

The Net Change in Fund Balances for governmental funds of (\$32,576) in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the Change in Net Assets for governmental activities of \$79,041 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 \$ (32,576)

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 \$22,858 expenditures of capital outlay, capital contributions and gain on sale of capital assets are as follows:

Expenditures for capital outlay:		
Land	\$ 4,592	
Structures and Improvements	74,456	
Equipment	18,201	
Capital Assets Disposition	(14,081)	
Depreciation Expense	(60,367)	
Capital contributions	57	22,858

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 \$86,964 principal and other long-term liability payments and other financing sources are as follows:

Principal and Other Long-Term Liability Payments:		
Bonds Payable	\$ 84,837	
Capital Lease Obligations	2,764	
Arbitrage Rebate Payable	(637)	86,964

Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balance Governmental Funds to the Statement of Activities  
(Dollar Amounts in Thousands)

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	\$	4,414	
Property tax revenues		5,587	10,001

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 net effect of these differences in the treatment of long-term liabilities:

Accrued Interest Expense on Bonds Payable	\$	(5,661)	
Amortization of Deferred Charges		(3,209)	
Compensated Employee Absences Expense		(11,688)	
Pension Costs and Amortization of the County's Account with OCERS		(9,586)	
Estimated Litigation and Claims Expense		8,572	
Interest Accretion on Capital Appreciation Bonds		(13,565)	(35,137)

Internal Service Funds (ISF) are used by management to charge the costs of certain activities, such as insurance, transportation, 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. For the first year of implementation of GASB Statement No. 45, the June 2007 actuarial valuation report calculates the annual required contribution as \$30,654 and the annual OPEB cost as \$31,181. County contributions, along with accumulated reserves, totaling \$108,853 were deposited into the Retiree Medical Trust. The accumulated reserves in the Health and Other Self-Insured Employee Benefits ISFs created a loss in the current year's operation, and has been allocated to the various functions (as described above). The excess OPEB contribution of \$77,672 was treated as a reduction to the various functional expenses in order to correctly reflect each function's OPEB cost. The following reflects the net effect of the ISF loss allocation and excess OPEB contribution allocation.

ISF Loss Allocation	\$	(48,768)	
Excess OPEB Contribution Allocation		75,699	26,931
Change in Net Assets of Governmental Activities			\$ 79,041