, net of debt service principal pay-off of \$90.1 million for the year, increased \$116.4 million or 14.7 percent. The increase resulted from issuance of two new bonds in the aggregate amount of \$203.7 million and a new capital lease agreement in the amount of \$2.6 million.

In March 2006, the Santa Clara County Financing Authority (SCCFA) issued 2006 Lease Revenue bonds Series I (\$149.7 million) and J (\$54 million). These bond proceeds were to provide funds for (i) the site preparation, construction, furnishing and equipping of a new crime laboratory in San Jose, the Valley Health Clinics in Sunnyvale and Gilroy; (ii) the seismic retrofitting of the Santa Clara Courthouse; (iii) the payment of capitalized interest on the I and J bonds for the construction period through April 2009 and broker-dealer fees; (iv) funding of debt service reserve funds; and (v) the costs of bonds issuance.

In December 2005, the County entered into a new capital lease agreement with CaLease Public Funding Corporation to finance its acquisition of 127 new vehicles.

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 maintained the County's general obligation bond rating to AA+. This combination of S&P ratings is the highest rating any large 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 8 on page 60 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The FY 2007 budget assumes the financial climate in Santa Clara County continues to be one of a slow recovery from the downturn in 2001. The National and State economy continues to grow but at a slow pace, as consumers spending has somewhat slowed down, and the housing market and homebuilding have shown signs of weakening. The local economic indicators show that the Silicon Valley economy recovery rate is slower than that of the other economic regions in the State, particularly the central valley and the inland empire.

- The County's employment picture has continued to improve and its unemployment rate fell below the State average for the first time since 2001. The unemployment rate was 5.0 percent in June 2006, compared to 5.6 percent a year ago. In September 2006, it fell to 4.5 percent against the 4.8 percent rate for the State. Total labor force within the County's geographical areas declined slightly. The real per capita income (a measure of wealth creation), and the average wage (an indicator of job quality) increased by 3.1 percent to \$53,633, much higher than the national level of \$34,602 in 2005. The productivity per employee increased

by 4.4 percent, which is 2.0 times the national average. The median household income at \$84,987 is higher than the State and National average.

- The Countywide taxable retail sales increased 8.2 percent to \$27.8 billion in FY 2006, slightly below the statewide average growth rate of 8.6 percent. Public safety sales tax revenue increased by \$7.3 million despite a 0.2 percent decline in the County's share of the statewide taxable sales. 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—continued to improve by a small margin. The vacancy rate for R&D space was 20.2 percent in June 2006 versus 21.0 percent a year ago. The office space vacancy rate was 15.8 percent in June 2006, and the vacancy rate for the warehouse space fell from 21.9 percent in 2005 to 17.0 percent in June 2006.
- Major sources of revenue generated from the performance of the local economy are:
 - Assessed values for real property up by 8.8 percent and the unsecured personal property values by 5.9 percent in FY 2006. These included the \$24.7 million growth in secured property tax revenues and \$12.4 million in property transfer and supplemental tax revenues. The FY 2007 budget assumes a 9.5 percent increase in secured property assessed values, which corresponds to an increase of \$28 million in property tax revenues.
 - Retail taxable sales have continued to grow countywide. The One-half Cent Transportation (Measure B) countywide tax decreased by \$24.4 million or 17.0 percent as the program ended on March 30, 2006. The local unincorporated area sales tax increased by \$0.5 million or 16.0 percent. The FY 2007 budget assumes a moderate increase in sales tax revenues.
- The FY 2007 Countywide budget of \$3.9 billion included over \$164.6 million of deficit reduction solutions. Since FY 2003, the County has implemented \$802.7 million in a combination of deficit solutions to meet the local budget requirements and the impacts of reduced state and federal funding. These deficit solutions include: use of one-time reserves; departmental target reductions; revenue enhancements; restructuring PERS rates; and savings from modified funding policies related to workers compensation and retiree health, and use of reserves at SCVMC.
- The FY 2007 budget sets aside \$87.8 million in reserves—\$82.4 million in contingency reserves, and \$4.9 million in reserves for economic uncertainty.
- 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 draw downs become necessary.
- Activity at SCVMC remains high with an average daily census of 350.9 or 2.3 percent above budget, and outpatient visits of 632,250 or 1.4 percent above budget. Outpatient visits are 2.6 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, including use of the General Fund subsidy. The results of operations for the remainder of the fiscal year will be in large part determined by the health of other hospitals in the region, economic recovery, changes in Federal reimbursement regulations, and State budget decisions. The FY 07 budget includes General Fund subsidy of \$166.9 million to SCVMC, which is comprised of three basic elements: pass-through revenues, un-reimbursed County services (e.g. medical care for inmates and employee physicals), and the General Fund grant.

As of June 30, 2006, the unreserved fund balance in the General Fund was \$553.9 million. Of this amount, \$299.5 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, 2006
(In thousands)

| | Primary Government | | | Component Units |
|--|------------------------------------|--|---------------------|----------------------------|
| | Governmental Activities | Business- type Activities | Total | |
| Assets: | | | | |
| Cash and investments | \$ 1,296,483 | \$ 14,034 | \$ 1,310,517 | \$ 105,455 |
| Receivables, net of allowance for uncollectibles | 77,959 | 83,664 | 161,623 | 2,816 |
| Internal balances | 28,082 | (28,082) | - | - |
| Due from other governmental agencies | 292,772 | 29,987 | 322,759 | 5,667 |
| Due from related parties | - | - | - | 3,123 |
| Receivable from component unit | 3,485 | - | 3,485 | - |
| Inventories | 5,405 | 13,780 | 19,185 | 24 |
| Other assets | 25,326 | 8,290 | 33,616 | 4,831 |
| Restricted cash and investments | 67,445 | 274,843 | 342,288 | 21,076 |
| Capital assets: | | | | |
| Nondepreciable | 319,142 | 107,686 | 426,828 | 17,462 |
| Depreciable, net of accumulated depreciation | 466,246 | 220,169 | 686,415 | 36,759 |
| Total assets | <u>2,582,345</u> | <u>724,371</u> | <u>3,306,716</u> | <u>197,213</u> |
| Liabilities: | | | | |
| Accounts payable | 80,547 | 19,693 | 100,240 | 6,723 |
| Accrued salaries and benefits | 42,866 | 19,263 | 62,129 | 201 |
| Accrued liabilities | 39,956 | 5,433 | 45,389 | 96 |
| Estimated third-party payer settlements | - | 18,943 | 18,943 | - |
| Due to others | - | - | - | 1,805 |
| Due to other governmental agencies | 9,639 | 9,671 | 19,310 | 14,229 |
| Unearned revenue | 16,097 | 84 | 16,181 | 1,678 |
| Other liabilities | - | - | - | 3,019 |
| Payable to primary government | - | - | - | 3,485 |
| Noncurrent liabilities: | | | | |
| Due within one year | 128,017 | 18,224 | 146,241 | 430 |
| Due in more than one year | 488,709 | 583,852 | 1,072,561 | 26,320 |
| Total liabilities | <u>805,831</u> | <u>675,163</u> | <u>1,480,994</u> | <u>57,986</u> |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 598,143 | 21,529 | 619,672 | 31,243 |
| Restricted for: | | | | |
| Capital facilities | 322 | - | 322 | - |
| Debt service | 48,032 | 39,026 | 87,058 | - |
| Housing programs | 14,988 | - | 14,988 | - |
| Roads | 26,358 | - | 26,358 | - |
| Other purposes | 9,231 | - | 9,231 | 89,920 |
| Unrestricted | 1,079,440 | (11,347) | 1,068,093 | 18,064 |
| Total net assets | <u>\$ 1,776,514</u> | <u>\$ 49,208</u> | <u>\$ 1,825,722</u> | <u>\$ 139,227</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, 2006
(In thousands)

| | Program Revenues | | | | |
|--|-------------------------------------|-----------------------------|---|---|-----------|
| Expenses | Indirect Expenses Allocation | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Function/program activities: | | | | | |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 229,216 | \$ (36,508) | \$ 70,080 | \$ 19,478 | \$ 3,173 |
| Public protection | 661,424 | 3,053 | 111,275 | 244,830 | - |
| Public ways and facilities | 109,425 | 1,129 | 2,726 | 29,345 | 1,688 |
| Health and sanitation | 352,132 | 17,379 | 46,095 | 187,073 | - |
| Public assistance | 603,471 | 3,246 | 2,908 | 532,642 | - |
| Education | 25,365 | 792 | 979 | 7,464 | - |
| Recreation and culture | 23,615 | 1,490 | 4,256 | 505 | 1,320 |
| Interest on long-term liabilities | 12,032 | - | - | - | - |
| Total governmental activities | 2,016,680 | (9,419) | 238,319 | 1,021,337 | 6,181 |
| Business-type activities: | | | | | |
| SCVMC | 747,240 | 9,398 | 529,543 | 14,264 | 14,868 |
| Airport | 3,513 | 21 | 2,678 | - | 997 |
| Sanitation District | 1,928 | - | 1,870 | - | - |
| Total business-type activities | 752,681 | 9,419 | 534,091 | 14,264 | 15,865 |
| Total primary government | \$ 2,769,361 | \$ - | \$ 772,410 | \$ 1,035,601 | \$ 22,046 |
| Component units | \$ 271,606 | | \$ 11,008 | \$ 263,705 | \$ 1,460 |
| General revenues: | | | | | |
| Property taxes | | | | | |
| Sales and use taxes | | | | | |
| Other taxes | | | | | |
| Unrestricted motor vehicle in lieu of taxes | | | | | |
| Grants/contributions not restricted to specific programs | | | | | |
| Investment income | | | | | |
| Gain on sale of capital assets | | | | | |
| Other | | | | | |
| Transfers | | | | | |
| Total general revenues and transfers | | | | | |
| Change in net assets | | | | | |
| Net assets, beginning of year, as previously reported | | | | | |
| Prior period adjustment | | | | | |
| 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 |
| \$ (99,977) | \$ - | \$ (99,977) | \$ - |
| (308,372) | - | (308,372) | - |
| (76,795) | - | (76,795) | - |
| (136,343) | - | (136,343) | - |
| (71,167) | - | (71,167) | - |
| (17,714) | - | (17,714) | - |
| (19,024) | - | (19,024) | - |
| (12,032) | - | (12,032) | - |
| <u>(741,424)</u> | <u>-</u> | <u>(741,424)</u> | <u>-</u> |
| - | (197,963) | (197,963) | - |
| - | 141 | 141 | - |
| - | (58) | (58) | - |
| - | <u>(197,880)</u> | <u>(197,880)</u> | <u>-</u> |
| <u>(741,424)</u> | <u>(197,880)</u> | <u>(939,304)</u> | <u>-</u> |
| - | - | - | 4,567 |
| 639,557 | - | 639,557 | - |
| 123,623 | 9,664 | 133,287 | - |
| 413 | - | 413 | - |
| 59,850 | - | 59,850 | - |
| 22,055 | - | 22,055 | - |
| 53,136 | 2,740 | 55,876 | 3,462 |
| 4,300 | - | 4,300 | - |
| 51,173 | - | 51,173 | 344 |
| <u>(239,000)</u> | <u>239,000</u> | <u>-</u> | <u>-</u> |
| <u>715,107</u> | <u>251,404</u> | <u>966,511</u> | <u>3,806</u> |
| <u>(26,317)</u> | <u>53,524</u> | <u>27,207</u> | <u>8,373</u> |
| 1,802,831 | (5,560) | 1,797,271 | 130,854 |
| - | 1,244 | 1,244 | - |
| <u>1,802,831</u> | <u>(4,316)</u> | <u>1,798,515</u> | <u>130,854</u> |
| <u>\$ 1,776,514</u> | <u>\$ 49,208</u> | <u>\$ 1,825,722</u> | <u>\$ 139,227</u> |

Function/program activities:

Primary government:

Governmental activities:

General government
Public protection
Public ways and facilities
Health and sanitation
Public assistance
Education
Recreation and culture
Interest on long-term liabilities
Total governmental activities

Business-type activities:

SCVMC
Airport
Sanitation District
Total business-type activities

Total primary government

Component units

General revenues:

Property taxes
Sales and use taxes
Other taxes
Unrestricted motor vehicle in lieu of taxes
Grants/contributions not restricted to specific programs
Investment income
Gain on sale of capital assets
Other

Transfers

Total general revenues and transfers
Change in net assets
Net assets, beginning of year, as previously reported
Prior period adjustment
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, 2006
(In thousands)

| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|--|-------------------------|---|---------------------|
| Assets: | | | |
| Cash and investments: | | | |
| Unrestricted | \$ 517,751 | \$ 351,360 | \$ 869,111 |
| Restricted with fiscal agents | - | 27,165 | 27,165 |
| Other restricted | 37 | 39,784 | 39,821 |
| Receivables: | | | |
| Property taxes | 2,032 | - | 2,032 |
| Other, net of allowance for uncollectibles | 40,385 | 30,095 | 70,480 |
| Due from other funds | 13,294 | 14,006 | 27,300 |
| Due from other governmental agencies | 282,094 | 10,176 | 292,270 |
| Inventories | 3,733 | 510 | 4,243 |
| Other assets | 21,483 | 31 | 21,514 |
| Advances to other funds | - | 21 | 21 |
| Total assets | <u>\$ 880,809</u> | <u>\$ 473,148</u> | <u>\$ 1,353,957</u> |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 55,050 | \$ 22,373 | \$ 77,423 |
| Accrued salaries and benefits | 36,497 | 5,224 | 41,721 |
| Other accrued liabilities | 29,971 | 7,410 | 37,381 |
| Due to other funds | 1,004 | 2,389 | 3,393 |
| Due to other governmental agencies | 8,870 | 728 | 9,598 |
| Advances from other funds | - | 3,696 | 3,696 |
| Deferred revenue | 160,904 | 28,099 | 189,003 |
| Total liabilities | <u>292,296</u> | <u>69,919</u> | <u>362,215</u> |
| Fund balances: | | | |
| Reserved for: | | | |
| Encumbrances | 9,344 | 115,934 | 125,278 |
| Inventories, other assets and advances | 25,216 | 562 | 25,778 |
| Debt service | - | 64,923 | 64,923 |
| Unreserved, reported in: | | | |
| General fund: | | | |
| Designated | 299,519 | - | 299,519 |
| Undesignated | 254,434 | - | 254,434 |
| Capital projects funds | - | 109,817 | 109,817 |
| Special revenue funds | - | 111,939 | 111,939 |
| Permanent fund | - | 54 | 54 |
| Total fund balances | <u>588,513</u> | <u>403,229</u> | <u>991,742</u> |
| Total liabilities and fund balances | <u>\$ 880,809</u> | <u>\$ 473,148</u> | <u>\$ 1,353,957</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, 2006
(In thousands)

| | | |
|---|-----------|-------------------------|
| Fund balances - total governmental funds (page 24) | \$ | 991,742 |
| 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. | | 779,966 |
| 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. | | 2,438 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. | | 173,427 |
| Long-term assets with matching long term liabilities, including receivables from related parties, are not current financial resources and therefore are not reported in the governmental funds. | | 3,485 |
| Internal service funds are used by management to charge the costs of management of information services, fleet management, insurance, printing, unemployment insurance, workers' compensation, employee benefits and retiree healthcare to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets. | | 334,713 |
| 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 | (360,306) | |
| Accrued vacation and sick leave | (107,365) | |
| Capital lease obligations | (2,450) | |
| Accrued interest payable | (2,575) | |
| Net pension obligation | (26,561) | |
| Accrued litigation liability | (10,000) | |
| | | <u>(509,257)</u> |
| Net assets - governmental activities (page 21) | \$ | <u><u>1,776,514</u></u> |

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

COUNTY OF SANTA CLARA

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

For the Fiscal Year Ended June 30, 2006
(In thousands)

| | General Fund | Other Governmental Funds | Total |
|--|-------------------------|---|--------------|
| Revenues: | | | |
| Taxes | \$ 659,213 | \$ 106,886 | \$ 766,099 |
| Licenses and permits | 11,882 | 13,097 | 24,979 |
| Fines, forfeitures, and penalties | 38,321 | 8,789 | 47,110 |
| Interest and investment income | 19,939 | 17,103 | 37,042 |
| Intergovernmental revenues | 1,037,252 | 55,578 | 1,092,830 |
| Charges for services | 124,859 | 34,133 | 158,992 |
| Other revenue | 39,800 | 7,732 | 47,532 |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 1,931,266 | 243,318 | 2,174,584 |
| Expenditures: | | | |
| Current: | | | |
| General government | 156,327 | 43 | 156,370 |
| Public protection | 583,935 | 77,245 | 661,180 |
| Public ways and facilities | 59,661 | 42,341 | 102,002 |
| Health and sanitation | 346,283 | 22,686 | 368,969 |
| Public assistance | 599,749 | 6,316 | 606,065 |
| Education | - | 26,132 | 26,132 |
| Recreation | - | 24,827 | 24,827 |
| Capital outlay | - | 94,474 | 94,474 |
| Debt service: | | | |
| Principal retirement | 73,974 | 3,916 | 77,890 |
| Interest and fiscal charges | 8,502 | 7,140 | 15,642 |
| Cost of issuance | - | 1,136 | 1,136 |
| | <hr/> | <hr/> | <hr/> |
| Total expenditures | 1,828,431 | 306,256 | 2,134,687 |
| Excess (deficiency) of revenues over (under) expenditures | <hr/> | <hr/> | <hr/> |
| | 102,835 | (62,938) | 39,897 |
| Other financing sources (uses): | | | |
| Proceeds from sale of capital assets | 23,295 | 1,990 | 25,285 |
| Lease revenue bonds issuance | - | 87,575 | 87,575 |
| Bond premium | - | 1,003 | 1,003 |
| Transfers in | 102,553 | 135,204 | 237,757 |
| Transfers out | (291,377) | (89,202) | (380,579) |
| | <hr/> | <hr/> | <hr/> |
| Total other financing sources (uses) | (165,529) | 136,570 | (28,959) |
| Net change in fund balances | <hr/> | <hr/> | <hr/> |
| | (62,694) | 73,632 | 10,938 |
| Fund balances, beginning of year | 651,207 | 329,597 | 980,804 |
| | <hr/> | <hr/> | <hr/> |
| Fund balances, end of year | \$ 588,513 | \$ 403,229 | \$ 991,742 |
| | <hr/> | <hr/> | <hr/> |

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

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, 2006
(In thousands)

| | | |
|--|----|------------------------|
| Net change in fund balances - total governmental funds (page 26) | \$ | 10,938 |
| 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 | \$ | 99,555 |
| Net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, donations) | | (7,781) |
| Transfer of capital assets to business-type activities | | (97,028) |
| Less current year depreciation | | <u>(28,061)</u> |
| | | (33,315) |
| 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 | | 1,136 |
| Amortization of bond issuance costs | | <u>(393)</u> |
| | | 743 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds | | 3,915 |
| Revenues recognized in the governmental funds that were earned and recognized in previous years and are reported as beginning net assets in the statement of activities. | | (24,309) |
| 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 issuance of Lease Revenue Bonds. | | (88,578) |
| 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 | | 9,175 |
| Special obligation bonds | | 68,460 |
| Certificates of participation | | 255 |
| Capital leases | | <u>263</u> |
| | | 78,153 |
| 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 | | 2,825 |
| Change in accrued interest payable | | 785 |
| Change in net pension obligation | | (1,910) |
| Change in long-term compensated absences | | <u>(7,062)</u> |
| | | (5,362) |
| 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>31,498</u> |
| Change in net assets of governmental activities (page 23) | \$ | <u><u>(26,317)</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, 2006

(In thousands)

| | <u>Business-type Activities - Enterprise Funds</u> | | | <u>Governmental</u> |
|--|--|------------------|------------------|----------------------|
| | | | | <u>Internal</u> |
| | <u>SCVMC</u> | <u>Other</u> | <u>Total</u> | <u>Service Funds</u> |
| Assets: | | | | |
| Current assets: | | | | |
| Cash and investments: | | | | |
| Unrestricted | \$ 3,804 | \$ 10,230 | \$ 14,034 | \$ 427,372 |
| Restricted with fiscal agent | - | 1,517 | 1,517 | - |
| Other restricted | 273,326 | - | 273,326 | 459 |
| Receivables: | | | | |
| Patient accounts receivable, net of estimated uncollectibles | 80,837 | - | 80,837 | - |
| Other | 2,661 | 166 | 2,827 | 5,447 |
| Due from other funds | 2,389 | - | 2,389 | - |
| Due from other governmental agencies | 29,980 | 7 | 29,987 | 502 |
| Inventories | 13,780 | - | 13,780 | 1,162 |
| Prepaid rent/insurance | - | - | - | 1,374 |
| Total current assets | <u>406,777</u> | <u>11,920</u> | <u>418,697</u> | <u>436,316</u> |
| Noncurrent assets: | | | | |
| Other assets | 8,087 | 203 | 8,290 | - |
| Advances to other funds | 1,375 | - | 1,375 | 2,321 |
| Capital assets: | | | | |
| Nondepreciable | 96,345 | 11,341 | 107,686 | - |
| Depreciable, net of accumulated depreciation | 211,915 | 8,254 | 220,169 | 5,422 |
| Total noncurrent assets | <u>317,722</u> | <u>19,798</u> | <u>337,520</u> | <u>7,743</u> |
| Total assets | <u>724,499</u> | <u>31,718</u> | <u>756,217</u> | <u>444,059</u> |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable | 18,196 | 1,497 | 19,693 | 3,124 |
| Accrued salaries and benefits | 19,217 | 46 | 19,263 | 1,145 |
| Other accrued liabilities | 5,137 | 296 | 5,433 | - |
| Due to other funds | 26,296 | - | 26,296 | - |
| Due to third-party payers | 18,943 | - | 18,943 | - |
| Insurance claims | - | - | - | 32,931 |
| Due to other governmental agencies | 9,671 | - | 9,671 | 41 |
| Unearned revenue | - | 84 | 84 | 521 |
| Current portion of accrued vacation and sick leave | 8,363 | 6 | 8,369 | 271 |
| Current portion of capital lease obligations | - | - | - | 1,282 |
| Current portion of advances from other funds | - | - | - | 21 |
| Current portion of bonds payable | 9,616 | 239 | 9,855 | - |
| Total current liabilities | <u>115,439</u> | <u>2,168</u> | <u>117,607</u> | <u>39,336</u> |
| Noncurrent liabilities: | | | | |
| Long-term insurance claims | - | - | - | 71,115 |
| Net pension obligation | 11,151 | - | 11,151 | - |
| Noncurrent portion of accrued vacation and sick leave | 39,082 | 85 | 39,167 | 2,888 |
| Noncurrent portion of capital lease obligations | - | - | - | 1,557 |
| Noncurrent portion of bonds payable | 527,680 | 5,854 | 533,534 | - |
| Total noncurrent liabilities | <u>577,913</u> | <u>5,939</u> | <u>583,852</u> | <u>75,560</u> |
| Total liabilities | <u>693,352</u> | <u>8,107</u> | <u>701,459</u> | <u>114,896</u> |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 7,160 | 14,369 | 21,529 | 2,583 |
| Restricted for debt service | 38,182 | 844 | 39,026 | - |
| Unrestricted | (14,195) | 8,398 | (5,797) | 326,580 |
| Total net assets | <u>\$ 31,147</u> | <u>\$ 23,611</u> | <u>54,758</u> | <u>\$ 329,163</u> |
| Adjustment to reflect the consolidation of internal service fund activities to enterprise funds. | | | (5,550) | |
| Net deficits of business-type activities | | | <u>\$ 49,208</u> | |

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

COUNTY OF SANTA CLARA

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

For the Fiscal Year Ended June 30, 2006
(In thousands)

| | Business-type Activities - Enterprise Funds | | | Governmental |
|---|--|------------------|------------------|--|
| | SCVMC | Other | Total | Activities Internal Service Funds |
| Operating revenues: | | | | |
| Charges for services | \$ 529,543 | \$ 4,548 | \$ 534,091 | \$ 156,607 |
| Other program revenues | 14,264 | - | 14,264 | - |
| Net operating revenues | <u>543,807</u> | <u>4,548</u> | <u>548,355</u> | <u>156,607</u> |
| Operating expenses: | | | | |
| Salaries and benefits | 511,198 | 1,347 | 512,545 | 29,013 |
| Services and supplies | 91,050 | 880 | 91,930 | 18,358 |
| General and administrative | 65,141 | - | 65,141 | 5,001 |
| Professional services | 13,980 | 635 | 14,615 | 2,964 |
| Depreciation and amortization | 23,896 | 702 | 24,598 | 3,117 |
| Leases and rentals | 5,812 | - | 5,812 | 828 |
| Utilities | 7,773 | - | 7,773 | - |
| Insurance claims and premiums | 9,162 | 18 | 9,180 | 91,097 |
| Other | 7,050 | 1,362 | 8,412 | - |
| Total operating expenses | <u>735,062</u> | <u>4,944</u> | <u>740,006</u> | <u>150,378</u> |
| Operating income/(loss) | <u>(191,255)</u> | <u>(396)</u> | <u>(191,651)</u> | <u>6,229</u> |
| Nonoperating revenues (expenses): | | | | |
| Taxes | 9,664 | - | 9,664 | - |
| Investment income | 2,272 | 468 | 2,740 | 24,636 |
| Interest expense | (15,848) | (286) | (16,134) | (119) |
| Loss on disposal of capital assets | (1,673) | - | (1,673) | (9) |
| Other, net | (4,346) | (225) | (4,571) | 195 |
| Total nonoperating revenues (expenses), net | <u>(9,931)</u> | <u>(43)</u> | <u>(9,974)</u> | <u>24,703</u> |
| Income (loss) before capital contributions and transfers | <u>(201,186)</u> | <u>(439)</u> | <u>(201,625)</u> | <u>30,932</u> |
| Capital contributions | 14,868 | 997 | 15,865 | - |
| Capital contributions transferred in from the County | 97,028 | - | 97,028 | - |
| Transfers in | 279,316 | 10 | 279,326 | 2,336 |
| Transfers out | (137,354) | - | (137,354) | (1,486) |
| Change in net assets | <u>52,672</u> | <u>568</u> | <u>53,240</u> | <u>31,782</u> |
| Net assets (deficit), beginning of year, as previously reported | (21,525) | 21,799 | | 297,381 |
| Prior period adjustment | - | 1,244 | | - |
| Net assets (deficit), beginning of year, as restated | <u>(21,525)</u> | <u>23,043</u> | | <u>297,381</u> |
| Net assets, end of year | <u>\$ 31,147</u> | <u>\$ 23,611</u> | | <u>\$ 329,163</u> |
| Adjustment to reflect the consolidation of internal service funds to enterprise funds. | | | 284 | |
| Change in net assets of business-type activities | | | <u>\$ 53,524</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, 2006
(In thousands)

| | Business-type Activities - Enterprise Funds | | | Governmental Activities |
|---|--|------------------|-------------------|------------------------------------|
| | SCVMC | Other | Total | Internal Service Funds |
| Cash flows from operating activities: | | | | |
| Cash receipts from customers and users | \$ 511,667 | \$ 4,689 | \$ 516,356 | \$ 156,411 |
| Cash paid to suppliers for goods and services | (198,696) | (2,717) | (201,413) | (27,861) |
| Cash paid to employees for services | (501,872) | (1,341) | (503,213) | (28,631) |
| Cash paid for judgments and claims | - | - | - | (92,534) |
| Other payments | (4,111) | (225) | (4,336) | - |
| Other receipts | - | - | - | 195 |
| Net cash provided by (used in) operating activities | <u>(193,012)</u> | <u>406</u> | <u>(192,606)</u> | <u>7,580</u> |
| Cash flows from noncapital financing activities: | | | | |
| Cash receipts from state grants - taxes realignment | 9,591 | - | 9,591 | - |
| Cash receipts from other funds | - | - | - | 1,780 |
| Cash payments to other funds | (125,578) | - | (125,578) | (21) |
| Transfers in | 279,316 | 10 | 279,326 | 2,336 |
| Transfers out | <u>(137,354)</u> | <u>-</u> | <u>(137,354)</u> | <u>(1,486)</u> |
| Net cash provided by noncapital financing activities | <u>25,975</u> | <u>10</u> | <u>25,985</u> | <u>2,609</u> |
| Cash flows from capital and related financing activities: | | | | |
| Repayment of capital leases | - | - | - | (1,539) |
| Bond issuance costs paid | (1,554) | - | (1,554) | - |
| Proceeds from bonds | 116,827 | - | 116,827 | - |
| Principal paid on bonds | (10,215) | (230) | (10,445) | - |
| Interest paid | (22,539) | (286) | (22,825) | (119) |
| Acquisition of capital assets | (16,793) | (2,478) | (19,271) | (177) |
| Proceeds from sale of capital assets | - | - | - | 123 |
| Capital grants received | <u>6,240</u> | <u>997</u> | <u>7,237</u> | <u>-</u> |
| Net cash provided by (used in) capital and related financing activities | <u>71,966</u> | <u>(1,997)</u> | <u>69,969</u> | <u>(1,712)</u> |
| Cash flows from investing activities: | | | | |
| Purchases of investments | (16,040) | - | (16,040) | (28,503) |
| Proceeds from sale of investments | 9,423 | - | 9,423 | - |
| Interest received | <u>8,350</u> | <u>433</u> | <u>8,783</u> | <u>7,222</u> |
| Net cash provided by (used in) investing activities | <u>1,733</u> | <u>433</u> | <u>2,166</u> | <u>(21,281)</u> |
| Net change in cash and cash equivalents | <u>(93,338)</u> | <u>(1,148)</u> | <u>(94,486)</u> | <u>(12,804)</u> |
| Cash and cash equivalents, beginning of year | <u>342,468</u> | <u>12,895</u> | <u>355,363</u> | <u>228,350</u> |
| Cash and cash equivalents, end of year | <u>\$ 249,130</u> | <u>\$ 11,747</u> | <u>\$ 260,877</u> | <u>\$ 215,546</u> |
| Cash and cash equivalents: | | | | |
| Cash and investments: | | | | |
| Unrestricted | \$ 3,804 | \$ 10,230 | \$ 14,034 | \$ 427,372 |
| Restricted with fiscal agents | - | 1,517 | 1,517 | - |
| Other restricted | 273,326 | - | 273,326 | 459 |
| Less deposits and investments not meeting the definition of cash and cash equivalents | <u>(28,000)</u> | <u>-</u> | <u>(28,000)</u> | <u>(212,285)</u> |
| Total cash and cash equivalents | <u>\$ 249,130</u> | <u>\$ 11,747</u> | <u>\$ 260,877</u> | <u>\$ 215,546</u> |

(Continued)

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, 2006
(In thousands)

| | Business-type Activities - Enterprise Funds | | | Governmental Activities |
|--|--|---------------|---------------------|------------------------------------|
| | SCVMC | Other | Total | Internal Service Funds |
| Reconciliation of operating income/(loss) to net cash provided by (used in) operating activities: | | | | |
| Operating income/(loss) | \$ (191,255) | \$ (396) | \$ (191,651) | \$ 6,229 |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 23,896 | 702 | 24,598 | 3,117 |
| Provision for bad debts | 18,569 | - | 18,569 | - |
| Miscellaneous nonoperating (expense) revenue, net | (4,346) | (225) | (4,571) | 195 |
| Decrease (increase) in assets: | | | | |
| Receivables | (28,937) | 115 | (28,822) | (166) |
| Due from other governmental agencies | (21,590) | 8 | (21,582) | 34 |
| Inventories | (3,924) | - | (3,924) | (33) |
| Prepaid rent/insurance | (25) | 54 | 29 | (101) |
| Increase (decrease) in liabilities: | | | | |
| Accounts payable | 9,549 | 65 | 9,614 | (595) |
| Accrued salaries and benefits | 3,273 | 9 | 3,282 | - |
| Other accrued liabilities | (4,093) | 59 | (4,034) | 204 |
| Due to third-party payers | (368) | - | (368) | - |
| Accrued vacation and sick leave | 5,251 | (3) | 5,248 | 177 |
| Net pension obligation | 802 | - | 802 | - |
| Insurance claims | - | - | - | (1,436) |
| Due to other governmental agencies | 186 | - | 186 | 19 |
| Unearned revenue | - | 18 | 18 | (64) |
| Net cash provided by (used in) operating activities | <u>\$ (193,012)</u> | <u>\$ 406</u> | <u>\$ (192,606)</u> | <u>\$ 7,580</u> |
| Supplemental disclosure of noncash investing, capital and related financing activities: | | | | |
| Noncash capital and related financing activities: | | | | |
| Transfers of capital assets from the County | \$ 97,028 | \$ - | \$ 97,028 | \$ - |
| Capitalized interest expenses | 6,615 | - | 6,615 | - |
| Assets acquired under capital lease | - | - | - | 2,619 |
| Noncash investing activities: | | | | |
| Capitalized interest revenue | (6,735) | - | (6,735) | - |
| Increase in rebatable arbitrage | 296 | - | 296 | - |
| Net change in fair value of investments not considered cash and cash equivalents | (700) | - | (700) | 17,869 |

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, 2006

(In thousands)

| | <u>Investment Trust Funds</u> | <u>Private Purpose Trust Fund</u> | <u>Agency Funds</u> |
|--|-----------------------------------|---------------------------------------|-------------------------|
| Assets: | | | |
| Cash and investments: | | | |
| Unrestricted | \$ 2,231,971 | \$ 47,675 | \$ 66,989 |
| Other restricted | 5 | - | 5,048 |
| Receivables: | | | |
| Property taxes | - | - | 71,046 |
| Interest | 17,515 | 423 | 19,024 |
| Other | - | 1 | 162 |
| Due from other agency funds | - | - | 50,607 |
| Other assets | - | 55,442 | 2,834 |
| Total assets | <u>2,249,491</u> | <u>103,541</u> | <u>\$ 215,710</u> |
| Liabilities: | | | |
| Accounts payable | - | 45,748 | \$ - |
| Due to other agency funds | - | - | 50,607 |
| Due to other governmental agencies | - | 31 | - |
| Deposits from others | - | 55,463 | - |
| Fiduciary liabilities | - | - | 165,103 |
| Total liabilities | <u>-</u> | <u>101,242</u> | <u>\$ 215,710</u> |
| Net assets: | | | |
| Net assets held in trust for investment pool participants/private-purpose trust | <u>\$ 2,249,491</u> | <u>\$ 2,299</u> | |

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

COUNTY OF SANTA CLARA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2006
(In thousands)

| | Investment Trust Funds | Private-Purpose Trust Fund |
|---|-----------------------------------|---------------------------------------|
| Additions: | | |
| Contributions to pooled investments | \$ 8,266,189 | \$ 1,291 |
| Interest and investment income | 56,569 | (216) |
| Total additions | 8,322,758 | 1,075 |
| Deductions: | | |
| Distributions and administrative expenses | 8,073,766 | - |
| Change in net assets | 248,992 | 1,075 |
| Net assets held in trust, beginning of year | 2,000,499 | 1,224 |
| Net assets held in trust, end of year | \$ 2,249,491 | \$ 2,299 |

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, 2006

(Dollars in thousands)

(1) Summary of Significant Accounting Policies

(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.

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 (Continued)

June 30, 2006

(Dollars in thousands)

(1) Summary of Significant Accounting Policies (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 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 statement of net assets and the SCVMC. |

Discretely Presented Component Units

The FIRST 5 Santa Clara County 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 whom are officers of the County, while the remaining six are appointed by the Santa Clara County Board of Supervisors. FIRST 5 is a discretely presented component unit as its governing body is not substantially the same as that of the County and FIRST 5 does not provide services entirely or almost entirely to the County. Complete financial statements for FIRST 5 can be obtained directly from its administrative office at 4000 Moorpark Avenue, Suite 200, San Jose, California 95117.

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).

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 its 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, 2005 and May 31, 2006. Complete financial statements for the Housing Authority can be obtained directly from its administrative office at 100 Great Oaks Blvd., 2nd Floor, San Jose, California 95119.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2006
(Dollars in thousands)

(1) Summary of Significant Accounting Policies (Continued)

(b) *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 (Continued)

June 30, 2006

(Dollars in thousands)

(1) 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.
- *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 provided to County departments, printing, employee benefits, employee retirement healthcare, liability claims against the County, 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 resources for conservatees managed by the public guardians and administrators. These resources are restricted to a specified purpose that benefits individuals
- *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. Included are funds for child support payments; bail money posted with municipal courts; employees' long-term disability and supplemental life insurance premiums; and apportioned taxes for other local governmental agencies.

(c) *Basis of Accounting*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements (excluding agency funds). 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 (Continued)

June 30, 2006

(Dollars in thousands)

(1) 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 business-type activities in the government-wide financial statements 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.

(d) 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.

(e) 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 audits and reports.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2006

(Dollars in thousands)

(1) Summary of Significant Accounting Policies (Continued)

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 56% of the pool.

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, 2006, 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 from 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 Santa Clara County Financing Authority and the Santa Clara County - El Camino Hospital District Hospital Facilities Authority maintain restricted cash and investments in separate bank accounts.

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.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2006
(Dollars in thousands)

(1) Summary of Significant Accounting Policies (Continued)

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

(g) *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.

(h) *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.

(i) *Capital Assets*

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. Donated capital assets are valued at their estimated fair market value on the date donated. 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 fund statements. 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.

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 |

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2006

(Dollars in thousands)

(1) Summary of Significant Accounting Policies (Continued)

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.

(j) 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.

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.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2006
(Dollars in thousands)

(1) Summary of Significant Accounting Policies (Continued)

(k) *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 the applicable governmental 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/expenses. 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.

(l) *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.

(m) *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 as capital assets and long-term liabilities in the 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.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2006

(Dollars in thousands)

(1) Summary of Significant Accounting Policies (Continued)

(n) *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.

(o) *Net Pension Obligation*

In May 2005, the CalPERS agreed to restructure the County's pension contribution for the 2004-05 fiscal year and to defer a portion of the scheduled payment. In fiscal year 2007-08, the County will begin payment of this deferred amount with an increase to the CalPERS payment of approximately \$3.5 million. Subsequent payments will be decreased by 10% per year. See Note 12 for the accounting treatment of the net pension obligation.

(p) *Effects of New Pronouncements*

At July 1, 2005, the County implemented the following GASB Statements:

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* - This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The impact of this statement is discussed in Note 6.

The County is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans. The approach followed in this statement generally is consistent with the approach adopted for defined benefit pension plans with modifications to reflect differences between pension plans and OPEB plans. The statement applies for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. This statement also provides requirements for reporting of OPEB funds by administrators of multiple-employer OPEB plans, when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. This statement is effective for the County's fiscal year ending June 30, 2007.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2006

(Dollars in thousands)

(1) Summary of Significant Accounting Policies (Continued)

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. This statement is effective for the County's fiscal year ending June 30, 2008.

(q) *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.

(2) Stewardship, Compliance and Accountability

The Workers' Compensation Internal Service Fund has a net deficit of \$40,137. The deficit is expected to be eliminated in future years through rate increases.

(3) 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, the Morgan Hill Courthouse Bonds Debt Service Fund, debt proceeds for SCVMC construction projects, the Retiree Healthcare 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."

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2006
 (Dollars in thousands)

(3) Cash and Investments (Continued)

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 and certain other debt service funds.

(b) Investment Policies

The objectives of the County’s investment 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. The table below identifies the **investment types** that are authorized for the County by the California Government Code (or the County’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code that address **interest rate risk, credit risk, and concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements, rather than the general provisions of the California Government Code or the County’s investment policy.

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage Of Portfolio</u> | <u>Maximum Investment In One Issuer</u> |
|---|-------------------------|--|---|
| U.S. Treasury Obligations | 5 years | None | None |
| U.S. Agency Securities | 5 years | None | None |
| Banker's Acceptances | 180 days | 40% | 6% |
| Prime Commercial Paper | 270 days | 40% | 10% |
| Negotiable Certificates of Deposit | 5 years | 30% | 2% |
| Repurchase Agreements | 92 days | None | None |
| State Warrant, Notes, Bonds | 5 years | None | None |
| Notes & bonds of other Local Agencies | 5 years | None | None |
| Medium-Term Corporate Notes | 5 years | 30% | 3% |
| Money Market Mutual funds & Mutual Funds | 5 years* | 20% | 10% |
| Collateralized Bank Deposits | 5 years | None | None |
| State Local Agency Investment Fund (LAIF) | N/A | None | None |

* Mutual funds maturity may be defined as the weighted average maturity.

In accordance with Government Code §53620-53622, the assets of the Santa Clara County Retiree Health Plan, 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 Investors Service credit rating of A3 or higher. Additionally, up to 67% of the assets of the Santa Clara County Retiree Health Plan 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, 2006
 (Dollars in thousands)

(3) Cash and Investments (Continued)

Investments of debt proceeds held by bond trustees are governed by provisions of debt agreements, rather than the general provisions of the California Government Code or the County's investment policy. Included authorized investments are U.S. Treasury Notes, U.S. Agency Securities and money market mutual funds.

(c) Presentation

Total County cash and investments are reported as follows:

| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total</u> |
|----------------------------|---------------------|-------------------|---------------------|
| Primary Government | \$ 1,310,517 | \$ 342,288 | \$ 1,652,805 |
| Component Units | 105,455 | 21,076 | 126,531 |
| Investment Trust Funds | 2,231,971 | 5 | 2,231,976 |
| Private-Purpose Trust Fund | 47,675 | - | 47,675 |
| Agency Funds | 66,989 | 5,048 | 72,037 |
| Total cash and investments | <u>\$ 3,762,607</u> | <u>\$ 368,417</u> | <u>\$ 4,131,024</u> |

The County's cash and investments are as follows:

| | | |
|--|--|---------------------|
| Cash and deposits: | | |
| Cash on hand | | \$ 102 |
| Deposits of the County | | 18,748 |
| Nonnegotiable certificates of deposit in Treasury's Pool | | 1,475 |
| Restricted deposits | | 14,494 |
| Deposits with component units: | | |
| Housing Authority | | 10,914 |
| FIRST 5 | | <u>3,041</u> |
| Total cash and deposits | | <u>48,774</u> |
| Investments: | | |
| With Treasurer | | 3,967,011 |
| With fiscal agents | | 38,348 |
| With Housing Authority | | 25,762 |
| With FIRST 5 | | <u>51,129</u> |
| Total investments | | <u>4,082,250</u> |
| Total cash, deposits and investments | | <u>\$ 4,131,024</u> |

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2006
(Dollars in thousands)

(3) Cash and Investments (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2006, \$1,299 of the County's restricted bank balance of \$14,494 was exposed to custodial credit risk by not being insured or collateralized.

(d) Investment Composition

As of June 30, 2006, 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 0.5 | 0.5 - 1 | 1 - 3 | 3 - 5 | 5 - 10 | 10 - 30 |
| With Treasurer: | | | | | | | | | |
| Commingled pool: | | | | | | | | | |
| U.S. Treasury Notes | 3.50% | \$ 25,000 | \$ 24,843 | \$ 24,843 | \$ - | \$ - | \$ - | \$ - | \$ - |
| U.S. Agencies - Coupon | 2.13%-5.75% | 2,289,242 | 2,251,679 | 522,909 | 373,231 | 1,022,555 | 332,984 | - | - |
| U.S. Agencies - Discount | 4.45%-4.46% | 95,613 | 94,314 | 94,314 | - | - | - | - | - |
| Medium-term corporate notes | 2.50%-6.88% | 374,355 | 367,264 | 19,807 | 84,614 | 138,738 | 124,105 | - | - |
| Commercial paper | 4.52%-5.28% | 797,000 | 795,008 | 795,008 | - | - | - | - | - |
| Negotiable Certificate of Deposits | 5.40% | 15,000 | 14,849 | - | - | 14,849 | - | - | - |
| State Local Agency Investment Fund | 4.79% | 40,000 | 39,927 | 39,927 | - | - | - | - | - |
| Subtotal commingled pool | | <u>3,636,210</u> | <u>3,587,884</u> | <u>1,496,808</u> | <u>457,845</u> | <u>1,176,142</u> | <u>457,089</u> | <u>-</u> | <u>-</u> |
| Separate investments: | | | | | | | | | |
| U.S. Treasury Notes | | 23,055 | 22,181 | - | - | 1,248 | 5,298 | 12,570 | 3,065 |
| U.S. Agencies - Coupon | | 95,037 | 92,521 | 16,870 | 4,969 | 10,652 | 26,610 | - | 33,420 |
| Municipal bonds | | 11,585 | 11,648 | 7,025 | 1,423 | 3,200 | - | - | - |
| Medium-term corporate notes | | 35,329 | 34,164 | - | 1,561 | 13,121 | 6,547 | 8,428 | 4,507 |
| Commercial paper | | 3,480 | 3,477 | 3,477 | - | - | - | - | - |
| Money market mutual funds | | 2,852 | 2,852 | 2,852 | - | - | - | - | - |
| Stock mutual funds: | | | | | | | | | |
| Vanguard 500 Index Fund | | 86,837 | 98,872 | 98,872 | - | - | - | - | - |
| Vanguard Mid Cap Index Fund | | 53,069 | 70,448 | - | - | - | - | - | - |
| Vanguard Small-Cap Index Fund | | 29,589 | 42,964 | 42,964 | - | - | - | - | - |
| Subtotal separate investments | | <u>340,833</u> | <u>379,127</u> | <u>242,508</u> | <u>7,953</u> | <u>28,221</u> | <u>38,455</u> | <u>20,998</u> | <u>40,992</u> |
| Subtotal with Treasurer | | <u>3,977,043</u> | <u>3,967,011</u> | <u>1,739,316</u> | <u>465,798</u> | <u>1,204,363</u> | <u>495,544</u> | <u>20,998</u> | <u>40,992</u> |
| With fiscal agents: | | | | | | | | | |
| U.S. Treasury Notes | | 1,365 | 1,317 | - | - | 1,064 | 253 | - | - |
| U.S. Agencies - Coupon | | 13,306 | 13,292 | 297 | 8,616 | 2,400 | 1,979 | - | - |
| U.S. Agencies - Discount | | 15,317 | 15,315 | 15,315 | - | - | - | - | - |
| Medium-term corporate notes | | 2,245 | 2,249 | 351 | 249 | 675 | 974 | - | - |
| Money market mutual funds | | 6,175 | 6,175 | 6,175 | - | - | - | - | - |
| Subtotal with fiscal agents | | <u>38,408</u> | <u>38,348</u> | <u>22,138</u> | <u>8,865</u> | <u>4,139</u> | <u>3,206</u> | <u>-</u> | <u>-</u> |
| With Housing Authority: | | | | | | | | | |
| U.S. Agencies | | 10,475 | 10,730 | 499 | - | 2,248 | 7,983 | - | - |
| Money market mutual funds | | 3,737 | 3,737 | 3,737 | - | - | - | - | - |
| State Local Agency Investment Fund | | 11,295 | 11,295 | 11,295 | - | - | - | - | - |
| Subtotal with Housing Authority | | <u>25,507</u> | <u>25,762</u> | <u>15,531</u> | <u>-</u> | <u>2,248</u> | <u>7,983</u> | <u>-</u> | <u>-</u> |
| With FIRST 5: | | | | | | | | | |
| U.S. Treasury Notes | | 13,067 | 13,067 | - | 3,225 | 2,524 | 7,318 | - | - |
| U.S. Agencies - Coupon | | 22,448 | 22,448 | 3,225 | 3,276 | 12,675 | 3,272 | - | - |
| Medium-term corporate notes | | 14,783 | 14,783 | 4,990 | - | 6,648 | 3,145 | - | - |
| Money market mutual funds | | 831 | 831 | 831 | - | - | - | - | - |
| Subtotal with FIRST 5 | | <u>51,129</u> | <u>51,129</u> | <u>9,046</u> | <u>6,501</u> | <u>21,847</u> | <u>13,735</u> | <u>-</u> | <u>-</u> |
| Total investments | | <u>\$ 4,092,087</u> | <u>\$ 4,082,250</u> | <u>\$ 1,786,031</u> | <u>\$ 481,164</u> | <u>\$ 1,232,597</u> | <u>\$ 520,468</u> | <u>\$ 20,998</u> | <u>\$ 40,992</u> |

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2006

(Dollars in thousands)

(3) Cash and Investments (Continued)

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code, the County's investment policies do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

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, 2006, the County's weighted average maturity of its commingled pool is 479 days. The County invested in callable Federal Agency issues within its commingled pool (\$244,813 of the County's U.S. Agencies – Coupon position of \$2,251,679) and the Housing Authority invested in callable Federal Agency issues in the amount of \$10,470. These issues are highly sensitive to interest rate changes and are callable at par prior to maturity based on these rate changes.

Credit Risk

The following is a summary of the credit quality distribution for securities with credit exposure as a percentage of investments with Treasury (Commingled pool and Separate), fiscal agent, Housing Authority and FIRST 5 as rated by Moody's Investors Service:

| Investment | Moody's Rating | % of Commingled Pool investments with the Treasury | % of Separate investments with the Treasury | % of investments with fiscal agents | % of investments with Housing Authority | % of investments with FIRST 5 |
|------------------------------------|-------------------|---|--|---|--|-------------------------------------|
| U.S. Treasury | Exempt | 0.7% | 5.8% | 3.4% | 0.0% | 25.6% |
| U.S. Agencies | Exempt | 0.0% | 0.9% | 0.0% | 0.0% | 0.0% |
| U.S. Agencies | Aaa | 62.7% | 23.5% | 34.7% | 41.7% | 43.9% |
| U.S. Agencies | Prime-1 | 2.6% | 0.0% | 39.9% | 0.0% | 0.0% |
| Municipal bonds | Aaa | 0.0% | 1.9% | 0.0% | 0.0% | 0.0% |
| Municipal bonds | Aa | 0.0% | 0.5% | 0.0% | 0.0% | 0.0% |
| Municipal bonds | A | 0.0% | 0.7% | 0.0% | 0.0% | 0.0% |
| Medium-term corporate notes | Aaa | 3.6% | 0.5% | 0.4% | 0.0% | 3.3% |
| Medium-term corporate notes | Aa | 6.7% | 5.5% | 5.5% | 0.0% | 19.2% |
| Medium-term corporate notes | A | 0.0% | 3.0% | 0.0% | 0.0% | 6.4% |
| Commercial paper | Prime-1 | 22.2% | 0.9% | 0.0% | 0.0% | 0.0% |
| Negotiable Certificate of Deposits | Aa2 | 0.4% | 0.0% | 0.0% | 0.0% | 0.0% |
| Money market mutual funds | Aaa | 0.0% | 0.8% | 16.1% | 14.5% | 1.6% |
| State Local Agency Investment Fund | Not rated | 1.1% | 0.0% | 0.0% | 43.8% | 0.0% |
| Stock Mutual Fund | Not applicable | 0.0% | 56.0% | 0.0% | 0.0% | 0.0% |
| Total Investments | | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2006
(Dollars in thousands)

(3) Cash and Investments (Continued)

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. LAIF is part of the State of California Pooled Money Investment Account (PMIA), which balance at June 30, 2006 was \$63,337,960. Of the total invested in PMIA, 97.43% is invested in non-derivative financial products and 2.57% in structured notes and asset-backed securities as of June 30, 2006. 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.

Concentration of Credit Risk

The County diversifies its portfolio by limiting the percentage of the portfolio that can be invested in any one issuer's name. U.S. Treasury and Agency securities are not subject to this limitation. More than 5 percent of the County's pooled investments are in the Federal Home Loan Mortgage Corporation, Federal Home Loan Bank and the Federal National Mortgage Association, which represent 20.3%, 21.2% and 19.9%, respectively, of the County's pooled investments.

(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, 2006:

| | | | |
|--|----|---------------------|---|
| Assets | | | |
| U.S. Treasury Notes | \$ | 47,024 | |
| U.S. Agencies - Coupon | | 2,344,200 | |
| U.S. Agencies - Discount | | 94,314 | |
| Municipal bonds | | 11,648 | |
| Medium-term corporate notes | | 401,428 | |
| Commercial paper | | 798,485 | |
| Negotiable certificate of deposits | | 14,849 | |
| Money market mutual fund | | 2,852 | |
| State Local Agency Investment Fund | | 39,927 | |
| Stock mutual funds | | 212,284 | |
| Total investments | | <u>3,967,011</u> | |
| Other assets (Interest receivable) | | 31,624 | |
| Pool deposits | | 1,475 | |
| Total assets | | <u>\$ 4,000,110</u> | |
| Net Assets: | | | |
| Equity of internal pool participants | \$ | 1,750,619 | |
| Equity of individual investment accounts | | 14,602 | |
| Equity of external pool participants | | 2,234,889 | |
| Total net assets | | <u>\$ 4,000,110</u> | |
| Statement of Changes in Net Assets | | | |
| Net assets at July 1, 2005 | \$ | 3,538,418 | |
| Net change in investments by pool participants | | 461,692 | |
| Net assets at June 30, 2006 | | <u>\$ 4,000,110</u> | |
| | | | Net assets composition of the equity of external pool participants is as follows: |
| | | | Participants units outstanding (\$1 par) \$ 2,248,529 |
| | | | Undistributed and unrealized loss (13,640) |
| | | | Net assets at June 30, 2006 <u>\$ 2,234,889</u> |
| | | | Participants net asset value at fair value price per share \$ 0.99 |
| | | | (\$2,234,889 divided by 2,248,529 units) |

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2006
(Dollars in thousands)

(4) 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 | Nonmajor Governmental Funds | Internal Service Funds | Total Governmental Activities |
|--|------------------|-----------------------------------|------------------------------|-------------------------------------|
| Property tax | \$ 2,032 | \$ - | \$ - | \$ 2,032 |
| Loans receivable | - | 25,080 | - | 25,080 |
| Other | 127,317 | 5,015 | 5,447 | 137,779 |
| Gross receivables | 129,349 | 30,095 | 5,447 | 164,891 |
| Less: allowance for uncollectibles | (86,932) | - | - | (86,932) |
| Total receivables, net | <u>\$ 42,417</u> | <u>\$ 30,095</u> | <u>\$ 5,447</u> | <u>\$ 77,959</u> |

| Receivables - Business-type Activities | SCVMC | Nonmajor Enterprise Funds | Total Business-type Activities |
|---|------------------|---------------------------------|--------------------------------------|
| Patient accounts receivable | \$ 370,910 | \$ - | \$ 370,910 |
| Other | 2,661 | 166 | 2,827 |
| Gross receivables | 373,571 | 166 | 373,737 |
| Less allowance for uncollectibles | (290,073) | - | (290,073) |
| Total receivables, net | <u>\$ 83,498</u> | <u>\$ 166</u> | <u>\$ 83,664</u> |

Loan receivables from housing programs in the amount of \$25,080 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. At June 30, 2006, the components of deferred revenue reported, separated into unavailable revenue and unearned revenue, were as follows:

| | Unavailable | Unearned |
|--|-------------------|------------------|
| Governmental Activities: | | |
| General Fund: | | |
| Due from other governmental agencies | \$ 139,485 | \$ 128 |
| Other receivables | 9,036 | 769 |
| Other miscellaneous assets including cash deposits | - | 11,486 |
| Nonmajor governmental funds: | | |
| Due from other governmental agencies | - | 329 |
| Other receivables | 24,906 | 282 |
| Other miscellaneous assets including cash deposits | - | 2,582 |
| Internal Service Funds | - | 521 |
| Total governmental activities | <u>\$ 173,427</u> | <u>\$ 16,097</u> |
| Business-type activities: | | |
| Nonmajor enterprise funds | <u>\$ -</u> | <u>\$ 84</u> |

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2006
(Dollars in thousands)

(4) Receivables (Continued)

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 Negotiated Value | Other | Milpitas Redevelopment Agency | | Total |
|--------------------------------|----------------------------------|-------|-------------------------------|------------------------|------------|
| | | | 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 | - | - | 4,000 | - | 4,000 |
| 2009 | - | - | 4,000 | - | 4,000 |
| 2010 | - | - | 4,000 | - | 4,000 |
| 2011-2015 | - | - | 22,000 | - | 22,000 |
| 2016-2020 | - | - | 27,000 | - | 27,000 |
| 2021-2025 | - | - | 18,000 | 7,000 | 25,000 |
| 2026-2030 | - | - | - | 17,500 | 17,500 |
| 2031 | - | - | - | 3,500 | 3,500 |
| Total | 57,750 | 419 | 115,000 | 28,000 | 201,169 |
| Less amount received to date | (57,750) | (419) | (32,000) | - | (90,169) |
| Balance at June 30, 2006 | \$ - | \$ - | \$ 83,000 | \$ 28,000 | \$ 111,000 |

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; provided a subsidy of \$1,000 in connection with the development of affordable housing on a portion of the property; and paid 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. At June 30, 2006, the County's General Fund receivable balance of \$111,000 represents the remaining estimate future cash flow related to the sale of the Elmwood surplus lands. This balance is reported as due from other governmental agencies offset by deferred revenue. For the year ended June 30, 2006, the County's General Fund received \$20,750 related to the sale of the Elmwood surplus lands.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2006
 (Dollars in thousands)

(5) Interfund Transactions

Interfund receivables, payables, and transfers as of and for the fiscal year ended June 30, 2006, 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> |
|-----------------------------|-----------------------------|------------------|
| SCVMC | Nonmajor Governmental Funds | \$ 2,389 |
| General Fund | SCVMC | 13,294 |
| Nonmajor Governmental Funds | SCVMC | 13,002 |
| Nonmajor Governmental Funds | General Fund | 1,004 |
| Agency Funds | Agency Funds | 50,607 |
| | | <u>50,607</u> |
| Total | | <u>\$ 80,296</u> |

At June 30, 2006, the County's General Fund is due \$13,294 from SCVMC to partially refund the fiscal year 2006 operating subsidy. The General Capital Improvement Fund is due \$13,002 from SCVMC to reimburse capital project costs incurred. The interfund balances between the County's Agency Funds represent current borrowings for working capital expected to be repaid during the following year.

Advances to /from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-----------------------------|-----------------------------|-----------------|
| Nonmajor Governmental Funds | Internal Service Funds | \$ 21 |
| SCVMC | Nonmajor Governmental Funds | 1,375 |
| Internal Service Funds | Nonmajor Governmental Funds | 2,321 |
| | | <u>2,321</u> |
| Total | | <u>\$ 3,717</u> |

The advance of \$2,321 between Retiree Healthcare Internal Service Fund and the General Capital Improvement Fund were used for funding of various capital projects. The General Capital Improvement Fund expects to repay the remaining balance of \$2,321 with future bonds proceeds.

The advance of \$1,375 between SCVMC and the Multiple Facilities Construction Fund represents unspent bond proceeds held by the County which SCVMC could drawdown for expenditures on future capital projects.

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, 2006
 (Dollars in thousands)

(5) Interfund Transactions (Continued)

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

Between Governmental and Business-type Activities:

| Transfer From | Transfer To | Amount | Purpose |
|--|-----------------------------|-------------------|--|
| General Fund | SCVMC | \$ 272,329 | Transfer funds for operating subsidy. |
| General Fund | Nonmajor Enterprise Funds | 10 | Transfer funds to cover rent for Animal Rescue Clinic. |
| SCVMC | General Fund | 90,294 | Transfer funds to return operating subsidy. |
| SCVMC | Nonmajor Governmental Funds | 47,060 | Transfer bond proceeds to General Capital Improvement for Valley Specialty Center and Valley Health Center projects. |
| Nonmajor Governmental Funds | SCVMC | 6,980 | Transfer funds for SCVMC projects. |
| Nonmajor Governmental Funds | SCVMC | 7 | Transfer unused bond proceeds to SCVMC capitalized interest account for cost of issuance. |
| Subtotal Between Governmental and Business-type Activities: | | <u>416,680</u> | |
| Between Funds within the Governmental or Business-type Activities*: | | | |
| General Fund | Nonmajor Governmental Funds | 450 | Transfer funds to pay for process of changing unincorporated area and pockets to city jurisdiction. |
| | | 51 | Transfer funds to Library Fund for annual contribution per Joint Power Authority (JPA) agreement. |
| | | 285 | Transfer funds to reimburse the costs of public obligation programs. |
| | | 672 | Transfer funds to pay principal and interest for Hospital Facilities Authority Bonds. |
| | | 10,088 | Transfer funds to finance various Facilities and Fleet Department capital projects. |
| | | 5,156 | Transfer funds to Roads Fund for Measure B Transportation Improvement Program. |
| | | <u>16,702</u> | |
| General Fund | Internal Service Fund | 2,336 | Transfer funds to Facilities & Fleet Department for acquisition of new vehicles. |
| Nonmajor Governmental Funds | General Fund | 93 | Transfer funds from Vital Statistics Funds for specified ongoing operations. |
| | | 3,077 | Transfer funds from Clerk-Recorder's Funds to cover expenses over the enhanced 1985 base. |
| | | 1,800 | Transfer from General Capital Improvement Fund to repay contingency loans. |
| | | 6 | Transfer funds to close Juvenile Hall Master Plan Fund to General Fund. |
| | | 66 | Transfer funds to close Jail Facilities Fund to General Fund. |
| | | 402 | Transfer funds to pay for bond interest expense. |
| | | 445 | Transfer funds to pay for contract services for a 10 year plan to address chronic homelessness in the County. |
| | | 4,884 | Transfer funds for Proposition 36 expenditures. |
| | | <u>10,773</u> | |
| Nonmajor Governmental Funds | Nonmajor Governmental Funds | 4 | Transfer funds to close Juvenile Hall Master Plan Fund to General Capital Fund. |
| | | 21,600 | Transfer funds to Parks operating funds for operating uses and Gubernational Primary Election ballot. |
| | | 100 | Transfer to Mortgage and Rental Assistance Fund from Developer Application Fund to cover program costs. |
| | | 10,089 | Transfer bond proceeds to General Capital Improvement for Morgan Hill Courthouse project. |
| | | 21,883 | Transfer bond proceeds to General Capital Improvement for Charcot project. |
| | | 11,048 | Transfer to a Capitalized Interest Fund from bonds proceeds. |
| | | 6,718 | Transfer to a Reserve Fund from bond proceeds. |
| | | <u>71,442</u> | |
| Internal Service Fund | General Fund | 1,486 | Transfer funds to General Fund from Information Services Fund for technology projects. |
| Total Between Funds within Governmental or Business-type Activities: | | <u>102,739</u> | |
| Total Transfers: | | <u>\$ 519,419</u> | |

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

During the fiscal year ended June 30, 2006, the County's governmental activities funded from the General Capital Improvement Fund transferred the accumulated costs in the amount of \$97,028 related to the active construction projects involving the Valley Health Centers, Valley Specialty Center, and other health facility improvements to SCVMC. These amounts were not reported in the governmental funds as the amount did not involve the transfer of financial resources. However, the SCVMC did report a transfer in for the capital resources received.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued) June 30, 2006 (Dollars in thousands)

(6) Capital Assets

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

| | Balance, July 1, 2005, | Additions | Reductions/ Adjustments | Transfers | Balance, June 30, 2006 |
|---|---------------------------|-------------------|----------------------------|--------------------|---------------------------|
| Governmental activities | | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | | |
| Land | \$ 177,801 | \$ - | \$ - | \$ 152 | \$ 177,953 |
| Construction in progress | 178,596 | 93,467 | - | (130,874) | 141,189 |
| Total capital assets, not being depreciated | <u>356,397</u> | <u>93,467</u> | <u>-</u> | <u>(130,722)</u> | <u>319,142</u> |
| <i>Capital assets, being depreciated:</i> | | | | | |
| Infrastructure | 159,877 | - | - | 16,871 | 176,748 |
| Buildings and improvements | 652,595 | 125 | (9,145) | 15,408 | 658,983 |
| Equipment and vehicles | 133,950 | 8,304 | (6,664) | 924 | 136,514 |
| Total capital assets, being depreciated | <u>946,422</u> | <u>8,429</u> | <u>(15,809)</u> | <u>33,203</u> | <u>972,245</u> |
| <i>Less accumulated depreciation for:</i> | | | | | |
| Infrastructure | (43,547) | (6,781) | - | - | (50,328) |
| Buildings and improvements | (346,209) | (12,567) | 1,489 | 471 | (356,816) |
| Equipment and vehicles | (93,452) | (11,830) | 6,407 | 20 | (98,855) |
| Total accumulated depreciation | <u>(483,208)</u> | <u>(31,178)</u> | <u>7,896</u> | <u>491</u> | <u>(505,999)</u> |
| Total capital assets, being depreciated, net | <u>463,214</u> | <u>(22,749)</u> | <u>(7,913)</u> | <u>33,694</u> | <u>466,246</u> |
| Governmental activities, capital assets, net | <u>\$ 819,611</u> | <u>\$ 70,718</u> | <u>\$ (7,913)</u> | <u>\$ (97,028)</u> | <u>\$ 785,388</u> |
| Business-type activities | | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | | |
| Land | \$ 6,310 | \$ - | \$ - | \$ - | \$ 6,310 |
| Construction in progress | 23,927 | 11,473 | - | 65,976 | 101,376 |
| Total capital assets, not being depreciated | <u>30,237</u> | <u>11,473</u> | <u>-</u> | <u>65,976</u> | <u>107,686</u> |
| <i>Capital assets, being depreciated:</i> | | | | | |
| Buildings and improvements | 352,543 | 312 | (2,115) | 27,585 | 378,325 |
| Equipment and vehicles | 84,130 | 8,399 | (13,247) | 3,938 | 83,220 |
| Leasehold improvements | 2,274 | - | - | - | 2,274 |
| Total capital assets, being depreciated | <u>438,947</u> | <u>8,711</u> | <u>(15,362)</u> | <u>31,523</u> | <u>463,819</u> |
| <i>Less accumulated depreciation for:</i> | | | | | |
| Buildings and improvements | (165,610) | (16,870) | 1,606 | (471) | (181,345) |
| Equipment and vehicles | (64,703) | (7,465) | 11,050 | - | (61,118) |
| Leasehold improvements | (924) | (263) | - | - | (1,187) |
| Total accumulated depreciation | <u>(231,237)</u> | <u>(24,598)</u> | <u>12,656</u> | <u>(471)</u> | <u>(243,650)</u> |
| Total capital assets, being depreciated, net | <u>207,710</u> | <u>(15,887)</u> | <u>(2,706)</u> | <u>31,052</u> | <u>220,169</u> |
| Business-type activities, capital assets, net | <u>\$ 237,947</u> | <u>\$ (4,414)</u> | <u>\$ (2,706)</u> | <u>\$ 97,028</u> | <u>\$ 327,855</u> |

During fiscal year ended June 30, 1997, the County completed and capitalized the San Martin Courthouse with an original cost of \$9,145. The County subsequently discovered mold contamination in the Courthouse. During fiscal year ended June 30, 2006, the County recognized a loss due to asset impairment in the amount of \$7,656 as part of the governmental activities general government function.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2006
 (Dollars in thousands)

(6) Capital Assets (Continued)

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

| | Balance, July 1, 2005 | Additions | Reductions/ Adjustments | Balance, June 30, 2006 |
|---|--------------------------|-----------------|----------------------------|---------------------------|
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 14,296 | \$ - | \$ - | \$ 14,296 |
| Construction in progress | 327 | 481 | | 808 |
| Total capital assets, not being depreciated | <u>14,623</u> | <u>481</u> | <u>-</u> | <u>15,104</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings and improvements | 46,246 | 6,428 | 50 | 52,724 |
| Equipment and vehicles | 2,457 | 22 | (14) | 2,465 |
| Total capital assets, being depreciated | <u>48,703</u> | <u>6,450</u> | <u>36</u> | <u>55,189</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Buildings and improvements | (18,936) | (1,329) | (35) | (20,300) |
| Equipment and vehicles | (2,088) | (182) | (1) | (2,271) |
| Total accumulated depreciation | <u>(21,024)</u> | <u>(1,511)</u> | <u>(36)</u> | <u>(22,571)</u> |
| Total capital assets, being depreciated, net | <u>27,679</u> | <u>4,939</u> | <u>-</u> | <u>32,618</u> |
| Housing Authority capital assets, net | <u>\$ 42,302</u> | <u>\$ 5,420</u> | <u>\$ -</u> | <u>\$ 47,722</u> |

Capital asset activity for the FIRST 5 for the fiscal year ended June 30, 2006 was as follows:

| | Balance, July 1, 2005 | Additions | Reductions/ Adjustments | Balance, June 30, 2006 |
|---|--------------------------|-----------------|----------------------------|---------------------------|
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ - | \$ 2,358 | \$ - | \$ 2,358 |
| Total capital assets, not being depreciated | <u>-</u> | <u>2,358</u> | <u>-</u> | <u>2,358</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings and improvements | 1,401 | 3,176 | (193) | 4,384 |
| Furniture and equipment | 457 | - | (311) | 146 |
| Total capital assets, being depreciated | <u>1,858</u> | <u>3,176</u> | <u>(504)</u> | <u>4,530</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Buildings and improvements | (6) | (188) | - | (194) |
| Furniture and equipment | (156) | (39) | | (195) |
| Total accumulated depreciation | <u>(162)</u> | <u>(227)</u> | <u>-</u> | <u>(389)</u> |
| Total capital assets, being depreciated, net | <u>1,696</u> | <u>2,949</u> | <u>(504)</u> | <u>4,141</u> |
| FIRST 5 capital assets, net | <u>\$ 1,696</u> | <u>\$ 5,307</u> | <u>\$ (504)</u> | <u>\$ 6,499</u> |

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2006

(Dollars in thousands)

(6) Capital Assets (Continued)

Depreciation

Depreciation expense was charged to governmental functions as follows:

| | | |
|---|----|----------------------|
| General government | \$ | 16,462 |
| Public protection | | 2,851 |
| Public ways | | 7,236 |
| Health and sanitation | | 403 |
| Public assistance | | 578 |
| Education | | 128 |
| Recreation | | 403 |
| Amount reported in the internal service funds | | <u>3,117</u> |
| Total depreciation expense - governmental functions | \$ | <u><u>31,178</u></u> |

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

| | | |
|--|----|----------------------|
| SCVMC | \$ | 23,896 |
| Airport | | 674 |
| Sanitation District | | 28 |
| Total depreciation expense - business-type functions | \$ | <u><u>24,598</u></u> |

Capital Projects Commitments

As of June 30, 2006, the SCVMC and the Airport have active construction projects that include constructions of Valley Health Center at Gilroy, Milpitas, and Sunnyvale; the Valley Specialty Center; ancillary building seismic upgrade and clinical lab remodel; urgent care/outpatient department pharmacy relocation; installation of a new absorption chiller and cooling tower at Valley Specialty Center; remodel and upgrade of pharmacy refill center; continued construction of South County Airport aircraft hangars and fire protection system; infrastructure and facility improvement of Reid Hillview Airport. The County's commitments for business-type activities as of June 30, 2006 are as follows:

| Projects | Expended to June 30, 2006 | Committed as of June 30, 2006 |
|---------------------------|------------------------------|----------------------------------|
| <u>Hospital Projects:</u> | | |
| Valley Specialty Center | \$ 53,367 | \$ 66,544 |
| VHC Gilroy/Fair Oaks | 13,063 | 71,986 |
| Clinical Lab Renovation | 9,679 | 135 |
| Urgent Care Renovation | 2,963 | 549 |
| Other | 14,374 | 2,167 |
| Airport Projects | <u>7,930</u> | <u>704</u> |
| Total | <u><u>\$ 101,376</u></u> | <u><u>\$ 142,085</u></u> |

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2006
 (Dollars in thousands)

(6) Capital Assets (Continued)

Nonmajor governmental funds (Special Revenue and Capital Projects Funds) also have active construction projects as of June 30, 2006. They are as follows:

- Roads projects include bridge seismic retrofit, rehabilitation and replacement; pedestrian and bicycle routes improvements; signal synchronization programs and pavement management of Measure B projects; the continued comprehensive study and planning for the County's expressways.
- Parks projects include Almaden Quicksilver toxic mitigation and natural resources damage assessment; Santa Teresa County Park Development Projects; Improvement of County Parks' facilities.
- General capital projects include the construction of the Morgan Hill Courthouse; a new Crime Lab; the continued renovation and improvement of the Juvenile Hall Housing detention buildings and jail facilities; the remodeling of County Buildings; and the upgrade of County buildings' security system.

The County's governmental activities commitments at June 30, 2006 are as follows:

| Projects | Expended to June 30, 2006 | Committed as of June 30, 2006 |
|--------------------------|------------------------------|----------------------------------|
| Road projects | \$ 33,410 | \$ 5,689 |
| Park projects | 17,062 | 3,628 |
| General capital projects | 90,717 | 22,063 |
| Total | \$ 141,189 | \$ 31,380 |

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2006
 (Dollars in thousands)

(7) Capital Leases

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

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

| Description | | |
|-------------------------------|----|----------|
| Buildings and improvements | \$ | 6,462 |
| Equipment and vehicles | | 25,580 |
| Total capital assets | | 32,042 |
| Less accumulated depreciation | | (25,206) |
| Net capital assets | \$ | 6,836 |

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

| Fiscal year ending June 30, | | |
|---|----|-------|
| 2007 | \$ | 1,647 |
| 2008 | | 1,067 |
| 2009 | | 767 |
| 2010 | | 464 |
| 2011 | | 337 |
| 2012-2016 | | 840 |
| 2017-2019 | | 360 |
| Total | | 5,482 |
| Amount representing interest at rates from 0.00% to 5.87% | | (193) |
| Present value of future minimum lease payments | \$ | 5,289 |

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2006
(Dollars in thousands)

(8) Long-Term Liabilities

As of June 30, 2006, 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, 2006 |
|--|---------------------|----------------|-------------------------------|-----------------------|------------------------------|
| Governmental activities: | | | | | |
| County - 1998 YMCA COP Series A | 6/15/07-6/15/08 | 4.25-4.50% | \$270 - \$280 | \$ 2,325 | \$ 550 |
| El Camino Hospital District Hospital Facilities Authority: | | | | | |
| 1985 ACES Lease Revenue Bonds Series A & B | 8/1/06-8/1/15 | (1) | \$494 - \$8,000 | 19,205 | 15,619 |
| Financing Authority: | | | | | |
| 1994 Lease Revenue Bonds Series A & B | 11/15/06-(2) | (3) | \$93 - \$262 | 2,060 | 1,157 |
| 1997 Lease Revenue Bonds Series A | 11/15/06 - 11/15/22 | 4.60% - 6.00% | \$161 - \$1,632 | 16,649 | 11,810 |
| 1998 Lease Revenue Bonds Series A | 5/15/07 - 5/15/17 | 4.13% - 4.75% | \$350 - \$5,749 | 61,373 | 31,737 |
| 2000 Lease Revenue Bonds Series B | 5/15/07 - 5/15/17 | 5.25% - 5.50% | \$3,660 - \$6,000 | 71,920 | 53,145 |
| Special Obligation Bonds Series 2003 | 8/1/2006 | 5.0% | \$71,395 | 139,855 | 71,395 |
| 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 | (4) | \$1,825 - \$2,475 | 21,350 | 21,350 |
| 2004 Lease Revenue Bonds Series A | 9/1/06 - 9/1/29 | (7) | \$65 - \$255 | 3,550 | 3,485 |
| 2005 Lease Revenue Bonds Series H | 5/15/07 - 5/15/35 | (8) | \$825 - \$2,200 | 40,725 | 40,725 |
| 2006 Lease Revenue Bonds Series I | 5/15/09 - 5/15/31 | 3.50% - 5.00% | \$2,343 - \$5,895 | 87,575 | 87,575 |
| Total governmental activities | | | | \$ 486,612 | \$ 358,573 |
| Business-type activities | | | | | |
| SCVMC: | | | | | |
| El Camino Hospital District Hospital Facilities Authority: | | | | | |
| 1985 ACES Lease Revenue Bonds Series A&B | 8/1/06-8/1/15 | (1) | \$2,606 - \$5,527 | \$ 55,795 | \$ 36,881 |
| Financing Authority: | | | | | |
| 1994 Lease Revenue Bonds Series A & B | 11/15/06-(2) | (3) | \$6,332 - \$7,924 | 256,435 | 79,193 |
| 1997 Lease Revenue Bonds Series A | 11/15/06-11/15/22 | 4.60% - 6.00% | \$1,324 - \$16,307 | 171,756 | 162,360 |
| 1998 Lease Revenue Bonds Series A | 5/15/07 - 5/15/17 | 4.13% - 4.75% | \$1,233 - \$1,457 | 16,322 | 7,942 |
| 2005 Lease Revenue Bonds Series E | 5/15/09 - 5/15/11 | 4.00% - 4.50% | \$3,550 - \$3,855 | 11,110 | 11,110 |
| 2005 Lease Revenue Bonds Series F | 5/15/12-5/15/35 | (5) | \$1,975 - \$4,150 | 71,025 | 71,025 |
| 2005 Lease Revenue Bonds Series G | 5/15/12-5/15/35 | (6) | \$1,975 - \$4,150 | 71,025 | 71,025 |
| 2006 Lease Revenue Bonds Series I | 5/15/09 - 5/15/31 | 3.50% - 5.00% | \$1,662 - \$4,185 | 62,165 | 62,165 |
| 2006 Lease Revenue Bonds Series J | 5/15/32 - 5/15/36 | (9) | \$9,750 - \$11,900 | 53,950 | 53,950 |
| | | | | 769,583 | 555,651 |
| Airport: | | | | | |
| ABAG Lease Revenue Bonds Series 2002-1 | 7/1/06-7/1/32 | 3.50-5.00% | \$240 - \$355 | 6,780 | 6,115 |
| Total business-type activities | | | | \$ 776,363 | \$ 561,766 |

⁽¹⁾ Variable rate, 3.90% effective as of June 30, 2006.

⁽²⁾ Series A: 11/15/11 and Series B: 11/15/25.

⁽³⁾ Series A: fixed rates from 6.40% to 7.75% and Series B: variable rate, 3.88% effective as of June 30, 2006.

⁽⁴⁾ Variable rate, 3.55% effective as of June 30, 2006.

⁽⁵⁾ Variable rate, 3.70% effective as of June 30, 2006.

⁽⁶⁾ Variable rate, 3.60% effective as of June 30, 2006.

⁽⁷⁾ Variable rate, 3.95% effective as of June 30, 2006.

⁽⁸⁾ Variable rate, 3.70% effective as of June 30, 2006.

⁽⁹⁾ Variable rate, 3.70% effective as of June 30, 2006.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2006
(Dollars in thousands)

(8) Long-Term Liabilities (Continued)

The following is a summary of long-term liabilities transactions for the fiscal year ended June 30, 2006:

| | Balance, July 1, 2005, as restated | Additions | Retirements | Balance, June 30, 2006 | Amounts Due Within One Year |
|--|--|-------------------|-------------------|------------------------------|-----------------------------------|
| Governmental activities: | | | | | |
| Lease Revenue Bonds | \$ 208,228 | \$ 87,575 | \$ 9,175 | \$ 286,628 | \$ 11,283 |
| Unamortized premium | 542 | 1,003 | 43 | 1,502 | 70 |
| Special Obligation Bonds | 139,855 | - | 68,460 | 71,395 | 71,395 |
| Unamortized premium | 3,013 | - | 2,782 | 231 | 231 |
| Certificates of Participation | 805 | - | 255 | 550 | 270 |
| Subtotal governmental bonds | <u>352,443</u> | <u>88,578</u> | <u>80,715</u> | <u>360,306</u> | <u>83,249</u> |
| Capital Lease Obligations (Note 7) | 4,472 | 2,619 | 1,802 | 5,289 | 1,546 |
| Accrued litigation liability | 10,000 | - | - | 10,000 | - |
| Insurance claims (Note 13) | 105,483 | 47,305 | 48,742 | 104,046 | 32,931 |
| Net Pension Obligation (Note 12) | 24,651 | 1,910 | - | 26,561 | - |
| Accrued vacation & sick leave | 103,285 | 88,797 | 81,558 | 110,524 | 10,291 |
| Total governmental activities | <u>\$ 600,334</u> | <u>\$ 229,209</u> | <u>\$ 212,817</u> | <u>\$ 616,726</u> | <u>\$ 128,017</u> |
| Business-type activities: | | | | | |
| SCVMC Lease Revenue Bonds | \$ 449,751 | \$ 116,115 | \$ 10,215 | \$ 555,651 | \$ 10,942 |
| Unamortized discount | (3,928) | - | (293) | (3,635) | (292) |
| Unamortized premium | 472 | 712 | 90 | 1,094 | 109 |
| Unamortized deferred loss on refunding | (16,958) | - | (1,144) | (15,814) | (1,143) |
| Subtotal SCVMC bonds | <u>429,337</u> | <u>116,827</u> | <u>8,868</u> | <u>537,296</u> | <u>9,616</u> |
| Airport Lease Revenue Bonds | 6,345 | - | 230 | 6,115 | 240 |
| Unamortized discount | (23) | - | (1) | (22) | (1) |
| Subtotal Airport bonds | <u>6,322</u> | <u>-</u> | <u>229</u> | <u>6,093</u> | <u>239</u> |
| Net Pension Obligation (Note 12) | 10,349 | 802 | - | 11,151 | - |
| Accrued vacation & sick leave | 42,288 | 44,744 | 39,496 | 47,536 | 8,369 |
| Total business-type activities | <u>\$ 488,296</u> | <u>\$ 162,373</u> | <u>\$ 48,593</u> | <u>\$ 602,076</u> | <u>\$ 18,224</u> |
| Component Units: | | | | | |
| <i>Housing Authority:</i> | | | | | |
| Notes payable | \$ 2,990 | \$ - | \$ - | \$ 2,990 | \$ 5 |
| Bonds payable | 4,390 | - | 160 | 4,230 | 165 |
| Bracher HDC, Inc. | 1,696 | - | 450 | 1,246 | - |
| SPG HDC, Inc. | - | 5,271 | 2 | 5,269 | 16 |
| Villa Garcia, Inc. | 2,882 | 24 | 105 | 2,801 | 68 |
| Villa San Pedro HDC, Inc. | 6,799 | 231 | 169 | 6,861 | 55 |
| Rotary Plaza/HACSC HDC, Inc. | 95 | - | - | 95 | - |
| Payment in lieu of taxes | 1,715 | 115 | - | 1,830 | - |
| Accrued vacation & sick leave | 747 | 1,065 | 1,022 | 790 | 77 |
| Accreted interest payable | 478 | 221 | 239 | 460 | 44 |
| Total Housing Authority | <u>21,792</u> | <u>6,927</u> | <u>2,147</u> | <u>26,572</u> | <u>430</u> |
| <i>FIRST 5:</i> | | | | | |
| Accrued vacation & sick leave | 153 | 25 | - | 178 | - |
| Total component units | <u>\$ 21,945</u> | <u>\$ 6,952</u> | <u>\$ 2,147</u> | <u>\$ 26,750</u> | <u>\$ 430</u> |

At July 1, 2005, the County Sanitation Districts 2 - 3 evaluated its long term debt liabilities and removed the 1995 Sewer Revenue Bonds Series A and B in the amount of \$1,322 (see Note 9).

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2006
(Dollars in thousands)

(8) 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. Annual lease payments through fiscal year 2008 secure 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, 2006, was \$53,449.

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.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2006
(Dollars in thousands)

(8) Long-Term Liabilities (Continued)

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.

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. These bonds were issued to embark on a number of long-term capital projects including the construction of a new courthouse in the City of Morgan Hill.

On September 1, 2004, the County through the Santa Clara County Financing Authority issued 2004 Series A Lease Revenue Bonds in the amount of \$3,550 that bear interest that is 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. The bonds were issued to refund and redeem the Housing Authority's 1993 Certificates of Participation (COPS). The bonds are reported as part of the long term liabilities on the County's statement of net assets and offset by a corresponding receivable from component unit balance. In addition, the Housing Authority has reported its lease obligation to the County as payable to primary government on its statement of net assets.

On May 19, 2005, the County through the Santa Clara County Financing Authority issued 2005 Series H Lease Revenue Bonds in the amount of \$40,725. The bonds were issued to provide funds for the Charcot Center and the Morgan Hill Courthouse.

The Business-type Activities section of this note at (b) describes the governmental activities' portions of the Financing Authority's 1994, 1997, 1998 and 2006 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 section of this note at (a).

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2006
(Dollars in thousands)

(8) Long-Term Liabilities (Continued)

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, 2005. 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 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 on the 1998 Bond Series A are insured by a municipal bond insurance policy issued by Ambac Assurance Corporation.

On March 2, 2006, the Authority issued Lease Revenue Bonds 2006 Series I and 2006 Series J in the amount of \$149,740 and \$53,950, respectively. The bonds were issued to finance the construction costs of the County Crime Laboratory Facilities, and the Valley Health Clinic at Fair Oaks and Gilroy; and seismic retrofitting costs of Santa Clara Courthouse. The 2006 Series I bonds, bear fixed interest rates ranging from 3.50% to 5.00%, and have a final maturity date of May 15, 2031. The Series 2006 J bonds, initially bear variable interest based on the applicable Auction Rate Securities Rate and have a final maturity date of May 15, 2036.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2006

(Dollars in thousands)

(8) Long-Term Liabilities (Continued)

The division of the 1985, 1994, 1997, 1998 and 2006 Lease Revenue Bonds Series between the governmental type activities and the SCVMC is based on the usage of bond proceeds by the governmental activities 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 | 9.3% | 90.7% |
| 1998 Series A | 83.1% | 16.9% |
| 2006 Series I | 58.5% | 41.5% |

On May 19, 2005, the County through the Santa Clara County Financing Authority issued lease revenue bonds 2005 Series E, 2005 Series F and 2005 Series G in the amount of \$11,110, \$71,025 and \$71,025, respectively. The bonds were issued to provide funds for the Valley Specialty Center.

Interest Rate Swap on 2005 Lease Revenue Bonds Series F and G

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in May 2005, the Authority entered into interest rate swap agreements with Citibank N.A. in connection with its \$71,025 Series F and \$71,025 Series G variable rate lease revenue bonds (the bonds). The intention of the swaps was to effectively change the Authority’s variable interest rates on the bonds to a synthetic fixed rate of 3.185%.

Significant Terms. The bonds and related swap agreements mature on May 15, 2035, and the swaps’ notional amount of \$142,050 matches the \$142,050 par amount of the variable rate bonds. The swaps were entered into at the same time the bonds were issued in May 2005. Starting fiscal year 2012, the notional value of the swaps declines as the principal amount of the associated debt begins to amortize. Under the swaps, the Authority pays the counterparty a fixed payment of 3.185% and receives a variable payment computed as 56.5% of USD-LIBOR-BBA plus 0.33%.

Credit Risk. As of June 30, 2006, the Authority was not exposed to credit risk because the swaps had a negative fair value. The Authority does bear the risk that the counterparty will not be able to make the offsetting payments on the bonds. As of June 30, 2006, Citibank N.A.’s ratings were “Aa1” by Moody’s Investors Service, “AA” by Standard and Poor’s and “AA+” by Fitch Ratings.

Fair Value. The swaps had a combined aggregate negative fair value of \$6,096 as of June 30, 2006. Since coupons on the Authority’s auction rate securities adjust to changing interest rates, they do not have a corresponding fair value increase. The fair value is the net present value of the swaps using market data and the terms of the swaps, which include the expectations of the probability of occurrence of certain underlying events as defined in the swaps’ documentation.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2006
(Dollars in thousands)

(8) Long-Term Liabilities (Continued)

Basis Risk. The swaps expose the Authority to basis risk should the relationship between LIBOR and weekly auction rate converge, changing the synthetic rate on the bonds. As a result of changing basis between LIBOR and the rate on the Authority's bonds during the course of the year, the synthetic fixed rate for the fiscal year ended June 30, 2006 was 3.564% and 3.464% for Series F and Series G, respectively.

Termination Risk. The Authority or Citibank may terminate the swaps if the other party fails to perform under the terms of the contract. The swaps may be terminated by the Authority if Citibank's credit rating of long-term, unsecured, unenhanced senior debt obligations is withdrawn, suspended or falls below "Baa1" as determined by Moody's Investors Service, or "BBB+" as determined by Standard and Poor's, or fail to have any rated long-term, unsecured, unenhanced senior debt obligations. The swaps may be terminated by Citibank if the Authority's rating of long-term, unenhanced senior debt obligations or lease obligations of the County is withdrawn, suspended or falls below "Baa3" as determined by Moody's Investors Service, or "BBB-" as determined by Standard and Poor's, or the County fails to have any rated long-term, unsecured, unenhanced senior debt obligations or lease obligations.

Swap Payments and Associated Debt. Using rates as of June 30, 2006, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As interest rates vary, variable rate bond interest payments and net swap payments will vary.

| Fiscal Year Ending June 30, | 2005 Lease Revenue Bonds Series F | | | | 2005 Lease Revenue Bonds Series G | | | | Total Interest |
|--------------------------------|-----------------------------------|------------------|-------------------|------------------|-----------------------------------|------------------|-------------------|------------------|-------------------|
| | Principal | Variable | Net | Subtotal | Principal | Variable | Net | Subtotal | |
| | | Interest | Swap | | | Interest | Interest | | |
| 2007 | \$ - | \$ 2,621 | \$ (97) | \$ 2,524 | \$ - | \$ 2,600 | \$ (98) | \$ 2,502 | \$ 5,026 |
| 2008 | - | 2,613 | (97) | 2,516 | - | 2,543 | (96) | 2,447 | 4,963 |
| 2009 | - | 2,621 | (97) | 2,524 | - | 2,550 | (97) | 2,453 | 4,977 |
| 2010 | - | 2,621 | (97) | 2,524 | - | 2,550 | (97) | 2,453 | 4,977 |
| 2011 | - | 2,621 | (97) | 2,524 | - | 2,550 | (97) | 2,453 | 4,977 |
| 2012-2016 | 10,725 | 12,346 | (455) | 11,891 | 10,725 | 12,011 | (455) | 11,556 | 23,447 |
| 2017-2021 | 12,575 | 10,226 | (377) | 9,849 | 12,575 | 9,948 | (377) | 9,571 | 19,420 |
| 2022-2026 | 14,675 | 7,740 | (285) | 7,455 | 14,675 | 7,528 | (285) | 7,243 | 14,698 |
| 2027-2031 | 17,200 | 4,831 | (178) | 4,653 | 17,200 | 4,700 | (178) | 4,522 | 9,175 |
| 2032-2036 | 15,850 | 1,439 | (53) | 1,386 | 15,850 | 1,400 | (53) | 1,347 | 2,733 |
| | <u>\$ 71,025</u> | <u>\$ 49,679</u> | <u>\$ (1,833)</u> | <u>\$ 47,846</u> | <u>\$ 71,025</u> | <u>\$ 48,380</u> | <u>\$ (1,833)</u> | <u>\$ 46,547</u> | <u>\$ 94,393</u> |

⁽¹⁾ Variable interest on the 2006 Lease Revenue Bonds Series F & G are estimated using interest rate at June 30, 2006 of 3.70% and 3.60%, respectively.

⁽²⁾ Net swap interest on the 2005 Lease Revenue Bonds Series F & G is estimated using LIBOR rate at June 30, 2006 of 5.29438%. Net swap interest at June 30, 2006 is calculated as follows: 3.185% minus (5.29438% * 56.5% + 0.33%) equals to -0.136%.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2006
 (Dollars in thousands)

(8) Long-Term Liabilities (Continued)

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 provided financing for the acquisition, construction, and renovation of certain new capital improvements in the Reid Hillview Airport as well as for Airport security.

(c) Repayment Requirements

As of June 30, 2006, 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, capital leases obligations and net pension obligation.

Governmental Activities

| Fiscal year ending June 30: | Lease Revenue Bonds (1) | | Special Obligation Bonds | | Certificates of Participation | |
|--------------------------------|----------------------------|-------------------|-----------------------------|-----------------|----------------------------------|--------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2007 | \$ 11,283 | \$ 9,124 | \$ 71,395 | \$ 1,603 | \$ 270 | \$ 24 |
| 2008 | 11,861 | 12,229 | - | - | 280 | 13 |
| 2009 | 14,899 | 11,649 | - | - | - | - |
| 2010 | 15,642 | 10,952 | - | - | - | - |
| 2011 | 16,415 | 10,222 | - | - | - | - |
| 2012-2016 | 76,804 | 39,963 | - | - | - | - |
| 2017-2021 | 38,567 | 25,644 | - | - | - | - |
| 2022-2026 | 40,188 | 17,466 | - | - | - | - |
| 2027-2031 | 47,744 | 8,440 | - | - | - | - |
| 2032-2036 | 13,225 | 1,025 | - | - | - | - |
| Total | \$ 286,628 | \$ 146,714 | \$ 71,395 | \$ 1,603 | \$ 550 | \$ 37 |

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.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2006

(Dollars in thousands)

(8) Long-Term Liabilities (Continued)

Business-type Activities

| Fiscal year ending June 30: | SCVMC | | Airport | |
|--------------------------------|-------------------------|-------------------|---------------------|-----------------|
| | Lease Revenue Bonds (1) | | Lease Revenue Bonds | |
| | Principal | Interest | Principal | Interest |
| 2007 | \$ 10,942 | \$ 24,221 | \$ 240 | \$ 281 |
| 2008 | 11,634 | 23,720 | 265 | 272 |
| 2009 | 17,486 | 23,092 | 155 | 265 |
| 2010 | 18,613 | 22,129 | 160 | 259 |
| 2011 | 19,855 | 21,114 | 160 | 252 |
| 2012-2016 | 105,761 | 89,630 | 910 | 1,151 |
| 2017-2021 | 104,743 | 66,285 | 905 | 946 |
| 2022-2026 | 127,357 | 40,144 | 1,155 | 691 |
| 2027-2031 | 53,610 | 22,296 | 1,470 | 365 |
| 2032-2036 | 85,650 | 9,125 | 695 | 35 |
| Total | \$ 555,651 | \$ 341,756 | \$ 6,115 | \$ 4,517 |

(1) Variable interest on the 1985 ACES Lease Revenue Bonds, the 1994 Lease Revenue Bonds Series B, the 2003 Lease Revenue Bonds Series D, the 2004 Lease Revenue Bonds Series A, the 2005 Lease Revenue Bonds Series F, the 2005 Lease Revenue Bonds Series G, the 2005 Lease Revenue Bonds Series H and the 2006 Lease Revenue Bonds Series J are estimated using interest rate at June 30, 2006 of 3.90%, 3.88%, 3.55%, 3.95%, 3.70%, 3.60%, 3.70%, and 3.70%, respectively.

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

(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 matured. Accordingly, the bonds are legally defeased and, therefore, removed from the liabilities of the government-wide financial statements and SCVMC. During the fiscal year ended June 30, 2006, the defeased 1994 Series A Lease Revenue Bonds were fully repaid and the outstanding balance of defeased debt at June 30, 2006 is \$0.

(e) Legal Debt Margin

As of June 30, 2006, the County's legal debt limit (1.25% of the total assessed secured valuation) was \$2.78 billion. At June 30, 2006, the County did not have any debt applicable to the limit outstanding.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2006
(Dollars in thousands)

(8) Long-Term Liabilities (Continued)

(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
- 2005 Lease Revenue Bonds Series E, F, G & H
- 2006 Lease Revenue Bonds Series I & J

A consulting firm calculates annual computation of all rebate requirements. Amounts in excess of allowable investment earnings are held pursuant to the Trust Indentures. At June 30, 2006, arbitrage rebate payable in the amount of \$798 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, 2006
(Dollars in thousands)

(8) 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, 2006 |
|--|------------------------|----------------|------------------------|-----------------------|------------------------------|
| <i>Notes payable:</i> | | | | | |
| City of San Jose (Lucretia Gardens) | 8/1/2038 | 0.00% | (4) | \$ 1,114 | \$ 1,040 |
| City of San Jose (Julian Gardens) | 8/1/2038 | 0.00% | (4) | 319 | 262 |
| Redevelopment Agency of the City of Santa Clara (Deborah & Miramer Properties) | 4/24/2036 | 0.00% | (4) | 270 | 270 |
| Redevelopment Agency of the City of Morgan Hill | 6/15/2022 | 1.00% | (4) | 425 | 425 |
| County of Santa Clara (San Pedro Gardens) | 8/28/2012 | 0.00% | 3/year | 50 | 20 |
| City of San Jose (Morrone Gardens) | 9/23/2025 | 4.00% | 20/year | 973 | 973 |
| | | | | 3,151 | 2,990 |
| <i>Bonds payable:</i> | | | | | |
| Affordable Housing Agency | 10/1/2024 | 2.00%-4.95% | 165-335 | 4,550 | 4,230 |
| <i>Bracher HDC, Inc.</i> | | | | | |
| Redevelopment Agency of the City of Santa Clara | 8/1/2007 | 2.00% | (4) | 1,246 | 1,246 |
| <i>SPG HDC, Inc.</i> | | | | | |
| Citibank Mortgage | 10/1/2026 | 8.79% | (1) | 919 | 916 |
| City of San Jose (principal) | 12/1/2020 | 8.00% | (4) | 1,400 | 1,400 |
| City of San Jose (accrued interest) | | | | | 2,953 |
| | | | | 2,319 | 5,269 |
| <i>Villa Garcia, Inc.</i> | | | | | |
| GMAC Commercial Mortgage | 3/1/2012 | 7.00% | (1) | 1,254 | 528 |
| HUD Flexible Subsidy Notes (principal) | 11/1/2022 | 1.00% | (4) | 1,416 | 1,416 |
| County of Santa Clara (principal) | 6/1/2012 | 3.00% | (4) | 100 | 100 |
| City of San Jose (principal) | 4/1/2022 | 3.00% | (2) | 514 | 514 |
| Accrued interest | various | | | | 243 |
| | | | | 3,284 | 2,801 |
| <i>Villa San Pedro HDC, Inc.</i> | | | | | |
| HUD Mortgage | 2/1/2012 | 3.00% | (1) | 1,162 | 363 |
| | At sale or refinancing | | (4) | | |
| HUD Flexible Subsidy Note | | | | 800 | 800 |
| California Department of Housing and Community Development | 9/1/2037 | 3.00% | (4) | 4,157 | 4,157 |
| City of San Jose | 9/1/2041 | 3.00% | (3) | 692 | 679 |
| Accrued interest | various | | | | 862 |
| | | | | 6,811 | 6,861 |
| <i>Rotary Plaza/HACSC, HDC, Inc</i> | | | | | |
| County of Santa Clara Note | 5/29/2033 | 6.00% | (4) | 95 | 95 |
| Total Housing Authority | | | | \$ 21,456 | \$ 23,492 |

- (1) Monthly amortization
- (2) 25% of Net Cash Flow
- (3) Deferred for 21 years
- (4) Deferred until maturity

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2006
(Dollars in thousands)

(8) 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 | | Bonds Payable | |
|-----------------------------|-----------------|---------------|-----------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2007 | \$ 5 | \$ 43 | \$ 165 | \$ 176 |
| 2008 | 3 | 43 | 170 | 171 |
| 2009 | 3 | 43 | 180 | 166 |
| 2010 | 3 | 43 | 185 | 160 |
| 2011 | 3 | 43 | 190 | 154 |
| 2012-2016 | 5 | 216 | 1,060 | 663 |
| 2017-2021 | - | 216 | 1,320 | 421 |
| 2022-2026 | 1,397 | 126 | 960 | 96 |
| 2027-2031 | - | - | - | - |
| 2032-2036 | 270 | - | - | - |
| 2037-2040 | 1,301 | - | - | - |
| Total | \$ 2,990 | \$ 773 | \$ 4,230 | \$ 2,007 |

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 and accrued interest:

| Fiscal year ending December 31: | Bracher HDC, Inc. | | SPG HDC, Inc. | | Villa Garcia, Inc. | |
|------------------------------------|-------------------|---------------|-----------------|---------------|--------------------|---------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2006 | \$ - | \$ - | \$ 16 | \$ 71 | \$ 68 | \$ 42 |
| 2007 | - | 10 | 22 | 62 | 74 | 36 |
| 2008 | - | 25 | 23 | 60 | 81 | 30 |
| 2009 | - | 25 | 25 | 59 | 88 | 23 |
| 2010 | - | 25 | 27 | 57 | 95 | 15 |
| 2011-2015 | - | 125 | 166 | 254 | 222 | 6 |
| 2016-2020 | - | 125 | 2,037 | 36 | - | - |
| 2021-2025 | - | 125 | - | - | 514 | - |
| 2026-2030 | - | 124 | - | - | - | - |
| 2031-2035 | 1,246 | 89 | - | - | - | - |
| 2036-2040 | - | - | - | - | - | - |
| 2041-2042 | - | - | - | - | - | - |
| Total | \$ 1,246 | \$ 673 | \$ 2,316 | \$ 599 | \$ 1,142 | \$ 152 |

| Fiscal year ending December 31: | Villa San Pedro, Inc. | | Rotary Plaza, Inc. | |
|------------------------------------|-----------------------|--------------|--------------------|---------------|
| | Principal | Interest | Principal | Interest |
| 2006 | \$ 55 | \$ 10 | \$ - | \$ 6 |
| 2007 | 57 | 8 | - | 6 |
| 2008 | 59 | 7 | - | 6 |
| 2009 | 60 | 5 | - | 6 |
| 2010 | 62 | 3 | - | 6 |
| 2011-2015 | 69 | 1 | - | 29 |
| 2016-2020 | - | - | - | 29 |
| 2021-2025 | - | - | - | 29 |
| 2026-2030 | - | - | - | 29 |
| 2031-2035 | - | - | 95 | 13 |
| 2036-2040 | 4,158 | - | - | - |
| 2041-2042 | 679 | - | - | - |
| Total | \$ 5,199 | \$ 34 | \$ 95 | \$ 159 |

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2006
(Dollars in thousands)

(9) 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. During the current fiscal year, the County Sanitation District evaluated its long term debt liabilities and restated its June 30, 2005 net assets balance and long term debt liabilities (and related balances) in relation to the 1995 Sewer Revenue Bonds Series A and B in the net amount of \$1,244 to write-off the bonds.

Summary information for the District is presented below.

| Condensed Statement of Net Assets | | Condensed Statement of Revenues, Expenses and Changes in Net Assets | |
|--|----------|--|----------|
| Assets: | | Operating revenues (expenses): | |
| Current and other assets | \$ 8,972 | Operating revenues | \$ 1,870 |
| Capital assets | 1,317 | Operating expenses | (1,928) |
| Total assets | 10,289 | Operating income | (58) |
| Liabilities: | | Nonoperating revenues (expenses): | |
| Current liabilities | 835 | Investment income | 325 |
| Total liabilities | 835 | Change in net assets | 267 |
| Net assets: | | Net assets, beginning of year, | |
| Invested in capital assets, net of related debt | 1,317 | as previously reported | 7,943 |
| Unrestricted | 8,137 | Prior period adjustment | 1,244 |
| Total net assets | \$ 9,454 | Net assets, beginning of year, as restated | 9,187 |
| | | Net assets, end of year | \$ 9,454 |
| Condensed Statement of Cash Flows | | | |
| Net cash provided by (used in): | | | |
| Operating activities | \$ 52 | | |
| Capital financing and related financing activities | (25) | | |
| Investing activities | 289 | | |
| Change in cash and cash equivalents | 316 | | |
| Cash and cash equivalents, beginning of year | 8,551 | | |
| Cash and cash equivalents, end of year | \$ 8,867 | | |

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2006
(Dollars in thousands)

(10) 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, 2006 as follows:

| | |
|------------------------------|--------------|
| Patient service revenues | \$ 1,600,070 |
| Contractual allowances | (1,051,958) |
| Bad debts provision | (18,569) |
| | <hr/> |
| Net patient service revenues | \$ 529,543 |
| | <hr/> |

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 represents approximately 58% of net patient service revenue (excluding the effects of bad debts provision) for the fiscal year ended June 30, 2006. Revenue from the Medicare program represents approximately 13% of net patient service revenue (excluding the effects of bad debts provision) for the fiscal year ended June 30, 2006. Reimbursement for services provided under these programs is currently based on various contractual arrangements (see Note 14(d)).

California's Medi-Cal Hospital/Uninsured Care Demonstration Project ("Demonstration") is a new system for paying selected hospitals for hospital care provided to Medi-Cal and uninsured patients in fiscal year 2006. The Demonstration was negotiated between the State of California's Department of Health Services ("SDHS") and the federal Centers for Medicare and Medicaid Services ("CMS") in 2005, and covers the period from July 1, 2005 to June 30, 2010. The five-year Demonstration affects payments for 23 public hospitals, including all University of California owned hospitals, identified as Designated Public Hospitals, and private and non-designated public safety net hospitals that serve large numbers of Medi-Cal patients. The Medicaid Demonstration restructures inpatient hospital fee-for-service (FFS) payments and Disproportionate Share Hospital (DSH) payments, as well as the financing method by which the State draws down federal matching funds. Under the Demonstration, payments for the public hospitals are comprised of: 1) FFS cost-based reimbursement for inpatient hospital services (exclusive of physician component); 2) DSH payments; and 3) distribution from a newly created pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP), which is capped at \$586 million for FY 2005-06. The nonfederal share of these three types of payments will be provided by the public hospitals rather than the State, primarily through certified public expenditures (CPE) whereby the hospital would expend its local funding for services to draw down the federal financial participation (FFP), currently provided at a 50% match. For the inpatient hospital cost-based reimbursement, each hospital will provide its own CPE and receive all of the resulting federal match. For the DSH and SNCP distributions, the CPEs of all the public hospitals will be used in the aggregate to draw down the federal match.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2006
 (Dollars in thousands)

(10) Hospital Program Revenues (Continued)

(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. *SB855* was incorporated into California's Medi-Cal Hospital/Uninsured Care Demonstration Project in fiscal year 2006.
- *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.

Amounts included in the SCVMC enterprise fund's other program revenues and the business-type activities as operating grants and contributions on the statement of activities for the fiscal year ended June 30, 2006, are summarized as follows:

| | | |
|----------------|----|--------|
| SB855 | \$ | 4,310 |
| Proposition 99 | | 2,364 |
| Other | | 7,590 |
| | | 14,264 |
| Total | \$ | 14,264 |

(c) 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.

(d) 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, 2006, based on the cost incurred to perform these services, is as follows:

| | | |
|----------------------------------|----|---------|
| Charity care, at cost | \$ | 114,109 |
| Percentage of operating expenses | | 16% |

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

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2006
 (Dollars in thousands)

(11) 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, 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.

As of June 30, 2006, 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 | Nonmajor Funds | Governmental Funds |
|------------------------------------|-------------------|-------------------|-----------------------|
| Designated for: | | | |
| SCVMC | \$ 90,294 | \$ - | \$ 90,294 |
| Measure B program | 150,572 | - | 150,572 |
| Litigation | 10,000 | - | 10,000 |
| Fiduciary activities/contingencies | 48,450 | - | 48,450 |
| Roads | - | 1,485 | 1,485 |
| County Library | - | 10,547 | 10,547 |
| Fire Districts | - | 9,677 | 9,677 |
| Environment Health | - | 5,434 | 5,434 |
| Vector Control | - | 4,027 | 4,027 |
| Other | 203 | - | 203 |
| Undesignated | 254,434 | 190,640 | 445,074 |
| Total | <u>\$ 553,953</u> | <u>\$ 221,810</u> | <u>\$ 775,763</u> |

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2006
(Dollars in thousands)

(12) 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). 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. 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 Q Street, Sacramento, California 95814. A separate report for the County's plan in PERS is not available.

Effective with the June 30, 2003 valuation, PERS converted the Central Fire's defined benefit retirement plan from an agent-multiple employer to a cost sharing multiple-employer. The Central Fire's retirement plan is now under the PERS Miscellaneous 2% at 55 Risk Pool. The County employees plan is an agent multiple-employer defined benefit retirement plan. PERS acts as a common investment and administrative agent for various local and state governmental agencies within the state.

Funding Policy

All County employee participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The County makes 85.0% of the employees' required payroll contributions for fiscal year 2006. The County is also required to contribute at an actuarially determined rate. The County's fiscal year 2006 required contributions as a percentage of annual covered payrolls were 11.659% for miscellaneous employees and 25.182% for safety employees in the County plan and 13.648% for miscellaneous employees and 34.806% 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.

The Central Fire's contributions to PERS for the years ended June 30, 2006, 2005 and 2004 were \$8,810, \$8,528 and \$6,045, respectively, which equal to the required contributions for each year.

During fiscal year 2005, PERS granted the County a \$35.0 million pension plan contribution deferral. The \$35.0 million deferral will increase the County's contribution rates beginning in fiscal year 2008. This increase is due to a ten-year amortization of the restructured rate and the contribution rates are estimated to increase by 0.43% and 0.59% for miscellaneous and safety employees, respectively. During fiscal year 2006, interest amounted to \$2,712 was accrued and added to the outstanding pension plan contribution deferral balance.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2006

(Dollars in thousands)

(12) Employee Benefit Plans (Continued)

Annual Pension Costs - County Plan

The required contribution was determined as part of the June 30, 2003 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 7.75%; (b) inflation of 3.00%; and (c) projected salary increases of 3.25% to 14.45% depending on Age, Service, and type of employment. 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, 2006.

The County's changes in net pension obligation for the year ended June 30, 2006, were as follows:

| | |
|--|-------------------------|
| Annual required contribution | \$ 151,091 |
| Interest on beginning net pension obligation | 2,712 |
| Annual pension cost | <u>153,803</u> |
| Contributions made | <u>(151,091)</u> |
| Change in net pension obligation | 2,712 |
| Net pension obligation, beginning of year | <u>35,000</u> |
| Net pension obligation, end of year | <u><u>\$ 37,712</u></u> |

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 |
|----------------------|---------------------------------|-------------------------------------|------------------------------|
| <u>6/30/2006</u> | <u>\$ 153,803</u> | <u>98%</u> | <u>\$ 37,712</u> |
| 6/30/2005 | 112,769 | 69% | 35,000 |
| 6/30/2004 | 14,376 | 100% | - |

(b) Post-retirement Health Care Benefits

Plan Description

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 and on or before June 18, 2006, the eligibility requirements were increased to a minimum of eight years of service after attaining age 50. For employees hired after June 19, 2006, the eligibility requirements were increased to a minimum of ten years of service after attaining age 50.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2006

(Dollars in thousands)

(12) Employee Benefit Plans (Continued)

For the 680 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 were \$0 in fiscal year 2006. For the 5,949 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 \$35,299 in fiscal year 2006. This amount is less than the normal cost 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 2006, 2,848 participants received approximately \$866 in actual Medicare Part B reimbursements.

Funding Policy (Unaudited)

The County advance funds all post-retirement medical benefits on an actuarially determined basis. An actuarial valuation of such benefits, as of June 30, 2006, estimated the following:

| | |
|---|-------------------|
| Actuarial accrued liability | \$ 1,182,669 |
| Net assets available for benefits | <u>(338,049)</u> |
| Unfunded portion of actuarial accrued liability | <u>\$ 844,620</u> |

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 24.4-year County career, with an average of 10.4 years employment, is expected of the current active population. The valuation assumed a discount rate of 7.75% 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.

(13) 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 automobile), 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, whose purpose 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.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2006
 (Dollars in thousands)

(13) Risk Management (Continued)

Self-insurance and Insurance Authority limits are as follows:

| Type of Coverage | Self-Insurance (per occurrence) | Self-Retained ⁽¹⁾ | Purchase Insurance Policies (per occurrence) |
|-----------------------|---|---|--|
| Automobile | Up to \$2,000 | None | \$2,000 to \$27,000 |
| General Liability | Up to \$2,000 | None | \$2,000 to \$27,000 |
| 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 \$200,000 |
| Property Damage | Up to \$50 ⁽²⁾ (This is deductible) | \$2,000 per occurrence \$6,000 aggregate | Up to \$1,800,000 ⁽³⁾ |
| Earthquake | 5% of property value \$100 minimum deductible | \$2,000 per occurrence \$6,000 aggregate | Up to \$350,000 ⁽⁴⁾ |

⁽¹⁾ The self-retained layer is required by the insurance company and acts as an additional amount to pay claims before a loss is paid by the insurance company. 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⁾ Deductible for the Fairgrounds is \$5 per occurrence. All properties are insured at full replacement value.

⁽³⁾ Insured values are split between 3 schedules with limits of \$600,000 each for a total of \$1,800,000.

⁽⁴⁾ Insured values are split between 3 schedules with limits of \$75,000 each, plus a rooftop of \$125,000, for a total of \$350,000.

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.

During the year ended June 30, 2006, the County's management changed its interest rate for estimating its liability for General, Automobile and Medical Malpractice. In prior years, management used actuarial estimates based on the expected value discounted at 2.5% for General and Auto Liability, and 4.0% for Malpractice to estimate its liability for claims. In the current year, management began using actuarial estimates based on the expected value discounted at 4.5% for General and Automobile and 5.0% for Medical Malpractice claims. With the new discount rates, general, automobile and medical malpractice claims liabilities, at June 30, 2006, were \$24,567. In addition, workers' compensation liability is discounted at 3.0%.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
 June 30, 2006
 (Dollars in thousands)

(13) Risk Management (Continued)

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:

| | 2006 | 2005 |
|---|-------------------|-------------------|
| Unpaid claims, beginning of year | \$ 105,483 | \$ 108,516 |
| Incurred claims and changes in estimate | 46,443 | 46,868 |
| Claim payments | <u>(47,880)</u> | <u>(49,901)</u> |
| Unpaid claims, end of year | <u>\$ 104,046</u> | <u>\$ 105,483</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 \$9,143 for the fiscal year ended June 30, 2006.

(14) 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 |
|-----------------------------|----------------------------|-----------------------------|-------------------|
| 2007 | \$ 34,891 | \$ 6,819 | \$ 41,710 |
| 2008 | 34,412 | 6,563 | 40,975 |
| 2009 | 35,298 | 6,809 | 42,107 |
| 2010 | 34,184 | 7,083 | 41,267 |
| 2011 | 31,884 | 7,245 | 39,129 |
| 2012-2016 | 82,585 | 659 | 83,244 |
| 2017-2021 | 77,470 | - | 77,470 |
| 2022-2026 | <u>30,956</u> | <u>-</u> | <u>30,956</u> |
| Total | <u>\$ 361,680</u> | <u>\$ 35,178</u> | <u>\$ 396,858</u> |

Rent expense for fiscal year 2006 was approximately \$46,999 and \$6,435 for the governmental activities and business-type activities, respectively.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)

June 30, 2006

(Dollars in thousands)

(14) Commitments and Contingencies (Continued)

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 |
|-----------------------------|----------------------------|-----------------------------|------------------|
| 2007 | \$ 4,410 | \$ 437 | \$ 4,847 |
| 2008 | 3,853 | 103 | 3,956 |
| 2009 | 3,924 | 83 | 4,007 |
| 2010 | 4,048 | 85 | 4,133 |
| 2011 | 4,053 | 87 | 4,140 |
| 2012-2016 | 16,953 | 461 | 17,414 |
| 2017-2021 | 18,827 | 455 | 19,282 |
| 2022-2026 | 8,480 | - | 8,480 |
| Total | <u>\$ 64,548</u> | <u>\$ 1,711</u> | <u>\$ 66,259</u> |

Rent income for fiscal year 2006 was approximately \$4,646 and \$2,477 for the governmental activities and business-type activities, respectively.

(b) Litigation

The County accounts for claims in the internal service funds and the General Fund. As of June 30, 2006, 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) 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.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2006
(Dollars in thousands)

(14) Commitments and Contingencies (Continued)

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, 2002 and June 30, 2003, respectively. 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, 2006, are summarized as follows:

| | | |
|--|----|---------------|
| Medicare | \$ | 12,502 |
| Medi-Cal | | 37,450 |
| Insurance and other third-party payers | | 29,212 |
| Private patients | | 1,673 |
| Total | \$ | <u>80,837</u> |

(d) Seismic Safety Building Standards

The County is affected by State of California Senate Bill 1953 (SB 1953), which requires certain seismic safety building standards for acute care hospital facilities. The County is currently reviewing the SB 1953 compliance requirements and developing multiple plans of action to achieve such compliance, the estimated time frame for complying with such requirements, and the cost of performing necessary remediation of certain of the properties. The County cannot currently estimate with reasonable accuracy the remediation costs that will need to be incurred in order to make the County SB 1953-compliant, but such remediation costs could be significant.

(e) Single and Multiple Family Mortgage Revenue Bonds

The County, acting as coordinator with certain cities, issued approximately Tax-Exempt Mortgage Revenue Bonds with periodic maturities through May 2040. At June 30, 2006, the outstanding balance of these bonds are \$47,377. 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.

COUNTY OF SANTA CLARA

Notes to the Basic Financial Statements (Continued)
June 30, 2006
(Dollars in thousands)

(15) Subsequent Events

Repayment of Series 2003 Special Obligation Bonds – On August 1, 2006, the Financing Authority fully repaid the remaining principal of Series 2003 Special Obligation Bonds in the amount of \$71,395.

Issuance of Series 2006 Housing Authority Lease Revenue Bonds – On October 19, 2006, the Financing Authority issued \$5,125 of 2006 Lease Revenue Bonds (2006 Bonds) on behalf of the County. The bond proceeds were used to provide additional financing for the renovation of an office building used by the Housing Authority. The 2006 Bonds, which bear fixed interest rates of 5.00%, are payable semi-annually commencing September 1, 2008 and mature on September 1, 2038.

**Required Supplementary
Information**

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COUNTY OF SANTA CLARA

Required Supplementary Information (Unaudited)
 Schedule of Funding Progress
 June 30, 2006
 (Dollars in thousands)

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

| Actuarial Valuation Date | Actuarial Asset Value | Actuarial Accrued Liability- Entry Age | Unfunded Actuarial Accrued Liability - UAAL/ | Funded Ratio | Covered Payroll | UAAL as Percentage of Covered Payroll |
|--------------------------------|-----------------------------|---|--|-----------------|--------------------|---|
| 6/30/2005 | \$ 4,406,332 | \$ 5,361,206 | \$ 954,874 | 82.2% | \$ 1,082,170 | 88.2% |
| 6/30/2004 | 4,106,196 | 4,905,804 | 799,608 | 83.7% | 1,059,839 | 75.4% |
| 6/30/2003 | 3,876,517 | 4,511,415 | 634,898 | 85.9% | 1,051,783 | 60.4% |

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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, 2006
(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 | \$ 651,207 | \$ 651,207 | \$ 651,207 | \$ - |
| Resources (inflows): | | | | |
| Taxes | 640,721 | 656,337 | 659,213 | 2,876 |
| Licenses and permits | 10,661 | 10,717 | 11,882 | 1,165 |
| Fines, forfeitures, and penalties | 40,310 | 44,385 | 38,321 | (6,064) |
| Interest and investment income | 16,451 | 16,853 | 19,939 | 3,086 |
| Intergovernmental revenues | 1,098,499 | 1,054,796 | 1,037,252 | (17,544) |
| Charges for services | 140,370 | 140,134 | 124,859 | (15,275) |
| Other revenue | 60,803 | 57,564 | 39,800 | (17,764) |
| Other financing sources | - | 6,523 | 23,295 | 16,772 |
| Interfund transfers | 121,882 | 89,042 | 102,553 | 13,511 |
| Total resources (inflows) available for appropriation | <u>2,129,697</u> | <u>2,076,351</u> | <u>2,057,114</u> | <u>(19,237)</u> |
| Charges to appropriations (outflows): | | | | |
| General government: | | | | |
| Supervisorial District 1 | | | | |
| Salaries and benefits | 871 | 908 | 908 | - |
| Services and supplies | 52 | 16 | 16 | - |
| Total Supervisorial District 1 | <u>923</u> | <u>924</u> | <u>924</u> | <u>-</u> |
| Supervisorial District 2 | | | | |
| Salaries and benefits | 871 | 849 | 737 | 112 |
| Services and supplies | 52 | 74 | 72 | 2 |
| Total Supervisorial District 2 | <u>923</u> | <u>923</u> | <u>809</u> | <u>114</u> |
| Supervisorial District 3 | | | | |
| Salaries and benefits | 871 | 871 | 869 | 2 |
| Services and supplies | 53 | 52 | 48 | 4 |
| Total Supervisorial District 3 | <u>924</u> | <u>923</u> | <u>917</u> | <u>6</u> |
| Supervisorial District 4 | | | | |
| Salaries and benefits | 881 | 801 | 710 | 91 |
| Services and supplies | 42 | 122 | 122 | - |
| Total Supervisorial District 4 | <u>923</u> | <u>923</u> | <u>832</u> | <u>91</u> |
| Supervisorial District 5 | | | | |
| Salaries and benefits | 871 | 800 | 754 | 46 |
| Services and supplies | 55 | 124 | 96 | 28 |
| Total Supervisorial District 5 | <u>926</u> | <u>924</u> | <u>850</u> | <u>74</u> |
| Clerk - Board of Supervisors | | | | |
| Salaries and benefits | 2,672 | 2,691 | 2,684 | 7 |
| Services and supplies | 3,472 | 3,483 | 3,170 | 313 |
| Fixed assets | 20 | 20 | 17 | 3 |
| Expenditure reimbursements | (395) | (395) | (238) | (157) |
| Total Clerk - Board of Supervisors | <u>5,769</u> | <u>5,799</u> | <u>5,633</u> | <u>166</u> |

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2006
(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 | 8,250 | 8,575 | 8,511 | 64 |
| Services and supplies | 5,547 | 12,324 | 7,853 | 4,471 |
| Fixed assets | 100 | - | - | - |
| Expenditure reimbursements | (154) | (174) | (173) | (1) |
| Total Office of the County Executive | <u>13,743</u> | <u>20,725</u> | <u>16,191</u> | <u>4,534</u> |
| Controller-Treasurer | | | | |
| Salaries and benefits | 9,391 | 9,471 | 9,471 | - |
| Services and supplies | 5,402 | 5,172 | 5,172 | - |
| Fixed assets | 146 | 226 | 186 | 40 |
| Expenditure reimbursements | (42,953) | (40,930) | (40,589) | (341) |
| Total Controller-Treasurer | <u>(28,014)</u> | <u>(26,061)</u> | <u>(25,760)</u> | <u>(301)</u> |
| Tax Collector | | | | |
| Salaries and benefits | 6,061 | 6,057 | 6,057 | - |
| Services and supplies | 3,571 | 5,422 | 3,916 | 1,506 |
| Fixed assets | 1,825 | 27 | 25 | 2 |
| Expenditure reimbursements | (939) | (939) | (851) | (88) |
| Total Tax Collector | <u>10,518</u> | <u>10,567</u> | <u>9,147</u> | <u>1,420</u> |
| Office of the Assessor | | | | |
| Salaries and benefits | 27,540 | 27,483 | 24,550 | 2,933 |
| Services and supplies | 14,874 | 15,055 | 3,941 | 11,114 |
| Fixed assets | 342 | 342 | 227 | 115 |
| Total Office of the Assessor | <u>42,756</u> | <u>42,880</u> | <u>28,718</u> | <u>14,162</u> |
| Purchasing | | | | |
| Salaries and benefits | 3,117 | 2,862 | 2,805 | 57 |
| Services and supplies | 1,036 | 1,440 | 791 | 649 |
| Expenditure reimbursements | (427) | (427) | (437) | 10 |
| Total Purchasing | <u>3,726</u> | <u>3,875</u> | <u>3,159</u> | <u>716</u> |
| Office of Budget and Analysis - Special Programs | | | | |
| Salaries and benefits | - | 4 | 3 | 1 |
| Services and supplies | 16,467 | 17,405 | 8,064 | 9,341 |
| Inter-fund transfers | 113,349 | 283,525 | 273,125 | 10,400 |
| Total Office of Budget and Analysis - Special Programs | <u>129,816</u> | <u>300,934</u> | <u>281,192</u> | <u>19,742</u> |
| Office of the County Counsel | | | | |
| Salaries and benefits | 18,561 | 18,461 | 18,098 | 363 |
| Services and supplies | 1,551 | 2,209 | 2,051 | 158 |
| Expenditure reimbursements | (14,122) | (14,122) | (12,528) | (1,594) |
| Total Office of the County Counsel | <u>5,990</u> | <u>6,548</u> | <u>7,621</u> | <u>(1,073)</u> |

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2006
(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 | 9,594 | 9,563 | 9,458 | 105 |
| Services and supplies | 5,228 | 5,378 | 4,717 | 661 |
| Fixed assets | 67 | 67 | 67 | - |
| Expenditure reimbursements | (3,872) | (3,872) | (3,852) | (20) |
| Total Personnel | 11,017 | 11,136 | 10,390 | 746 |
| Risk Management | | | | |
| Salaries and benefits | 1,396 | 1,478 | 1,478 | - |
| Services and supplies | 761 | 762 | 755 | 7 |
| Fixed assets | 15 | 15 | 15 | - |
| Expenditure reimbursements | (2,080) | (2,163) | (2,202) | 39 |
| Total Risk Management | 92 | 92 | 46 | 46 |
| Registrar of Voters | | | | |
| Salaries and benefits | 5,640 | 7,036 | 6,885 | 151 |
| Services and supplies | 6,908 | 8,974 | 7,418 | 1,556 |
| Fixed assets | 1,058 | 1,058 | 1,036 | 22 |
| Total Registrar of Voters | 13,606 | 17,068 | 15,339 | 1,729 |
| Information Services | | | | |
| Salaries and benefits | 4,209 | 4,283 | 4,279 | 4 |
| Services and supplies | 8,620 | 10,602 | 9,091 | 1,511 |
| Fixed assets | 1,647 | 1,613 | 967 | 646 |
| Expenditure reimbursements | (1,754) | (1,754) | (1,491) | (263) |
| Total Information Services | 12,722 | 14,744 | 12,846 | 1,898 |
| Department of Revenue | | | | |
| Salaries and benefits | 6,077 | 6,077 | 5,257 | 820 |
| Services and supplies | 1,262 | 1,258 | 918 | 340 |
| Total Department of Revenue | 7,339 | 7,335 | 6,175 | 1,160 |
| Communication | | | | |
| Salaries and benefits | 12,190 | 12,048 | 12,048 | - |
| Services and supplies | 2,883 | 3,105 | 2,903 | 202 |
| Fixed assets | 130 | 791 | 683 | 108 |
| Expenditure reimbursements | (4,136) | (4,136) | (3,906) | (230) |
| Total Communication | 11,067 | 11,808 | 11,728 | 80 |

(Continued)

COUNTY OF SANTA CLARA
 Budgetary Comparison Schedule
 General Fund - Budgetary Basis
 For the Fiscal Year Ended June 30, 2006
 (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 | 9,128 | 8,549 | 8,547 | 2 |
| Services and supplies | 2,341 | 2,933 | 2,171 | 762 |
| Expenditure reimbursements | (649) | (649) | (630) | (19) |
| Total Environmental Resources Agency | <u>10,820</u> | <u>10,833</u> | <u>10,088</u> | <u>745</u> |
| Facilities and Fleet Department | | | | |
| Salaries and benefits | 25,785 | 25,785 | 25,581 | 204 |
| Services and supplies | 72,169 | 72,768 | 65,678 | 7,090 |
| Other charges | 605 | 507 | 11 | 496 |
| Fixed assets | - | 12 | 12 | - |
| Expenditure reimbursements | (53,298) | (53,678) | (52,700) | (978) |
| Inter-fund transfers | 7,978 | 9,988 | 9,988 | - |
| Total Facilities and Fleet Department | <u>53,239</u> | <u>55,382</u> | <u>48,570</u> | <u>6,812</u> |
| General government - subtotals: | | | | |
| Salaries and benefits | 153,976 | 154,652 | 149,690 | 4,962 |
| Services and supplies | 152,346 | 168,678 | 128,963 | 39,715 |
| Other charges | 605 | 507 | 11 | 496 |
| Fixed assets | 5,350 | 4,171 | 3,235 | 936 |
| Expenditure reimbursements | (124,779) | (123,239) | (119,597) | (3,642) |
| Inter-fund transfers | 121,327 | 293,513 | 283,113 | 10,400 |
| Total general government | <u>308,825</u> | <u>498,282</u> | <u>445,415</u> | <u>52,867</u> |
| Public protection: | | | | |
| Clerk Recorder | | | | |
| Salaries and benefits | 6,706 | 6,706 | 6,311 | 395 |
| Services and supplies | 670 | 666 | 651 | 15 |
| Total Clerk Recorder | <u>7,376</u> | <u>7,372</u> | <u>6,962</u> | <u>410</u> |
| Department of Child Support Services | | | | |
| Salaries and benefits | 29,625 | 29,042 | 28,994 | 48 |
| Services and supplies | 8,451 | 9,512 | 9,110 | 402 |
| Total Department of Child Support Services | <u>38,076</u> | <u>38,554</u> | <u>38,104</u> | <u>450</u> |

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2006
(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 | 66,533 | 68,700 | 68,099 | 601 |
| Services and supplies | 13,447 | 13,481 | 12,438 | 1,043 |
| Expenditure reimbursements | <u>(12,001)</u> | <u>(11,968)</u> | <u>(11,968)</u> | <u>-</u> |
| Total District Attorney | <u>67,979</u> | <u>70,213</u> | <u>68,569</u> | <u>1,644</u> |
| Laboratory of Criminalistics | | | | |
| Salaries and benefits | 5,697 | 5,867 | 5,570 | 297 |
| Services and supplies | 1,133 | 1,141 | 1,125 | 16 |
| Fixed assets | - | 127 | 43 | 84 |
| Expenditure reimbursements | <u>(56)</u> | <u>(146)</u> | <u>(111)</u> | <u>(35)</u> |
| Total Laboratory of Criminalistics | <u>6,774</u> | <u>6,989</u> | <u>6,627</u> | <u>362</u> |
| Public Defender | | | | |
| Salaries and benefits | 31,661 | 32,910 | 32,910 | - |
| Services and supplies | 4,050 | 4,048 | 4,014 | 34 |
| Other charges | 1 | 1 | - | 1 |
| Fixed assets | 380 | 330 | 239 | 91 |
| Expenditure reimbursements | <u>(232)</u> | <u>(232)</u> | <u>(233)</u> | <u>1</u> |
| Total Public Defender | <u>35,860</u> | <u>37,057</u> | <u>36,930</u> | <u>127</u> |
| Pretrial Services | | | | |
| Salaries and benefits | 4,274 | 4,351 | 4,315 | 36 |
| Services and supplies | 1,028 | 1,003 | 957 | 46 |
| Expenditure reimbursements | <u>(145)</u> | <u>(145)</u> | <u>(145)</u> | <u>-</u> |
| Total Pretrial Services | <u>5,157</u> | <u>5,209</u> | <u>5,127</u> | <u>82</u> |
| Criminal Justice Support | | | | |
| Services and supplies | <u>53,767</u> | <u>54,428</u> | <u>53,627</u> | <u>801</u> |
| Total Criminal Justice Support | <u>53,767</u> | <u>54,428</u> | <u>53,627</u> | <u>801</u> |
| Sheriff Administration | | | | |
| Salaries and benefits | 97,361 | 96,523 | 88,517 | 8,006 |
| Services and supplies | 16,075 | 17,412 | 14,842 | 2,570 |
| Fixed assets | 1,176 | 2,301 | 891 | 1,410 |
| Expenditure reimbursements | <u>(3,429)</u> | <u>(5,176)</u> | <u>(1,553)</u> | <u>(3,623)</u> |
| Total Sheriff Administration | <u>111,183</u> | <u>111,060</u> | <u>102,697</u> | <u>8,363</u> |
| Sheriff - Department of Correction Services | | | | |
| Salaries and benefits | <u>90,479</u> | <u>91,988</u> | <u>91,988</u> | <u>-</u> |
| Total Sheriff - Department of Correction Services | <u>90,479</u> | <u>91,988</u> | <u>91,988</u> | <u>-</u> |

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2006
(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 | 28,614 | 29,032 | 28,055 | 977 |
| Services and supplies | 35,190 | 39,088 | 37,149 | 1,939 |
| Fixed assets | 20 | 325 | 244 | 81 |
| Expenditure reimbursements | <u>(3,665)</u> | <u>(3,028)</u> | <u>(3,028)</u> | <u>-</u> |
| Total Department of Correction | <u>60,159</u> | <u>65,417</u> | <u>62,420</u> | <u>2,997</u> |
| Probation Department | | | | |
| Salaries and benefits | 84,083 | 85,908 | 85,908 | - |
| Services and supplies | 19,845 | 20,211 | 19,565 | 646 |
| Fixed assets | - | 97 | 96 | 1 |
| Inter-fund transfers | - | 100 | 100 | - |
| Expenditure reimbursements | <u>(558)</u> | <u>(515)</u> | <u>(521)</u> | <u>6</u> |
| Total Probation Department | <u>103,370</u> | <u>105,801</u> | <u>105,148</u> | <u>653</u> |
| Department of Agriculture/Weights & Measures/ Animal Control | | | | |
| Salaries and benefits | 4,345 | 4,430 | 4,430 | - |
| Services and supplies | 1,728 | 1,612 | 1,269 | 343 |
| Fixed assets | - | 30 | 18 | 12 |
| Expenditure reimbursements | <u>(170)</u> | <u>(170)</u> | <u>(169)</u> | <u>(1)</u> |
| Total Department of Agriculture/ Weights & Measures/Animal Control | <u>5,903</u> | <u>5,902</u> | <u>5,548</u> | <u>354</u> |
| Medical Examiner - Coroner | | | | |
| Salaries and benefits | 2,404 | 2,404 | 2,362 | 42 |
| Services and supplies | 491 | 492 | 492 | - |
| Fixed Assets | <u>-</u> | <u>60</u> | <u>-</u> | <u>60</u> |
| Total Medical Examiner - Coroner | <u>2,895</u> | <u>2,956</u> | <u>2,854</u> | <u>102</u> |
| Public protection - subtotals: | | | | |
| Salaries and benefits | 451,782 | 457,861 | 447,459 | 10,402 |
| Services and supplies | 155,875 | 163,094 | 155,239 | 7,855 |
| Other charges | 1 | 1 | - | 1 |
| Fixed assets | 1,576 | 3,270 | 1,531 | 1,739 |
| Inter-fund transfers | - | 100 | 100 | - |
| Expenditure reimbursements | <u>(20,256)</u> | <u>(21,380)</u> | <u>(17,728)</u> | <u>(3,652)</u> |
| Total public protection | <u>588,978</u> | <u>602,946</u> | <u>586,601</u> | <u>16,345</u> |
| Public ways and facilities: | | | | |
| Measure B | | | | |
| Salaries and benefits | 344 | 392 | 378 | 14 |
| Services and supplies | 136,808 | 121,886 | 59,284 | 62,602 |
| Debt Service | 73,135 | 73,135 | 73,135 | - |
| Inter-fund transfers | <u>7,000</u> | <u>25,508</u> | <u>5,156</u> | <u>20,352</u> |
| Total Measure B | <u>217,287</u> | <u>220,921</u> | <u>137,953</u> | <u>82,968</u> |

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2006
(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 | 42 | 42 | - |
| Total Senate Bill 12/855 Funds | <u>120,000</u> | <u>42</u> | <u>42</u> | <u>-</u> |
| Health Services Administration | | | | |
| Salaries and benefits | 57,314 | 54,702 | 54,702 | - |
| Services and supplies | 37,782 | 41,758 | 38,180 | 3,578 |
| Fixed assets | 267 | 334 | 128 | 206 |
| Expenditure reimbursements | <u>(3,098)</u> | <u>(3,373)</u> | <u>(2,839)</u> | <u>(534)</u> |
| Total Health Services Administration | <u>92,265</u> | <u>93,421</u> | <u>90,171</u> | <u>3,250</u> |
| Mental Health Bureau | | | | |
| Salaries and benefits | 34,756 | 36,729 | 36,727 | 2 |
| Services and supplies | 158,280 | 172,182 | 170,272 | 1,910 |
| Fixed assets | 9 | 9 | 9 | - |
| Expenditure reimbursements | <u>(1,933)</u> | <u>(2,103)</u> | <u>(1,905)</u> | <u>(198)</u> |
| Total Mental Health Bureau | <u>191,112</u> | <u>206,817</u> | <u>205,103</u> | <u>1,714</u> |
| Custody Health Services | | | | |
| Salaries and benefits | 30,532 | 33,826 | 33,820 | 6 |
| Services and supplies | 6,950 | 8,813 | 6,311 | 2,502 |
| Expenditure reimbursements | <u>(35,351)</u> | <u>(40,875)</u> | <u>(39,990)</u> | <u>(885)</u> |
| Total Custody Health Services | <u>2,131</u> | <u>1,764</u> | <u>141</u> | <u>1,623</u> |
| Bureau of Alcohol & Drug Programs | | | | |
| Salaries and benefits | 15,923 | 16,231 | 16,195 | 36 |
| Services and supplies | 29,276 | 29,168 | 27,007 | 2,161 |
| Expenditure reimbursements | <u>(3,285)</u> | <u>(3,455)</u> | <u>(3,332)</u> | <u>(123)</u> |
| Total Bureau of Alcohol & Drug Programs | <u>41,914</u> | <u>41,944</u> | <u>39,870</u> | <u>2,074</u> |
| Community Outreach Program | | | | |
| Salaries and benefits | 7,210 | 7,185 | 7,183 | 2 |
| Services and supplies | 1,213 | 1,099 | 889 | 210 |
| Total Community Outreach Program | <u>8,423</u> | <u>8,284</u> | <u>8,072</u> | <u>212</u> |

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2006
(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 | 3,000 | 3,000 | 3,000 | - |
| Total Healthy Children | <u>3,000</u> | <u>3,000</u> | <u>3,000</u> | <u>-</u> |
| Health and sanitation - subtotals: | | | | |
| Salaries and benefits | 145,735 | 148,673 | 148,627 | 46 |
| Services and supplies | 356,501 | 256,062 | 245,701 | 10,361 |
| Fixed assets | 276 | 343 | 137 | 206 |
| Expenditure reimbursements | <u>(43,667)</u> | <u>(49,806)</u> | <u>(48,066)</u> | <u>(1,740)</u> |
| Total health and sanitation | <u>458,845</u> | <u>355,272</u> | <u>346,399</u> | <u>8,873</u> |
| Public assistance: | | | | |
| In-House Support Services | | | | |
| Services and supplies | 123,737 | 40,425 | 40,425 | - |
| Total In-House Support Services | <u>123,737</u> | <u>40,425</u> | <u>40,425</u> | <u>-</u> |
| Office of Affordable Housing | | | | |
| Salaries and benefits | 663 | 663 | 615 | 48 |
| Services and supplies | 1,252 | 1,314 | 1,226 | 88 |
| Expenditure reimbursements | <u>(833)</u> | <u>(833)</u> | <u>(736)</u> | <u>(97)</u> |
| Total Office of Affordable Housing | <u>1,082</u> | <u>1,144</u> | <u>1,105</u> | <u>39</u> |
| Social Services Administration | | | | |
| Salaries and benefits | 223,892 | 232,926 | 231,965 | 961 |
| Services and supplies | 138,654 | 137,896 | 125,310 | 12,586 |
| Fixed assets | 472 | 572 | 556 | 16 |
| Total Social Services Administration | <u>363,018</u> | <u>371,394</u> | <u>357,831</u> | <u>13,563</u> |
| Nutrition Services to the Aged | | | | |
| Salaries and benefits | 752 | 789 | 776 | 13 |
| Services and supplies | 5,181 | 5,143 | 4,959 | 184 |
| Total Nutrition Services to the Aged | <u>5,933</u> | <u>5,932</u> | <u>5,735</u> | <u>197</u> |
| Categorical Aids Payments | | | | |
| Services and supplies | 212,199 | 212,199 | 195,339 | 16,860 |
| Total Categorical Aids Payments | <u>212,199</u> | <u>212,199</u> | <u>195,339</u> | <u>16,860</u> |
| Public assistance - subtotals: | | | | |
| Salaries and benefits | 225,307 | 234,378 | 233,356 | 1,022 |
| Services and supplies | 481,023 | 396,977 | 367,259 | 29,718 |
| Fixed assets | 472 | 572 | 556 | 16 |
| Expenditure reimbursements | <u>(833)</u> | <u>(833)</u> | <u>(736)</u> | <u>(97)</u> |
| Total public assistance | <u>705,969</u> | <u>631,094</u> | <u>600,435</u> | <u>30,659</u> |

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2006
(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 | 5,547 | 5,547 | 5,514 | 33 |
| Interest and fiscal charges | 3,969 | 3,969 | 3,827 | 142 |
| Inter-fund transfers | 725 | 725 | 672 | 53 |
| Total debt service | <u>10,241</u> | <u>10,241</u> | <u>10,013</u> | <u>228</u> |
| Provisions for Contingencies: | | | | |
| Appropriation Contingencies | | | | |
| Inter-fund transfers | - | 3,036 | 2,336 | 700 |
| Total provisions for contingencies | <u>-</u> | <u>3,036</u> | <u>2,336</u> | <u>700</u> |
| Reserves: | | | | |
| Office of County Executive | | | | |
| General government | 524 | 524 | - | 524 |
| Total Office of County Executive | <u>524</u> | <u>524</u> | <u>-</u> | <u>524</u> |
| OMB Special Programs | | | | |
| General government | 31,451 | 17,723 | - | 17,723 |
| Total OMB Special Programs | <u>31,451</u> | <u>17,723</u> | <u>-</u> | <u>17,723</u> |
| Probation Department | | | | |
| Public protection | 3,225 | 1,464 | - | 1,464 |
| Total Probation Department | <u>3,225</u> | <u>1,464</u> | <u>-</u> | <u>1,464</u> |
| Department of Correction | | | | |
| Public protection | 148 | 148 | - | 148 |
| Total Department of Correction | <u>148</u> | <u>148</u> | <u>-</u> | <u>148</u> |
| Measure B | | | | |
| Public ways and facilities | 1 | 1 | - | 1 |
| Total Measure B | <u>1</u> | <u>1</u> | <u>-</u> | <u>1</u> |
| Social Services Administration | | | | |
| Public assistance | 4,441 | - | - | - |
| Total Social Services Administration | <u>4,441</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Categorical Aids Payments | | | | |
| Public assistance | 4,110 | 4,110 | - | 4,110 |
| Total Categorical Aids Payments | <u>4,110</u> | <u>4,110</u> | <u>-</u> | <u>4,110</u> |
| Appropriation Contingencies | | | | |
| Total Appropriation Contingencies | <u>73,079</u> | <u>110,977</u> | <u>-</u> | <u>110,977</u> |
| Total reserves | <u>116,979</u> | <u>134,947</u> | <u>-</u> | <u>134,947</u> |
| Total charges to appropriations | <u>\$ 2,407,124</u> | <u>\$ 2,456,739</u> | <u>\$ 2,129,152</u> | <u>\$ 327,587</u> |

(Continued)

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
General Fund - Budgetary Basis

For the Fiscal Year Ended June 30, 2006
(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 | \$ 2,057,114 |
| Differences - budget to GAAP: | |
| Proceeds from sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes | (23,295) |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes | <u>(102,553)</u> |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - general fund | <u>\$ 1,931,266</u> |

Uses/outflows of resources

| | |
|--|---------------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 2,129,152 |
| 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 | (9,344) |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | <u>(291,377)</u> |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - general fund | <u>\$ 1,828,431</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, 2006
(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.

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, 2006
(In thousands)

| | Housing Authority | FIRST 5 | Total |
|--|------------------------------|------------------|-------------------|
| Assets: | | | |
| Cash and investments | \$ 15,600 | \$ 89,855 | \$ 105,455 |
| Receivables, net of allowance for uncollectibles | 2,366 | 450 | 2,816 |
| Due from other governmental agencies | 840 | 4,827 | 5,667 |
| Due from component units and related parties | 3,123 | - | 3,123 |
| Inventories | 24 | - | 24 |
| Other assets | 4,796 | 35 | 4,831 |
| Restricted cash and investments | 21,076 | - | 21,076 |
| Capital assets: | | | |
| Nondepreciable | 15,104 | 2,358 | 17,462 |
| Depreciable, net of accumulated depreciation | 32,618 | 4,141 | 36,759 |
| Total assets | <u>95,547</u> | <u>101,666</u> | <u>197,213</u> |
| Liabilities: | | | |
| Accounts payable | 1,360 | 5,363 | 6,723 |
| Accrued salaries and benefits | - | 201 | 201 |
| Accrued liabilities | - | 96 | 96 |
| Due to component units and related parties | 1,805 | - | 1,805 |
| Due to other governmental agencies | 14,229 | - | 14,229 |
| Unearned revenue | 1,678 | - | 1,678 |
| Other liabilities | 3,019 | - | 3,019 |
| Payable to primary government | 3,485 | - | 3,485 |
| Noncurrent liabilities: | | | |
| Due within one year | 430 | - | 430 |
| Due in more than one year | 26,142 | 178 | 26,320 |
| Total liabilities | <u>52,148</u> | <u>5,838</u> | <u>57,986</u> |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 24,744 | 6,499 | 31,243 |
| Restricted | 591 | 89,329 | 89,920 |
| Unrestricted | 18,064 | - | 18,064 |
| Total net assets | <u>\$ 43,399</u> | <u>\$ 95,828</u> | <u>\$ 139,227</u> |

COUNTY OF SANTA CLARA

Combining Statement of Activities
Discrete Component Units

For the Fiscal Year Ended June 30, 2006
(In thousands)

| | <u>Housing Authority</u> | <u>FIRST 5</u> | <u>Total</u> |
|------------------------------------|------------------------------|------------------|-------------------|
| Program expenses: | | | |
| Housing Authority programs | \$ 241,289 | \$ - | \$ 241,289 |
| FIRST 5 programs | - | 30,317 | 30,317 |
| Total program expenses | <u>241,289</u> | <u>30,317</u> | <u>271,606</u> |
| Program revenues: | | | |
| Charges for services | 11,008 | - | 11,008 |
| Operating grants and contributions | 238,207 | 25,498 | 263,705 |
| Capital grants and contributions | 1,460 | - | 1,460 |
| Total program revenues | <u>250,675</u> | <u>25,498</u> | <u>276,173</u> |
| Net program revenue (expense) | <u>9,386</u> | <u>(4,819)</u> | <u>4,567</u> |
| General revenue: | | | |
| Investment income | 1,265 | 2,197 | 3,462 |
| Other income | 30 | 314 | 344 |
| Total general revenues | <u>1,295</u> | <u>2,511</u> | <u>3,806</u> |
| Change in net assets | 10,681 | (2,308) | 8,373 |
| Net assets, beginning of year | 32,718 | 98,136 | 130,854 |
| Net assets, end of year | <u>\$ 43,399</u> | <u>\$ 95,828</u> | <u>\$ 139,227</u> |



Combining Nonmajor Governmental Funds Statements

COUNTY OF SANTA CLARA

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006
(In thousands)

| | Special Revenue | Debt Service | Capital Projects | Permanent Endowments | Total Nonmajor Governmental Funds |
|--|----------------------------|-------------------------|-----------------------------|---------------------------------|--|
| Assets: | | | | | |
| Cash and investments: | | | | | |
| Unrestricted | \$ 131,147 | \$ - | \$ 220,159 | \$ 54 | \$ 351,360 |
| Restricted with fiscal agents | - | 12,765 | 14,400 | - | 27,165 |
| Other restricted | 818 | 38,966 | - | - | 39,784 |
| Other receivables | 27,444 | 1,403 | 1,248 | - | 30,095 |
| Due from other funds | 1,004 | - | 13,002 | - | 14,006 |
| Due from other governmental agencies | 8,375 | - | 1,801 | - | 10,176 |
| Inventories | 510 | - | - | - | 510 |
| Other assets | 31 | - | - | - | 31 |
| Advances to other funds | - | - | 21 | - | 21 |
| Total assets | \$ 169,329 | \$ 53,134 | \$ 250,631 | \$ 54 | \$ 473,148 |
| Liabilities and Fund Balances: | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 4,303 | \$ 4 | \$ 18,066 | \$ - | \$ 22,373 |
| Accrued salaries and benefits | 5,224 | - | - | - | 5,224 |
| Other accrued liabilities | 4,410 | - | 3,000 | - | 7,410 |
| Due to other funds | - | 2,389 | - | - | 2,389 |
| Due to other governmental agencies | 728 | - | - | - | 728 |
| Advances from other funds | - | - | 3,696 | - | 3,696 |
| Deferred revenue | 27,453 | 218 | 428 | - | 28,099 |
| Total liabilities | 42,118 | 2,611 | 25,190 | - | 69,919 |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Encumbrances | 14,731 | - | 101,203 | - | 115,934 |
| Inventories, other assets and advances | 541 | - | 21 | - | 562 |
| Debt service | - | 50,523 | 14,400 | - | 64,923 |
| Unreserved: | | | | | |
| Designated | 31,170 | - | - | - | 31,170 |
| Undesignated | 80,769 | - | 109,817 | 54 | 190,640 |
| Total fund balances | 127,211 | 50,523 | 225,441 | 54 | 403,229 |
| Total liabilities and fund balances | \$ 169,329 | \$ 53,134 | \$ 250,631 | \$ 54 | \$ 473,148 |

COUNTY OF SANTA CLARA

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

For the Fiscal Year Ended June 30, 2006
(In thousands)

| | Special Revenue | Debt Service | Capital Projects | Permanent Endowments | Total Nonmajor Governmental Funds |
|--|----------------------------|-------------------------|-----------------------------|---------------------------------|--|
| Revenues: | | | | | |
| Taxes | \$ 76,180 | \$ - | \$ 30,706 | \$ - | \$ 106,886 |
| Licenses and permits | 13,097 | - | - | - | 13,097 |
| Fines, forfeitures, and penalties | 2,385 | 6,404 | - | - | 8,789 |
| Interest and investment income | 8,699 | 3,545 | 4,857 | 2 | 17,103 |
| Intergovernmental revenues | 50,304 | - | 5,274 | - | 55,578 |
| Charges for services | 33,812 | - | 321 | - | 34,133 |
| Other revenue | 5,027 | - | 2,705 | - | 7,732 |
| Total revenues | 189,504 | 9,949 | 43,863 | 2 | 243,318 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 19 | - | 23 | 1 | 43 |
| Public protection | 77,245 | - | - | - | 77,245 |
| Public ways and facilities | 42,341 | - | - | - | 42,341 |
| Health and sanitation | 22,686 | - | - | - | 22,686 |
| Public assistance | 6,316 | - | - | - | 6,316 |
| Education | 26,132 | - | - | - | 26,132 |
| Recreation | 24,827 | - | - | - | 24,827 |
| Capital outlay | - | - | 94,474 | - | 94,474 |
| Debt service: | | | | | |
| Principal retirement | - | 3,916 | - | - | 3,916 |
| Interest and fiscal charges | - | 7,005 | 135 | - | 7,140 |
| Cost of issuance | - | - | 1,136 | - | 1,136 |
| Total expenditures | 199,566 | 10,921 | 95,768 | 1 | 306,256 |
| Excess (deficiency) of revenues over (under) expenditures | (10,062) | (972) | (51,905) | 1 | (62,938) |
| Other financing sources (uses): | | | | | |
| Proceeds from sale of capital assets | 1,941 | - | 49 | - | 1,990 |
| Lease revenue bonds issuance | - | - | 87,575 | - | 87,575 |
| Bond premium | - | - | 1,003 | - | 1,003 |
| Transfers in | 27,642 | 18,438 | 89,124 | - | 135,204 |
| Transfers out | (8,599) | - | (80,603) | - | (89,202) |
| Total other financing sources (uses) | 20,984 | 18,438 | 97,148 | - | 136,570 |
| Net change in fund balances | 10,922 | 17,466 | 45,243 | 1 | 73,632 |
| Fund balances, beginning of year | 116,289 | 33,057 | 180,198 | 53 | 329,597 |
| Fund balances, end of year | \$ 127,211 | \$ 50,523 | \$ 225,441 | \$ 54 | \$ 403,229 |



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: Mortgage and Rental Assistance, Survey Monument Preservation, Weed Abatement, Correctional Facility, Integrated Waste Management, Juvenile Welfare, LAFCO, Juvenile Rehabilitation, Fish & Game, Health & Vital Statistics and Inmate Work Furlough.

COUNTY OF SANTA CLARA

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2006
(In thousands)

| | <u>Roads</u> | <u>County Library</u> | <u>Parks Operation and Maintenance</u> | <u>Housing and Community Development</u> | <u>Clerk- Recorder</u> | <u>Fire Districts</u> | <u>Emergency Medical Services</u> |
|---------------------------------------|------------------|---------------------------|--|--|----------------------------|---------------------------|---|
| Assets: | | | | | | | |
| Cash and investments: | | | | | | | |
| Unrestricted | \$ 23,826 | \$ 24,607 | \$ 2,747 | \$ 15,205 | \$ 9,146 | \$ 32,933 | \$ 2,468 |
| Other restricted | - | - | - | - | - | 94 | - |
| Other receivables | 349 | 210 | 452 | 25,080 | - | 801 | 25 |
| Due from other funds | 1,004 | - | - | - | - | - | - |
| Due from other governmental agencies | 4,141 | 658 | 189 | 745 | - | 1,134 | 179 |
| Inventories | 510 | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | 29 | - |
| Total assets | <u>\$ 29,830</u> | <u>\$ 25,475</u> | <u>\$ 3,388</u> | <u>\$ 41,030</u> | <u>\$ 9,146</u> | <u>\$ 34,991</u> | <u>\$ 2,672</u> |
| Liabilities and Fund Balances: | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 904 | \$ 76 | \$ 218 | \$ 790 | \$ 16 | \$ 105 | \$ 1,432 |
| Accrued salaries and benefits | 993 | 595 | 638 | 36 | - | 2,332 | - |
| Other accrued liabilities | 73 | 4 | 121 | 38 | - | 2,860 | - |
| Due to other governmental agencies | 2 | 4 | 2 | 6 | 1 | 266 | - |
| Deferred revenue – other | 1,500 | 64 | 194 | 25,172 | - | - | - |
| Total liabilities | <u>3,472</u> | <u>743</u> | <u>1,173</u> | <u>26,042</u> | <u>17</u> | <u>5,563</u> | <u>1,432</u> |
| Fund balances: | | | | | | | |
| Reserved for: | | | | | | | |
| Encumbrances | 6,370 | 4,354 | 195 | 2,612 | 817 | - | - |
| Inventories and other assets | 510 | - | - | - | - | 29 | - |
| Unreserved: | | | | | | | |
| Designated | 1,485 | 10,547 | - | - | - | 9,677 | - |
| Undesignated | 17,993 | 9,831 | 2,020 | 12,376 | 8,312 | 19,722 | 1,240 |
| Total fund balances | <u>26,358</u> | <u>24,732</u> | <u>2,215</u> | <u>14,988</u> | <u>9,129</u> | <u>29,428</u> | <u>1,240</u> |
| Total liabilities and fund balances | <u>\$ 29,830</u> | <u>\$ 25,475</u> | <u>\$ 3,388</u> | <u>\$ 41,030</u> | <u>\$ 9,146</u> | <u>\$ 34,991</u> | <u>\$ 2,672</u> |

COUNTY OF SANTA CLARA
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2006
 (In thousands)

| Indigent Health Care | Environmental Health | Vector Control | Proposition 36 | Other | Total |
|----------------------------|-------------------------|-------------------|-------------------|-----------------|-------------------|
| \$ 203 | \$ 11,496 | \$ 4,701 | \$ 441 | \$ 3,374 | \$ 131,147 |
| - | 724 | - | - | - | 818 |
| 2 | 293 | 30 | 28 | 174 | 27,444 |
| - | - | - | - | - | 1,004 |
| 17 | 1,312 | - | - | - | 8,375 |
| - | - | - | - | - | 510 |
| - | 2 | - | - | - | 31 |
| <u>\$ 222</u> | <u>\$ 13,827</u> | <u>\$ 4,731</u> | <u>\$ 469</u> | <u>\$ 3,548</u> | <u>\$ 169,329</u> |
| \$ 222 | \$ 520 | \$ - | \$ - | \$ 20 | \$ 4,303 |
| - | 465 | 108 | - | 57 | 5,224 |
| - | 724 | - | - | 590 | 4,410 |
| - | 447 | - | - | - | 728 |
| - | 510 | - | - | 13 | 27,453 |
| <u>222</u> | <u>2,666</u> | <u>108</u> | <u>-</u> | <u>680</u> | <u>42,118</u> |
| - | 62 | 248 | - | 73 | 14,731 |
| - | 2 | - | - | - | 541 |
| - | 5,434 | 4,027 | - | - | 31,170 |
| - | 5,663 | 348 | 469 | 2,795 | 80,769 |
| <u>-</u> | <u>11,161</u> | <u>4,623</u> | <u>469</u> | <u>2,868</u> | <u>127,211</u> |
| <u>\$ 222</u> | <u>\$ 13,827</u> | <u>\$ 4,731</u> | <u>\$ 469</u> | <u>\$ 3,548</u> | <u>\$ 169,329</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 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, 2006
(In thousands)

| | <u>Roads</u> | <u>County Library</u> | <u>Parks Operation and Maintenance</u> | <u>Housing and Community Development</u> | <u>Clerk- Recorder</u> | <u>Fire Districts</u> | <u>Emergency Medical Services</u> |
|--|------------------|---------------------------|--|--|----------------------------|---------------------------|---|
| Revenues: | | | | | | | |
| Taxes | \$ - | \$ 17,900 | \$ - | \$ - | \$ - | \$ 51,593 | \$ - |
| Licenses and permits | 550 | - | - | 67 | - | 411 | - |
| Fines, forfeitures, and penalties | - | 804 | - | - | - | - | 1,580 |
| Interest and investment income | 1,632 | 672 | 692 | 679 | - | 4,411 | 43 |
| Intergovernmental revenues | 30,804 | 3,943 | 5 | 3,586 | - | 818 | 1,951 |
| Charges for services | 1,586 | 5,724 | 3,564 | - | 3,907 | 18,175 | - |
| Other revenue | 2,803 | 710 | 117 | 157 | - | 278 | - |
| Total revenues | <u>37,375</u> | <u>29,753</u> | <u>4,378</u> | <u>4,489</u> | <u>3,907</u> | <u>75,686</u> | <u>3,574</u> |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Public protection | - | - | - | - | 667 | 74,682 | - |
| Public ways and facilities | 42,341 | - | - | - | - | - | - |
| Health and sanitation | - | - | - | - | - | - | 4,115 |
| Public assistance | - | - | - | 6,194 | - | - | - |
| Education | - | 26,132 | - | - | - | - | - |
| Recreation | - | - | 24,827 | - | - | - | - |
| Total expenditures | <u>42,341</u> | <u>26,132</u> | <u>24,827</u> | <u>6,194</u> | <u>667</u> | <u>74,682</u> | <u>4,115</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(4,966)</u> | <u>3,621</u> | <u>(20,449)</u> | <u>(1,705)</u> | <u>3,240</u> | <u>1,004</u> | <u>(541)</u> |
| Other financing sources (uses): | | | | | | | |
| Proceeds from sale of capital assets | 1,933 | - | - | - | 5 | 3 | - |
| Transfers in | 5,606 | 51 | 21,600 | - | - | - | - |
| Transfers out | - | - | - | (545) | (3,077) | - | - |
| Total other financing sources (uses) | <u>7,539</u> | <u>51</u> | <u>21,600</u> | <u>(545)</u> | <u>(3,072)</u> | <u>3</u> | <u>-</u> |
| Net change in fund balances | <u>2,573</u> | <u>3,672</u> | <u>1,151</u> | <u>(2,250)</u> | <u>168</u> | <u>1,007</u> | <u>(541)</u> |
| Fund balances, beginning of year | <u>23,785</u> | <u>21,060</u> | <u>1,064</u> | <u>17,238</u> | <u>8,961</u> | <u>28,421</u> | <u>1,781</u> |
| Fund balances, end of year | <u>\$ 26,358</u> | <u>\$ 24,732</u> | <u>\$ 2,215</u> | <u>\$ 14,988</u> | <u>\$ 9,129</u> | <u>\$ 29,428</u> | <u>\$ 1,240</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, 2006
(In thousands)

| Indigent Health Care | Environmental Health | Vector Control | Proposition 36 | Other Funds | Total | |
|-------------------------------------|---------------------------------|---------------------------|---------------------------|------------------------|-------------------|--|
| \$ - | \$ - | \$ 6,687 | \$ - | \$ - | \$ 76,180 | Revenues: |
| - | 12,012 | - | - | 57 | 13,097 | Taxes |
| - | - | - | - | 1 | 2,385 | Licenses and permits |
| - | 376 | 64 | 108 | 22 | 8,699 | Fines, forfeitures, and penalties |
| 100 | 3,990 | 200 | 4,655 | 252 | 50,304 | Interest and investment income |
| - | 461 | - | - | 395 | 33,812 | Intergovernmental revenues |
| - | 13 | 32 | - | 917 | 5,027 | Charges for services |
| <u>100</u> | <u>16,852</u> | <u>6,983</u> | <u>4,763</u> | <u>1,644</u> | <u>189,504</u> | Other revenue |
| | | | | | | Total revenues |
| | | | | | | Expenditures: |
| | | | | | | Current: |
| - | - | - | - | 19 | 19 | General government |
| - | - | - | - | 1,896 | 77,245 | Public protection |
| - | - | - | - | - | 42,341 | Public ways and facilities |
| 100 | 14,812 | 3,659 | - | - | 22,686 | Health and sanitation |
| - | - | - | - | 122 | 6,316 | Public assistance |
| - | - | - | - | - | 26,132 | Education |
| - | - | - | - | - | 24,827 | Recreation |
| <u>100</u> | <u>14,812</u> | <u>3,659</u> | <u>-</u> | <u>2,037</u> | <u>199,566</u> | Total expenditures |
| | | | | | | Excess (deficiency) of revenues over (under) expenditures |
| - | 2,040 | 3,324 | 4,763 | (393) | (10,062) | |
| | | | | | | Other financing sources (uses): |
| - | - | - | - | - | 1,941 | Proceeds from sale of capital assets |
| - | 285 | - | - | 100 | 27,642 | Transfers in |
| - | - | - | (4,884) | (93) | (8,599) | Transfers out |
| - | 285 | - | (4,884) | 7 | 20,984 | Total other financing sources (uses) |
| - | 2,325 | 3,324 | (121) | (386) | 10,922 | Net change in fund balances |
| - | 8,836 | 1,299 | 590 | 3,254 | 116,289 | Fund balances, beginning of year |
| <u>\$ -</u> | <u>\$ 11,161</u> | <u>\$ 4,623</u> | <u>\$ 469</u> | <u>\$ 2,868</u> | <u>\$ 127,211</u> | Fund balances, end of year |

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Roads Fund

For the Fiscal Year Ended June 30, 2006

(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 | \$ 23,785 | \$ 23,785 | \$ 23,785 | \$ - |
| Resources (inflows): | | | | |
| Licenses and permits | 540 | 540 | 550 | 10 |
| Interest and investment income | 1,516 | 1,516 | 1,632 | 116 |
| Intergovernmental revenues | 28,459 | 45,272 | 30,804 | (14,468) |
| Charges for services | 660 | 1,452 | 1,586 | 134 |
| Other revenue | 407 | 3,955 | 2,803 | (1,152) |
| Interfund transfers | 500 | 19,008 | 5,606 | (13,402) |
| Proceeds from sale of capital assets | 1,127 | 1,927 | 1,933 | 6 |
| Total resources (inflows) available for appropriation | <u>33,209</u> | <u>73,670</u> | <u>44,914</u> | <u>(28,756)</u> |
| Charges to appropriations (outflows): | | | | |
| Public ways and facilities | | | | |
| Salaries and employees benefits | 25,196 | 25,196 | 24,928 | 268 |
| Services and supplies | 6,150 | 6,117 | 6,100 | 17 |
| Capital assets | 51,257 | 50,585 | 17,683 | 32,902 |
| Reserves | - | 51,323 | - | 51,323 |
| Total charges to appropriations | <u>82,603</u> | <u>133,221</u> | <u>48,711</u> | <u>84,510</u> |
| Budgetary fund balances, end of year | <u>\$ (25,609)</u> | <u>\$ (35,766)</u> | <u>\$ 19,988</u> | <u>\$ 55,754</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 | \$ 44,914 |
| Differences - budget to GAAP: | |
| Interfund transfers from other funds are inflows of budgetary resources but are not revenues financial reporting purposes | (5,606) |
| Proceeds from the sale of capital assets are inflows of budgetary resources but are not revenues financial reporting purposes | <u>(1,933)</u> |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - nonmajor special revenue funds | <u>\$ 37,375</u> |

Uses/outflows of resources

| | |
|--|------------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 48,711 |
| 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>(6,370)</u> |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - nonmajor special revenue funds | <u>\$ 42,341</u> |

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
County Library Fund

For the Fiscal Year Ended June 30, 2006
(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 | \$ 21,060 | \$ 21,060 | \$ 21,060 | \$ - |
| Resources (inflows): | | | | |
| Taxes | 15,717 | 15,717 | 17,900 | 2,183 |
| Fines, forfeitures, and penalties | 730 | 730 | 804 | 74 |
| Interest and investment income | 238 | 238 | 672 | 434 |
| Intergovernmental revenues | 3,944 | 3,944 | 3,943 | (1) |
| Charges for services | 5,628 | 5,628 | 5,724 | 96 |
| Other revenue | 70 | 338 | 710 | 372 |
| Interfund transfers | 51 | 51 | 51 | - |
| Total resources (inflows) available for appropriation | <u>26,378</u> | <u>26,646</u> | <u>29,804</u> | <u>3,158</u> |
| Charges to appropriations (outflows): | | | | |
| Education | | | | |
| Salaries and employees benefits | 18,181 | 18,181 | 17,193 | 988 |
| Services and supplies | 9,073 | 10,317 | 9,194 | 1,123 |
| Capital assets | 3,921 | 4,107 | 4,099 | 8 |
| Reserves | 6,000 | 15,036 | - | 15,036 |
| Total charges to appropriations | <u>37,175</u> | <u>47,641</u> | <u>30,486</u> | <u>17,155</u> |
| Budgetary fund balances, end of year | <u>\$ 10,263</u> | <u>\$ 65</u> | <u>\$ 20,378</u> | <u>\$ 20,313</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 | \$ 29,804 |
| 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 in fund balances - nonmajor special revenue funds | <u>\$ 29,753</u> |

Uses/outflows of resources

| | |
|--|------------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 30,486 |
| 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>(4,354)</u> |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - nonmajor special revenue funds | <u>\$ 26,132</u> |

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Parks Operation and Maintenance Fund
For the Fiscal Year Ended June 30, 2006
(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 | \$ 1,064 | \$ 1,064 | \$ 1,064 | \$ - |
| Resources (inflows): | | | | |
| Interest and investment income | 581 | 581 | 692 | 111 |
| Intergovernmental revenues | 189 | 40 | 5 | (35) |
| Charges for services | 3,474 | 3,474 | 3,564 | 90 |
| Other revenue | 37 | 37 | 117 | 80 |
| Interfund transfers | 20,825 | 21,650 | 21,600 | (50) |
| Total resources (inflows) available for appropriation | <u>25,106</u> | <u>25,782</u> | <u>25,978</u> | <u>196</u> |
| Charges to appropriations (outflows): | | | | |
| Recreation | | | | |
| Salaries and employees benefits | 18,051 | 18,032 | 17,490 | 542 |
| Services and supplies | 6,707 | 7,575 | 7,104 | 471 |
| Other charges | 28 | 28 | 27 | 1 |
| Capital assets | 350 | 664 | 401 | 263 |
| Reserves | 450 | 473 | - | 473 |
| Total charges to appropriations | <u>25,586</u> | <u>26,772</u> | <u>25,022</u> | <u>1,750</u> |
| Budgetary fund balances, end of year | <u>\$ 584</u> | <u>\$ 74</u> | <u>\$ 2,020</u> | <u>\$ 1,946</u> |

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

| | |
|--|------------------|
| Sources/inflows of resources | \$ 25,978 |
| 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>(21,600)</u> |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - nonmajor special revenue funds | <u>\$ 4,378</u> |
| Uses/outflows of resources | |
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 25,022 |
| 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>(195)</u> |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - nonmajor special revenue funds | <u>\$ 24,827</u> |

COUNTY OF SANTA CLARA
 Budgetary Comparison Schedule
 Housing and Community Development Fund
 For the Fiscal Year Ended June 30, 2006
 (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 | \$ 17,238 | \$ 17,238 | \$ 17,238 | \$ - |
| Resources (inflows): | | | | |
| Licenses and permits | 204 | 70 | 67 | (3) |
| Interest and investment income | 34 | 36 | 679 | 643 |
| Intergovernmental revenues | 6,425 | 7,432 | 3,586 | (3,846) |
| Charges for services | 2 | - | - | - |
| Other revenue | - | 134 | 157 | 23 |
| Interfund transfers | 1,214 | 2,144 | - | (2,144) |
| Total resources (inflows) available for appropriation | <u>7,879</u> | <u>9,816</u> | <u>4,489</u> | <u>(5,327)</u> |
| Charges to appropriations (outflows): | | | | |
| Public assistance | | | | |
| Salaries and employees benefits | 720 | 720 | 634 | 86 |
| Services and supplies | 14,054 | 16,667 | 8,172 | 8,495 |
| Interfund transfers | 2,122 | 2,222 | 545 | 1,677 |
| Reserves | - | 11,394 | - | 11,394 |
| Total charges to appropriations | <u>16,896</u> | <u>31,003</u> | <u>9,351</u> | <u>21,652</u> |
| Budgetary fund balances, end of year | <u>\$ 8,221</u> | <u>\$ (3,949)</u> | <u>\$ 12,376</u> | <u>\$ 16,325</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 | \$ 9,351 |
| 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 | (2,612) |
| Interfund transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | <u>(545)</u> |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - nonmajor special revenue funds | <u>\$ 6,194</u> |

COUNTY OF SANTA CLARA
Budgetary Comparison Schedule
Clerk-Recorder Fund
For the Fiscal Year Ended June 30, 2006
(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 | \$ 8,961 | \$ 8,961 | \$ 8,961 | \$ - |
| Resources (inflows): | | | | |
| Charges for services | 3,110 | 3,110 | 3,907 | 797 |
| Interfund transfers | 9 | 1,259 | - | (1,259) |
| Total resources (inflows) available for appropriation | <u>3,119</u> | <u>4,369</u> | <u>3,907</u> | <u>(462)</u> |
| Charges to appropriations (outflows): | | | | |
| Public protection | | | | |
| Services and supplies | 849 | 2,128 | 1,223 | 905 |
| Capital assets | 1,852 | 1,818 | 261 | 1,557 |
| Interfund transfers | 3,156 | 4,544 | 3,077 | 1,467 |
| Reserves | - | 5,950 | - | 5,950 |
| Total charges to appropriations | <u>5,857</u> | <u>14,440</u> | <u>4,561</u> | <u>9,879</u> |
| Budgetary fund balances, end of year | <u>\$ 6,223</u> | <u>\$ (1,110)</u> | <u>\$ 8,307</u> | <u>\$ 9,417</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 | \$ 4,561 |
| 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 | (817) |
| Interfund transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | <u>(3,077)</u> |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - nonmajor special revenue funds | <u>\$ 667</u> |

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Fire Districts Fund

For the Fiscal Year Ended June 30, 2006
(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 | \$ 28,421 | \$ 28,421 | \$ 28,421 | \$ - |
| Resources (inflows): | | | | |
| Taxes | 50,383 | 50,322 | 51,593 | 1,271 |
| Licenses and permits | - | 390 | 411 | 21 |
| Interest and investment income | 410 | 458 | 4,411 | 3,953 |
| Intergovernmental revenues | 350 | 753 | 818 | 65 |
| Charges for services | 15,270 | 14,564 | 18,175 | 3,611 |
| Other revenue | 209 | 331 | 278 | (53) |
| Proceeds from sale of capital assets | - | - | 3 | 3 |
| Total resources (inflows) available for appropriation | <u>66,622</u> | <u>66,818</u> | <u>75,689</u> | <u>8,871</u> |
| Charges to appropriations (outflows): | | | | |
| Public protection | | | | |
| Salaries and employees benefits | 49,537 | 49,287 | 47,521 | 1,766 |
| Services and supplies | 19,166 | 22,184 | 19,915 | 2,269 |
| Other charges | - | - | 5,289 | (5,289) |
| Capital assets | 1,533 | 35 | 1,957 | (1,922) |
| Reserves | <u>20,122</u> | <u>20,644</u> | <u>-</u> | <u>20,644</u> |
| Total charges to appropriations | <u>90,358</u> | <u>92,150</u> | <u>74,682</u> | <u>17,468</u> |
| Budgetary fund balances, end of year | <u>\$ 4,685</u> | <u>\$ 3,089</u> | <u>\$ 29,428</u> | <u>\$ 26,339</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 | \$ 75,689 |
| 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>(3)</u> |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - nonmajor special revenue funds | <u>\$ 75,686</u> |

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Emergency Medical Services Fund

For the Fiscal Year Ended June 30, 2006
(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 | \$ 1,781 | \$ 1,781 | \$ 1,781 | \$ - |
| Resources (inflows): | | | | |
| Fines, forfeitures, and penalties | 3,550 | 3,550 | 1,580 | (1,970) |
| Interest and investment income | - | 340 | 43 | (297) |
| Intergovernmental revenues | <u>1,550</u> | <u>1,774</u> | <u>1,951</u> | <u>177</u> |
| Total resources (inflows) available for appropriation | <u>5,100</u> | <u>5,664</u> | <u>3,574</u> | <u>(2,090)</u> |
| Charges to appropriations (outflows): | | | | |
| Health and sanitation | | | | |
| Services and supplies | 5,100 | 5,664 | 4,115 | 1,549 |
| Reserves | <u>-</u> | <u>1,781</u> | <u>-</u> | <u>1,781</u> |
| Total charges to appropriations | <u>5,100</u> | <u>7,445</u> | <u>4,115</u> | <u>3,330</u> |
| Budgetary fund balances, end of year | <u>\$ 1,781</u> | <u>\$ -</u> | <u>\$ 1,240</u> | <u>\$ 1,240</u> |

COUNTY OF SANTA CLARA

**Budgetary Comparison Schedule
Indigent Health Care Fund**

For the Fiscal Year Ended June 30, 2006
(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>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Resources (inflows): | | | | |
| Intergovernmental revenues | <u>200</u> | <u>200</u> | <u>100</u> | <u>(100)</u> |
| Total resources (inflows) available for appropriation | <u>200</u> | <u>200</u> | <u>100</u> | <u>(100)</u> |
| Charges to appropriations (outflows): | | | | |
| Health and sanitation | | | | |
| Services and supplies | <u>200</u> | <u>200</u> | <u>100</u> | <u>100</u> |
| Total charges to appropriations | <u>200</u> | <u>200</u> | <u>100</u> | <u>100</u> |
| Budgetary fund balances, end of year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

COUNTY OF SANTA CLARA
 Budgetary Comparison Schedule
 Environmental Health Fund
 For the Fiscal Year Ended June 30, 2006
 (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 | \$ 8,836 | \$ 8,836 | \$ 8,836 | \$ - |
| Resources (inflows): | | | | |
| Licenses and permits | 11,262 | 11,262 | 12,012 | 750 |
| Interest and investment income | 114 | 114 | 376 | 262 |
| Intergovernmental revenues | 4,159 | 4,438 | 3,990 | (448) |
| Charges for services | 428 | 428 | 461 | 33 |
| Other revenue | - | - | 13 | 13 |
| Interfund transfers | 285 | 285 | 285 | - |
| Total resources (inflows) available for appropriation | <u>16,248</u> | <u>16,527</u> | <u>17,137</u> | <u>610</u> |
| Charges to appropriations (outflows): | | | | |
| Health and sanitation | | | | |
| Salaries and employees benefits | 12,325 | 12,325 | 11,546 | 779 |
| Services and supplies | 4,300 | 4,583 | 3,328 | 1,255 |
| Capital assets | - | 193 | - | 193 |
| Reserves | - | 8,260 | - | 8,260 |
| Total charges to appropriations | <u>16,625</u> | <u>25,361</u> | <u>14,874</u> | <u>10,487</u> |
| Budgetary fund balances, end of year | <u>\$ 8,459</u> | <u>\$ 2</u> | <u>\$ 11,099</u> | <u>\$ 11,097</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 | \$ 17,137 |
| 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 in fund balances - nonmajor special revenue funds | <u>\$ 16,852</u> |

Uses/outflows of resources

| | |
|--|------------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 14,874 |
| 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>(62)</u> |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - nonmajor special revenue funds | <u>\$ 14,812</u> |

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Vector Control Fund

For the Fiscal Year Ended June 30, 2006
(In thousands)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|----------------------------|-------------------------|--------------------------|---|
| Budgetary fund balances, beginning of year | \$ 1,299 | \$ 1,299 | \$ 1,299 | \$ - |
| Resources (inflows): | | | | |
| Taxes | 2,680 | 4,740 | 6,687 | 1,947 |
| Interest and investment income | 20 | 20 | 64 | 44 |
| Intergovernmental revenues | - | 200 | 200 | - |
| Other revenue | - | 31 | 32 | 1 |
| Total resources (inflows) available for appropriation | <u>2,700</u> | <u>4,991</u> | <u>6,983</u> | <u>1,992</u> |
| Charges to appropriations (outflows): | | | | |
| Health and sanitation | | | | |
| Salaries and employees benefits | 2,765 | 3,091 | 2,464 | 627 |
| Services and supplies | 1,136 | 2,367 | 1,168 | 1,199 |
| Capital assets | - | 399 | 275 | 124 |
| Reserves | - | 401 | - | 401 |
| Total charges to appropriations | <u>3,901</u> | <u>6,258</u> | <u>3,907</u> | <u>2,351</u> |
| Budgetary fund balances, end of year | <u>\$ 98</u> | <u>\$ 32</u> | <u>\$ 4,375</u> | <u>\$ 4,343</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

\$ 3,907

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

(248)

Total expenditures as reported on the statement of revenues, expenditures and
changes in fund balances - nonmajor special revenue funds

\$ 3,659

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Proposition 36 Fund

For the Fiscal Year Ended June 30, 2006
(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 | \$ 590 | \$ 590 | \$ 590 | \$ - |
| Resources (inflows): | | | | |
| Interest and investment income | - | - | 108 | 108 |
| Intergovernmental revenues | - | - | 4,655 | 4,655 |
| Total resources (inflows) available for appropriation | - | - | 4,763 | 4,763 |
| Charges to appropriations (outflows): | | | | |
| Interfund transfers | - | - | 4,884 | (4,884) |
| Total charges to appropriations | - | - | 4,884 | (4,884) |
| Budgetary fund balances, end of year | <u>\$ 590</u> | <u>\$ 590</u> | <u>\$ 469</u> | <u>\$ (121)</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 \$ 4,884

Differences - budget to GAAP:

Interfund transfers to other funds are outflows of budgetary resources but
are not expenditures for financial reporting purposes (4,884)

Total expenditures as reported on the statement of revenues, expenditures and
changes in fund balances - nonmajor special revenue funds \$ -

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Other Special Revenue Funds

For the Fiscal Year Ended June 30, 2006
(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 | \$ 3,254 | \$ 3,254 | \$ 3,254 | \$ - |
| Resources (inflows): | | | | |
| Licenses and permits | 35 | 35 | 57 | 22 |
| Fines, forfeitures, and penalties | 5 | 5 | 1 | (4) |
| Interest and investment income | 5 | 5 | 22 | 17 |
| Intergovernmental revenues | 234 | 234 | 252 | 18 |
| Charges for services | 1,821 | 1,914 | 395 | (1,519) |
| Other revenue | 846 | 846 | 917 | 71 |
| Interfund transfers | - | 100 | 100 | - |
| Total resources (inflows) available for appropriation | <u>2,946</u> | <u>3,139</u> | <u>1,744</u> | <u>(1,395)</u> |
| Charges to appropriations (outflows): | | | | |
| General government | | | | |
| Services and supplies | 34 | 52 | 19 | 33 |
| Interfund transfers | - | 93 | 93 | - |
| Reserves | - | 1,381 | - | 1,381 |
| Total general government | <u>34</u> | <u>1,526</u> | <u>112</u> | <u>1,414</u> |
| Public protection | | | | |
| Salaries and employees benefits | 1,596 | 1,596 | 1,335 | 261 |
| Services and supplies | 1,688 | 1,632 | 633 | 999 |
| Other charges | 22 | 22 | - | 22 |
| Reserves | 70 | 1,480 | - | 1,480 |
| Total public protection | <u>3,376</u> | <u>4,730</u> | <u>1,968</u> | <u>2,762</u> |
| Public assistance | | | | |
| Services and supplies | 8 | 148 | 123 | 25 |
| Reserves | - | 39 | - | 39 |
| Total public assistance | <u>8</u> | <u>187</u> | <u>123</u> | <u>64</u> |
| Total charges to appropriations | <u>3,418</u> | <u>6,443</u> | <u>2,203</u> | <u>4,240</u> |
| Budgetary fund balances, end of year | <u>\$ 2,782</u> | <u>\$ (50)</u> | <u>\$ 2,795</u> | <u>\$ 2,845</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 | \$ 1,744 |
| Differences - budget to GAAP: | |
| Interfund transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes | <u>(100)</u> |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - nonmajor special revenue funds | <u>\$ 1,644</u> |

Uses/outflows of resources

| | |
|--|-----------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 2,203 |
| 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>(73)</u> |
| Interfund transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | <u>(93)</u> |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - nonmajor special revenue funds | <u>\$ 2,037</u> |

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Other Special Revenue Funds

For the Fiscal Year Ended June 30, 2006
(In thousands)

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amount</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|--------------------------|---|
| <u>Mortgage and Rental Assistance</u> | | | | |
| Budgetary fund balances, beginning of year | \$ 80 | \$ 80 | \$ 80 | \$ - |
| Resources (inflows): | | | | |
| Interest and investment income | - | - | 2 | 2 |
| Interfund transfers | - | 100 | 100 | - |
| Total resources (inflows) available for appropriation | - | 100 | 102 | 2 |
| Charges to appropriations (outflows): | | | | |
| Public assistance: | | | | |
| Services and supplies | 8 | 148 | 123 | 25 |
| Reserves | - | 39 | - | 39 |
| Total charges to appropriations | 8 | 187 | 123 | 64 |
| Budgetary fund balances, end of year | <u>\$ 72</u> | <u>\$ (7)</u> | <u>\$ 59</u> | <u>\$ 66</u> |
| <u>Survey Monument Preservation</u> | | | | |
| Budgetary fund balances, beginning of year | \$ 772 | \$ 772 | \$ 772 | \$ - |
| Resources (inflows): | | | | |
| Charges for services | 90 | 90 | 54 | (36) |
| Charges to appropriations (outflows): | | | | |
| General government: | | | | |
| Services and supplies | 30 | 30 | - | 30 |
| Reserves | - | 832 | - | 832 |
| Total charges to appropriations | 30 | 862 | - | 862 |
| Budgetary fund balances, end of year | <u>\$ 832</u> | <u>\$ -</u> | <u>\$ 826</u> | <u>\$ 826</u> |
| <u>Weed Abatement</u> | | | | |
| Budgetary fund balances, beginning of year | \$ 815 | \$ 815 | \$ 815 | \$ - |
| Resources (inflows): | | | | |
| Intergovernmental revenues | 40 | 40 | - | (40) |
| Charges for services | 1,400 | 1,400 | - | (1,400) |
| Total resources (inflows) available for appropriation | 1,440 | 1,440 | - | (1,440) |
| Charges to appropriations (outflows): | | | | |
| Public protection: | | | | |
| Salaries and benefits | 342 | 342 | 285 | 57 |
| Services and supplies | 886 | 887 | 232 | 655 |
| Other charges | 22 | 22 | - | 22 |
| Reserves | 2 | 1,001 | - | 1,001 |
| Total charges to appropriations | 1,252 | 2,252 | 517 | 1,735 |
| Budgetary fund balances, end of year | <u>\$ 1,003</u> | <u>\$ 3</u> | <u>\$ 298</u> | <u>\$ 295</u> |
| <u>Correctional Facility</u> | | | | |
| Budgetary fund balances, beginning of year | \$ 2 | \$ 2 | \$ 2 | \$ - |
| Budgetary fund balances, end of year | <u>\$ 2</u> | <u>\$ 2</u> | <u>\$ 2</u> | <u>\$ -</u> |

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Other Special Revenue Funds

For the Fiscal Year Ended June 30, 2006
(In thousands)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|----------------------------|-------------------------|--------------------------|---|
| <u>Integrated Waste Management</u> | | | | |
| Budgetary fund balances, beginning of year | \$ 704 | \$ 704 | \$ 704 | \$ - |
| Resources (inflows): | | | | |
| Charges for services | 221 | 221 | 193 | (28) |
| Other revenue | 846 | 846 | 829 | (17) |
| Total resources (inflows) available for appropriation | 1,067 | 1,067 | 1,022 | (45) |
| Charges to appropriations (outflows): | | | | |
| Public protection: | | | | |
| Salaries and benefits | 934 | 934 | 797 | 137 |
| Services and supplies | 573 | 573 | 314 | 259 |
| Reserves | 6 | 264 | - | 264 |
| Total charges to appropriations | 1,513 | 1,771 | 1,111 | 660 |
| Budgetary fund balances, end of year | \$ 258 | \$ - | \$ 615 | \$ 615 |
| <u>Juvenile Welfare</u> | | | | |
| Budgetary fund balances, beginning of year | \$ 96 | \$ 96 | \$ 96 | \$ - |
| Resources (inflows): | | | | |
| Charges for services | 35 | 35 | - | (35) |
| Other Revenue | - | - | 42 | 42 |
| Total resources (inflows) available for appropriation | 35 | 35 | 42 | 7 |
| Charges to appropriations (outflows): | | | | |
| Public protection: | | | | |
| Services and supplies | 35 | 35 | 35 | - |
| Reserves | - | 96 | - | 96 |
| Total charges to appropriations | 35 | 131 | 35 | 96 |
| Budgetary fund balances, end of year | \$ 96 | \$ - | \$ 103 | \$ 103 |
| <u>LAFCO</u> | | | | |
| Budgetary fund balances, beginning of year | \$ 156 | \$ 156 | \$ 156 | \$ - |
| Resources (inflows): | | | | |
| Licenses and permits | 35 | 35 | 57 | 22 |
| Interest and investment income | 5 | 5 | 17 | 12 |
| Intergovernmental revenues | 194 | 194 | 252 | 58 |
| Total resources (inflows) available for appropriation | 234 | 234 | 326 | 92 |
| Charges to appropriations (outflows): | | | | |
| Public protection: | | | | |
| Salaries and benefits | 320 | 320 | 253 | 67 |
| Services and supplies | 156 | 62 | 16 | 46 |
| Reserves | 62 | 62 | - | 62 |
| Total charges to appropriations | 538 | 444 | 269 | 175 |
| Budgetary fund balances, end of year | \$ (148) | \$ (54) | \$ 213 | \$ 267 |
| <u>Juvenile Rehabilitation</u> | | | | |
| Budgetary fund balances, beginning of year | \$ 6 | \$ 6 | \$ 6 | \$ - |
| Budgetary fund balances, end of year | \$ 6 | \$ 6 | \$ 6 | \$ - |

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Other Special Revenue Funds

For the Fiscal Year Ended June 30, 2006
(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 | \$ 31 | \$ 31 | \$ 31 | \$ - |
| Resources (inflows): | | | | |
| Fines, forfeitures, and penalties | 5 | 5 | 1 | (4) |
| Charges to appropriations (outflows): | | | | |
| General government: | | | | |
| Services and supplies | 4 | 22 | 19 | 3 |
| Reserves | - | 14 | - | 14 |
| Total charges to appropriations | 4 | 36 | 19 | 17 |
| Budgetary fund balances, end of year | <u>\$ 32</u> | <u>\$ -</u> | <u>\$ 13</u> | <u>\$ 13</u> |
| <u>Health Vital Statistics</u> | | | | |
| Budgetary fund balances, beginning of year | \$ 535 | \$ 535 | \$ 535 | \$ - |
| Resources (inflows): | | | | |
| Charges for services | - | 93 | 148 | 55 |
| Charges to appropriations (outflows): | | | | |
| General government: | | | | |
| Interfund transfer | - | 93 | 93 | - |
| Reserves | - | 535 | - | 535 |
| Total charges to appropriations | - | 628 | 93 | 535 |
| Budgetary fund balances, end of year | <u>\$ 535</u> | <u>\$ -</u> | <u>\$ 590</u> | <u>\$ 590</u> |
| <u>Inmate Work Furlough</u> | | | | |
| Budgetary fund balances, beginning of year | \$ 57 | \$ 57 | \$ 57 | \$ - |
| Resources (inflows): | | | | |
| Interest and investment income | - | - | 3 | 3 |
| Charges for services | 75 | 75 | - | (75) |
| Other revenue | - | - | 46 | 46 |
| Total resources (inflows) available for appropriation | 75 | 75 | 49 | (26) |
| Charges to appropriations (outflows): | | | | |
| Public protection: | | | | |
| Services and supplies | 38 | 75 | 36 | 39 |
| Reserves | - | 57 | - | 57 |
| Total charges to appropriations | 38 | 132 | 36 | 96 |
| Budgetary fund balances, end of year | <u>\$ 94</u> | <u>\$ -</u> | <u>\$ 70</u> | <u>\$ 70</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, 2005 lease revenue bonds Series H, and 2006 lease revenue bonds Series I.

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, 2006
(In thousands)

| | Multiple Facilities Bonds | Hospital Facilities Bonds | Justice Facilities Bonds | Morgan Hill Courthouse Bonds | Total |
|---------------------------------------|--|--|---|---|------------------|
| Assets: | | | | | |
| Cash and investments: | | | | | |
| Restricted with fiscal agents | \$ 334 | \$ 12,200 | \$ 8 | \$ 223 | \$ 12,765 |
| Other restricted | 28,488 | - | 6,818 | 3,660 | 38,966 |
| Other receivables | 1,164 | - | 3 | 236 | 1,403 |
| Total assets | <u>\$ 29,986</u> | <u>\$ 12,200</u> | <u>\$ 6,829</u> | <u>\$ 4,119</u> | <u>\$ 53,134</u> |
| Liabilities and Fund Balances: | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 4 | \$ - | \$ - | \$ - | \$ 4 |
| Due to other funds | - | 2,389 | - | - | 2,389 |
| Deferred revenue | - | 218 | - | - | 218 |
| Total liabilities | <u>4</u> | <u>2,607</u> | <u>-</u> | <u>-</u> | <u>2,611</u> |
| Fund balances: | | | | | |
| Reserved for debt service | 29,982 | 9,593 | 6,829 | 4,119 | 50,523 |
| Total liabilities and fund balances | <u>\$ 29,986</u> | <u>\$ 12,200</u> | <u>\$ 6,829</u> | <u>\$ 4,119</u> | <u>\$ 53,134</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, 2006
(In thousands)

| | Multiple Facilities Bonds | Hospital Facilities Bonds | Justice Facilities Bonds | Morgan Hill Courthouse Bonds | Total |
|--|--|--|---|---|------------------|
| Revenues: | | | | | |
| Fines, forfeitures, and penalties | \$ - | \$ - | \$ 6,404 | \$ - | \$ 6,404 |
| Interest and investment income | 2,181 | 241 | 174 | 949 | 3,545 |
| Total revenues | <u>2,181</u> | <u>241</u> | <u>6,578</u> | <u>949</u> | <u>9,949</u> |
| Expenditures: | | | | | |
| Debt service: | | | | | |
| Principal retirement | - | 446 | 3,470 | - | 3,916 |
| Interest and fiscal charges | 1,858 | 603 | 3,102 | 1,442 | 7,005 |
| Total expenditures | <u>1,858</u> | <u>1,049</u> | <u>6,572</u> | <u>1,442</u> | <u>10,921</u> |
| Excess (deficiency) of revenues over (under) expenditures | 323 | (808) | 6 | (493) | (972) |
| Other financing sources: | | | | | |
| Transfers in | 17,766 | 672 | - | - | 18,438 |
| Net change in fund balances | 18,089 | (136) | 6 | (493) | 17,466 |
| Fund balances, beginning of year | 11,893 | 9,729 | 6,823 | 4,612 | 33,057 |
| Fund balances, end of year | <u>\$ 29,982</u> | <u>\$ 9,593</u> | <u>\$ 6,829</u> | <u>\$ 4,119</u> | <u>\$ 50,523</u> |

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Multiple Facilities Bonds Fund

For the Fiscal Year Ended June 30, 2006
(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 | \$ 11,893 | \$ 11,893 | \$ 11,893 | \$ - |
| Resources (inflows): | | | | |
| Interest and investment income | - | 3,966 | 2,181 | (1,785) |
| Interfund transfers | - | 17,766 | 17,766 | - |
| Total resources (inflows) available for appropriation | - | 21,732 | 19,947 | (1,785) |
| Charges to appropriations (outflows): | | | | |
| Debt service: | | | | |
| Interest and fiscal charges | 1,324 | 2,114 | 1,858 | 256 |
| Reserves | - | 2,582 | - | 2,582 |
| Total charges to appropriations | 1,324 | 4,696 | 1,858 | 2,838 |
| Budgetary fund balances, end of year | <u>\$ 10,569</u> | <u>\$ 28,929</u> | <u>\$ 29,982</u> | <u>\$ 1,053</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 | \$ 19,947 |
| Differences - budget to GAAP: | |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes | <u>(17,766)</u> |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - nonmajor debt service funds | <u>\$ 2,181</u> |

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Hospital Facilities Bonds Fund

For the Fiscal Year Ended June 30, 2006
(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 | \$ 9,729 | \$ 9,729 | \$ 9,729 | \$ - |
| Resources (inflows): | | | | |
| Interest and investment income | 430 | 430 | 241 | (189) |
| Interfund transfers | <u>725</u> | <u>725</u> | <u>672</u> | <u>(53)</u> |
| Total resources (inflows) available for appropriation | <u>1,155</u> | <u>1,155</u> | <u>913</u> | <u>(242)</u> |
| Charges to appropriations (outflows): | | | | |
| Debt service: | | | | |
| Principal retirement | 494 | 495 | 446 | 49 |
| Interest and fiscal charges | 280 | 710 | 603 | 107 |
| Reserves | <u>-</u> | <u>9,410</u> | <u>-</u> | <u>9,410</u> |
| Total charges to appropriations | <u>774</u> | <u>10,615</u> | <u>1,049</u> | <u>9,566</u> |
| Budgetary fund balances, end of year | <u>\$ 10,110</u> | <u>\$ 269</u> | <u>\$ 9,593</u> | <u>\$ 9,324</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 | \$ 913 |
| Differences - budget to GAAP: | |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes | <u>(672)</u> |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - nonmajor debt service funds | <u>\$ 241</u> |

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule

Justice Facilities Bonds Fund

For the Fiscal Year Ended June 30, 2006

(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 | \$ 6,823 | \$ 6,823 | \$ 6,823 | \$ - |
| Resources (inflows): | | | | |
| Fines, forfeitures, and penalties | 6,417 | 6,417 | 6,404 | (13) |
| Interest and investment income | 155 | 155 | 174 | 19 |
| Total resources (inflows) available for appropriation | <u>6,572</u> | <u>6,572</u> | <u>6,578</u> | <u>6</u> |
| Charges to appropriations (outflows): | | | | |
| Debt service: | | | | |
| Principal retirement | 3,470 | 3,470 | 3,470 | - |
| Interest and fiscal charges | 3,102 | 3,102 | 3,102 | - |
| Reserves | - | 253 | - | 253 |
| Total charges to appropriations | <u>6,572</u> | <u>6,825</u> | <u>6,572</u> | <u>253</u> |
| Budgetary fund balances, end of year | <u>\$ 6,823</u> | <u>\$ 6,570</u> | <u>\$ 6,829</u> | <u>\$ 259</u> |

COUNTY OF SANTA CLARA
 Budgetary Comparison Schedule
 Morgan Hill Courthouse Bonds Fund
 For the Fiscal Year Ended June 30, 2006
 (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 | \$ 4,612 | \$ 4,612 | \$ 4,612 | \$ - |
| Resources (inflows): | | | | |
| Interest and investment income | - | - | 949 | 949 |
| Total resources (inflows) available for appropriation | - | - | 949 | 949 |
| Charges to appropriations (outflows): | | | | |
| Debt service: | | | | |
| Interest and fiscal charges | 1,623 | 1,623 | 1,442 | 181 |
| Reserves | - | 2,990 | - | 2,990 |
| Total charges to appropriations | 1,623 | 4,613 | 1,442 | 3,171 |
| Budgetary fund balances, end of year | <u>\$ 2,989</u> | <u>\$ (1)</u> | <u>\$ 4,119</u> | <u>\$ 4,120</u> |

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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:

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.

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, 2005 lease revenue bonds Series H, and 2006 lease revenue bonds Series I.

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, 2006
(In thousands)

| | <u>General Capital Improvement</u> | <u>Measure B Bond Proceeds</u> | <u>Multiple Facilities Construction</u> | <u>Parks Acquisition and Development</u> |
|---|--|--|---|--|
| Assets: | | | | |
| Cash and investments: | | | | |
| Unrestricted | \$ 45,303 | \$ 750 | \$ 85,310 | \$ 71,708 |
| Restricted with fiscal agents | - | 14,391 | 9 | - |
| Other receivables | 510 | 11 | - | 727 |
| Due from other funds | 13,002 | - | - | - |
| Due from other governmental agencies | 281 | - | - | 1,520 |
| Advances to other funds | 21 | - | - | - |
| Total assets | <u>\$ 59,117</u> | <u>\$ 15,152</u> | <u>\$ 85,319</u> | <u>\$ 73,955</u> |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 17,889 | \$ - | \$ - | \$ 177 |
| Other accrued liabilities | - | - | - | 3,000 |
| Advances from other funds | 2,321 | - | 1,375 | - |
| Deferred revenue – other | - | - | - | 428 |
| Total liabilities | <u>20,210</u> | <u>-</u> | <u>1,375</u> | <u>3,605</u> |
| Fund Balances: | | | | |
| Reserve for: | | | | |
| Encumbrances | 22,063 | - | 58,392 | 3,660 |
| Inventories, advances, and other assets | 21 | - | - | - |
| Debt service | - | 14,391 | 9 | - |
| Unreserved - undesignated | 16,823 | 761 | 25,543 | 66,690 |
| Total fund balances | <u>38,907</u> | <u>15,152</u> | <u>83,944</u> | <u>70,350</u> |
| Total liabilities and fund balances | <u>\$ 59,117</u> | <u>\$ 15,152</u> | <u>\$ 85,319</u> | <u>\$ 73,955</u> |

COUNTY OF SANTA CLARA

Combining Balance Sheet
Nonmajor Capital Projects Funds

June 30, 2006
(In thousands)

| <u>Jail Facilities Construction</u> | <u>Juvenile Facilities Construction</u> | <u>Morgan Hill Courthouse Construction</u> | <u>Total</u> |
|---|---|--|-------------------|
| \$ - | \$ - | \$ 17,088 | \$ 220,159 |
| - | - | - | 14,400 |
| - | - | - | 1,248 |
| - | - | - | 13,002 |
| - | - | - | 1,801 |
| - | - | - | 21 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 17,088</u> | <u>\$ 250,631</u> |
| | | | |
| \$ - | \$ - | \$ - | \$ 18,066 |
| - | - | - | 3,000 |
| - | - | - | 3,696 |
| - | - | - | 428 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>25,190</u> |
| | | | |
| - | - | 17,088 | 101,203 |
| - | - | - | 21 |
| - | - | - | 14,400 |
| - | - | - | 109,817 |
| <u>-</u> | <u>-</u> | <u>17,088</u> | <u>225,441</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 17,088</u> | <u>\$ 250,631</u> |

Assets:

Cash and investments:

- Unrestricted
- Restricted with fiscal agents
- Other receivables
- Due from other funds
- Due from other governmental agencies
- Advances to other funds

Total assets

Liabilities and Fund Balances:

Liabilities:

- Accounts payable
- Other accrued liabilities
- Advances from other funds
- Deferred revenue – other

Total liabilities

Fund Balances:

Reserve for:

- Encumbrances
- Inventories, advances, and other assets
- 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, 2006
(In thousands)

| | <u>General Capital Improvement</u> | <u>Measure B Bond Proceeds</u> | <u>Multiple Facilities Construction</u> | <u>Parks Acquisition and Development</u> |
|--|--|--|---|--|
| Revenues: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 30,706 |
| Interest and investment income | 1,989 | 603 | - | 2,265 |
| Intergovernmental revenues | 3,454 | - | - | 1,820 |
| Charges for services | 259 | - | - | 62 |
| Other revenue | 890 | - | - | 1,815 |
| Total revenues | <u>6,592</u> | <u>603</u> | <u>-</u> | <u>36,668</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 23 | - | - | - |
| Capital outlay | 88,180 | - | - | 6,294 |
| Debt service: | | | | |
| Interest and fiscal charges | 135 | - | - | - |
| Cost of issuance | - | - | 1,136 | - |
| Total expenditures | <u>88,338</u> | <u>-</u> | <u>1,136</u> | <u>6,294</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(81,746)</u> | <u>603</u> | <u>(1,136)</u> | <u>30,374</u> |
| Other financing sources (uses): | | | | |
| Proceeds from sales of capital assets | - | - | - | 49 |
| Lease revenue bonds issuance | - | - | 87,575 | - |
| Bond premium | - | - | 1,003 | - |
| Transfers in | 89,124 | - | - | - |
| Transfers out | <u>(8,780)</u> | <u>(402)</u> | <u>(39,656)</u> | <u>(21,600)</u> |
| Total other financing sources (uses) | <u>80,344</u> | <u>(402)</u> | <u>48,922</u> | <u>(21,551)</u> |
| Net change in fund balances | <u>(1,402)</u> | <u>201</u> | <u>47,786</u> | <u>8,823</u> |
| Fund balances, beginning of year | <u>40,309</u> | <u>14,951</u> | <u>36,158</u> | <u>61,527</u> |
| Fund balances, end of year | <u>\$ 38,907</u> | <u>\$ 15,152</u> | <u>\$ 83,944</u> | <u>\$ 70,350</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, 2006
(In thousands)

| <u>Jail Facilities Construction</u> | <u>Juvenile Facilities Construction</u> | <u>Morgan Hill Courthouse Construction</u> | <u>Total</u> |
|---|---|--|-------------------|
| \$ - | \$ - | \$ - | \$ 30,706 |
| - | - | - | 4,857 |
| - | - | - | 5,274 |
| - | - | - | 321 |
| - | - | - | 2,705 |
| - | - | - | 43,863 |
| - | - | - | 23 |
| - | - | - | 94,474 |
| - | - | - | 135 |
| - | - | - | 1,136 |
| - | - | - | 95,768 |
| - | - | - | (51,905) |
| - | - | - | 49 |
| - | - | - | 87,575 |
| - | - | - | 1,003 |
| - | - | - | 89,124 |
| (66) | (10) | (10,089) | (80,603) |
| (66) | (10) | (10,089) | 97,148 |
| (66) | (10) | (10,089) | 45,243 |
| 66 | 10 | 27,177 | 180,198 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 17,088</u> | <u>\$ 225,441</u> |

Revenues:

Taxes
Interest and investment income
Intergovernmental revenues
Charges for services
Other revenue

Total revenues

Expenditures:

Current:

General government
Capital outlay

Debt service:

Interest and fiscal charges
Cost of issuance

Total expenditures

Excess (deficiency) of revenues over
(under) expenditures

Other financing sources (uses):

Proceeds from sales of capital assets
Lease revenue bonds issuance
Bond premium
Transfers in
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, 2006
 (In thousands)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|----------------------------|-------------------------|--------------------------|---|
| Budgetary fund balances, beginning of year | \$ 40,309 | \$ 40,309 | \$ 40,309 | \$ - |
| Resources (inflows): | | | | |
| Interest and investment income | 600 | 600 | 1,989 | 1,389 |
| Intergovernmental revenues | 7,188 | 10,500 | 3,454 | (7,046) |
| Charges for services | - | 259 | 259 | - |
| Other revenue | 875 | 875 | 890 | 15 |
| Interfund transfers | 196,952 | 349,734 | 89,124 | (260,610) |
| Other financing sources | - | 14,800 | - | (14,800) |
| Total resources (inflows) available for appropriation | 205,615 | 376,768 | 95,716 | (281,052) |
| Charges to appropriations (outflows): | | | | |
| General government: | | | | |
| Services and supplies | - | 23 | 23 | - |
| Debt service | | | | |
| Interest and fiscal charges | 875 | 1,946 | 135 | 1,811 |
| Capital outlay | 248,814 | 196,523 | 110,243 | 86,280 |
| Interfund transfers | - | 8,780 | 8,780 | - |
| Total charges to appropriations | 249,689 | 207,272 | 119,181 | 88,091 |
| Budgetary fund balances, end of year | \$ (3,765) | \$ 209,805 | \$ 16,844 | \$ (192,961) |

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 | \$ 95,716 |
| Differences - budget to GAAP: | |
| Interfund transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes | (89,124) |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - nonmajor capital projects funds | \$ 6,592 |

Uses/outflows of resources

| | |
|--|------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 119,181 |
| 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 | (22,063) |
| Interfund transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | (8,780) |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - nonmajor capital projects funds | \$ 88,338 |

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Measure B Bond Proceeds Fund

For the Fiscal Year Ended June 30, 2006
(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 | \$ 14,951 | \$ 14,951 | \$ 14,951 | \$ - |
| Resources (inflows): | | | | |
| Interest and investment income | 40 | 470 | 603 | 133 |
| Total resources (inflows) available for appropriation | 40 | 470 | 603 | 133 |
| Charges to appropriations (outflows): | | | | |
| Capital outlay | 53 | 53 | - | 53 |
| Interfund transfers | 53 | 483 | 402 | 81 |
| Reserves | - | 15,175 | - | 15,175 |
| Total charges to appropriations | 106 | 15,711 | 402 | 15,309 |
| Budgetary fund balances, end of year | \$ 14,885 | \$ (290) | \$ 15,152 | \$ 15,442 |

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

\$ 402

Differences - budget to GAAP:

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

(402)

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

\$ -

COUNTY OF SANTA CLARA
 Budgetary Comparison Schedule
 Multiple Facilities Construction Fund
 For the Fiscal Year Ended June 30, 2006
 (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 | \$ 36,158 | \$ 36,158 | \$ 36,158 | \$ - |
| Resources (inflows): | | | | |
| Other financing sources | - | 88,578 | 88,578 | - |
| Total resources (inflows) available for appropriation | - | 88,578 | 88,578 | - |
| Charges to appropriations (outflows): | | | | |
| Debt service: | | | | |
| Interest and fiscal charges | - | 1,150 | 1,136 | 14 |
| Capital outlay | - | 58,392 | 58,392 | - |
| Interfund transfers | 36,136 | 65,194 | 39,656 | 25,538 |
| Total charges to appropriations | 36,136 | 124,736 | 99,184 | 25,552 |
| Budgetary fund balances, end of year | <u>\$ 22</u> | <u>\$ -</u> | <u>\$ 25,552</u> | <u>\$ 25,552</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 | \$ 88,578 |
| Differences - budget to GAAP: Proceeds from lease revenue bonds are inflows of budgetary resources but are not revenues for financial reporting purposes | <u>(88,578)</u> |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - nonmajor capital projects funds | <u>\$ -</u> |

Uses/outflows of resources

| | |
|--|-----------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 99,184 |
| Differences - budget to GAAP: Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | (39,656) |
| Encumbrances for capital outlay that are reported for budgetary purpose but are not expenditures for financial reporting purpose | <u>(58,392)</u> |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - nonmajor capital projects funds | <u>\$ 1,136</u> |

COUNTY OF SANTA CLARA
 Budgetary Comparison Schedule
 Parks Acquisition and Development Fund
 For the Fiscal Year Ended June 30, 2006
 (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 | \$ 61,527 | \$ 61,527 | \$ 61,527 | \$ - |
| Resources (inflows): | | | | |
| Taxes | 28,786 | 28,786 | 30,706 | 1,920 |
| Interest and investment income | 550 | 550 | 2,265 | 1,715 |
| Intergovernmental revenues | 4,759 | 7,776 | 1,820 | (5,956) |
| Charges for services | - | - | 62 | 62 |
| Other revenue | 250 | 873 | 1,815 | 942 |
| Interfund transfers | - | 115 | - | (115) |
| Other financing sources | - | - | 49 | 49 |
| Total resources (inflows) available for appropriation | <u>34,345</u> | <u>38,100</u> | <u>36,717</u> | <u>(1,383)</u> |
| Charges to appropriations (outflows): | | | | |
| Capital outlay | 39,610 | 43,450 | 9,954 | 33,496 |
| Interfund transfers | 20,825 | 21,765 | 21,600 | 165 |
| Total charges to appropriations | <u>60,435</u> | <u>65,215</u> | <u>31,554</u> | <u>33,661</u> |
| Budgetary fund balances, end of year | <u>\$ 35,437</u> | <u>\$ 34,412</u> | <u>\$ 66,690</u> | <u>\$ 32,278</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 | \$ 36,717 |
| Differences - budget to GAAP: | |
| Proceeds from sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes | <u>(49)</u> |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - nonmajor capital projects funds | <u>\$ 36,668</u> |

Uses/outflows of resources

| | |
|--|-----------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 31,554 |
| 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 | (3,660) |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | <u>(21,600)</u> |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - nonmajor capital projects funds | <u>\$ 6,294</u> |

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Jail Facilities Construction Fund

For the Fiscal Year Ended June 30, 2006
(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 | \$ 66 | \$ 66 | \$ 66 | \$ - |
| Charges to appropriations (outflows): | | | | |
| Interfund transfers | - | 66 | 66 | - |
| Total charges to appropriations | - | 66 | 66 | - |
| Budgetary fund balances, end of year | <u>\$ 66</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</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

\$ 66

Differences - budget to GAAP:

Differences - budget to GAAP:

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

(66)

Total expenditures as reported on the statement of revenues, expenditures and
changes in fund balances - nonmajor capital projects funds

\$ -

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
 Juvenile Facilities Construction Fund

For the Fiscal Year Ended June 30, 2006
 (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 | \$ 10 | \$ 10 | \$ 10 | \$ - |
| Charges to appropriations (outflows): | | | | |
| Interfund transfers | - | 10 | 10 | - |
| Charges to appropriations (outflows) | - | 10 | 10 | - |
| Budgetary fund balances, end of year | <u>\$ 10</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</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

\$ 10

Differences - budget to GAAP:

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

(10)

Total expenditures as reported on the statement of revenues, expenditures and
 changes in fund balances - nonmajor capital projects funds

\$ -

COUNTY OF SANTA CLARA

Budgetary Comparison Schedule
Morgan Hill Courthouse Construction Fund

For the Fiscal Year Ended June 30, 2006
(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 | \$ 27,177 | \$ 27,177 | \$ 27,177 | \$ - |
| Charges to appropriations (outflows): | | | | |
| Capital outlay | - | 17,088 | 17,088 | - |
| Interfund transfers | 27,177 | 10,089 | 10,089 | - |
| Charges to appropriations (outflows) | 27,177 | 27,177 | 27,177 | - |
| Budgetary fund balances, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</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

\$ 27,177

Differences - budget to GAAP:

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

(10,089)

Encumbrances for capital outlay that are reported for budgetary purpose but are not
expenditures for financial reporting purpose.

(17,088)

Total expenditures as reported on the statement of revenues, expenditures and
changes in fund balances - nonmajor capital projects funds

\$ -



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 nonmajor 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, 2006
(In thousands)

| Assets | Airport | Sanitation District | Total |
|---|------------------|--------------------------------|------------------|
| Current assets: | | | |
| Cash and investments: | | | |
| Unrestricted | \$ 1,363 | \$ 8,867 | \$ 10,230 |
| Restricted with fiscal agent | 1,517 | - | 1,517 |
| Other receivables | 69 | 97 | 166 |
| Due from other governmental agencies | 7 | - | 7 |
| Total current assets | 2,956 | 8,964 | 11,920 |
| Noncurrent assets: | | | |
| Other assets | 195 | 8 | 203 |
| Capital assets: | | | |
| Nondepreciable | 11,341 | - | 11,341 |
| Depreciable | 6,937 | 1,317 | 8,254 |
| Capital assets, net | 18,278 | 1,317 | 19,595 |
| Total noncurrent assets | 18,473 | 1,325 | 19,798 |
| Total assets | 21,429 | 10,289 | 31,718 |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | 702 | 795 | 1,497 |
| Accrued salaries and benefits | 46 | - | 46 |
| Other accrued liabilities | 256 | 40 | 296 |
| Deferred revenue | 84 | - | 84 |
| Current portion of accrued vacation and sick leave | 6 | - | 6 |
| Current portion of bonds payable | 239 | - | 239 |
| Total current liabilities | 1,333 | 835 | 2,168 |
| Noncurrent liabilities: | | | |
| Noncurrent portion of accrued vacation and sick leave | 85 | - | 85 |
| Noncurrent portion of bonds payable | 5,854 | - | 5,854 |
| Total noncurrent liabilities | 5,939 | - | 5,939 |
| Total liabilities | 7,272 | 835 | 8,107 |
| Net Assets | | | |
| Investment in capital assets, net of related debt | 13,052 | 1,317 | 14,369 |
| Restricted for debt service | 844 | - | 844 |
| Unrestricted | 261 | 8,137 | 8,398 |
| Total net assets | \$ 14,157 | \$ 9,454 | \$ 23,611 |

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, 2006

(In thousands)

| | <u>Airport</u> | <u>Sanitation District</u> | <u>Total</u> |
|--|------------------|--------------------------------|------------------|
| Operating revenues: | | | |
| Charges for service | \$ 2,678 | \$ 1,870 | \$ 4,548 |
| Operating expenses: | | | |
| Salaries and benefits | 1,347 | - | 1,347 |
| Services and supplies | 870 | 10 | 880 |
| Professional services | - | 635 | 635 |
| Depreciation and amortization | 674 | 28 | 702 |
| Insurance | - | 18 | 18 |
| Other | 125 | 1,237 | 1,362 |
| Total operating expenses | <u>3,016</u> | <u>1,928</u> | <u>4,944</u> |
| Operating loss | <u>(338)</u> | <u>(58)</u> | <u>(396)</u> |
| Nonoperating revenues (expenses): | | | |
| Interest income | 143 | 325 | 468 |
| Interest expense | (286) | - | (286) |
| Other, net | <u>(225)</u> | <u>-</u> | <u>(225)</u> |
| Total nonoperating revenues (expenses), net | <u>(368)</u> | <u>325</u> | <u>(43)</u> |
| Income (loss) before capital contributions and transfers | <u>(706)</u> | <u>267</u> | <u>(439)</u> |
| Capital contributions | 997 | - | 997 |
| Transfers in | 10 | - | 10 |
| Change in net assets | <u>301</u> | <u>267</u> | <u>568</u> |
| Net assets, beginning of year, as previously reported | 13,856 | 7,943 | 21,799 |
| Prior period adjustment | <u>-</u> | <u>1,244</u> | <u>1,244</u> |
| Net assets at beginning of year, as restated | <u>13,856</u> | <u>9,187</u> | <u>23,043</u> |
| Net assets, end of year | <u>\$ 14,157</u> | <u>\$ 9,454</u> | <u>\$ 23,611</u> |

COUNTY OF SANTA CLARA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2006
(In thousands)

| | <u>Airport</u> | <u>Sanitation District</u> | <u>Total</u> |
|---|-----------------|--------------------------------|------------------|
| Cash flows from operating activities: | | | |
| Cash receipts from customers and users | \$ 2,819 | \$ 1,870 | \$ 4,689 |
| Cash payment to suppliers for goods and services | (899) | (1,818) | (2,717) |
| Cash payment to employees for services | (1,341) | - | (1,341) |
| Other payments | (225) | - | (225) |
| Net cash provided by operating activities | <u>354</u> | <u>52</u> | <u>406</u> |
| Cash flows from noncapital financial activities: | | | |
| Transfers in | <u>10</u> | <u>-</u> | <u>10</u> |
| Cash flows from capital and related financing activities: | | | |
| Repayment of bonds | (230) | - | (230) |
| Interest paid | (286) | - | (286) |
| Acquisition of capital assets | (2,453) | (25) | (2,478) |
| Capital grants received | 997 | - | 997 |
| Net cash used in capital and related financing activities | <u>(1,972)</u> | <u>(25)</u> | <u>(1,997)</u> |
| Cash flows provided by investing activities: | | | |
| Interest received | <u>144</u> | <u>289</u> | <u>433</u> |
| Net change in cash and cash equivalents | (1,464) | 316 | (1,148) |
| Cash and cash equivalents, beginning of year | 4,344 | 8,551 | 12,895 |
| Cash and cash equivalents, end of year | <u>\$ 2,880</u> | <u>\$ 8,867</u> | <u>\$ 11,747</u> |
| Cash and cash equivalents: | | | |
| Cash and investments: | | | |
| Unrestricted | \$ 1,363 | \$ 8,867 | \$ 10,230 |
| Restricted with fiscal agent | 1,517 | - | 1,517 |
| Total cash and cash equivalents | <u>\$ 2,880</u> | <u>\$ 8,867</u> | <u>\$ 11,747</u> |
| Reconciliation of operating loss to net cash provided by operating activities: | | | |
| Operating loss | \$ (338) | \$ (58) | \$ (396) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | | |
| Depreciation and amortization | 674 | 28 | 702 |
| Miscellaneous nonoperating expense | (225) | - | (225) |
| Decrease (increase) in assets: | | | |
| Receivables | 115 | - | 115 |
| Due from other governmental agencies | 8 | - | 8 |
| Prepaid and other assets | 7 | 47 | 54 |
| Increase (decrease) in liabilities: | | | |
| Accounts payable | 57 | 8 | 65 |
| Accrued salaries and benefits | 9 | - | 9 |
| Accrued liabilities | 32 | 27 | 59 |
| Accrued vacation and sick leave | (3) | - | (3) |
| Deferred revenue | 18 | - | 18 |
| Net cash provided by operating activities | <u>\$ 354</u> | <u>\$ 52</u> | <u>\$ 406</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, 2006
(In thousands)

| | <u>Information Services</u> | <u>Fleet Management</u> | <u>Insurance</u> | <u>Printing</u> |
|--|---------------------------------|-----------------------------|------------------|-----------------|
| Assets: | | | | |
| Current assets: | | | | |
| Cash and investments: | | | | |
| Unrestricted | \$ 6,474 | \$ 5,927 | \$ 36,412 | \$ 1,205 |
| Other restricted | - | - | - | - |
| Accounts receivable, net | 78 | 140 | 440 | 13 |
| Due from other governmental agencies | 67 | - | - | - |
| Inventories | 518 | 477 | - | 167 |
| Prepaid rent/insurance | 302 | - | 1,052 | - |
| Total current assets | <u>7,439</u> | <u>6,544</u> | <u>37,904</u> | <u>1,385</u> |
| Noncurrent assets: | | | | |
| Advances to other funds | - | - | - | - |
| Capital assets: | | | | |
| Depreciable | 931 | 3,965 | 17 | 135 |
| Total noncurrent assets | <u>931</u> | <u>3,965</u> | <u>17</u> | <u>135</u> |
| Total assets | <u>8,370</u> | <u>10,509</u> | <u>37,921</u> | <u>1,520</u> |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable | 144 | 375 | 1,556 | 21 |
| Accrued salaries and benefits | 776 | 164 | 43 | 32 |
| Insurance claims | - | - | 8,895 | - |
| Due to other governmental agencies | 21 | - | 20 | - |
| Deferred revenue | 521 | - | - | - |
| Current portion of accrued vacation and sick leave | 220 | 32 | 5 | 3 |
| Current portion of capital lease obligations | - | 1,282 | - | - |
| Current portion of advances from other funds | - | 21 | - | - |
| Total current liabilities | <u>1,682</u> | <u>1,874</u> | <u>10,519</u> | <u>56</u> |
| Noncurrent liabilities: | | | | |
| Long-term insurance claims | - | - | 15,672 | - |
| Accrued vacation and sick leave, noncurrent | 2,102 | 277 | 129 | 110 |
| Capital lease obligations, net of current portion | - | 1,557 | - | - |
| Total noncurrent liabilities | <u>2,102</u> | <u>1,834</u> | <u>15,801</u> | <u>110</u> |
| Total liabilities | <u>3,784</u> | <u>3,708</u> | <u>26,320</u> | <u>166</u> |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 931 | 1,126 | 17 | 135 |
| Unrestricted (deficit) | 3,655 | 5,675 | 11,584 | 1,219 |
| Total net assets (deficit) | <u>\$ 4,586</u> | <u>\$ 6,801</u> | <u>\$ 11,601</u> | <u>\$ 1,354</u> |

COUNTY OF SANTA CLARA
 Combining Statement of Fund Net Assets
 Internal Service Funds
 June 30, 2006
 (In thousands)

| <u>Unemployment Insurance</u> | <u>Workers' Compensation</u> | <u>Employee Benefits</u> | <u>Retiree Healthcare</u> | <u>Total</u> | |
|-----------------------------------|----------------------------------|------------------------------|-------------------------------|-------------------|--|
| | | | | | Assets: |
| | | | | | Current assets: |
| \$ 1,519 | \$ 34,311 | \$ 7,445 | \$ 334,079 | \$ 427,372 | Cash and investments: |
| - | - | 459 | - | 459 | Unrestricted |
| 46 | 2,600 | 906 | 1,224 | 5,447 | Other restricted |
| - | - | - | 435 | 502 | Accounts receivable, net |
| - | - | - | - | 1,162 | Due from other governmental agencies |
| 3 | 17 | - | - | 1,374 | Inventories |
| <u>1,568</u> | <u>36,928</u> | <u>8,810</u> | <u>335,738</u> | <u>436,316</u> | Prepaid rent/insurance |
| | | | | | Total current assets |
| - | - | - | 2,321 | 2,321 | Noncurrent assets: |
| | | | | | Advances to other funds |
| - | 374 | - | - | 5,422 | Capital assets: |
| - | 374 | - | 2,321 | 7,743 | Depreciable |
| <u>1,568</u> | <u>37,302</u> | <u>8,810</u> | <u>338,059</u> | <u>444,059</u> | Total noncurrent assets |
| | | | | | Total assets |
| | | | | | Liabilities: |
| | | | | | Current liabilities: |
| 3 | 426 | 589 | 10 | 3,124 | Accounts payable |
| - | 130 | - | - | 1,145 | Accrued salaries and benefits |
| 701 | 21,159 | 2,176 | - | 32,931 | Insurance claims |
| - | - | - | - | 41 | Due to other governmental agencies |
| - | - | - | - | 521 | Deferred revenue |
| - | 11 | - | - | 271 | Current portion of accrued vacation and sick leave |
| - | - | - | - | 1,282 | Current portion of capital lease obligations |
| - | - | - | - | 21 | Current portion of advances from other funds |
| <u>704</u> | <u>21,726</u> | <u>2,765</u> | <u>10</u> | <u>39,336</u> | Total current liabilities |
| | | | | | Noncurrent liabilities: |
| - | 55,443 | - | - | 71,115 | Long-term insurance claims |
| - | 270 | - | - | 2,888 | Accrued vacation and sick leave, noncurrent |
| - | - | - | - | 1,557 | Capital lease obligations, net of current portion |
| - | 55,713 | - | - | 75,560 | Total noncurrent liabilities |
| <u>704</u> | <u>77,439</u> | <u>2,765</u> | <u>10</u> | <u>114,896</u> | Total liabilities |
| | | | | | Net assets: |
| - | 374 | - | - | 2,583 | Invested in capital assets, net of related debt |
| 864 | (40,511) | 6,045 | 338,049 | 326,580 | Unrestricted (deficit) |
| <u>\$ 864</u> | <u>\$ (40,137)</u> | <u>\$ 6,045</u> | <u>\$ 338,049</u> | <u>\$ 329,163</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, 2006
(In thousands)

| | <u>Information Services</u> | <u>Fleet Management</u> | <u>Insurance</u> | <u>Printing</u> |
|---|---------------------------------|-----------------------------|------------------|-----------------|
| Operating revenues: | | | | |
| Charges for services | \$ 29,579 | \$ 14,965 | \$ 14,003 | \$ 1,847 |
| Operating expenses: | | | | |
| Salaries and benefits | 19,319 | 4,223 | 1,145 | 975 |
| Services and supplies | 5,964 | 5,940 | 109 | 838 |
| General and administrative | 2,280 | - | - | - |
| Professional services | - | 1,937 | 982 | - |
| Depreciation and amortization | 457 | 2,425 | 6 | 105 |
| Lease and rentals | 24 | 477 | 102 | - |
| Insurance claims and premiums | - | - | 13,557 | - |
| Total operating expenses | <u>28,044</u> | <u>15,002</u> | <u>15,901</u> | <u>1,918</u> |
| Operating income (loss) | <u>1,535</u> | <u>(37)</u> | <u>(1,898)</u> | <u>(71)</u> |
| Nonoperating revenues (expenses): | | | | |
| Interest and investment income | 206 | 114 | 1,222 | 40 |
| Interest expense | - | (116) | - | - |
| Gain (loss) on disposal of capital assets | (34) | 25 | - | - |
| Other | 53 | 97 | - | 3 |
| Total nonoperating revenues (expenses) | <u>225</u> | <u>120</u> | <u>1,222</u> | <u>43</u> |
| Income (loss) before transfers | 1,760 | 83 | (676) | (28) |
| Transfers in | - | 2,336 | - | - |
| Transfers out | <u>(1,486)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in net assets | 274 | 2,419 | (676) | (28) |
| Net assets (deficit), beginning of year | <u>4,312</u> | <u>4,382</u> | <u>12,277</u> | <u>1,382</u> |
| Net assets (deficit), end of year | <u>\$ 4,586</u> | <u>\$ 6,801</u> | <u>\$ 11,601</u> | <u>\$ 1,354</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, 2006
(In thousands)

| Unemployment Insurance | Workers' Compensation | Employee Benefits | Retiree Healthcare | Total | |
|-------------------------------|------------------------------|--------------------------|---------------------------|--------------|---|
| \$ 924 | \$ 32,091 | \$ 20,202 | \$ 42,996 | \$ 156,607 | Operating revenues: |
| | | | | | Charges for services |
| - | 3,351 | - | - | 29,013 | Operating expenses: |
| 76 | 4,275 | 1,080 | 76 | 18,358 | Salaries and benefits |
| - | 1,902 | 157 | 662 | 5,001 | Services and supplies |
| 45 | - | - | - | 2,964 | General and administrative |
| - | 124 | - | - | 3,117 | Professional services |
| 24 | 201 | - | - | 828 | Depreciation and amortization |
| 1,073 | 23,593 | 17,363 | 35,511 | 91,097 | Lease and rentals |
| 1,218 | 33,446 | 18,600 | 36,249 | 150,378 | Insurance claims and premiums |
| (294) | (1,355) | 1,602 | 6,747 | 6,229 | Total operating expenses |
| | | | | | Operating income (loss) |
| 68 | 1,045 | 270 | 21,671 | 24,636 | Nonoperating revenues (expenses): |
| - | - | (3) | - | (119) | Interest and investment income |
| - | - | - | - | (9) | Interest expense |
| - | 42 | - | - | 195 | Gain (loss) on disposal of capital assets |
| 68 | 1,087 | 267 | 21,671 | 24,703 | Other |
| (226) | (268) | 1,869 | 28,418 | 30,932 | Total nonoperating revenues (expenses) |
| - | - | - | - | 2,336 | Income (loss) before transfers |
| - | - | - | - | (1,486) | Transfers in |
| (226) | (268) | 1,869 | 28,418 | 31,782 | Transfers out |
| 1,090 | (39,869) | 4,176 | 309,631 | 297,381 | Change in net assets |
| \$ 864 | \$ (40,137) | \$ 6,045 | \$ 338,049 | \$ 329,163 | Net assets (deficit), beginning of year |
| | | | | | Net assets (deficit), end of year |

COUNTY OF SANTA CLARA

Combining Statement of Cash Flows
Internal Service Funds

For the Fiscal Year Ended June 30, 2006
(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 | \$ 29,462 | \$ 14,967 | \$ 14,398 | \$ 1,840 |
| Cash payment to suppliers for goods and services | (8,236) | (8,236) | (1,870) | (846) |
| Cash payment to employees for services | (19,119) | (4,156) | (1,116) | (944) |
| Cash payment for judgments and claims | - | - | (15,868) | - |
| Other receipts | 53 | 97 | - | 3 |
| Net cash provided by (used in) operating activities | <u>2,160</u> | <u>2,672</u> | <u>(4,456)</u> | <u>53</u> |
| Cash flows from noncapital financing activities: | | | | |
| Transfers in | - | 2,336 | - | - |
| Transfers out | (1,486) | - | - | - |
| Cash receipts from other funds | - | - | - | - |
| Cash payments to other funds | - | (21) | - | - |
| Net cash provided by (used in) noncapital financing activities | <u>(1,486)</u> | <u>2,315</u> | <u>-</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | | | |
| Repayment of capital leases | - | (1,539) | - | - |
| Interest paid | - | (116) | - | - |
| Acquisition of capital assets | (141) | - | (12) | - |
| Proceeds from sale of capital assets | - | 123 | - | - |
| Net cash used in capital and related financing activities | <u>(141)</u> | <u>(1,532)</u> | <u>(12)</u> | <u>-</u> |
| Cash flows from investing activities: | | | | |
| Purchases of investments | - | - | - | - |
| Interest received | 206 | 569 | 1,222 | 40 |
| Net cash provided by (used in) investing activities | <u>206</u> | <u>569</u> | <u>1,222</u> | <u>40</u> |
| Net change in cash and cash equivalents | 739 | 4,024 | (3,246) | 93 |
| Cash and cash equivalents, beginning of year | 5,735 | 1,903 | 39,658 | 1,112 |
| Cash and cash equivalents, end of year | <u>\$ 6,474</u> | <u>\$ 5,927</u> | <u>\$ 36,412</u> | <u>\$ 1,205</u> |
| Cash and cash equivalents: | | | | |
| Cash and investments: | | | | |
| Unrestricted | \$ 6,474 | \$ 5,927 | \$ 36,412 | \$ 1,205 |
| Other restricted | - | - | - | - |
| Less deposits and investments not meeting the definition of cash and cash equivalents | - | - | - | - |
| Cash and cash equivalents | <u>\$ 6,474</u> | <u>\$ 5,927</u> | <u>\$ 36,412</u> | <u>\$ 1,205</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Operating income (loss) | \$ 1,535 | \$ (37) | \$ (1,898) | \$ (71) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 457 | 2,425 | 6 | 105 |
| Miscellaneous nonoperating income | 53 | 97 | - | 3 |
| Decrease (increase) in assets: | | | | |
| Receivables | 14 | (121) | 395 | (7) |
| Due from other governmental agencies | (67) | 123 | - | - |
| Inventories | (1) | (32) | - | - |
| Prepaid rent/insurance | 52 | - | (151) | - |
| Increase (decrease) in liabilities: | | | | |
| Accounts payable | (40) | 151 | (525) | (8) |
| Accrued liabilities | 140 | 33 | 8 | 2 |
| Accrued vacation and sick leave | 60 | 34 | 21 | 29 |
| Insurance claims | - | - | (2,311) | - |
| Due to other governmental agencies | 21 | (1) | (1) | - |
| Deferred revenue | (64) | - | - | - |
| Net cash provided by (used in) operating activities | <u>\$ 2,160</u> | <u>\$ 2,672</u> | <u>\$ (4,456)</u> | <u>\$ 53</u> |
| Supplemental disclosure of noncash investing activities: | | | | |
| Net appreciation in investments reported at fair value but not considered cash and cash equivalents | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Supplemental disclosure of noncash capital and related financing activities: | | | | |
| Assets acquired under capital lease | <u>\$ -</u> | <u>\$ 2,619</u> | <u>\$ -</u> | <u>\$ -</u> |

COUNTY OF SANTA CLARA
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2006
(In thousands)

| Unemployment Insurance | Workers' Compensation | Employee Benefits | Retiree Healthcare | Total | |
|---------------------------|--------------------------|----------------------|-----------------------|------------|--|
| \$ 988 | \$ 32,151 | \$ 20,065 | \$ 42,540 | \$ 156,411 | Cash flows from operating activities: |
| (143) | (6,637) | (1,165) | (728) | (27,861) | Cash receipts from customers and users |
| - | (3,296) | - | - | (28,631) | Cash payment to suppliers for goods and services |
| (1,308) | (22,498) | (17,349) | (35,511) | (92,534) | Cash payment to employees for services |
| - | 42 | - | - | 195 | Cash payment for judgments and claims |
| (463) | (238) | 1,551 | 6,301 | 7,580 | Other receipts |
| | | | | | Net cash provided by (used in) operating activities |
| - | - | - | - | 2,336 | Cash flows from noncapital financing activities: |
| - | - | - | - | (1,486) | Transfers in |
| - | - | - | 1,780 | 1,780 | Transfers out |
| - | - | - | - | (21) | Cash receipts from other funds |
| - | - | - | 1,780 | 2,609 | Cash payments to other funds |
| | | | | | Net cash provided by (used in) noncapital financing activities |
| - | - | - | - | (1,539) | Cash flows from capital and related financing activities: |
| - | - | (3) | - | (119) | Repayment of capital leases |
| - | (24) | - | - | (177) | Interest paid |
| - | - | - | - | 123 | Acquisition of capital assets |
| - | (24) | (3) | - | (1,712) | Proceeds from sale of capital assets |
| | | | | | Net cash used in capital and related financing activities |
| - | - | - | (28,503) | (28,503) | Cash flows from investing activities: |
| 68 | 1,045 | 270 | 3,802 | 7,222 | Purchases of investments |
| 68 | 1,045 | 270 | (24,701) | (21,281) | Interest received |
| (395) | 783 | 1,818 | (16,620) | (12,804) | Net cash provided by (used in) investing activities |
| 1,914 | 33,528 | 6,086 | 138,414 | 228,350 | Net change in cash and cash equivalents |
| \$ 1,519 | \$ 34,311 | \$ 7,904 | \$ 121,794 | \$ 215,546 | Cash and cash equivalents, beginning of year |
| | | | | | Cash and cash equivalents, end of year |
| \$ 1,519 | \$ 34,311 | \$ 7,445 | \$ 334,079 | \$ 427,372 | Cash and cash equivalents: |
| - | - | 459 | - | 459 | Cash and investments: |
| - | - | - | (212,285) | (212,285) | Unrestricted |
| \$ 1,519 | \$ 34,311 | \$ 7,904 | \$ 121,794 | \$ 215,546 | Other restricted |
| | | | | | Less deposits and investments not meeting the definition of cash and cash equivalents |
| | | | | | Cash and cash equivalents |
| \$ (294) | \$ (1,355) | \$ 1,602 | \$ 6,747 | \$ 6,229 | Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: |
| | | | | | Operating income (loss) |
| - | 124 | - | - | 3,117 | Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities: |
| - | 42 | - | - | 195 | Depreciation and amortization |
| 64 | 60 | (137) | (434) | (166) | Miscellaneous nonoperating income |
| - | - | - | (22) | 34 | Decrease (increase) in assets: |
| - | - | - | - | (33) | Receivables |
| (1) | (1) | - | - | (101) | Due from other governmental agencies |
| 3 | (258) | 72 | 10 | (595) | Inventories |
| - | 21 | - | - | 204 | Prepaid rent/insurance |
| - | 33 | - | - | 177 | Increase (decrease) in liabilities: |
| (235) | 1,096 | 14 | - | (1,436) | Accounts payable |
| - | - | - | - | 19 | Accrued liabilities |
| - | - | - | - | (64) | Accrued vacation and sick leave |
| \$ (463) | \$ (238) | \$ 1,551 | \$ 6,301 | \$ 7,580 | Insurance claims |
| | | | | | Due to other governmental agencies |
| | | | | | Deferred revenue |
| | | | | | Net cash provided by (used in) operating activities |
| \$ - | \$ - | \$ - | \$ 17,869 | \$ 17,869 | Supplemental disclosure of noncash investing activities: |
| | | | | | Net appreciation in investments reported at fair value but not considered cash and cash equivalents |
| \$ - | \$ - | \$ - | \$ - | \$ 2,619 | Supplemental disclosure of noncash capital and related financing activities: |
| | | | | | Assets acquired under capital lease |

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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 Palo Alto School District. These investments are separate from the County's investment pool. The income from and changes in the value of these investments affect only the Palo Alto School District.

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.

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, 2006
(In thousands)

| | Commingled Pool | | | Individual Investment Account | Total |
|---|--------------------------|----------------------------|------------------------------|-------------------------------------|----------------------------|
| | Special Districts | School Districts | Other Investment Trust | | |
| Assets: | | | | | |
| Cash and investments: | | | | | |
| Unrestricted | \$ 154,581 | \$ 2,021,236 | \$ 41,654 | \$ 14,500 | \$ 2,231,971 |
| Other restricted | 5 | - | - | - | 5 |
| Interest receivable | 1,226 | 15,793 | 394 | 102 | 17,515 |
| Total assets | <u>155,812</u> | <u>2,037,029</u> | <u>42,048</u> | <u>14,602</u> | <u>2,249,491</u> |
| Net assets held in trust for pool participants | <u><u>\$ 155,812</u></u> | <u><u>\$ 2,037,029</u></u> | <u><u>\$ 42,048</u></u> | <u><u>\$ 14,602</u></u> | <u><u>\$ 2,249,491</u></u> |

COUNTY OF SANTA CLARA

Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds

For the Fiscal Year Ended June 30, 2006
(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> | | |
| Additions: | | | | | |
| Contributions to pooled investments | \$ 230,988 | \$ 7,935,367 | \$ 92,837 | \$ 6,997 | \$ 8,266,189 |
| Interest and investment income | 3,956 | 51,103 | 1,209 | 301 | 56,569 |
| Total additions | 234,944 | 7,986,470 | 94,046 | 7,298 | 8,322,758 |
| Deductions: | | | | | |
| Distribution from pooled investments | 215,106 | 7,764,689 | 85,124 | 8,847 | 8,073,766 |
| Net change in net assets | 19,838 | 221,781 | 8,922 | (1,549) | 248,992 |
| Net assets held in trust, beginning of year | 135,974 | 1,815,248 | 33,126 | 16,151 | 2,000,499 |
| Net assets held in trust, end of year | <u>\$ 155,812</u> | <u>\$ 2,037,029</u> | <u>\$ 42,048</u> | <u>\$ 14,602</u> | <u>\$ 2,249,491</u> |

COUNTY OF SANTA CLARA

Combining Statement of Changes in Assets and Liabilities
Agency Funds

For the Fiscal Year Ended June 30, 2006
(In thousands)

| | <u>Balance, July 1, 2005</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance, June 30, 2006</u> |
|--------------------------------------|--------------------------------------|-------------------|-------------------|---------------------------------------|
| Child Support Trust | | | | |
| Assets: | | | | |
| Cash and investments: | | | | |
| Unrestricted | \$ 8,810 | \$ 71,677 | \$ 78,998 | \$ 1,489 |
| Receivable: | | | | |
| Interest | 55 | - | 16 | 39 |
| Other | 106 | 198 | 304 | - |
| Total assets | <u>\$ 8,971</u> | <u>\$ 71,875</u> | <u>\$ 79,318</u> | <u>\$ 1,528</u> |
| Liabilities: | | | | |
| Fiduciary liabilities | \$ 8,971 | \$ 110,270 | \$ 117,713 | \$ 1,528 |
| Total liabilities | <u>\$ 8,971</u> | <u>\$ 110,270</u> | <u>\$ 117,713</u> | <u>\$ 1,528</u> |
| Superior Court | | | | |
| Assets: | | | | |
| Cash and investments: | | | | |
| Unrestricted | \$ 4,577 | \$ 2,400 | \$ 2,478 | \$ 4,499 |
| Other restricted | 2,078 | 1,765 | - | 3,843 |
| Total assets | <u>\$ 6,655</u> | <u>\$ 4,165</u> | <u>\$ 2,478</u> | <u>\$ 8,342</u> |
| Liabilities: | | | | |
| Fiduciary liabilities | \$ 6,655 | \$ 5,843 | \$ 4,156 | \$ 8,342 |
| Total liabilities | <u>\$ 6,655</u> | <u>\$ 5,843</u> | <u>\$ 4,156</u> | <u>\$ 8,342</u> |
| County Income Protection Plan | | | | |
| Assets: | | | | |
| Cash and investments: | | | | |
| Unrestricted | \$ 6,848 | \$ 5,197 | \$ 5,336 | \$ 6,709 |
| Other restricted | 233 | - | 2 | 231 |
| Receivable: | | | | |
| Interest | 45 | 29 | - | 74 |
| Total assets | <u>\$ 7,126</u> | <u>\$ 5,226</u> | <u>\$ 5,338</u> | <u>\$ 7,014</u> |
| Liabilities: | | | | |
| Fiduciary liabilities | \$ 7,126 | \$ 10,933 | \$ 11,045 | \$ 7,014 |
| Total liabilities | <u>\$ 7,126</u> | <u>\$ 10,933</u> | <u>\$ 11,045</u> | <u>\$ 7,014</u> |

COUNTY OF SANTA CLARA

Combining Statement of Changes in Assets and Liabilities (Continued)

Agency Funds

For the Fiscal Year Ended June 30, 2006

(In thousands)

| | <u>Balance, July 1, 2005</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance, June 30, 2006</u> |
|---|--------------------------------------|-------------------|-------------------|---------------------------------------|
| County Supplemental Life Insurance | | | | |
| Assets: | | | | |
| Cash and investments: | | | | |
| Unrestricted | \$ 8,255 | \$ 2,022 | \$ 1,052 | \$ 9,225 |
| Other restricted | 1,018 | - | 52 | 966 |
| Receivable: | | | | |
| Interest | 56 | 45 | - | 101 |
| Total assets | <u>\$ 9,329</u> | <u>\$ 2,067</u> | <u>\$ 1,104</u> | <u>\$ 10,292</u> |
| Liabilities: | | | | |
| Fiduciary liabilities | \$ 9,329 | \$ 3,082 | \$ 2,119 | \$ 10,292 |
| Total liabilities | <u>\$ 9,329</u> | <u>\$ 3,082</u> | <u>\$ 2,119</u> | <u>\$ 10,292</u> |
| Welfare Revolving | | | | |
| Assets: | | | | |
| Cash and investments: | | | | |
| Unrestricted | \$ 4,865 | \$ - | \$ 4,865 | \$ - |
| Other restricted | 290 | - | 290 | - |
| Total assets | <u>\$ 5,155</u> | <u>\$ -</u> | <u>\$ 5,155</u> | <u>\$ -</u> |
| Liabilities: | | | | |
| Fiduciary liabilities | \$ 5,155 | \$ - | \$ 5,155 | \$ - |
| Total liabilities | <u>\$ 5,155</u> | <u>\$ -</u> | <u>\$ 5,155</u> | <u>\$ -</u> |
| Apportioned Tax Resources | | | | |
| Assets: | | | | |
| Cash and investments: | | | | |
| Unrestricted | \$ - | \$ 260,837 | \$ 260,837 | \$ - |
| Receivable: | | | | |
| Property taxes | 67,513 | 207,745 | 204,232 | 71,026 |
| Interest | - | 44 | - | 44 |
| Other | 14 | - | 14 | - |
| Total assets | <u>\$ 67,527</u> | <u>\$ 468,626</u> | <u>\$ 465,083</u> | <u>\$ 71,070</u> |
| Liabilities: | | | | |
| Due to other agency funds | \$ 56,663 | \$ - | \$ 6,056 | \$ 50,607 |
| Fiduciary liabilities | 10,864 | 95,156 | 85,557 | 20,463 |
| Total liabilities | <u>\$ 67,527</u> | <u>\$ 95,156</u> | <u>\$ 91,613</u> | <u>\$ 71,070</u> |

COUNTY OF SANTA CLARA

Combining Statement of Changes in Assets and Liabilities (Continued)

Agency Funds

For the Fiscal Year Ended June 30, 2006

(In thousands)

| | <u>Balance, July 1, 2005</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance, June 30, 2006</u> |
|--------------------------------------|--------------------------------------|----------------------|----------------------|---------------------------------------|
| Other Agency | | | | |
| Assets: | | | | |
| Cash and investments: | | | | |
| Unrestricted | \$ 37,194 | \$ 7,398,704 | \$ 7,390,831 | \$ 45,067 |
| Other restricted | 8 | 290 | 290 | 8 |
| Receivable: | | | | |
| Property taxes | 21 | - | 1 | 20 |
| Interest | 7,720 | 15,742 | 4,696 | 18,766 |
| Other | 180 | - | 18 | 162 |
| Due from other agency funds | 56,663 | - | 6,056 | 50,607 |
| Due from other governmental agencies | 4 | - | 4 | - |
| Other assets | 2,832 | 2 | - | 2,834 |
| Total assets | <u>\$ 104,622</u> | <u>\$ 7,414,738</u> | <u>\$ 7,401,896</u> | <u>\$ 117,464</u> |
| Liabilities: | | | | |
| Fiduciary liabilities | <u>\$ 104,622</u> | <u>\$ 10,438,743</u> | <u>\$ 10,425,901</u> | <u>\$ 117,464</u> |
| Total liabilities | <u>\$ 104,622</u> | <u>\$ 10,438,743</u> | <u>\$ 10,425,901</u> | <u>\$ 117,464</u> |
| Totals | | | | |
| Assets: | | | | |
| Cash and investments: | | | | |
| Unrestricted | \$ 70,549 | \$ 7,740,837 | \$ 7,744,397 | \$ 66,989 |
| Other restricted | 3,627 | 2,055 | 634 | 5,048 |
| Receivable: | | | | |
| Property taxes | 67,534 | 207,745 | 204,233 | 71,046 |
| Interest | 7,876 | 15,860 | 4,712 | 19,024 |
| Other | 300 | 198 | 336 | 162 |
| Due from other agency funds | 56,663 | - | 6,056 | 50,607 |
| Due from other governmental agencies | 4 | - | 4 | - |
| Other assets | 2,832 | 2 | - | 2,834 |
| Total assets | <u>\$ 209,385</u> | <u>\$ 7,966,697</u> | <u>\$ 7,960,372</u> | <u>\$ 215,710</u> |
| Liabilities: | | | | |
| Due to other agency funds | \$ 56,663 | \$ - | \$ 6,056 | \$ 50,607 |
| Fiduciary liabilities | 152,722 | 10,664,027 | 10,651,646 | 165,103 |
| Total liabilities | <u>\$ 209,385</u> | <u>\$ 10,664,027</u> | <u>\$ 10,657,702</u> | <u>\$ 215,710</u> |



Statistical Section

COUNTY OF SANTA CLARA

Statistical Section

This part of the County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

Economic & Demographic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

Operating information

These schedules contain service and capital asset data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

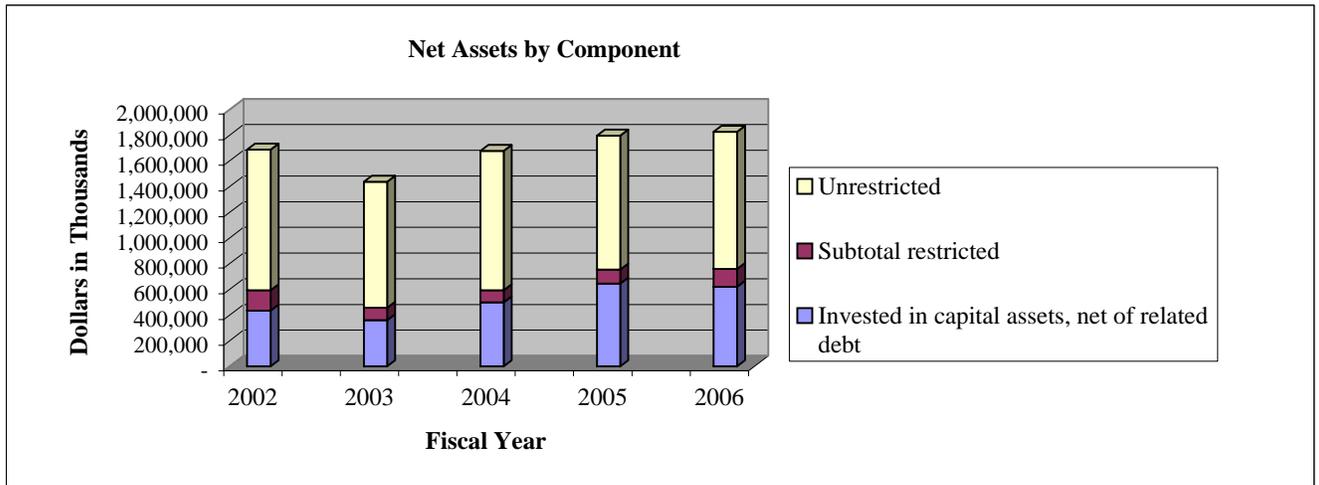
Note: The County implemented GASB Statement No. 34 in FY 2001-02. Schedules presenting government-wide information include information beginning in that year.

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COUNTY OF SANTA CLARA
Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)

(Unaudited)

| | Fiscal Year | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Governmental activities | | | | | |
| Invested in capital assets, ¹ net of related debt | \$ 443,231 | \$ 370,169 | \$ 517,986 | \$ 671,131 | \$ 598,143 |
| Restricted for: | | | | | |
| Capital facilities | 1,564 | 281 | 769 | 864 | 322 |
| Debt service | 21,894 | 21,903 | 25,654 | 29,743 | 48,032 |
| Housing programs | 1,474 | 26,062 | 15,384 | 17,238 | 14,988 |
| Roads | 26,362 | 21,854 | 25,331 | 23,785 | 26,358 |
| Other purposes | 94,565 | 10,105 | 9,616 | 9,976 | 9,231 |
| Unrestricted | 1,070,129 | 970,493 | 1,069,389 | 1,050,094 | 1,079,440 |
| Subtotal governmental activities net assets | <u>1,659,219</u> | <u>1,420,867</u> | <u>1,664,129</u> | <u>1,802,831</u> | <u>1,776,514</u> |
| Business-type activities | | | | | |
| Invested in capital assets, net of related debt | (9,036) | (10,382) | (18,643) | (25,665) | 21,529 |
| Restricted for: | | | | | |
| Capital facilities | - | 500 | - | - | - |
| Debt service | 13,735 | 15,785 | 17,540 | 25,608 | 39,026 |
| Unrestricted | 22,320 | 10,230 | 14,368 | (5,503) | (11,347) |
| Subtotal business-type activities net assets | <u>27,019</u> | <u>16,133</u> | <u>13,265</u> | <u>(5,560)</u> | <u>49,208</u> |
| Primary government | | | | | |
| Invested in capital assets, net of related debt | 434,195 | 359,787 | 499,343 | 645,466 | 619,672 |
| Restricted | | | | | |
| Capital facilities | 1,564 | 781 | 769 | 864 | 322 |
| Debt service | 35,629 | 37,688 | 43,194 | 55,351 | 87,058 |
| Housing programs | 1,474 | 26,062 | 15,384 | 17,238 | 14,988 |
| Roads | 26,362 | 21,854 | 25,331 | 23,785 | 26,358 |
| Other purposes | 94,565 | 10,105 | 9,616 | 9,976 | 9,231 |
| Subtotal restricted | <u>159,594</u> | <u>96,490</u> | <u>94,294</u> | <u>107,214</u> | <u>137,957</u> |
| Unrestricted | 1,092,449 | 980,723 | 1,083,757 | 1,044,591 | 1,068,093 |
| Total primary government net assets ² | <u>\$ 1,686,238</u> | <u>\$ 1,437,000</u> | <u>\$ 1,677,394</u> | <u>\$ 1,797,271</u> | <u>\$ 1,825,722</u> |



⁽¹⁾ Capital assets include land, easements, infrastructure, construction in progress, buildings and improvements, equipment and vehicles.

⁽²⁾ Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted only when an external party, such as the state or federal government, places a restriction on how resources may be used, or through enabling legislation enacted by the County.

Trend data is only available for the last five fiscal years after the implementation of GASB 34.

Source: Comprehensive Annual Financial Reports - County of Santa Clara

COUNTY OF SANTA CLARA
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)
(Dollars in thousands)
(Unaudited)

| | Fiscal Year | | | | |
|---|-----------------------|-----------------------|---------------------|---------------------|---------------------|
| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Expenses | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 183,265 | \$ 196,378 | \$ 191,158 | \$ 171,077 | \$ 192,708 |
| Public protection | 549,649 | 597,447 | 587,043 | 639,554 | 664,477 |
| Public ways and facilities | 283,190 | 339,504 | 228,880 | 140,842 | 110,554 |
| Health and sanitation | 305,555 | 348,524 | 354,850 | 334,667 | 369,511 |
| Public assistance | 478,208 | 513,238 | 534,060 | 561,919 | 606,717 |
| Education | 34,151 | 25,998 | 24,193 | 25,353 | 26,157 |
| Recreation and culture | 17,273 | 18,119 | 21,978 | 23,214 | 25,105 |
| Interest on long-term liabilities | 11,820 | 7,770 | 6,061 | 6,607 | 12,032 |
| Total governmental activities expenses | <u>1,863,111</u> | <u>2,046,978</u> | <u>1,948,223</u> | <u>1,903,233</u> | <u>2,007,261</u> |
| Business-type activities: | | | | | |
| SCVMC | 551,075 | 624,715 | 664,034 | 732,453 | 756,638 |
| Airport | 3,082 | 2,898 | 2,547 | 3,473 | 3,534 |
| Sanitation District | 1,549 | 2,514 | 3,056 | 1,634 | 1,928 |
| Total business-type activities expenses | <u>555,706</u> | <u>630,127</u> | <u>669,637</u> | <u>737,560</u> | <u>762,100</u> |
| Total primary government expenses | <u>2,418,817</u> | <u>2,677,105</u> | <u>2,617,860</u> | <u>2,640,793</u> | <u>2,769,361</u> |
| Program Revenues | | | | | |
| Governmental activities: | | | | | |
| Charges for services | 200,902 | 244,272 | 229,900 | 237,046 | 238,319 |
| Operating grants and contributions | 667,488 | 900,693 | 914,167 | 933,070 | 1,021,337 |
| Capital grants and contributions | 1,778 | 2,748 | 11,078 | 5,212 | 6,181 |
| Total governmental activities program revenues | <u>870,168</u> | <u>1,147,713</u> | <u>1,155,145</u> | <u>1,175,328</u> | <u>1,265,837</u> |
| Business-type activities: | | | | | |
| Charges for services | 369,334 | 401,590 | 446,493 | 483,232 | 534,091 |
| Operating grants and contributions | 94,681 | 93,261 | 107,218 | 116,884 | 14,264 |
| Capital grants and contributions | 8,262 | 7,243 | 10,168 | 6,200 | 15,865 |
| Total business-type activities program revenues | <u>472,277</u> | <u>502,094</u> | <u>563,879</u> | <u>606,316</u> | <u>564,220</u> |
| Total primary government program revenues | <u>1,342,445</u> | <u>1,649,807</u> | <u>1,719,024</u> | <u>1,781,644</u> | <u>1,830,057</u> |
| Net (Expense)/Revenue | | | | | |
| Governmental activities | (992,943) | (899,265) | (793,078) | (727,905) | (741,424) |
| Business-type activities | (83,429) | (128,033) | (105,758) | (131,244) | (197,880) |
| Total primary government net expense ⁽¹⁾ | <u>\$ (1,076,372)</u> | <u>\$ (1,027,298)</u> | <u>\$ (898,836)</u> | <u>\$ (859,149)</u> | <u>\$ (939,304)</u> |

⁽¹⁾ Net expenses is the difference between the expenses and program revenues of a function or program. It indicates the extent to which a function or program supports itself with its own fees and grants versus its reliance upon funding from taxes and other general revenues. Numbers in parentheses are net expenses, indicating that expenses are greater than program revenues and therefore general revenues were needed to finance that function or program.

(continued)

| | Fiscal Year | | | | |
|---|------------------|---------------------|-------------------|-------------------|------------------|
| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| General Revenues and Other Changes in Net Assets | | | | | |
| Governmental activities: | | | | | |
| Property taxes | 433,171 | 418,894 | 435,230 | 586,999 | 639,557 |
| Sales & use tax | 379,960 | 135,813 | 143,007 | 148,775 | 123,623 |
| Other taxes | 2,066 | 382 | 410 | 440 | 413 |
| Motor vehicle in lieu taxes | 161,411 | 172,742 | 143,727 | 102,471 | 59,850 |
| Other grants/contributions not restricted | | | | | |
| to specific programs | 36,628 | 48,311 | 34,667 | 22,497 | 22,055 |
| Investment income | 49,295 | 30,580 | 36,509 | 39,841 | 53,136 |
| Gain on sale of capital assets | - | - | - | 8,707 | 4,300 |
| Other | 35,276 | 43,200 | 62,282 | 57,148 | 51,173 |
| Transfers | (51,931) | (102,006) | (90,794) | (100,271) | (239,000) |
| Special item - gain on sale of Elmwood surplus land | - | - | 204,169 | - | - |
| Total governmental activities general revenues | <u>1,045,876</u> | <u>747,916</u> | <u>969,207</u> | <u>866,607</u> | <u>715,107</u> |
| Business-type activities: | | | | | |
| Sales & use tax | 10,370 | 10,400 | 10,017 | 9,611 | 9,664 |
| Investment income | 6,993 | 4,741 | 2,079 | 4,873 | 2,740 |
| Transfers | 51,931 | 102,006 | 90,794 | 100,271 | 239,000 |
| Total business-type activities general revenues | <u>69,294</u> | <u>117,147</u> | <u>102,890</u> | <u>114,755</u> | <u>251,404</u> |
| Total primary government | <u>1,115,170</u> | <u>865,063</u> | <u>1,072,097</u> | <u>981,362</u> | <u>966,511</u> |
| Changes in Net Assets | | | | | |
| Governmental activities | 52,933 | (151,349) | 176,129 | 138,702 | (26,317) |
| Business-type activities | (14,135) | (10,886) | (2,868) | (16,489) | 53,524 |
| Total primary government | <u>\$ 38,798</u> | <u>\$ (162,235)</u> | <u>\$ 173,261</u> | <u>\$ 122,213</u> | <u>\$ 27,207</u> |

Trend data is only available for the last five fiscal years after the implementation of GASB 34.

Source: Comprehensive Annual Financial Reports - County of Santa Clara

COUNTY OF SANTA CLARA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Dollars in thousands)
(Unaudited)

| | Fiscal Year | | | | |
|--|--------------------|-------------------|-------------------|-------------------|---------------------|
| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> |
| General fund | | | | | |
| Reserved for: | | | | | |
| Encumbrances | \$ 20,876 | \$ 25,120 | \$ 36,989 | \$ 50,234 | \$ 44,012 |
| Inventories, other assets and advances | 14,252 | 13,282 | 5,779 | 51,470 | 37,938 |
| Public assistance | - | - | - | - | 22,577 |
| Unreserved : | | | | | |
| Designated | 18,428 | 9,788 | 271,766 | 367,122 | 468,850 |
| Undesignated | 40,486 | 68,124 | 94,079 | 115,301 | 162,525 |
| Total General fund | <u>94,042</u> | <u>116,314</u> | <u>408,613</u> | <u>584,127</u> | <u>735,902</u> |
| All other governmental funds | | | | | |
| Reserved for: | | | | | |
| Encumbrances | 29,982 | 17,820 | 19,130 | 21,200 | 45,397 |
| Debt service | 28,487 | 26,731 | 26,776 | 26,749 | 26,225 |
| Inventories and advances | 4,624 | 3,022 | 2,239 | 2,174 | 1,510 |
| Public ways and facilities | - | - | - | - | 7,703 |
| Unreserved, reported in: | | | | | |
| Special revenue funds | 26,896 | 28,667 | 47,010 | 90,875 | 116,971 |
| Capital projects funds | 34,321 | 34,087 | 45,927 | 63,256 | 86,601 |
| Debt service | - | - | - | 32 | - |
| Permanent funds | - | - | - | - | - |
| Total all other governmental funds | <u>124,310</u> | <u>110,327</u> | <u>141,082</u> | <u>204,286</u> | <u>284,407</u> |
| Total Governmental Funds ¹ | | | | | |
| Reserved for: | | | | | |
| Encumbrances | 50,858 | 42,940 | 56,119 | 71,434 | 89,409 |
| Debt service | 28,487 | 26,731 | 26,776 | 26,749 | 26,225 |
| Inventories and advances | 18,876 | 16,304 | 8,018 | 53,644 | 39,448 |
| Public assistance | - | - | - | - | 22,577 |
| Public ways and facilities | - | - | - | - | 7,703 |
| Unreserved, reported in: | | | | | |
| General fund- Designated | 18,428 | 9,788 | 271,766 | 367,122 | 468,850 |
| General fund- Undesignated | 40,486 | 68,124 | 94,079 | 115,301 | 162,525 |
| Special revenue funds | 26,896 | 28,667 | 47,010 | 90,875 | 116,971 |
| Capital projects funds | 34,321 | 34,087 | 45,927 | 63,256 | 86,601 |
| Debt service | - | - | - | 32 | - |
| Permanent funds | - | - | - | - | - |
| Total governmental funds | <u>\$ 218,352</u> | <u>\$ 226,641</u> | <u>\$ 549,695</u> | <u>\$ 788,413</u> | <u>\$ 1,020,309</u> |

⁽¹⁾ Governmental funds include general fund, special revenue funds, debt service funds, capital project funds and permanent funds.

Source: Comprehensive Annual Financial Reports - County of Santa Clara

| | | | | | Fiscal Year | | | | | | | | | |
|----|---------------------|----|-------------------|----|--------------------|-------------|-------------------|-------------|-------------------|--|--|--|--|--|
| | | | | | 2002 | 2003 | 2004 | 2005 | 2006 | | | | | |
| | | | | | | | | | | General fund | | | | |
| | | | | | | | | | | Reserved for: | | | | |
| \$ | 57,605 | \$ | 38,506 | \$ | 16,636 | \$ | 7,872 | \$ | 9,344 | Encumbrances | | | | |
| | 74,230 | | 44,236 | | 49,885 | | 19,828 | | 25,216 | Inventories, other assets and advances | | | | |
| | - | | - | | - | | - | | - | Public assistance | | | | |
| | | | | | | | | | | Unreserved : | | | | |
| | 435,088 | | 384,421 | | 348,460 | | 378,095 | | 299,519 | Designated | | | | |
| | 173,842 | | 139,737 | | 121,804 | | 245,412 | | 254,434 | Undesignated | | | | |
| | <u>740,765</u> | | <u>606,900</u> | | <u>536,785</u> | | <u>651,207</u> | | <u>588,513</u> | Total General fund | | | | |
| | | | | | | | | | | All other governmental funds | | | | |
| | | | | | | | | | | Reserved for: | | | | |
| | 60,825 | | 70,085 | | 36,609 | | 60,787 | | 115,934 | Encumbrances | | | | |
| | 24,906 | | 24,327 | | 42,974 | | 47,206 | | 64,923 | Debt service | | | | |
| | 1,298 | | 764 | | 1,682 | | 589 | | 562 | Inventories and advances | | | | |
| | 3,012 | | 3,047 | | - | | - | | - | Public ways and facilities | | | | |
| | | | | | | | | | | Unreserved, reported in: | | | | |
| | 127,998 | | 84,590 | | 94,506 | | 102,526 | | 111,939 | Special revenue funds | | | | |
| | 110,114 | | 94,609 | | 81,859 | | 118,436 | | 109,817 | Capital projects funds | | | | |
| | - | | - | | - | | - | | - | Debt service | | | | |
| | 54 | | 53 | | 53 | | 53 | | 54 | Permanent funds | | | | |
| | <u>328,207</u> | | <u>277,475</u> | | <u>257,683</u> | | <u>329,597</u> | | <u>403,229</u> | Total all other governmental funds | | | | |
| | | | | | | | | | | Total Governmental Funds ¹ | | | | |
| | | | | | | | | | | Reserved for: | | | | |
| | 118,430 | | 108,591 | | 53,245 | | 68,659 | | 125,278 | Encumbrances | | | | |
| | 24,906 | | 24,327 | | 42,974 | | 47,206 | | 64,923 | Debt service | | | | |
| | 75,528 | | 45,000 | | 51,567 | | 20,417 | | 25,778 | Inventories and advances | | | | |
| | - | | - | | - | | - | | - | Public assistance | | | | |
| | 3,012 | | 3,047 | | - | | - | | - | Public ways and facilities | | | | |
| | | | | | | | | | | Unreserved, reported in: | | | | |
| | 435,088 | | 384,421 | | 348,460 | | 378,095 | | 299,519 | General fund- Designated | | | | |
| | 173,842 | | 139,737 | | 121,804 | | 245,412 | | 254,434 | General fund- Undesignated | | | | |
| | 127,998 | | 84,590 | | 94,506 | | 102,526 | | 111,939 | Special revenue funds | | | | |
| | 110,114 | | 94,609 | | 81,859 | | 118,436 | | 109,817 | Capital projects funds | | | | |
| | - | | - | | - | | - | | - | Debt service | | | | |
| | 54 | | 53 | | 53 | | 53 | | 54 | Permanent funds | | | | |
| | <u>\$ 1,068,972</u> | | <u>\$ 884,375</u> | | <u>\$ 794,468</u> | | <u>\$ 980,804</u> | | <u>\$ 991,742</u> | Total governmental funds | | | | |

COUNTY OF SANTA CLARA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Dollars in thousands)
(Unaudited)

| | Fiscal Year | | | | |
|--|--------------------|------------------|-------------------|-------------------|-------------------|
| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> |
| Revenues: | | | | | |
| Taxes | \$ 242,813 | \$ 278,263 | \$ 615,004 | \$ 482,747 | \$ 558,295 |
| Licenses and permits | 16,760 | 18,087 | 18,948 | 19,709 | 20,666 |
| Fines, forfeitures, and penalties | 12,001 | 23,121 | 26,569 | 29,691 | 26,255 |
| Interest and investment income | 44,076 | 36,147 | 49,760 | 56,933 | 73,590 |
| Intergovernmental revenues | 790,209 | 773,421 | 807,244 | 950,366 | 1,018,640 |
| Charges for services | 98,197 | 101,756 | 108,453 | 129,136 | 138,029 |
| Other revenue | 6,926 | 2,435 | 5,978 | 13,459 | 20,550 |
| Total revenues | <u>1,210,982</u> | <u>1,233,230</u> | <u>1,631,956</u> | <u>1,682,041</u> | <u>1,856,025</u> |
| Expenditures: | | | | | |
| General government | 74,667 | 101,292 | 107,990 | 135,230 | 143,070 |
| Public protection | 411,319 | 406,447 | 421,420 | 452,607 | 481,085 |
| Public ways and facilities | 38,883 | 33,630 | 82,636 | 123,051 | 219,229 |
| Health and sanitation | 239,828 | 262,067 | 282,292 | 326,832 | 244,425 |
| Public assistance | 390,270 | 356,145 | 355,366 | 369,304 | 413,262 |
| Education | 18,317 | 18,386 | 19,351 | 21,287 | 24,408 |
| Recreation and culture | 12,467 | 12,522 | 13,807 | 14,103 | 15,357 |
| Capital outlay | 48,050 | 47,381 | 22,773 | 23,795 | 23,443 |
| Debt service: | | | | | |
| Principal retirement | 11,510 | 9,775 | 7,242 | 12,417 | 14,053 |
| Interest and fiscal charges | 22,965 | 24,542 | 22,252 | 17,221 | 10,992 |
| Advance refunding escrow | - | - | - | - | 299 |
| Cost of Issuance | - | - | - | - | 1,034 |
| Total expenditures | <u>1,268,276</u> | <u>1,272,187</u> | <u>1,335,129</u> | <u>1,495,847</u> | <u>1,590,657</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(57,294)</u> | <u>(38,957)</u> | <u>296,827</u> | <u>186,194</u> | <u>265,368</u> |
| Other financing sources (uses): | | | | | |
| Proceeds from sale of capital assets | 1,523 | 4,390 | 2,606 | 2,910 | 1,332 |
| Capital lease | - | 2,089 | - | - | - |
| Long-term debt proceeds | 12,474 | 20,734 | 6,023 | 153 | 1,034 |
| Bond Premium | | | | | |
| Proceeds of refunding bonds | - | - | 55,078 | - | - |
| Payment to refunded bond escrow agent | - | (18,520) | (55,078) | - | - |
| Transfers in | 163,161 | 133,949 | 134,402 | 149,492 | 71,474 |
| Transfers out | (139,437) | (94,686) | (116,804) | (100,031) | (101,912) |
| Total other financing sources (uses) | <u>37,721</u> | <u>47,956</u> | <u>26,227</u> | <u>52,524</u> | <u>(28,072)</u> |
| Net change in fund balance | <u>\$ (19,573)</u> | <u>\$ 8,999</u> | <u>\$ 323,054</u> | <u>\$ 238,718</u> | <u>\$ 237,296</u> |
| Debt service as a percentage of non-capital expenditures | 2.949% | 2.896% | 2.290% | 2.068% | 1.694% |

Source: Comprehensive Annual Financial Reports - County of Santa Clara

| Fiscal Year | | | | | |
|--------------------|--------------------|--------------------|-------------------|------------------|---|
| <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | |
| | | | | | Revenues: |
| \$ 582,291 | \$ 586,365 | \$ 574,480 | \$ 731,953 | \$ 766,099 | Taxes |
| 19,422 | 20,446 | 21,251 | 22,352 | 24,979 | Licenses and permits |
| 31,524 | 32,348 | 53,919 | 54,483 | 47,110 | Fines, forfeitures, and penalties |
| 50,069 | 26,917 | 12,919 | 25,618 | 37,042 | Interest and investment income |
| 1,082,633 | 1,064,064 | 1,054,298 | 1,035,387 | 1,092,830 | Intergovernmental revenues |
| 158,240 | 167,077 | 171,589 | 165,893 | 158,992 | Charges for services |
| 30,332 | 44,392 | 67,013 | 50,452 | 47,532 | Other revenue |
| <u>1,954,511</u> | <u>1,941,609</u> | <u>1,955,469</u> | <u>2,086,138</u> | <u>2,174,584</u> | Total revenues |
| | | | | | Expenditures: |
| 157,538 | 159,230 | 160,259 | 138,979 | 156,370 | General government |
| 555,278 | 594,685 | 584,999 | 615,463 | 661,180 | Public protection |
| 320,879 | 364,712 | 230,648 | 137,189 | 102,002 | Public ways and facilities |
| 307,285 | 348,738 | 354,942 | 331,011 | 368,969 | Health and sanitation |
| 481,837 | 512,541 | 533,907 | 556,403 | 606,065 | Public assistance |
| 37,930 | 25,823 | 24,456 | 25,199 | 26,132 | Education |
| 17,565 | 17,567 | 21,756 | 22,693 | 24,827 | Recreation and culture |
| 33,574 | 43,169 | 93,773 | 46,725 | 94,474 | Capital outlay |
| | | | | | Debt service: |
| 12,123 | 12,551 | 8,733 | 8,895 | 77,890 | Principal retirement |
| 9,372 | 7,174 | 7,908 | 9,440 | 15,642 | Interest and fiscal charges |
| - | - | - | - | - | Advance refunding escrow |
| - | 1,106 | 859 | 539 | 1,136 | Cost of Issuance |
| <u>1,933,381</u> | <u>2,087,296</u> | <u>2,022,240</u> | <u>1,892,536</u> | <u>2,134,687</u> | Total expenditures |
| | | | | | Excess (deficiency) of revenues over (under) expenditures |
| <u>21,130</u> | <u>(145,687)</u> | <u>(66,771)</u> | <u>193,602</u> | <u>39,897</u> | |
| | | | | | Other financing sources (uses): |
| 200 | 630 | 26,836 | 52,280 | 25,285 | Proceeds from sale of capital assets |
| 3,349 | - | - | - | - | Capital lease |
| - | 149,359 | 41,375 | 40,725 | 87,575 | Long-term debt proceeds |
| - | - | - | - | 1,003 | Bond Premium |
| - | - | 587 | - | - | Proceeds of refunding bonds |
| - | - | - | - | - | Payment to refunded bond escrow agent |
| 150,082 | 276,063 | 227,925 | 284,866 | 237,757 | Transfers in |
| (201,752) | (378,069) | (319,859) | (385,137) | (380,579) | Transfers out |
| <u>(48,121)</u> | <u>47,983</u> | <u>(23,136)</u> | <u>(7,266)</u> | <u>(28,959)</u> | Total other financing sources (uses) |
| <u>\$ (26,991)</u> | <u>\$ (97,704)</u> | <u>\$ (89,907)</u> | <u>\$ 186,336</u> | <u>\$ 10,938</u> | Net change in fund balance |
| 1.159% | 1.035% | 0.914% | 1.026% | 4.652% | Debt service as a percentage of non-capital expenditures |

COUNTY OF SANTA CLARA
Program Revenues by Function/Program
Last Five Fiscal Years
(accrual basis of accounting)
(Dollars in thousands)
(Unaudited)

| | Fiscal Year | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Governmental activities - program revenues | | | | | |
| Charges for Services | | | | | |
| General government | \$ 52,036 | \$ 89,123 | \$ 61,112 | \$ 72,340 | \$ 70,080 |
| Public protection | 108,629 | 107,967 | 119,868 | 120,629 | 111,275 |
| Public ways and facilities | 2,036 | 1,679 | 2,144 | 1,785 | 2,726 |
| Health and sanitation | 30,707 | 37,959 | 33,524 | 33,935 | 46,095 |
| Public assistance | 2,382 | 2,772 | 3,271 | 3,444 | 2,908 |
| Education | 1,115 | 986 | 6,189 | 916 | 979 |
| Recreation and culture | 3,997 | 3,786 | 3,792 | 3,997 | 4,256 |
| Subtotal | <u>200,902</u> | <u>244,272</u> | <u>229,900</u> | <u>237,046</u> | <u>238,319</u> |
| Operating grants and contributions | | | | | |
| General government | 27,669 | 66,575 | 67,596 | 14,143 | 19,478 |
| Public protection | 90,504 | 209,627 | 194,142 | 232,869 | 244,830 |
| Public ways and facilities | 30,853 | 29,015 | 29,065 | 24,505 | 29,345 |
| Health and sanitation | 104,198 | 158,726 | 173,784 | 167,560 | 187,073 |
| Public assistance | 377,987 | 426,620 | 444,487 | 486,307 | 532,642 |
| Education | 35,976 | 7,840 | 2,897 | 7,366 | 7,464 |
| Recreation and culture | 301 | 2,290 | 2,196 | 320 | 505 |
| Subtotal | <u>667,488</u> | <u>900,693</u> | <u>914,167</u> | <u>933,070</u> | <u>1,021,337</u> |
| Capital grants and contributions | | | | | |
| General government | - | 560 | 8,953 | 3,226 | 3,173 |
| Public protection | 124 | - | - | - | - |
| Public ways and facilities | 1,654 | 2,187 | 2,125 | 1,506 | 1,688 |
| Recreation and culture | - | 1 | - | 480 | 1,320 |
| Subtotal | <u>1,778</u> | <u>2,748</u> | <u>11,078</u> | <u>5,212</u> | <u>6,181</u> |
| Total governmental activities program revenues | <u>870,168</u> | <u>1,147,713</u> | <u>1,155,145</u> | <u>1,175,328</u> | <u>1,265,837</u> |
| Business-type activities program revenues | | | | | |
| Charges for Services | | | | | |
| SCVMC | 365,038 | 397,206 | 442,060 | 478,812 | 529,543 |
| Airport | 2,433 | 2,517 | 2,563 | 2,556 | 2,678 |
| Sanitation District | 1,863 | 1,867 | 1,870 | 1,864 | 1,870 |
| Subtotal | <u>369,334</u> | <u>401,590</u> | <u>446,493</u> | <u>483,232</u> | <u>534,091</u> |
| Operating grants and contributions | | | | | |
| SCVMC | 94,681 | 93,261 | 107,218 | 116,884 | 14,264 |
| Capital grants and contributions | | | | | |
| SCVMC | 8,022 | 7,153 | 9,798 | 5,522 | 14,868 |
| Airport | 240 | 90 | 370 | 678 | 997 |
| Subtotal | <u>8,262</u> | <u>7,243</u> | <u>10,168</u> | <u>6,200</u> | <u>15,865</u> |
| Total business-type activities program revenues | <u>472,277</u> | <u>502,094</u> | <u>563,879</u> | <u>606,316</u> | <u>564,220</u> |
| Total primary government program revenues | <u>\$ 1,342,445</u> | <u>\$ 1,649,807</u> | <u>\$ 1,719,024</u> | <u>\$ 1,781,644</u> | <u>\$ 1,830,057</u> |

Trend data is only available for the last five fiscal years after the implementation of GASB 34.

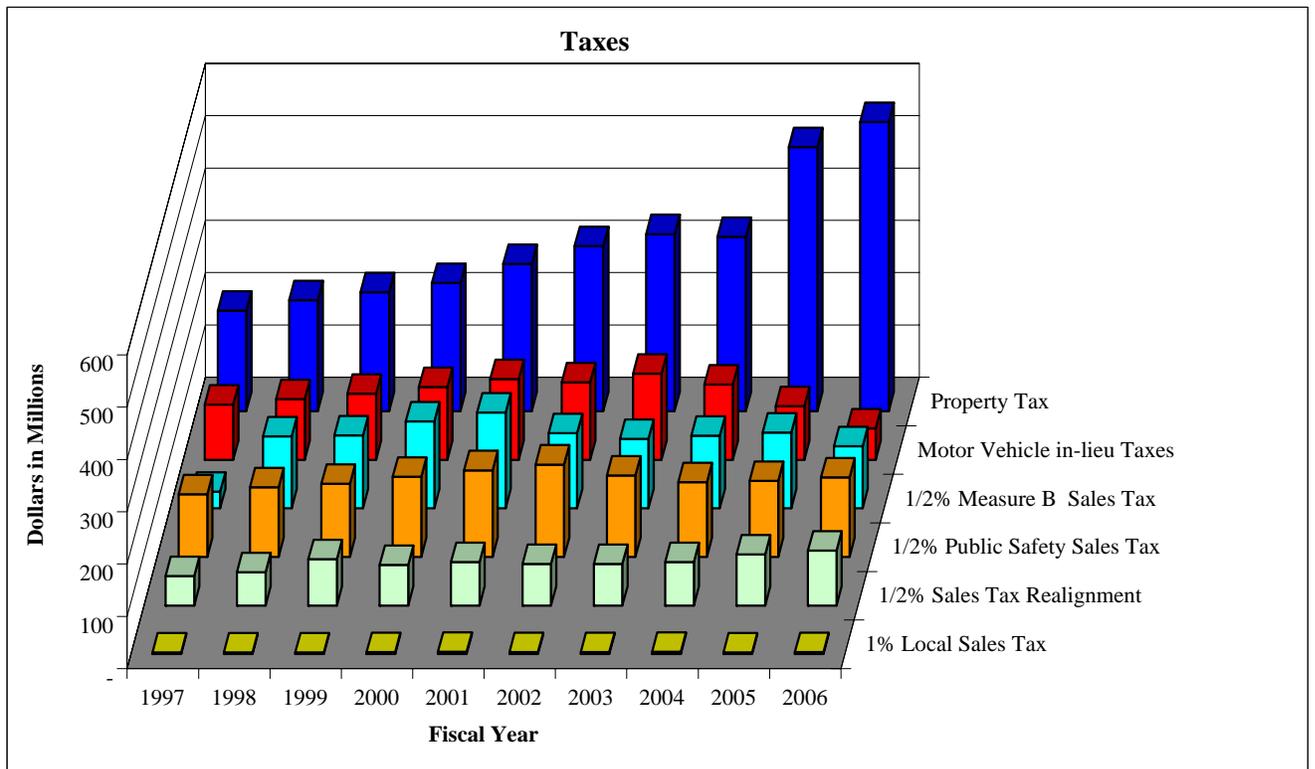
Source: Comprehensive Annual Financial Reports - County of Santa Clara

COUNTY OF SANTA CLARA
General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(Dollars in thousands)
(Unaudited)

Sales Tax

| Fiscal Year | Sales Tax | | | | Motor Vehicle | Property Tax ⁽¹⁾ |
|-------------|----------------------|----------------------------|------------------------------|--------------------------|------------------------------|-----------------------------|
| | Local ⁽²⁾ | Realignment ⁽³⁾ | Public Safety ⁽³⁾ | Measure B ⁽²⁾ | In-Lieu Taxes ⁽³⁾ | |
| 2006 | \$ 3,536 | \$ 104,971 | \$ 152,197 | \$ 118,737 | \$ 59,851 | \$ 553,077 ⁽⁴⁾ |
| 2005 | 3,026 | 97,874 | 145,372 | 145,012 | 102,471 | 504,701 ⁽⁴⁾ |
| 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 ⁽⁵⁾ | 105,489 | 192,537 |

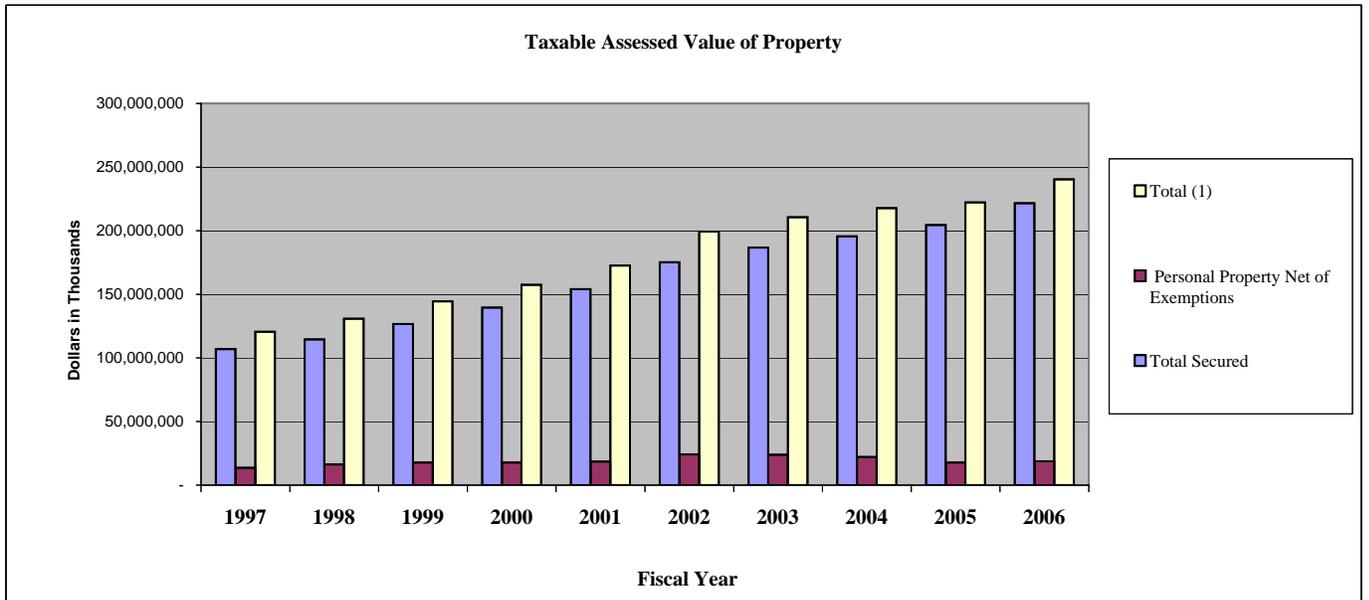
- (1) Includes property tax revenues for the General Fund and the County Library.
- (2) Reported as tax revenues in financial statements.
- (3) Reported as part of the intergovernmental revenues in financial statements.
- (4) Includes Property Tax In-lieu of VLF.
- (5) Measure B sales tax revenue was approved and collected beginning April 1, 1997.



Source: Santa Clara County - Controller's Office

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

| Fiscal Year | Secured | | | Unsecured | | Less Exemptions | Net Assessed Value | Total Direct Tax Rate |
|-------------|----------------------|---------------------|----------------|-------------------------------------|----------------------|-----------------|--------------------|-----------------------|
| | Residential Property | Commercial Property | Total Secured | Personal Property Net of Exemptions | Total ⁽¹⁾ | | | |
| 2006 | \$ 172,705,596 | \$ 48,875,129 | \$ 221,580,725 | \$ 18,802,938 | \$ 240,383,663 | \$ 1,956,373 | \$ 238,427,290 | 1.00% |
| 2005 | 155,523,933 | 48,929,860 | 204,453,793 | 17,712,735 | 222,166,528 | 1,945,661 | 220,220,867 | 1.00% |
| 2004 | 143,586,095 | 52,037,092 | 195,623,187 | 22,076,991 | 217,700,178 | 1,967,623 | 215,732,555 | 1.00% |
| 2003 | 131,585,395 | 55,104,574 | 186,689,969 | 23,906,620 | 210,596,589 | 1,998,229 | 208,598,360 | 1.00% |
| 2002 | 123,868,530 | 51,268,929 | 175,137,459 | 24,194,609 | 199,332,068 | 2,014,905 | 197,317,163 | 1.00% |
| 2001 | 105,138,626 | 48,873,415 | 154,012,041 | 18,505,086 | 172,517,127 | 2,010,723 | 170,506,404 | 1.00% |
| 2000 | n/a | n/a | 139,616,743 | 17,770,942 | 157,387,685 | 2,014,997 | 155,372,688 | 1.00% |
| 1999 | n/a | n/a | 126,721,776 | 17,716,803 | 144,438,579 | 1,999,968 | 142,438,611 | 1.00% |
| 1998 | n/a | n/a | 114,561,712 | 16,196,939 | 130,758,651 | 1,971,741 | 128,786,910 | 1.00% |
| 1997 | n/a | n/a | 106,946,415 | 13,649,636 | 120,596,051 | 1,931,510 | 118,664,541 | 1.00% |



Notes:

Article XIII A, added to California Constitution by Proposition 13 in 1978, fixed the base for valuation of property subject to taxes at the full cash value which appeared on the Assessor's 1975-76 assessment roll. Thereafter, full cash value can be increased:

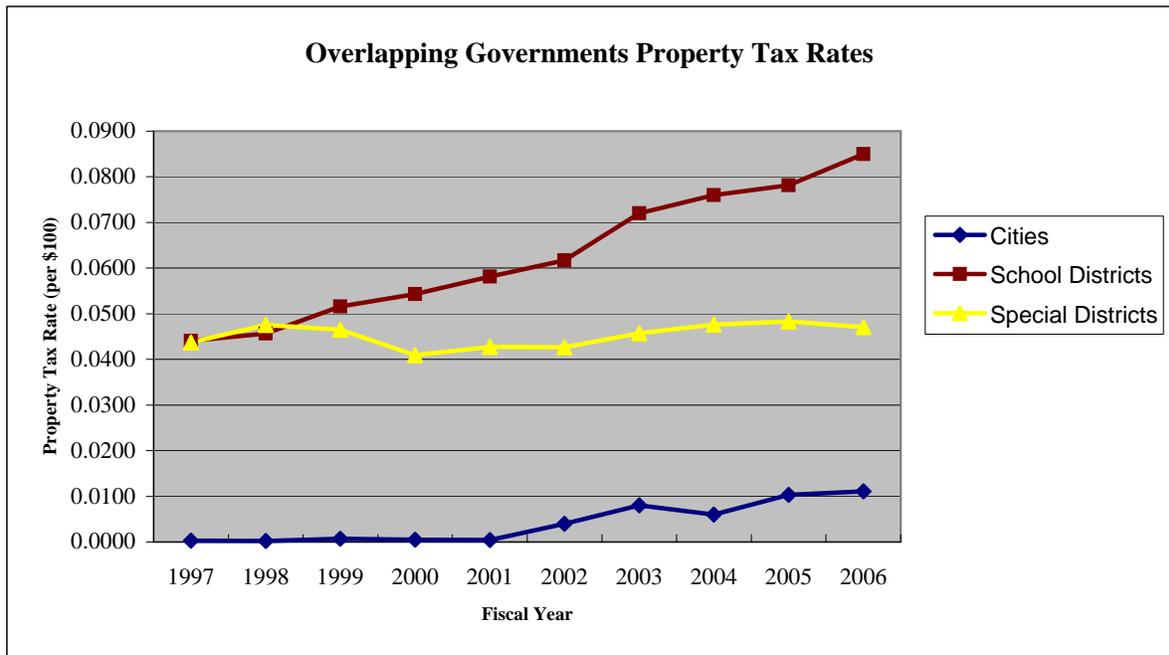
- a) to reflect annual inflation up to 2 percent; or
- b) to reflect fair market value at the time of ownership change; or
- c) to reflect fair value for new construction.

⁽¹⁾ Includes secured public utility property values and excludes aircrafts.

Source: Tax Rate publication and Assessor's report - County of Santa Clara

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

| <u>Fiscal Year</u> | <u>County ⁽¹⁾</u> | <u>Cities</u> | <u>School Districts</u> | <u>Special Districts</u> | <u>Total ⁽²⁾</u> |
|--------------------|------------------------------|---------------|-------------------------|--------------------------|-----------------------------|
| 2006 | 1.0000 | 0.0111 | 0.0850 | 0.0471 | 1.1431 |
| 2005 | 1.0000 | 0.0103 | 0.0781 | 0.0483 | 1.1368 |
| 2004 | 1.0000 | 0.0060 | 0.0760 | 0.0476 | 1.1295 |
| 2003 | 1.0000 | 0.0080 | 0.0720 | 0.0457 | 1.1257 |
| 2002 | 1.0000 | 0.0040 | 0.0617 | 0.0426 | 1.1083 |
| 2001 | 1.0000 | 0.0004 | 0.0581 | 0.0427 | 1.1012 |
| 2000 | 1.0000 | 0.0005 | 0.0543 | 0.0409 | 1.0957 |
| 1999 | 1.0000 | 0.0007 | 0.0516 | 0.0465 | 1.0988 |
| 1998 | 1.0000 | 0.0002 | 0.0457 | 0.0475 | 1.0935 |
| 1997 | 1.0000 | 0.0003 | 0.0441 | 0.0437 | 1.0881 |



⁽¹⁾ Proposition 13 allows each county to levy a maximum tax of \$1 per \$100 of full cash value. Full cash value is equivalent to assessed value pursuant to Statutes of 1978, Senate Bill 1656.

⁽²⁾ On June 6, 1978, California voters approved a constitutional amendment to Article XIII A of the California Constitution, commonly known as Proposition 13, that limits the taxing power of California public agencies. Legislation enacted to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voting public.

Source: Santa Clara County - Controller's Office

COUNTY OF SANTA CLARA
Principal Property Tax Payers
Current year and Nine years ago
(Dollars in thousands)
(Unaudited)

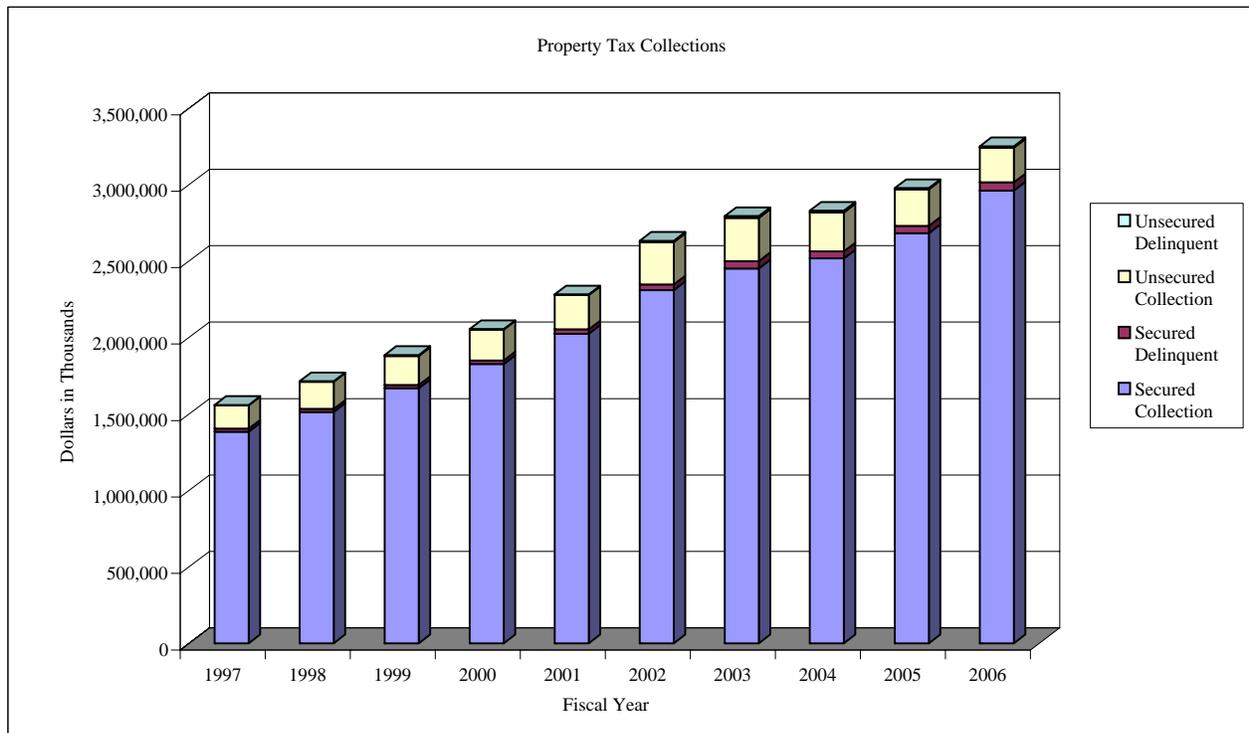
| <u>Taxpayer</u> | <u>Fiscal Year 2006</u> | | | <u>Fiscal Year 1997</u> | | |
|--|--|-------------|---|--|-------------|------------------------------------|
| | <u>Taxable Assessed Value ⁽¹⁾</u> | <u>Rank</u> | <u>Percentage of Taxable Assessed Value</u> | <u>Taxable Assessed Value ⁽¹⁾</u> | <u>Rank</u> | <u>Percentage of Taxable Value</u> |
| Leland Stanford Jr. University | \$ 2,589,099 | 1 | 1.086% | \$ 1,425,941 | 1 | 1.202% |
| Intel Corporation | 1,322,324 | 2 | 0.555% | - | - | - |
| Applied Materials, Inc. | 844,918 | 3 | 0.354% | 249,489 | 10 | 0.210% |
| Sobrato Development | 800,586 | 4 | 0.336% | 447,680 | 6 | 0.377% |
| Cisco Systems Inc. | 779,489 | 5 | 0.327% | - | - | - |
| Hitachi | 606,333 | 6 | 0.254% | - | - | - |
| Equity Office Properties | 592,915 | 7 | 0.249% | - | - | - |
| Peery Joint Venture | 586,989 | 8 | 0.246% | 453,052 | 5 | 0.382% |
| Lockheed Martin Space Systems | 559,615 | 9 | 0.235% | - | - | - |
| VF Mall LLC | 508,723 | 10 | 0.213% | 918,840 | 3 | 0.774% |
| International Business Machines Corp. | - | - | - | 1,317,037 | 2 | 1.110% |
| Hewlett - Packard Co | - | - | - | 659,401 | 4 | 0.556% |
| AMD Properties | - | - | - | 348,548 | 7 | 0.294% |
| National Semiconductor Corp. | - | - | - | 321,589 | 8 | 0.271% |
| Metropolitan Life Insurance Co. | - | - | - | 296,045 | 9 | 0.249% |
| Total | \$ 9,190,991 | | 3.855% | \$ 6,437,622 | | 5.43% |
| Net Assessed Value of Taxable Property | \$ 238,427,290 | | | \$ 118,664,541 | | |

⁽¹⁾ The taxable assessed value includes tax assessments on real property and personal property.

Source: Santa Clara County Assessor's Data

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

| Fiscal Year | Secured Roll | | | | Unsecured Roll | | | |
|-------------|--------------|---|-----------------------|--------------------|----------------|---|-----------------------|--------------------|
| | Taxes Levied | Collections within the fiscal year ⁽¹⁾ | Delinquent at June 30 | Percent Delinquent | Taxes Levied | Collections within the fiscal year ⁽¹⁾ | Delinquent at June 30 | Percent Delinquent |
| 2006 | \$ 3,037,820 | \$ 2,960,830 | \$ 53,005 | 1.74% | \$ 236,150 | \$ 227,093 | \$ 9,056 | 3.83% |
| 2005 | 2,756,012 | 2,682,668 | 47,194 | 1.71% | 246,826 | 239,155 | 7,671 | 3.11% |
| 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 | 48,053 | 1.91% | 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% |

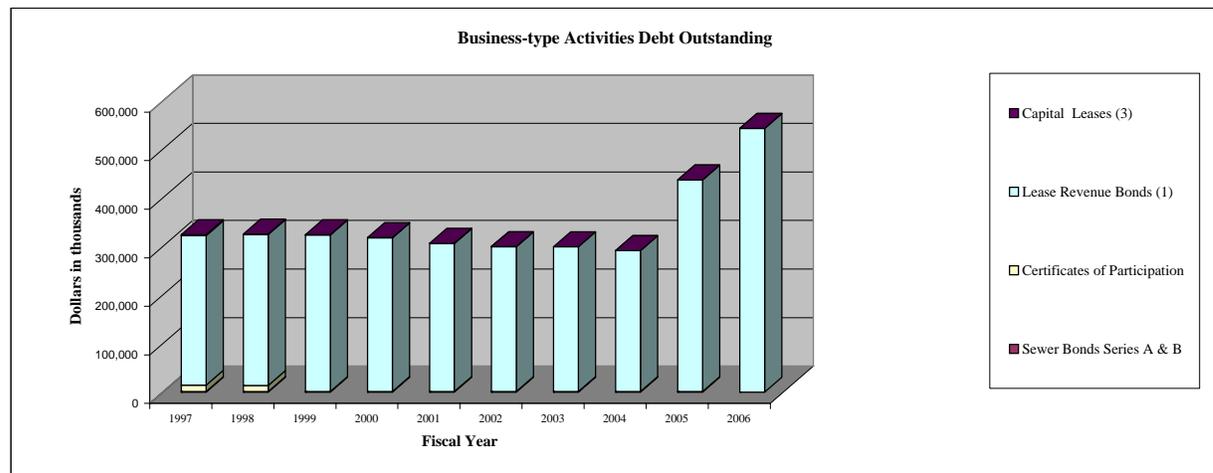
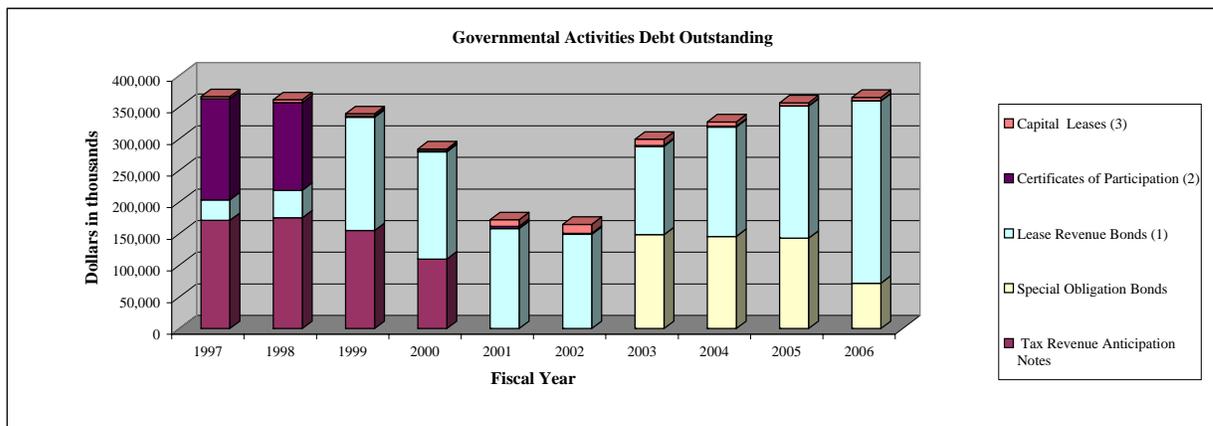


⁽¹⁾ Collections within the fiscal year include collections from current year levy and prior year delinquent taxes. The County's current property tax system is unable to track collections by respective year of levy. County is in the process of implementing a new property tax system which will enable to track the collections by respective year of levy. This data will be provided when the new property tax system is fully implemented.

Source: Santa Clara County Tax Collector's Office

COUNTY OF SANTA CLARA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Dollars in thousands, except per capita amount)
(Unaudited)

| Fiscal Year | Governmental Activities | | | | | Business-Type Activities | | | | Total Primary Government | Percentage of Personal Income (4) | Debt Per Capita (4) |
|-------------|--------------------------------|--------------------------|-------------------------|-----------------------------------|--------------------|--------------------------|-------------------------------|-------------------------|--------------------|--------------------------|-----------------------------------|---------------------|
| | Tax Revenue Anticipation Notes | Special Obligation Bonds | Lease Revenue Bonds (1) | Certificates of Participation (2) | Capital Leases (3) | Sewer Bonds Series A & B | Certificates of Participation | Lease Revenue Bonds (1) | Capital Leases (3) | | | |
| 2006 | \$ - | \$ 71,626 | \$ 288,130 | \$ 550 | \$ 5,289 | \$ - | \$ - | \$ 543,389 | \$ - | \$ 908,984 | n/a | \$ 513 |
| 2005 | - | 142,868 | 208,770 | 805 | 4,472 | 1,322 | - | 435,659 | - | 793,896 | n/a | 451 |
| 2004 | - | 145,650 | 173,175 | 1,050 | 6,795 | 1,348 | - | 290,342 | - | 618,360 | 0.748% | 357 |
| 2003 | - | 148,432 | 139,726 | 1,285 | 9,807 | 1,372 | - | 298,121 | 87 | 598,830 | 0.766% | 346 |
| 2002 | - | - | 148,929 | 1,725 | 14,249 | 1,372 | - | 298,435 | 169 | 464,879 | 0.596% | 270 |
| 2001 | - | - | 157,933 | 3,840 | 10,362 | 1,372 | - | 305,026 | 326 | 478,859 | 0.571% | 282 |
| 2000 | 110,000 | - | 169,431 | 2,135 | 2,464 | 1,372 | - | 316,560 | 509 | 602,471 | 0.659% | 358 |
| 1999 | 155,000 | - | 178,957 | 2,325 | 3,194 | 1,372 | - | 322,578 | 738 | 664,164 | 0.909% | 401 |
| 1998 | 175,000 | - | 43,732 | 138,364 | 4,596 | 1,372 | 12,566 | 310,967 | 944 | 687,541 | 1.060% | 420 |
| 1997 | 171,000 | - | 32,468 | 159,803 | 3,367 | 1,372 | 13,252 | 307,942 | 1,754 | 690,958 | 1.152% | 428 |



- (1) Lease revenue bonds are limited obligations of Santa Clara County Financing Authority payable solely from, and secured by, revenues of the Authority. The Authority's revenues primarily consist of base rental payments receivable from the County under a Master Lease.
- (2) Certificates of participation represent shares of lease-purchase payments. These tax-exempt certificates are sold publicly or privately to investors.
- (3) Capital lease obligations arise from lease agreements which are in-substance like purchases. The agreements convey property rights to the lessee and the lessee assumes substantially all of the risks and benefits of ownership.
- (4) Ratios are calculated using personal income and population data shown in Demographic and Economic statistics schedule on page 183.

Source: Comprehensive Annual Financial Reports- County of Santa Clara

COUNTY OF SANTA CLARA
Direct and Overlapping Bonded Debt
June 30, 2006
(Unaudited)

| | |
|---|---------------------------------|
| 2005-06 Assessed Valuation (includes unitary utility valuation) | \$243,073,372,538 |
| Less: Redevelopment Incremental Valuation | <u>24,156,582,305</u> |
| Adjusted Assessed Valuation | <u><u>\$218,916,790,233</u></u> |

| Direct and Overlapping Tax and Assessment Debt: | <u>% Applicable</u> | <u>Debt at 6/30/06</u> |
|--|----------------------------|-------------------------------|
| Community College Districts | 75.232 - 100 | 526,738,555 |
| Gilroy Unified School District | 100 | 67,390,000 |
| Milpitas Unified School District | 100 | 56,795,000 |
| Morgan Hill Unified School District | 100 | 69,862,754 |
| Palo Alto Unified School District | 100 | 110,605,000 |
| Patterson Joint Unified School District | 0.836 | 174,098 |
| San Jose Unified School District | 100 | 471,102,986 |
| Santa Clara Unified School District | 100 | 196,170,000 |
| East Side Union High School District | 100 | 370,919,477 |
| Fremont Union High School District | 100 | 138,590,000 |
| Other High School Districts | 93.906-100 | 201,836,952 |
| Campbell School District | 100 | 92,134,978 |
| Cupertino Union School District | 100 | 124,045,023 |
| Evergreen School District and Community Facilities District No. 92-1 | 100 | 87,009,701 |
| Los Altos School District | 100 | 102,721,243 |
| Los Gatos Union School District | 100 | 75,250,000 |
| Moreland School District | 100 | 104,520,566 |
| Oak Grove School District | 100 | 70,407,559 |
| Union School District | 100 | 83,714,231 |
| Other School Districts | 20.709-100 | 395,169,938 |
| City of San Jose | 100 | 432,445,000 |
| City of Saratoga | 100 | 14,170,000 |
| Saratoga Fire Protection District | 100 | 5,683,737 |
| North County Library District Special Tax Obligations | 100 | 1,695,000 |
| Parking Districts | 100 | 225,000 |
| City Community Facilities Districts | 100 | 81,530,000 |
| City of San Jose Special Assessment Bonds | 100 | 35,722,485 |
| Other City 1915 Act Bonds (Estimated) | 100 | 111,411,393 |
| Santa Clara Valley Water District Benefit Assessment District | 100 | <u>183,850,000</u> |
| Total Gross Overlapping Tax and Assessment Debt | | <u>\$ 4,211,890,676</u> |

(Continued)

COUNTY OF SANTA CLARA
Direct and Overlapping Bonded Debt
June 30, 2006
(Unaudited)

| Direct and Overlapping General Fund Obligation Debt: | <u>% Applicable</u> | <u>Debt at 6/30/06</u> |
|--|----------------------------|-------------------------------------|
| Santa Clara County General Fund Obligations | 100 | \$ 920,595,000 |
| Santa Clara County Office of Education Certificates of Participation | 100 | 17,170,000 |
| Foothill-DeAnza Community College District Certificates of Participation | 100 | 20,440,000 |
| Other Community College District General Fund Obligations | Various | 35,407,406 |
| Gilroy Unified School District General Fund Obligations | 100 | 38,120,000 |
| San Jose Unified School District School General Fund Obligations | 100 | 119,174,371 |
| Santa Clara Unified School District Certificates of Participation | 100 | 7,575,000 |
| Franklin-McKinley School District Certificates of Participation | 100 | 6,330,000 |
| Other School District General Fund Obligations | Various | 25,972,832 |
| City of Campbell Certificates of Participation | 100 | 23,040,843 |
| City of Cupertino Certificates of Participation | 100 | 52,305,000 |
| City of Gilroy Certificates of Participation | 100 | 45,900,000 |
| City of Mountain View General Fund Obligations | 100 | 23,625,000 |
| City of San Jose General Fund Obligations | 100 | 815,920,682 |
| City of Santa Clara General Fund Obligations | 100 | 63,345,000 |
| City of Sunnyvale General Fund Obligations | 100 | 32,345,000 |
| Other City General Fund Obligations | 100 | 35,975,000 |
| Midpeninsula Regional Park District General Fund Obligations | 68.850 | 76,843,970 |
| Total Gross Direct and Overlapping General Fund Obligation Debt | | 2,360,085,104 |
| Less: Cities of San Jose and Mountain View Certificates of Participation (100% self-supporting from tax increment revenues) | | <u>187,220,000</u> |
| Total Net Direct and Overlapping General Fund Obligation Debt | | 2,172,865,104 |
| Gross Combined Total Debt | | \$ 6,571,975,780 ⁽¹⁾ |
| Net Combined Total Debt | | \$ 6,384,755,780 |

Ratios to 2005-06 Assessed Valuation:

Total Gross Overlapping Tax and Assessment Debt 1.73%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$) 0.42%

Gross Combined Total Debt 3.00%

Net Combined Total Debt 2.92%

State School Building Aid Repayable as of 6/30/06: \$3,183,018

⁽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
Legal Debt Margin Information
Last Ten Fiscal Years
(Dollars in thousands)
(Unaudited)

| <u>Fiscal Year</u> | <u>Total Assessed Valuation</u> ⁽¹⁾ | <u>Legal Debt Limit</u> ⁽²⁾ | <u>General Bonded Debt</u> ⁽³⁾ | <u>Legal Debt Margin</u> ⁽⁴⁾ |
|---------------------------|---|---|--|--|
| 2006 | \$ 240,383,663 | \$ 3,004,796 | -- | \$ 3,004,796 |
| 2005 | 222,166,528 | 2,777,082 | -- | 2,777,082 |
| 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 |

(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: Santa Clara County Controller's Office

COUNTY OF SANTA CLARA

Pledge Revenue Coverage

Last Three Fiscal Years

(Dollars in thousands)

(Unaudited)

Lease Revenue Bonds ⁽¹⁾

Santa Clara County Financing Authority (SCCFA) ⁽²⁾

| Fiscal Year | Gross Revenues ⁽³⁾ | Operating Expenses ⁽⁴⁾ | Net Available Revenues | Debt Service | | Total | Coverage ⁽⁵⁾ |
|--------------------|--------------------------------------|--|-------------------------------|---------------------|-----------------|--------------|--------------------------------|
| | | | | Principal | Interest | | |
| 2006 | \$ 116,501 | \$ 829 | \$ 115,672 | \$ 85,050 | \$ 32,392 | \$ 117,442 | 0.98 |
| 2005 | 40,334 | 397 | 39,937 | 15,675 | 25,645 | 41,320 | 0.97 |
| 2004 | 38,538 | 282 | 38,256 | 14,935 | 24,829 | 39,764 | 0.96 |

Lease Revenue Bonds ⁽¹⁾

Santa Clara County - El Camino Hospital District Hospital Facilities Authority (HFA) ⁽²⁾

| Fiscal Year | Gross Revenues ⁽³⁾ | Operating Expenses ⁽⁴⁾ | Net Available Revenues | Debt Service | | Total | Coverage ⁽⁵⁾ |
|--------------------|--------------------------------------|--|-------------------------------|---------------------|-----------------|--------------|--------------------------------|
| | | | | Principal | Interest | | |
| 2006 | \$ 4,980 | \$ 309 | \$ 4,671 | \$ 2,800 | \$ 1,514 | \$ 4,314 | 1.08 |
| 2005 | 4,231 | 386 | 3,845 | 2,500 | 977 | 3,477 | 1.11 |
| 2004 | 3,442 | 347 | 3,095 | 2,300 | 617 | 2,917 | 1.06 |

Lease Revenue Bonds ⁽¹⁾

Business-type activities - Airport

| Fiscal Year | Gross Revenues ⁽³⁾ | Operating Expenses ⁽⁴⁾ | Net Available Revenues | Debt Service | | Total | Coverage ⁽⁵⁾ |
|--------------------|--------------------------------------|--|-------------------------------|---------------------|-----------------|--------------|--------------------------------|
| | | | | Principal | Interest | | |
| 2006 | \$ 2,821 | \$ 2,342 | \$ 479 | \$ 230 | \$ 286 | \$ 516 | 0.93 |
| 2005 | 2,648 | 2,189 | 459 | 225 | 298 | 523 | 0.88 |
| 2004 | 2,639 | 1,913 | 726 | 210 | 333 | 543 | 1.34 |

- ⁽¹⁾ Lease Revenue bonds consist of various bond series.
- ⁽²⁾ Lease Revenue bonds of SCCFA and HFA include Governmental and Business-type activities-SCVMC.
- ⁽³⁾ Gross Revenues include operating revenue and nonoperating interest income.
- ⁽⁴⁾ Operating expenses excludes interest, depreciation, or amortization expense.
- ⁽⁵⁾ Debt service payments not covered by available revenues were funded by reserve funds with the trustees, or subsidy from the County.

Source: Comprehensive Annual Financial Reports - County of Santa Clara
 Audited financial statement for Santa Clara County Financing Authority
 Audited financial statement for Santa Clara County - El Camino Hospital District Hospital Facilities Authority

COUNTY OF SANTA CLARA
Demographic and Economic Statistics
Last Ten Fiscal Years

(Unaudited)

| Fiscal Year | County Population ⁽¹⁾ | Personal Income (in thousands) ⁽²⁾ | Per Capita Personal Income ⁽²⁾ | Median Age ⁽³⁾ | School Enrollment ⁽⁴⁾ | Unemployment Rate ⁽⁵⁾ |
|--------------------|---|--|--|----------------------------------|---|---|
| 2006 | 1,773,258 | n/a | n/a | n/a | 254,622 | 5.0% |
| 2005 | 1,759,585 | n/a | n/a | n/a | 253,065 | 5.8% |
| 2004 | 1,731,300 | \$82,638,917 | \$49,132 | 37 | 251,198 | 6.3% |
| 2003 | 1,729,900 | 78,165,179 | 46,640 | n/a | 250,435 | 8.6% |
| 2002 | 1,719,600 | 78,016,542 | 46,588 | n/a | 248,777 | 7.6% |
| 2001 | 1,697,800 | 83,838,707 | 49,606 | n/a | 254,004 | 4.5% |
| 2000 | 1,682,585 | 91,386,181 | 55,157 | 34 | 254,782 | 2.0% |
| 1999 | 1,658,000 | 73,045,821 | 45,928 | n/a | 253,367 | 3.0% |
| 1998 | 1,638,300 | 64,850,110 | 40,185 | n/a | 252,207 | 3.2% |
| 1997 | 1,612,700 | 60,003,613 | 37,616 | n/a | 248,377 | 3.0% |

Sources:

- (1) State of California - Department of Finance
- (2) U.S. Department of Commerce- Bureau of Economic Analysis
- (3) Association of Bay Area Census (California)
- (4) State of California - Department of Education and Santa Clara County Office of Education
- (5) State of California - Employment Development Department

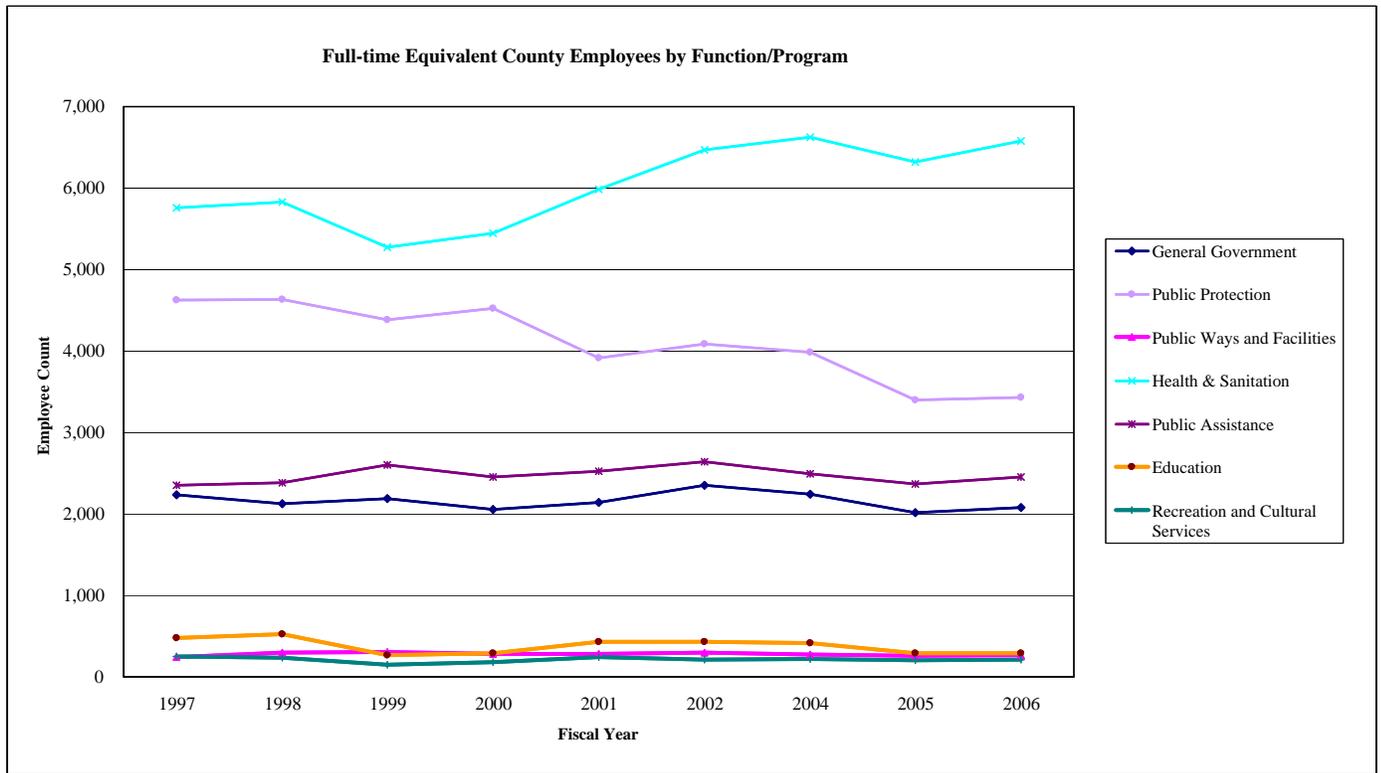
COUNTY OF SANTA CLARA
Principal Employers
Current Year and Nine Years ago
(Unaudited)

| <u>Company or Organization</u> ⁽¹⁾ | <u>Fiscal Year 2006</u> | | | <u>Fiscal Year 1997</u> | | |
|---|---------------------------------|-------------|--|---------------------------------|-------------|--|
| | <u>Employees</u> ⁽²⁾ | <u>Rank</u> | <u>Percentage of Total County Employment</u> | <u>Employees</u> ⁽³⁾ | <u>Rank</u> | <u>Percentage of Total County Employment</u> |
| Cisco Systems Inc. | 13,000 | 1 | 1.67% | - | | n/a |
| Stanford University | 12,000 | 2 | 1.54% | - | | n/a |
| Hewlett - Packard Co | 9,400 | 3 | 1.21% | 24,100 | 1 | 2.74% |
| Lockheed Martin Space Systems | 8,000 | 4 | 1.03% | 13,250 | 2 | 1.51% |
| IBM Storage Group | 7,000 | 5 | 0.90% | 7,550 | 5 | 0.86% |
| Stanford Hospital & Clinics | 5,500 | 6 | 0.71% | 5,500 | 8 | 0.63% |
| Intel Corp | 5,000 | 7 | 0.64% | 6,000 | 6 | 0.68% |
| Fujitsu IT Holdings Inc. | 4,500 | 9 | 0.58% | - | | n/a |
| Applied Materials Inc. | 4,130 | 10 | 0.53% | - | | n/a |
| Apple Computer, Inc. | - | | n/a | 8,000 | 4 | 0.91% |
| Sun Microsystems Inc. | - | | n/a | 13,000 | 3 | 1.48% |
| Solectron California Corp. | - | | n/a | 5,800 | 7 | 0.66% |
| Tandem Computers | - | | n/a | 5,500 | 9 | 0.63% |
| Amdahl Corporation | - | | n/a | 4,500 | 10 | 0.51% |
| Total | 68,530 | | 8.79% | 93,200 | | 10.59% |
| Total County employment ⁽¹⁾ | <u><u>779,517</u></u> | | | <u><u>879,842</u></u> | | |

Source: (1) State Employment Development Department, Labor Market Information Division
(2) Rich's Everyday Sales Prospecting Directory (2006) - Santa Clara County
(3) Rich's Everyday Sales Prospecting Directory (1997) - Santa Clara County

COUNTY OF SANTA CLARA
Full-time Equivalent County Employees by Function/Program
Last Ten Fiscal Years
(Unaudited)

| <u>Function/ Program</u> | <u>Fiscal Year</u> | | | | | | | | | |
|--------------------------------------|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| General Government | 2,238 | 2,122 | 2,191 | 2,057 | 2,139 | 2,349 | 2,358 | 2,245 | 2,019 | 2,080 |
| Public Protection | 4,628 | 4,630 | 4,381 | 4,520 | 3,915 | 4,089 | 4,206 | 3,986 | 3,397 | 3,433 |
| Public Ways and Facilities | 242 | 297 | 308 | 281 | 279 | 295 | 289 | 277 | 258 | 262 |
| Health & Sanitation | 5,760 | 5,828 | 5,271 | 5,449 | 5,984 | 6,469 | 6,680 | 6,623 | 6,323 | 6,576 |
| Public Assistance | 2,355 | 2,383 | 2,600 | 2,455 | 2,526 | 2,642 | 2,600 | 2,492 | 2,369 | 2,455 |
| Education | 476 | 527 | 264 | 290 | 427 | 426 | 439 | 413 | 291 | 286 |
| Recreation and Cultural Services | 248 | 237 | 152 | 179 | 241 | 214 | 224 | 219 | 207 | 209 |
| Total full-time equivalent employees | 15,947 | 16,024 | 15,167 | 15,231 | 15,511 | 16,484 | 16,796 | 16,255 | 14,864 | 15,301 |



Source: Santa Clara County Controller's Office

COUNTY OF SANTA CLARA
Operating Indicators by Function / Program
Last Five Fiscal Years
(Unaudited)

| | Fiscal Year | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Governmental Activities | | | | | |
| General Government | | | | | |
| Total number of secured and unsecured assessment roll units - Assessor | 504,861 | 508,296 | 548,274 | 508,936 | n/a |
| Ratio of revenue collections to expenditures - Department of Revenue | 9.5:1 | 9.5:1 | 10.1:1 | 10.3:1 | 10.4:1 |
| Number of new voter registrations - Registrar of Voters | 59,523 | 69,374 | 114,925 | 150,233 | 56,661 |
| Number of absentee ballots issued in major elections - Registrar of Voters | 69,698 | 101,543 | 132,965 | 232,321 | 229,711 |
| Number of documents recorded by the Clerk Recorder | 699,299 | 947,937 | 857,641 | 695,005 | 680,799 |
| Public Protection | | | | | |
| 9-1-1 emergency calls received - Communications Department | 252,679 | 263,051 | 264,779 | 264,734 | 314,849 |
| Emergency calls answered within 10 seconds (2.5 rings) | 85% | 86% | 89% | 94% | 94% |
| Number of fires extinguished by the County fire department | 580 | 582 | 525 | n/a | 1,001 |
| Number of fire prevention inspections | 9,279 | 9,333 | 9,384 | 10,621 | 10,998 |
| Number of child support cases ⁽¹⁾ - Department of Child Support Services | 72,146 | 69,581 | 66,214 | 63,366 | 62,047 |
| Number of cases filed with the District Attorney ⁽²⁾ | n/a | 39,438 | 43,555 | 44,205 | 42,525 |
| Number of criminal complaints received - Sheriff | 2,906 | 2,418 | 1,714 | 1,430 | 2,209 |
| Number of citations issued - Sheriff | 18,543 | 16,974 | 20,238 | 20,977 | 22,479 |
| Number of priority 1 to 3 calls ⁽³⁾ dispatched - Sheriff | 55,049 | 52,699 | 46,787 | 41,194 | 44,692 |
| Number of inmates booked - Department of Correction | 50,679 | 46,279 | 53,992 | 55,084 | 55,839 |
| Average daily inmate population in all jail facilities | 3,914 | 3,903 | 4,041 | 4,278 | 4,553 |
| Rate of successful completion of probation (adult) | 82% | 82% | 56% | 57% | 57% |
| Rate of successful completion of probation (juvenile) | 75% | 89% | 91% | 89% | 80% |
| Rate of successful enrollment in school, training, or employment (adult) | 58% | 44% | 43% | 50% | 42% |
| Rate of successful enrollment in school, training, or employment (juvenile) | 89% | 96% | 80% | 84% | 94% |
| Public Ways and Facilities | | | | | |
| Number of gross miles maintained by the Roads Department | 690 | 686 | 686 | 684 | 684 |
| Average to ideal PCI ⁽⁴⁾ - urban roads | 93% | 94% | 100% | 109% | 109% |
| Average to ideal PCI ⁽⁴⁾ - expressways | 96% | 99% | 109% | 116% | 106% |
| Average to ideal PCI ⁽⁴⁾ - mountain roads | 100% | 97% | 101% | 114% | 114% |
| Average to ideal PCI ⁽⁴⁾ - arterial/collector roads | 99% | 100% | 110% | 111% | 111% |
| Health and Sanitation | | | | | |
| Number of vector control service requests | 6,067 | 6,946 | 7,082 | 8,368 | 7,729 |
| Household hazardous waste collected (number of pounds) | 1,685,387 | 1,999,302 | 2,000,000 | 2,100,000 | 2,339,000 |
| Hazardous underground storage tanks inspected | 73 | 73 | 72 | 68 | 53 |
| Critical hazard violations in food facilities | 9,769 | 7,853 | 7,961 | 5,744 | 5,931 |
| Public Assistance | | | | | |
| Number of low income individuals assisted with housing services | 4,945 | 10,433 | 23,094 | 59,436 | 61,436 |
| Number of Adult Protective Services (APES) reports | 1,869 | 2,028 | 1,841 | 2,330 | n/a |
| Number of monthly In-Home Supportive Services (IHSS) authorized cases | 6,251 | 7,674 | 9,517 | 10,107 | n/a |
| Average monthly number of active Medi-Cal cases | 71,332 | 77,274 | 87,947 | 91,281 | n/a |
| Number of children and families diverted from Child Welfare Services | 1,911 | 1,961 | 2,065 | 2,385 | n/a |
| Average monthly number of welfare recipients - off aid | 1,112 | 1,425 | 1,470 | 1,329 | n/a |

(Continued)

COUNTY OF SANTA CLARA
Operating Indicators by Function / Program
Last Five Fiscal Years
(Unaudited)

| | Fiscal Year | | | | |
|---|--------------------|-------------|-------------|-------------|-------------|
| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Education | | | | | |
| Average number of books borrowed per capita | 23.2 | 23.7 | 23.4 | 22.6 | 23.1 |
| Library visits | 3,339,969 | 3,389,666 | 3,333,606 | 3,136,222 | 2,977,698 |
| Recreation and Culture | | | | | |
| Number of visitors in County parks | 2,968,780 | 2,498,692 | 1,857,265 | 2,002,217 | 2,245,036 |
| Total volunteer hours in County parks | 32,842 | 32,276 | 32,286 | 34,337 | 33,457 |
| Business-type activities - SCVMC | | | | | |
| Total patient days | 117,465 | 117,413 | 120,586 | 121,935 | 125,138 |
| Average daily census | 322 | 322 | 329 | 334 | 351 |
| Total hospital visits | 580,036 | 598,992 | 624,727 | 657,403 | 674,656 |

Notes:

n/a Data is not available

(1) Data is compiled per federal fiscal year ending September 30.

(2) Data is compiled on a calendar year basis.

(3) Priority 1 - A life endangering situation, special circumstances, or person at risk.

Priority 2 - Any crime against a person not life threatening.

Priority 3 - Any crime against a person or property with no special circumstances.

(4) PCI - Pavement condition index

Source: Santa Clara County Departments

COUNTY OF SANTA CLARA
Capital Asset Statistics by Function / Program
Last Five Fiscal Years
(Unaudited)

| | Fiscal Year | | | | |
|---|-----------------------|-----------------------|-----------------------|--------------------|--------------------|
| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Governmental Activities | | | | | |
| General Government | | | | | |
| Number of main administration buildings | 13 | 13 | 13 | 13 | 15 |
| Number of electronic voting machines ⁽¹⁾ | n/a | n/a | 5,500 | 5,500 | 5,500 |
| Number of animal shelters | 1 | 1 | 1 | 1 | 1 |
| Public Protection | | | | | |
| Number of children shelters | 1 | 1 | 1 | 1 | 1 |
| Number of 9-1-1 communications sites ⁽²⁾ | 30 | 30 | 30 | 30 | 30 |
| Number of crime labs | 1 | 1 | 1 | 1 | 1 |
| Number of Sheriff's stations and substations | 4 | 4 | 4 | 3 | 3 |
| Number of helicopters owned by the County | - | 1 | 1 | 1 | 1 |
| Number of bomb trucks owned by the County | - | - | 1 | 1 | 1 |
| Number of jail facilities | 2 | 2 | 2 | 2 | 2 |
| Total capacity of Main jail | 1,214 | 1,214 | 1,353 | 1,353 | 1,353 |
| Total capacity of Elmwood correctional facility | 2,489 | 2,489 | 2,472 | 2,472 | 2,472 |
| Number of juvenile probation facilities | 4 | 4 | 4 | 4 | 3 |
| Total capacity of all juvenile probation facilities | 589 | 589 | 589 | 589 | 481 ⁽⁴⁾ |
| Number of adult probation facilities | 2 | 2 | 2 | 2 | 2 |
| Total capacity of all adult probation facilities | 320 | 320 | 320 | 320 | 320 |
| Number of fire stations | 8 | 8 | 8 | 8 | 8 |
| Number of fire trucks | 5 | 5 | 5 | 5 | 5 |
| Number of fire engines | 28 | 28 | 28 | 28 | 28 |
| Number of Court buildings | 8 | 8 | 8 | 8 | 8 |
| Public Ways and Facilities | | | | | |
| Road gross miles (urban, rural and expressways) | 690 | 686 | 686 | 684 | 684 |
| Number of bridges | 172 | 171 | 171 | 175 | 175 |
| Number of traffic lights | 159 | 160 | 161 | 164 | 164 |
| Number of maintenance trucks | 271 | 243 | 229 | 250 | 248 |
| Health and Sanitation | | | | | |
| Number of neighborhood health centers | 7 | 7 | 7 | 7 | 7 |
| Number of alcohol and drug abuse recovery centers | 1 | 1 | 1 | 1 | 1 |
| Education | | | | | |
| Number of county libraries | 9 | 9 | 9 | 8 | 8 |
| Number of books (in thousands) | 1,582 | 1,687 | 1,682 | 1,631 | 1,634 |
| Recreation and Culture | | | | | |
| Number of multi-use parks | 25 | 25 | 26 | 26 | 26 |
| Acreage of parks | 43,135 ⁽³⁾ | 44,068 ⁽³⁾ | 44,510 ⁽³⁾ | 44,546 | 44,546 |
| Lakes and reservoirs | 12 | 12 | 12 | 12 | 12 |
| Boat launch ramps | 11 | 11 | 11 | 11 | 11 |
| Miles of park trails | 267 | 278 | 291 | 291 | 291 |
| Number of campsites in County parks | 319 | 319 | 319 | 319 | 319 |
| Business - type activities | | | | | |
| Number of main administration buildings | 2 | 2 | 2 | 2 | 2 |
| Number of County hospitals | 1 | 1 | 1 | 1 | 1 |
| Number of licensed beds in acute care hospital | 574 | 574 | 574 | 574 | 574 |
| Operating rooms | 14 | 14 | 14 | 14 | 14 |
| Neighborhood health centers / satellite clinics | 7 | 7 | 7 | 7 | 7 |
| Internal Service Departments | | | | | |
| Number of law enforcement vehicles | 762 | 767 | 677 ⁽³⁾ | 666 ⁽³⁾ | 651 |
| Number of all other vehicles | 1,440 | 1,447 | 1,208 | 1,156 | 1,152 |

Notes:

- ⁽¹⁾ Prior to 2004, the County used punched card style voting equipment.
- ⁽²⁾ The County has 8 primary microwave repeater and radio sites and 22 secondary radio sites.
- ⁽³⁾ Prior year data has been restated.
- ⁽⁴⁾ Holden Ranch Juvenile facility was closed in FY06.

Source: Santa Clara County Departments

COUNTY OF SANTA CLARA
Miscellaneous Statistical Data
June 30, 2006
(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: | 2006 | 1,773,258 |
| | 2005 | 1,759,585 |
| County Employees: | as of June 30, 2006 | 15,081 |
| Employment Distribution (June, 2006): | | |
| Service | 44.15% | |
| Manufacturing | 19.47% | |
| Retail | 9.40% | |
| Government | 11.20% | |
| Wholesale Trade | 4.24% | |
| Construction and Mining | 5.16% | |
| Finance, Insurance and Real Estate | 4.15% | |
| Transportation and Utilities | 1.44% | |
| Agriculture | 0.79% | |

Source: California Employment Development Department, Labor Market Division

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Glossary

COUNTY OF SANTA CLARA

Glossary for the Comprehensive Annual Financial Report

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-paids (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. When 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 expended) 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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