The Net Change in Fund Balances for governmental funds of \$199,662 in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the Change in Net Assets for governmental activities of \$340,808 reported in the government-wide Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial

resources focus of the governmental funds. The main components of the difference are described below.

Net change in fund balances – total governmental funds

\$ 199,662

When capital assets used in governmental activities are purchased or constructed in the current fiscal year, the resources expended for those assets are reported as expenditures in the governmental funds. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. In addition, donations. transfers. gain or losses from sales and other disposals/acquisitions of capital assets are not reported in governmental funds. These assets, and their associated depreciation expense, must be reported or removed in the government-wide financial statements. The details of the \$35,974 expenditures of capital outlay, capital contributions and gain on sale of capital assets are as follows:

Expenditures for capital outlay:

Land	\$ 28,600	
Structures and improvements	75,420	
Equipment	16,758	
Infrastructure	9,078	
Capital assets disposition	(101,660)	
Depreciation expense	(60,089)	
Capital contributions	36,407	
Gain on the sale of capital assets	31,460	35,974

The payment of principal on long-term debt or the payment of other long-term liabilities is reported as an expenditure in the governmental funds because current financial resources have been consumed. Bond proceeds, net of payments to escrow agents and principal payments, are reported as financing sources in governmental funds and thus contribute to the change in fund balance. These transactions do not have any effect on net assets in the government-wide financial statements. The details of the \$52,371 principal and other long-term liability payments and other financing sources are as follows:

Principal and other long-term liability payments:

Bonds payable	\$ 76,960	
Capital lease obligations	8,067	
Arbitrage rebate payable	44	
Proceeds from issuance of bonds payable	 (32,700)	52,371

Revenues related to prior years that are available in the current fiscal year are reported as revenue in the governmental funds. In contrast, revenues that are earned, but unavailable in the current year are deferred in the governmental funds. For government-wide reporting, revenue is recognized when earned, regardless of availability. The following amounts reflect the net effect of the timing differences for revenue recognition:

Government mandated and voluntary nonexchange revenues Property tax revenues	\$ _	7,377 7,541	14,918
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 the governmental funds until paid. The following amounts represent the need feet of these differences in the treatment of long-term liabilities:	1		
Accrued interest expense on bonds payable	\$	9,456	
Amortization of deferred charges		(3,250)	
Debt issuance costs / premium		(1,604)	
Compensated employee absences expense		(3,802)	
Pension costs and amortization of the County's investment		, ,	
account with OCERS		13,698	
Litigation and claims expense		(7,354)	
Interest accretion on capital appreciation bonds	_	(11,898)	(4,754)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telephone services, to individual governmental funds. The loss of Internal Service Funds is eliminated in the Statement of Activities as an adjustment to the various functions to arrive at a break-even basis. Also, general or non-program revenues and expenses of	 		
the Internal Service Funds are recorded in governmental activities.			42,637
Change in net assets of governmental activities		\$	340,808