



County of San Diego, California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2005



Board of Supervisors

First District	Greg Cox
Second District	Dianne Jacob
Third District	Pam Slater-Price
Fourth District	Ron Roberts
Fifth District	Bill Horn

Walter F. Ekard
Chief Administrative Officer

Donald F. Steuer
Chief Financial Officer

Tracy M. Sandoval
Auditor and Controller

"Supporting Kids, the Environment, and Safe & Livable Communities"



County of San Diego California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2005

Chief Administrative Officer
Walter F. Ekard

Compiled under the direction of
Chief Financial Officer
Donald F. Steuer

Auditor and Controller
Tracy M. Sandoval

Board of Supervisors

First District
Second District
Third District
Fourth District
Fifth District

Greg Cox
Dianne Jacob
Pam Slater-Price
Ron Roberts
Bill Horn



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Introductory Section



County of San Diego

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December 19, 2005

Honorable Members of the Board of Supervisors
County of San Diego
San Diego County Administration Center
San Diego, California, 92101

Ladies and Gentlemen:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the County of San Diego, California (the County) for the fiscal year ended June 30, 2005 with the Independent Auditor's Report, submitted in compliance with California Government Code Section 25253. The Auditor and Controller's department has prepared the CAFR in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe that the data, as presented, is accurate in all material respects; that its presentation fairly shows the financial position and the changes in financial position as measured by the financial activity of its various funds; and that the included disclosures will provide the reader with an understanding of the County's financial affairs.

The CAFR was prepared to satisfy the financial reporting requirements for State and local governments issued by the GASB, which require that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and

should be read in conjunction with it. The MD&A immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements.

The CAFR has been audited by the Independent certified public accounting firm of Macias Gini & Company LLP which has issued an unqualified ("clean") opinion on the County of San Diego's financial statements for the year ended June 30, 2005. The Independent Auditor's Report is located at the front of the financial section of this report.

SAN DIEGO COUNTY PROFILE

San Diego County is the southernmost major metropolitan area in the State of California and covers 4,255 square miles, extending 70 miles along the Pacific Coast from Mexico to Orange County, and inland 75 miles to Imperial County along the international border shared with Mexico. Riverside and Orange counties form the northern boundary. The County enjoys a wide variety of climate and terrain, from coastal plains and fertile inland valleys to mountain ranges and the Anza-Borrego Desert in the east. The Cleveland National Forest occupies much of the interior portion of the County. The climate is equable in the coastal and valley regions where most resources and population



are located. The average annual rainfall in the coastal areas is 10 inches, so that the County is highly dependent on imported water.

The County population in January 2005 was estimated to be 3,051,280, an increase of 1.3% over January 2004, making it the third largest county by population in California behind Los Angeles and Orange counties. There are 18 incorporated cities in the County; of them, the City of San Diego is the largest, with population of approximately 1.306 million, and Del Mar is the smallest, with a population of approximately 4.5 thousand. In addition, Tijuana, Mexico, with an estimated population of 1.2 million, is a substantial urban neighbor with a shared border, workforce, and economy.

The racial and ethnic composition of the County is as diverse as its geography. According to population projections by the State of California Department of Finance, San Diego's population breakdown in 2010 will be 46% White, 34% Hispanic, 11% Asian and Pacific Islander, 6% Black, and 3% all other groups. From 1990 to 2000, the growth in the Hispanic population, 47%, significantly exceeded total County population growth of 13%. San Diego Association of Governments (SANDAG) projects that both the Hispanic and Asian population shares will continue to increase through 2030. SANDAG also projects an older San Diego County by 2030, based on statistics such as median age.

COUNTY GOVERNMENT, ECONOMY AND OUTLOOK

The County was incorporated on February 18, 1850, and functions under a charter adopted in 1933, as subsequently amended from time to time. A five-member Board of Supervisors elected to four-year terms in district nonpartisan elections governs the County. The Board of Supervisors appoints the Chief Administrative Officer and the County Counsel. The Chief Administrative Officer appoints the Chief Financial Officer. Elected officials include the Assessor/Recorder/ County Clerk, District Attorney, Sheriff and Treasurer-Tax Collector.

Many of the County's functions are required under County ordinances or by State or Federal mandate, as County government is the delivery system for Federal, State and local programs.

The County supports a wide range of services to its residents including regional services such as courts and elections, public health and welfare, and environmental services. The County also provides the unincorporated areas public safety, basic community services such as planning and parks, and infrastructure such as roads and waste disposal. State and federally mandated programs, primarily in the social and health services areas, are directed to be maintained at certain minimum levels, with eligible costs subject to reimbursement according to specific guidelines; however, not all mandated costs are reimbursed.

In recent years the County has enjoyed economic stability, outpacing the State economy despite a downturn in California between 2001 and 2003. For example, the unemployment rate for the County has been lower than that of the State for the last 5 years, and at July 2005 was 4.4% as compared to 5.2% for the State. Since the early 1990's San Diego County has seen an increasing diversification of economic activity and has evolved as a hub for research and development (R&D) and product manufacturing in telecommunications, biotechnology, military products, electronics and information technology.

Much of San Diego's economic strength is derived from employment gains, commercial and industrial development and steady population growth. Looking forward, the State and Federal economies are expected to grow moderately, with increases in business investment and slower growth in consumer spending. The San Diego economy is expected to perform in line with the expansion of the State and Federal economies and to maintain its favorable position in relation to such comparative statistics as unemployment and taxable sales.

The County's economic base consists of a significant manufacturing presence in the fields of electronics and shipbuilding, a large tourist industry attracted by the favorable climate of the region, and a considerable defense-related presence. Highlights of County employment as of July 2005 are listed below.

- Non-agricultural employment totaled 1,277,200 jobs.



- The services industry constitutes the largest employment sector and accounted for approximately 44.6% of nonagricultural employment, with a total of 569,500 employed.
- The wholesale and retail trade industries were the second largest, non-government sector, comprising approximately 14.6% of non-agricultural employment with a total of 186,900 jobs.
- Government accounted for approximately 16.5% of total employment and manufacturing accounted for an additional 8.2%. San Diego's military presence is anticipated to remain relatively stable and may even increase due to the consolidation of military operations and facilities. In 2002, the U.S. Department of Defense contributed about \$12.8 billion (revised down from earlier estimates of \$13.6 billion), and in 2003 this figure increased to \$13.4 billion. Figures for 2004 are not available, but military payrolls and base expenditures are expected to remain stable with some growth anticipated in defense contracts. Agriculture accounted for approximately 0.88% of total employment.
- The construction and transportation sectors of employment are greatly influenced by the general health of the economy due to the fact that they serve the local market exclusively. The construction industry in particular has a significant multiplier effect on the economy as a whole. These two sectors are therefore directly influenced by the growth of population and housing. Construction also benefited in 2004 from the ongoing low interest rates. Rising interest rates threaten to dampen growth in 2005 and 2006. However, demand will continue to expand, fueled by population growth.
- Employment growth over the next year will be led by increases in service and trade industries (i.e., biotech, telecommunications, tourism, trade, and "diversified" manufacturing). Overall, the San Diego economy in 2005 is expected to add approximately 25,000 jobs, down slightly from 29,000 in 2004.

County revenues based on the local economy such as property taxes, sales taxes, and charges for services have benefited from the region's strength. For example, new real estate construction plus active resale markets over the last 5 years have resulted in an increase of 67% in the assessed value of property subject to property taxes (net of exemptions). Going forward, real estate markets are expected to remain strong but growth will be more moderate. In addition to conditions of demand and supply, real estate market activity is also affected by interest rates. Mortgage rates increased marginally in 2005, but are still low by historical standards. However, key interest rates are expected to gradually rise in the near term.

The difficult side of accelerating property values is that housing has become less affordable for San Diegans. Based on the California Association of Realtors' Housing Affordability Index, San Diego's housing affordability, a measure indicating the average household's ability to afford a median-price home, stands at 9% for August 2005, down from 10% as of August 2004. Transportation demands and traffic congestion will affect the current and future quality of life, given suburban residential growth and business expansion, such as the gaming industry, outside city centers on formerly rural and agricultural land.

GENERAL MANAGEMENT SYSTEM

The General Management System (GMS) is the formal comprehensive guide for planning, implementing, monitoring and rewarding all functions and processes of County Government. The GMS establishes good business practices and fiscal discipline, both of which are essential to achieve the County of San Diego's vision, "A County Government that has earned the respect and support of its residents." The purpose of the GMS is to optimize the efficient application of resources in the delivery of services to our residents. These resources include not just taxpayer dollars, but all San Diego County assets, including our unique natural and cultural resources, the expertise and creativity of County employees, and the informed interest of County residents. The idea behind the GMS is straightforward: County government will be able to provide



superior services if it sets sound goals and applies strong management principles to achieve those goals.

The County has an annual budget of more than \$4 billion and almost seventeen thousand employees who serve about three million residents spread over more than 4,000 square miles. Coordination, fiscal and operational discipline, and shared commitment are vital. The GMS facilitates and organizes the goal setting process. The GMS then links goal setting and long-range planning and resource allocation to goal attainment, which includes monitoring, evaluation, cooperation, motivation, and recognition. The GMS helps ensure that County employees adhere to core principles, promoting a culture that values our employees, partners, and customers and institutionalizes continuous improvement and innovation.

The GMS process begins with a long-range, five-year strategic planning process. This is followed by the short-term, two-year operational planning process, which encompasses the budget process and wherein each department's strategic objectives and resources allocated to achieving them are detailed. Monitoring and control take place throughout the year. Evaluation mechanisms are used to ensure that goals are tracked, plans followed, and risks identified. Functional threading maximizes efficient use of personnel and material resources by coordinating staff and linking the functions they perform. Motivation, rewards, and recognition encourage continuing progress by rewarding those who meet and exceed goals. The system completes a full circle in a fiscal year and begins again with a review of the Strategic Plan and development of a new Operational Plan.

County management defines and communicates GMS objectives. Lines of authority flow from the Board of Supervisors to the Chief Administrative Officer (CAO), Assistant CAO (ACAO), and the five Group General Managers/Deputy CAOs. These senior managers supervise appointed department heads, from whom authority flows down to line staff. Despite the crucial role of management, the success of the GMS depends on strong and effective leadership at all levels of County

service. Every County employee is expected to help set goals, strive to achieve them, and be rewarded for achievement.

The GMS helps ensure that sound planning, preparedness, and improvement become permanent organizational ethics. With the GMS as a guide, the County continues to use strong fiscal management practices, while remaining focused on providing superior services to County residents. The principles and procedures outlined by the GMS are meant to apply to every County function on an ongoing basis.

STRATEGIC AND OPERATIONAL PLANNING (BUDGETARY) PROCESS

As noted above, a five-year Strategic Plan is updated annually to provide long-term direction to County managers and staff. It embodies the tenets of County's GMS and is built on mutually held expectations for the future. Each fiscal year a two-year Operational Plan is prepared and details each department's strategic objectives and the resources required to achieve them. The Operational Plan is monitored regularly and is linked to the GMS system of rewards and recognition. The annual Line-Item Budget incorporates the first year of the Operational Plan and is formally adopted by the Board of Supervisors pursuant to Government Code 29000. During the year departments may request budget adjustments for new and existing programs. In addition, the CAO reviews the status of the County's performance against budget in a quarterly status report to the Board of Supervisors.

STRATEGIC INITIATIVES AND ACHIEVEMENTS

San Diego continues to adjust to the three significant external events of the last few years.

In late October 2003, four simultaneous wildfires, known collectively as "Firestorm 2003", burned almost 400,000 acres in San Diego County, causing loss of life and extensive damage to both public and private property. County government initiated short and long-term responses including emergency communications and public safety responses, spearheading the efforts at regional fire protection and communications systems



upgrades, coordinating Federal Emergency Management Agency funding and other grants, and rebuilding County property. While Federal and State funding sources provided funding for cleanup, support, and prevention of future catastrophic disasters, County resources were and will be expended in order to restore balance and safety to the physical environments of San Diego County.

Second, the failure of State government to develop a viable long-term solution to its budget imbalance remains a risk to funding and stability of County programs, since State aid is the primary source of County revenues. Although, according to the California Legislative Analyst's Office (LAO) the California economy has improved, the budget still relies on one-time spending such as debt issuance and has a structural operating shortfall. Risk and uncertainty surrounding State support to local governments for mandated as well as discretionary programs persisted throughout Fiscal Year 2004-05 and is expected to remain.

Finally, the September 11, 2001, terrorist attacks and ensuing domestic and international Wars on Terrorism continue to color all public safety and emergency preparedness efforts of local government. During the fiscal year, San Diego County developed and coordinated the Countywide Homeland Security Exercise and Evaluation Program through the Office of Emergency Services. The Office of Emergency Services also administered \$22 million in State Homeland Security grant funds provided to County departments, fire protection districts and the incorporated cities for protective equipment, training and exercises to respond to terrorist incidents.

In spite of the events in the external environment, County government continues to follow the map of the five-year long-term Strategic Plan developed within the discipline of the GMS. The County's Strategic Plan defines broad organization-wide goals as Strategic Initiatives, which help prioritize specific 'front-line' County efforts and programs. The Strategic Initiatives are:

- **KIDS**

Improve opportunities for children

- **THE ENVIRONMENT**

Promote natural resource management strategies that ensure environmental preservation, quality of life, and economic development.

- **SAFE AND LIVABLE COMMUNITIES**

Promote safe and livable communities

The Strategic Plan also recognizes that maintaining operational excellence is what enables us to accomplish our Strategic Initiative goals. Key Required Disciplines of operations include:

- Fiscal Stability
- Customer Satisfaction
- Regional Leadership
- Skilled, Competent Workforce
- Essential Infrastructure
- Information Management
- Accountability/Transparency
- Continuous Improvement

Within the structure of the two-year operational planning process, the County plans for and attains interim progress toward achievement of the Strategic Initiatives. Some of the significant steps of the last year were:

- **KIDS**

- Supported self-sufficiency of families with children by collecting and disbursing \$103.7 million in child support to families despite reductions in State funding for local child support agencies.
- Provided quality care and supportive services for at-risk children and youth in the dependency and delinquency systems through effective management of legislation, cases, and programs.
- Provided 2,500 low-income, working families free tax preparation assistance for the Earned Income Credit (EITC) program, returning \$3.5 million in tax credits and refunds back into the community.
- Increased by 4,450, the number of eligible children enrolled in Medi-Cal and Healthy Families to enhance access to physical and dental prevention.



- Decreased the harmful effects on children's health by allocating \$0.4 million to replace four pre-1987 diesel school buses and \$0.4 million to fund fifty-one particulate traps on diesel school buses.
- Enhanced safety for children through sidewalk, bicycle, and equestrian pathway projects.
- Promoted enhanced homework centers at the libraries, resulting in a 15% increased usage of the centers increasing children and teens' opportunities to succeed in school.
- Promoted children and teens' awareness of the voting process by recruiting student poll workers for the November 2004 Presidential Election and providing local schools with polling booths and mock voting materials.
- Identified legal issues associated with factors that place children at risk in juvenile dependency petitions prior to filing in Juvenile Court.

THE ENVIRONMENT

- Adopted the first Multi-Hazard Mitigation Plan in California approved by the Federal Emergency Management Agency (FEMA) including San Diego County and all eighteen incorporated cities.
- Prevented over 42,000 cubic yards of debris from entering rivers, bays, and the ocean by continuing systemic culvert, drainage channel, and road cleaning programs.
- Compiled data from throughout the western United States on wildfire mitigation and post-fire restoration practices, costs, impacts, and maintenance.
- Acquired over 500 acres of park and/or preserve land by leveraging Federal, State, and private funding with general purpose revenue.
- Encouraged energy efficiency in 103 units of affordable housing developed with assistance from County housing programs.
- Installed stormwater management improvements at the County Operations Center.

SAFE AND LIVEABLE COMMUNITIES

- Strengthened the County's ability to respond to an emergency by facilitating the participation of all eighteen incorporated cities in emergency preparedness training exercises and developing a three-year Countywide Homeland Security Exercise and Evaluation Program through the Office of Emergency Services.
- Assisted 10 communities in the unincorporated areas of the County in the development of evacuation/emergency plans.
- Successfully conducted three emergency preparedness drills with public health staff and community partners which focused on integrating military and civilian capabilities for managing the consequences of potential bioterrorist attacks, implementing quarantine in order to contain a public health threat, and enhancing statewide hospital response.
- Obtained State and Federal reimbursement of costs resulting from Firestorm 2003, four simultaneous wildfires that burned almost 400,000 acres. Still working with FEMA on reimbursement of private property debris removal costs.
- Completed surveys on 4,472 parcels over a total of 20,066 acres in 19 of 20 County managed projects and to date 175,836 trees have been marked for removal.
- Expanded the Condition Assessment program for County facilities to include Americans with Disabilities Act (ADA) requirements.

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 (CAFR) for the fiscal year ended June 30, 2004. In order to be awarded a Certificate of Achievement, a 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 report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

OTHER AWARDS AND RECOGNITIONS

Even with the financial and environmental challenges of Fiscal Year 2004-05, the County was recognized for many activities that highlight progress in the Strategic Plan Initiatives. County programs received awards for operational and service delivery achievements, technological innovations, and prudent fiscal management.

- In 2005, 41 County of San Diego programs were selected for Achievement Awards by the National Association of Counties (NACo). The NACo awards extend to efforts in all three of the Strategic Initiatives. San Diego County received the highest number of awards given to any county for such accomplishments as the Youth Employment Preparation, Work Safe/Stay Healthy Program, School Health & Absenteeism Reporting Exchange, Firestorm recovery, and Homeland Security Exercise & Evaluation.
- The County of San Diego ranked in a tie for 2nd among counties with populations of 500,000 or more, on a list of the nation's most digital-savvy counties, according to the 2005 Digital Counties Survey, which examined how county governments use information technology to deliver services to citizens. The nationwide survey was conducted jointly by the Center for Digital Government, NACo, and Government Technology magazine.
- County Television Network (CTN), the local government access channel for the County of San Diego, was awarded two Emmy

awards by the National Association of Television Arts and Sciences/Pacific Southwest Chapter and also received a total of nine Government Programming Awards in 2005 from the National Association of Telecommunications Officers Association.

- GFOA awarded a Distinguished Budget Presentation Award for the fiscal year 2004-05.
- The County of San Diego was one of only ten California Counties to receive a Challenge Award from the California State Association of Counties (CSAC) in November, 2004 for the Risk Mitigation and Litigation Program.
- The Department of Environmental Health received the George Washington Medal awarded by the Freedom Foundation for its Program "The Christmas Train". The George Washington Medal is the nation's highest civilian honor for projects, words or deeds that reflect the best of the American spirit of volunteerism by offering constructive solutions for contemporary problems.
- The Department of Environmental Health's Hazardous Materials Division was named as the recipient of the 2005 Continuing Challenge Innovation and Technologies award. This award was presented in recognition of the achievements made in making hazardous materials disclosure information available to all emergency responders electronically in the San Diego Area.



ACKNOWLEDGMENTS

We would like to express our appreciation to the accounting staffs of County departments and the staff of the Auditor and Controller's department whose coordination, dedication and professionalism are responsible for the preparation of this report. We would also like to thank Macias Gini & Company LLP for their professional support in the preparation of the CAFR. Lastly, we thank the members of the Board of Supervisors, the Chief Administrative Officer, Group/Agency General Managers and their staffs for using sound business practices while conducting the financial operations of the County.

Respectfully,

Handwritten signature of Donald F. Steuer in black ink.

DONALD F. STEUER
Chief Financial Officer

Handwritten signature of Tracy M. Sandoval in black ink.

TRACY M. SANDOVAL
Auditor and Controller



Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of San Diego,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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



Nancy L. Zjeld

President

Jeffrey R. Emer

Executive Director

Board of Supervisors

Pam Slater-Price
District 3
Chair



Bill Horn
District 5
Vice Chair



Greg Cox District 1



Dianne Jacob District 2

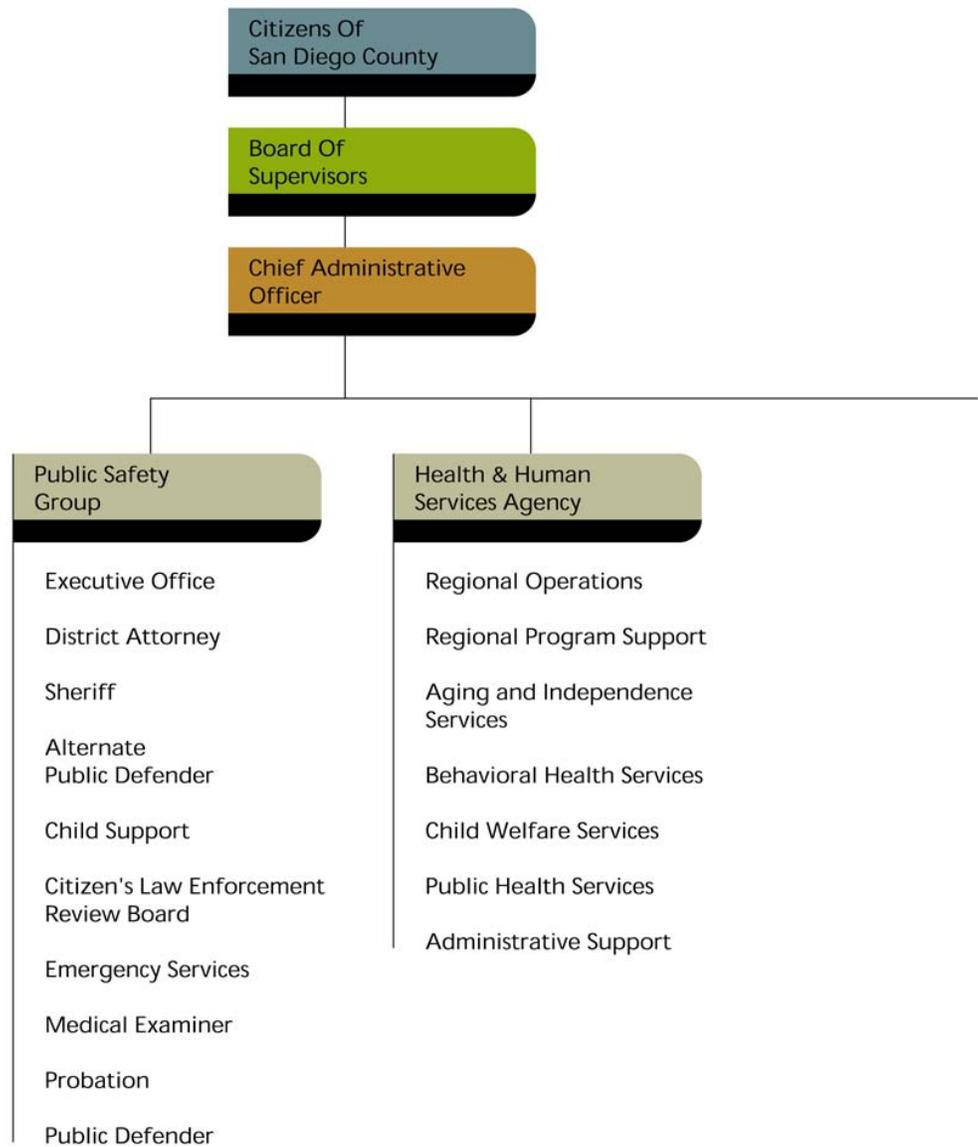


Ron Roberts District 4





Organizational Chart





Organizational Chart





Elected Officials

Assessor/Recorder/County Clerk..... Gregory J. Smith
District Attorney Bonnie M. Dumanis
Treasurer/Tax Collector Dan McAllister
Sheriff..... Bill Kolender

Chief Administrative Office

Chief Administrative Officer Walt Ekard
Assistant Chief Administrative OfficerHelen N. Robbins-Meyer

General Managers

DCAO/General Manager Community Services Group..... Alex A. Martinez
Chief Financial Officer/General Manager Finance & General
Government Group Donald F. Steuer
Agency Director Health & Human Services Agency Jean M. Shepard
DCAO/General Manager Land Use & Environment Group.....Robert R. Copper
DCAO/General Manager Public Safety Group.....W. Harold Tuck, Jr.

Department Heads

Agriculture, Weights & Measures.....Kathleen A. Thuner
Air Pollution Control District Richard J. Smith
Alternate Public Defender Timothy A. Chandler
Animal Services..... Dawn Danielson
Auditor & Controller/ACFOTracy Sandoval
Chief of Staff - CAOJanice Graham
Child Support ServicesTom Boardman, Ph.D.
Civil Service Commission Patt Zmary
Clerk of the BoardThomas J. Pastuszka
County Counsel..... John J. Sansone
County Technology Office..... Michael L. Moore
Emergency Services.....Deborah Steffen
Environmental Health..... Gary Erbeck



Other Elected and Appointed Officials

Farm & Home Advisor	Terrell P. Salmon
General Services.....	John McTighe
AIS & HHS-A-East Region	Pamela B. Smith
HHS-Central & South Regions	Rene Santiago
HHS-North Coastal, Inland & Central Regions	Nick Macchione
Public Health Officer	Nancy L. Bowen, M.D.
Adult & Children's Mental Health	Alfredo Aguirre
Housing & Community Development	Catherine J. Trout
Human Resources.....	Carlos Arauz
Internal Affairs	Eloy G. Villa
Library.....	Jose Aponte
Media & Public Relations.....	Michael Workman
Medical Examiner.....	Glenn Wagner
Parks & Recreation	Renee E. Bahl
Planning & Land Use	Gary Pryor
Probation	Vincent Iaria
Public Defender.....	Steve Carroll
Public Works	John L. Snyder
Purchasing & Contracting.....	Winston F. McColl
Registrar of Voters.....	Mikel D. Haas
Strategy & Intergovernmental Affairs.....	Marilyn Buck





Financial Section



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INDEPENDENT AUDITOR’S REPORT

Board of Supervisors
County of San Diego, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Diego, California (County), as of and for the year ended June 30, 2005, 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 Commission of San Diego (Commission), the discretely presented component unit, and the San Diego County Employees Retirement Association (SDCERA), which represents 63%, 65%, and 6% of the assets, net assets/fund balances and revenues, respectively, of the aggregate remaining fund information as of and for the year ended June 30, 2005. 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 the Commission and SDCERA, 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. The financial statements of SDCERA were not audited in accordance with *Government Auditing Standards*. 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 the 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



As discussed in Note V. of the basic financial statements, effective July 1, 2004, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40 – *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3.*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2005 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 financial 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, budgetary comparison information, and schedule of funding progress on pages 23 through 39, 112 through 114, and 116, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors 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 and the other auditors 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, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mauar, Jini & Company LLP

Certified Public Accountants

Los Angeles, California
December 19, 2005

Management's Discussion and Analysis



Don Steuer
Chief Financial Officer



Tracy M. Sandoval
Auditor and Controller

This section of the County of San Diego's (County) Comprehensive Annual Financial Report provides a narrative overview and analysis of the basic financial activities of the County as of and for the year ended June 30, 2005. The intent of the information presented here, in conjunction with the Letter of Transmittal is to provide the reader with a clearer picture of the County's overall financial status. Unless otherwise indicated, all amounts in this section are expressed in thousands of dollars.

Financial Highlights

- The assets of the County exceeded liabilities at the close of the fiscal year 2004-2005 by \$2.18 billion (net assets). Of this amount, \$224 million is restricted for specific purposes (restricted net assets), and \$2.43 billion is invested in capital assets, net of related debt. The remaining portion of the net assets represents a deficit balance in unrestricted net assets of \$465 million.
- Total net assets increased by \$201 million. For governmental activities, revenues exceeded expenses by \$198 million. For business type activities, revenues exceeded expenses by \$3 million.
- General revenues for governmental activities were \$970 million. Of this amount, property taxes and property taxes in lieu of vehicle license fees accounted for \$646 million or 67 percent; other taxes, interest and other general revenues accounted for \$324 million or 33 percent.
- Program revenues for governmental activities were \$2.2 billion. Of this amount, \$1.8 billion or 81 percent was attributable to

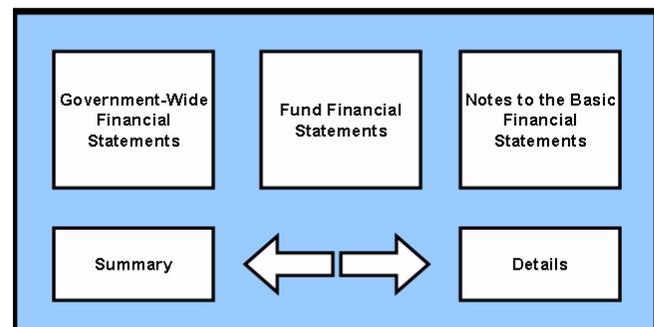
operating grants and contributions while charges for services accounted for \$414 million or 19 percent.

- The total expenses for governmental activities were \$2.99 billion. Public assistance accounted for \$973 million or 33 percent of this amount, while public protection accounted for \$960 million or 32 percent. Additionally, health and sanitation accounted for \$546 million or 18 percent.

Overview of the Financial Statements

This discussion and analysis is 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.

The illustration below depicts the required components of the basic financial statements.





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 the County's 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, revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the aforementioned 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 a 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, public assistance, health and sanitation, recreational and cultural, and education. The business-type activities of the County include airport operations, wastewater management and sanitation districts.

Fund Financial Statements are groupings 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 compliance with finance-related legal requirements. All of the funds of

the County can be divided into three categories: governmental funds, proprietary funds and fiduciary 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 a 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, 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 twenty-eight individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund and the Tobacco Securitization Special Revenue Fund, both of which are considered to be major funds. Data from the other twenty-six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the Combining Financial Statements and Supplementary Information section in this report.



Proprietary funds are generally used to account for services for which the County charges customers - either outside customers, or internal departments of the County. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The County maintains the following types 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 sanitation services, wastewater management and airport operations. These nonmajor enterprise funds are combined and aggregated. Individual fund data for each nonmajor enterprise fund is provided in the Combining Financial Statements and Supplementary Information section in this report.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. Internal service funds are used to account for the financing of public works and communications equipment; the financing of materials and supplies (purchasing); for start up services for new and existing county service districts; for the County's uninsured risk management activities; the financing of fleet services; for facilities management activities; for the financing of information technology services; and for the financing of clothing and personal sundry items for persons institutionalized at various County facilities. Additionally, mail services are included within the facilities function, and printing and record storage services are included in the purchasing function. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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 internal service funds is provided in the form of combining statements in the Combining Financial Statements/Schedules and Supplementary Information section in this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these 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.

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.

Required Supplementary Information is presented concerning the County's General Fund budgetary schedule, and San Diego County Employees Retirement Association (SDCERA) pension schedules. 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. In addition, a budgetary comparison schedule has been provided for the Tobacco Securitization Special Revenue Fund for it was determined to be a major governmental fund. The SDCERA pension schedules have been provided to present SDCERA's progress in funding its obligation to provide pension benefits to County employees.



Combining Financial Statements/Schedules and Supplementary Information section of this report presents combining and individual fund statements and schedules referred to earlier that provide information for nonmajor governmental funds, enterprise funds and internal service funds and are presented immediately following the Required Supplementary Information section of this report.

Government-wide Financial Analysis

Net Assets June 30, 2005 (In Thousands)

	Governmental Activities		Primary Government Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
ASSETS						
Current and other assets	\$ 2,456,419	1,678,164	79,091	81,031	2,535,510	1,759,195
Capital assets	2,674,393	2,680,570	87,581	81,938	2,761,974	2,762,508
Total assets	5,130,812	4,358,734	166,672	162,969	5,297,484	4,521,703
LIABILITIES						
Long-term liabilities	2,335,192	2,301,177	3,250	3,538	2,338,442	2,304,715
Other liabilities	771,977	231,636	2,696	1,588	774,673	233,224
Total liabilities	3,107,169	2,532,813	5,946	5,126	3,113,115	2,537,939
NET ASSETS						
Invested in capital assets, net of related debt	2,341,126	2,324,806	84,416	78,485	2,425,542	2,403,291
Restricted	223,565	169,983			223,565	169,983
Unrestricted	(541,048)	(668,868)	76,310	79,358	(464,738)	(589,510)
Total net assets	\$ 2,023,643	1,825,921	160,726	157,843	2,184,369	1,983,764

Analysis of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$2.18 billion at the close of fiscal year 2004-2005. The County also had positive balances in two of its categories of net assets, (Invested in capital assets net of related debt and Restricted net assets). Unrestricted net assets had a deficit balance of \$465 million.

The largest portion of the County's net assets (111 percent) reflects its investment of \$2.43 billion in capital assets (e.g. land, infrastructure, buildings, and equipment); 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 capital assets is reported net of related debt, it should be noted that the resources needed to repay

this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the County's net assets, \$224 million (10 percent), represents resources that are subject to external restrictions on how they may be used. External restrictions include those imposed by grantors, contributors, laws/regulations of other governments, or restrictions imposed by law through constitutional provisions or legislation.

The remaining portion of the County's net assets represents a deficit unrestricted net assets balance of \$465 million (an increase of \$125 million). This increase was in large part due to increased Property taxes collected in lieu of vehicle license fee (VLF) revenue (\$204 million), decrease in the State allocation of sales tax and VLF (\$121 million) and an increase in other taxes (\$44 million). A more detailed discussion of these revenue sources can be found below in the Analysis of Changes in Net Assets Revenues section.



**Changes in Net Assets
For the Year Ended June 30, 2005 (In Thousands)**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues						
Charges for services	\$ 414,384	351,928	30,651	27,404	445,035	379,332
Operating grants and contributions	1,769,805	1,747,368	3,700	4,671	1,773,505	1,752,039
Capital grants and contributions	32,303	67,357	1,036	1,539	33,339	68,896
General revenues						
Property taxes	441,716	412,587			441,716	412,587
Property taxes in lieu of vehicle license fees	203,788				203,788	
Other taxes	96,927	52,489			96,927	52,489
State allocation of sales tax and vehicle license fees	106,548	227,688			106,548	227,688
Interest	38,066	21,992	1,730	417	39,796	22,409
Other	83,079	92,138	287	24	83,366	92,162
Total revenues	3,186,616	2,973,547	37,404	34,055	3,224,020	3,007,602
Expenses:						
Governmental Activities						
General government	232,826	286,997			232,826	286,997
Public protection	960,227	1,124,382			960,227	1,124,382
Public ways and facilities	122,797	164,551			122,797	164,551
Health and sanitation	545,805	592,426			545,805	592,426
Public assistance	972,592	1,017,705			972,592	1,017,705
Education	27,394	31,722			27,394	31,722
Recreation and cultural	21,405	26,774			21,405	26,774
Interest expense	106,612	91,897			106,612	91,897
Business-type Activities						
Airport			8,117	7,373	8,117	7,373
Wastewater Management			5,076	4,005	5,076	4,005
Sanitation Districts			20,564	15,828	20,564	15,828
Total expenses	2,989,658	3,336,454	33,757	27,206	3,023,415	3,363,660
Excess (deficiency) before transfers	196,958	(362,907)	3,647	6,849	200,605	(356,058)
Transfers	764	673	(764)	(673)		
Increase (decrease) in net assets	197,722	(362,234)	2,883	6,176	200,605	(356,058)
Net assets at beginning of year	1,825,921	2,188,155	157,843	151,667	1,983,764	2,339,822
Net assets at end of year	\$ 2,023,643	1,825,921	160,726	157,843	2,184,369	1,983,764

Analysis of Changes in Net Assets

The County's net assets increased by \$201 million during the fiscal year 2004-2005. (Certain fiscal year 2003 - 2004 balances were reclassified to conform with the current year presentation.)

Governmental activities:

Governmental activities increased the County's net assets by \$197.7 million for the year ended June 30, 2005, accounting for 99% of the total increase in net assets. Governmental activities operating revenues exceeded operating expenses by \$196.9 million. Transfers provided a total increase in net assets of \$.8 million.



Revenues:

Total revenues for governmental activities were \$3.19 billion, an increase of 7 percent or \$213 million from the previous year. Total program revenues increased \$50 million, due in part to increases in realignment revenues which fund health, mental health and social services programs.

The \$163 million increase in general revenues is primarily due to the following:

\$29 million of the increase was due to property taxes, which increased 7% over the previous year. The increase was due to significant growth in assessed property values as real estate activity remained strong.

\$204 million of the increase is due to property taxes in lieu of vehicle license fee(VLF) revenue. Beginning in Fiscal Year 2004-2005, the County's share of general purpose VLF was eliminated and replaced with property tax revenue previously distributed in the County for education funding via the Educational Revenue Augmentation Fund(ERAF). The ERAF fund was established by state law in Fiscal Year 1992-93 to capture prescribed amounts of property tax to be shifted from local governmental agencies to local schools. The swap of property tax for VLF general purpose

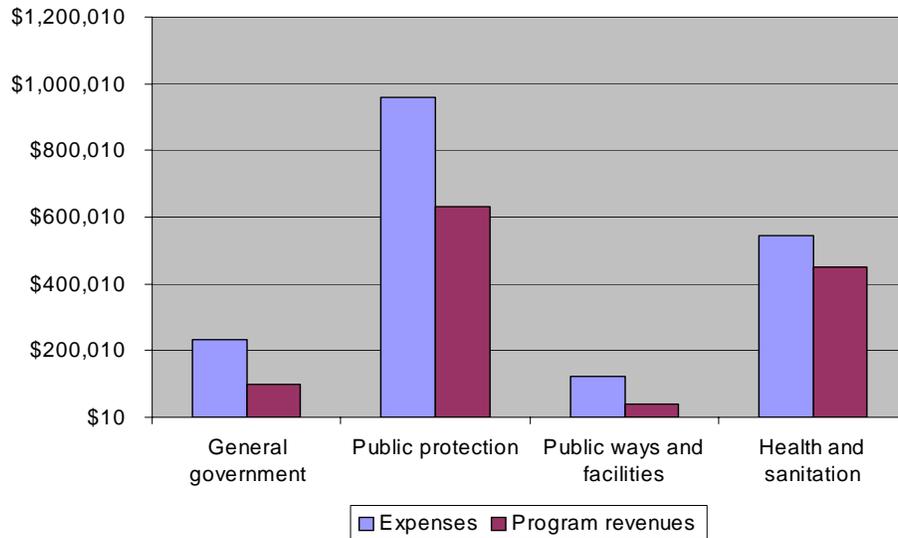
revenues resulted from the State's Fiscal Year 2004-05 budget actions and the signing of SB1099. The mechanism used to shift property tax revenues from ERAF to cities and counties was the establishment of a new VLF Property Tax Compensation Fund which holds initial allocations of property tax before distributions to cities and counties in January and May of the fiscal year. The County's share of this "swapped" revenue was \$204 million.

\$121 million represents a decrease in the State allocation of sales tax and VLF. Decreases in VLF are a result of the "swap" explained above while decreased sales taxes were caused by the State's exchange of sales tax revenue for property tax revenue. Effective July 1, 2004, provisions of AB7X1, one of the 2003-04 State budget bills referred to as the "triple flip" took effect. It redirected one-quarter cent of sales tax to the State to repay up to \$15 billion in bonds authorized by Proposition 57 (March 2004) to help the State finance its past debt. In turn, the State replaced the County's loss of sales tax revenue with a like amount of property tax revenue.

Interest earnings increased \$16 million or 73%, as the annual pool investment earnings rate increased to 2.24% from the prior year of 1.59%.



Expenses and Program Revenues - Governmental Activities (In Thousands)



(Continued on Next Page)

Expenses:

Total expenses for governmental activities were \$2.99 billion, a decrease of 10% or \$347 million from the prior year. Public assistance is the largest function in expense (33 percent), followed by public protection (32 percent) and health and sanitation (18 percent).

The total decrease in program expenses is attributed generally to the following:

\$450 million represented savings as a result of the prior year's contributions paid to SDCERA to reduce the County's unfunded accrued actuarial liability (UAAL). This was offset by Board action to pay down \$25 million of the UAAL in the current fiscal year, for a net overall decrease in this category of expense of \$425 million. The reduced expense was applicable across all functions.

Offsetting the above decrease are the following increases in expenses:

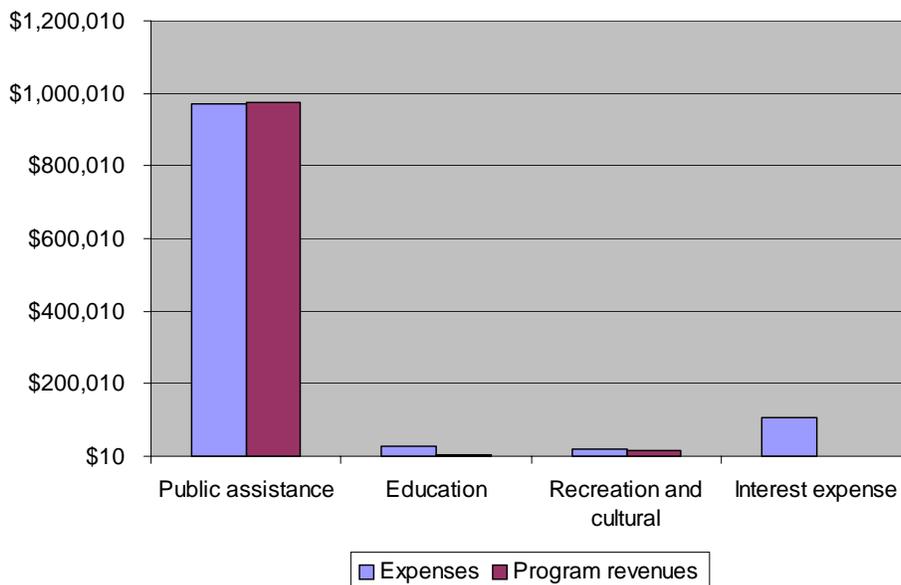
\$30 million is attributable to increases in salaries and benefit costs, an increase of 2.4% over the previous year. As a service delivery entity, the County's major cost component is salaries and benefits, amounting to approximately 43% of the total County expenditures. The County's overall strategy whereby some positions are deleted, some are frozen and others are temporarily funded has minimized the impact of negotiated salary increases and increased benefit costs.

\$15 million is attributable to increased interest expense on borrowings to meet cash flow needs of operations.

\$3 million represents basic increases in the costs of services and supplies across all functions.



**(Continued) Expenses and Program Revenues -
Governmental Activities (In Thousands)**



Revenues By Sources:

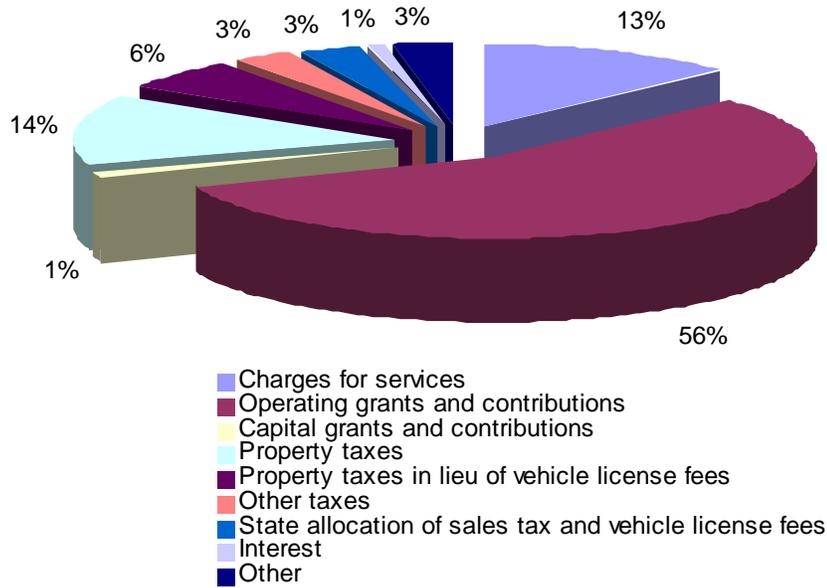
The County's governmental activities rely on several sources of revenue to finance ongoing operations. As shown, for governmental activities overall, without regard to program, operating grants and contributions are the largest single source of funds (56 percent). Operating grants and contributions are monies received from parties outside the County and are generally restricted to one or more specific programs. Examples of operating grants and contributions include State and Federal revenue for public assistance programs and for health and sanitation programs. General revenues such as property taxes and property taxes in lieu of vehicle license fees are not shown by program, but are effectively used to

support program activities County-wide. Combined, these revenues account for 20% of governmental activities.

At the end of fiscal year 2004-2005, total revenues for the governmental activities were \$3.19 billion, while total expenses for governmental activities were \$2.99 billion.



**Revenues By Source - Governmental Activities
(In Thousands)**



Other factors concerning the finances of the County's major governmental funds are discussed in the Governmental Funds section of the "Financial Analysis of the County's Funds."

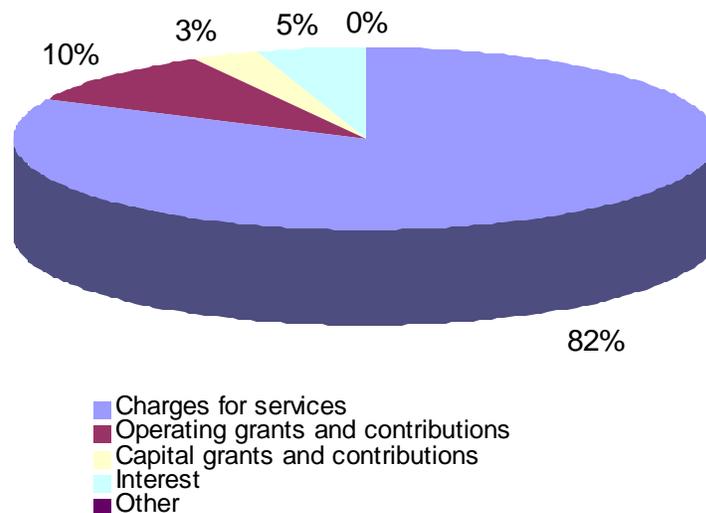
Business-type Activities:

The net assets of business-type activities increased by \$2.9 million or 1.8%, indicating that these activities generated revenues sufficient to cover the costs of operations. Revenues

increased 9% to \$37.4 million due to an increase in charges for services and expenses of 20% to \$33.7 million, primarily due to increased costs of sewage processing and costs of repairs and maintenance.



**Revenues By Source - Business Type Activities
(In Thousands)**



Financial Analysis of the County Funds

The County uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds:

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. 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 Major Governmental Funds reported by the County include the General Fund and the Tobacco Securitization Special Revenue Fund. Nonmajor Governmental Funds include Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

As of the end of fiscal year 2004-2005, the County's governmental funds reported combined ending fund balances of \$1.52 billion, an increase of \$224 million in comparison with the prior year fund balance. Of the total June 30, 2005 amount, \$942 million constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders (\$177 million), (2) for landfill closure costs (\$26 million), (3) to pay debt service (\$148 million), and (4) for a variety of other purposes (\$225 million).

Revenues for governmental functions overall totaled \$3.12 billion representing a 6 percent increase. Expenditures for governmental functions, totaled \$3.0 billion, a 13 percent decrease from the fiscal year ended June 30, 2004.



General Fund:

The General Fund is the chief operating fund of the County. At the end of fiscal year 2004-2005, the unreserved fund balance of the General Fund was \$376 million, while total fund balance was \$667 million, an increase of \$116 million from fiscal year 2003-2004. This was primarily attributed to increases in property tax revenues of \$215 million, federal aid of \$31 million and charges for current services of \$8 million offset by a decrease in State aid of \$138 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 15 percent of total General Fund expenditures of \$2.5 billion, while total fund balance represents 26 percent of that same amount.

Tobacco Securitization Special Revenue Fund:

This Special Revenue Fund is used to account for the \$411 million (net of closing costs and reserve requirements) the County received from the Tobacco Asset Securitization Corporation related to the sale of 25 years of tobacco settlement revenue in fiscal year 2001-2002. The County will continue to invest these funds in investment products to maximize the sustained long-term use of these dollars. At the end of fiscal year 2004-2005, fund balance was \$332 million, a decrease of \$14 million from fiscal year 2003-2004. This represents the net of transfers out of the fund of \$23 million to support health related program expenditures and interest earnings of \$9 million.

Other Governmental Funds:

Other Governmental funds consist of twenty-six nonmajor funds, which include Special Revenue Funds, Debt Service Funds, and Capital Project Funds. Individual fund data for each of these nonmajor governmental funds is provided in the Combining Financial Statements and Supplementary Information Section of this report. As of the end of fiscal year 2004-2005, the Fund Balance of the Other Governmental Funds totaled \$518 million, an

increase of \$122 million over the prior year. The change is primarily due to the following: an increase in the fund balance of the SANCAL Capital Projects Fund of \$63 million due to proceeds from a bond issuance; an increase of \$52 million in the fund balance of the Pension Obligation Bonds Fund due to transfers in of \$106 million and principal and interest payments of \$16 million and \$41 million, respectively; an increase of \$16 million in the fund balance of the Edgemoor Development Fund due to proceeds from the sale of capital assets.

Proprietary Funds:

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The nonmajor Enterprise Funds and the Internal Service Funds are combined into single, aggregated presentations in the proprietary fund financial statements with the individual fund data provided in combining statements, which can be found in the Combining Financial Statements/Schedules and Supplemental Information section of this report. Due to the quantitative nature of the Sanitation Districts, the County has elected not to report them as a major fund beginning fiscal year 2004-05.

As of the end of fiscal year 2004-2005, the Net Assets of the Enterprise Funds totaled \$160 million, an increase of \$3 million over the prior year, primarily due to an increase in the net assets of the Airport Fund as a result of an increase in charges for services of \$2 million and a decrease in non-operating expenses of \$1.7 million.

Net Assets of the Internal Service Funds totaled \$103 million, a decrease of \$10 million from the prior year. The net change in the Internal Service Funds is primarily due to a decrease of \$6 million in the Risk Financing Fund due to an excess of claims (\$43 million) over revenue (\$37 million); a decrease in the Facilities Management Fund of \$3 million due to increase utilities (\$2 million) and repairs and



maintenance costs (\$1 million); and a decrease of \$1 million in the Fleet Services Fund due to increased fuel expense.

Fiduciary Funds:

The County maintains fiduciary funds for the assets of the Pension Trust Fund, the Investment Trust Fund, and the Agency Funds.

Pension Trust Fund:

This fund is under the control of the Board of Retirement. The fund accumulates employer and employee contributions and earnings from the fund's investments. Disbursements are made from the fund for retirement, disability and death benefits and refunds. This fund includes all assets of the retirement system. As of the end of fiscal year 2004-2005, the net assets of the Pension Trust Fund totaled \$6.4 billion, an increase of \$850 million over the prior year. The change is primarily due to the following: (a) County and member contributions of \$356 million, (b) appreciation in the fair value of pension trust investments and investment income of \$795 million; less (c) member benefits paid and pension costs of \$302 million.

Investment Trust Fund:

This fund was established to account for the external portion of the County Treasurer's investment pool. This fund consists of school districts, special districts, and funds held for other governments. The Investment Trust Fund's net assets totaled \$2.6 billion, an increase in net assets of \$164 million, primarily resulting from undistributed school bond proceeds, undistributed property tax collections and prepaid unsecured taxes.

Agency Funds:

The Agency Funds maintain assets held in an agent capacity for other governments, organizations and individuals. These assets do not support the County's programs or services. Any portion of the Agency Funds' assets held at

fiscal year end for other County funds, are reported in those funds rather than in the Agency Funds.

General Fund Budgetary Highlights

The County's final budget differs from the original budget in that it contains supplemental appropriations approved during the fiscal year for various programs and projects, as well as transfers of appropriations, budget corrections, re-budgets, and account reclassifications. At June 30, 2005, the variances between the original and final budgets for the excess of revenues over expenditures, \$49.5 million, and for other financing sources, \$35.5 million, resulted in a total change of \$85 million in budgeted fund balance between the original and final budgets.

Increased appropriations caused significant variances between the original and the final budgets as follows:

- \$33.2 million for the Integrated Property Tax System funded from securitizing the repayment of the Vehicle License Fee Gap loan.
- \$25 million to reduce the unfunded actuarial accrued liability to SDCERA also funded from securitizing the repayment of the Vehicle License Fee Gap loan.
- \$7.5 million increase based on increased State revenues. The Governor's Proposed Budget cut funding in the Probation Department Temporary Assistance for Needy Families (TANF). The shortfall would have resulted in the closure of a juvenile camp and ranch treatment beds and other reductions in juvenile and adult probation services, therefore, General Purpose Revenues replaced the TANF funding for these programs in the County's Adopted Operational Plan. In the final State budget, however, State General Revenues were allocated to continue State categorical funding for these programs. This allowed the County to reallocate the General Purpose



Revenues to fund a variety of one-time and on-going services including capital projects, major maintenance and increased costs in the Defense Attorney/Contract Administration department.

- \$7.4 million for salaries and benefits for incentives earned through the County's Fiscal Year 2003-2004 Quality First program, funded by fund balance.
- \$16.2 million net change in appropriated management reserves for future one-time projects.
- \$8.4 million for costs associated with closing the San Marcos landfill, funded from the Environmental Trust Fund (\$3 million), Land Acquisition-Divestiture Holding Fund (\$4 million) and the Solid Waste Landfill Closure Reserve (\$1.4 million), bringing the total project cost to \$23.2 million.
- \$7.7 million to fund unbudgeted expenditures related to revenue sharing requirements of the Memorandum of Understanding with the State Courts and for payments for undesignated fees pursuant to Assembly Bill 1759 based on traffic court fines, fees and forfeitures (\$6.5 million) and fund balance (\$1.2 million).
- \$8.8 million to fund increased costs in the In-Home Supportive Services Program in Aging and Independence Services based on increased funding from the State Department of Social Services.
- \$60.5 million reduction in appropriations for carryover adjustments for year-end encumbrances.

Actual revenues fell short of the final budgeted amounts by \$80 million, while expenditures fell short of the budgeted amount by \$275.7 million. The combination of revenue and expenditure shortfalls resulted in a net favorable operating variance of \$195.7 million. Other financing sources and uses of funds resulted in a favorable variance from budget of \$50.9 million and there was no variance in the increase to

the reserve for inventories of materials and supplies. These combined variances result in a variance in the net change in fund balance of \$246.6 million. Some highlights of the actual results compared to budgeted results are:

Property Tax in Lieu of Vehicle License Fee (VLF): In Fiscal Year 2004-05, the State established initial allocations from the VLF Property Tax Compensation Fund to cities and counties. This replaced the previous distribution of vehicle license fees to local governments. The County budgeted \$196.9 million for this revenue source and received \$204 million, resulting in a favorable variance of \$7.1 million. In addition, during Fiscal Year 2005-06 the County will be receiving a \$17.7 million positive true-up adjustment for Fiscal Year 2004-05. (For further VLF discussion see the section below entitled "Economic Factors and Next Year's Budget and Rates.")

Salaries and Benefits: In the continuing environment of uncertainty over State and Federal funding, many County functions have deferred hiring staff for ongoing programs in anticipation of future budget constraints. The total favorable variance in this category is \$36.3 million across all functions.

Health and Human Services Agency: Funded by a combination of State, Federal, and County revenues, most Agency programs are carried out in the functional areas of health and sanitation and public assistance, with favorable expenditure variances of \$31.8 million and \$75.9 million respectively. The expenditure variances result from demand for services being less than the budgeted level. These lowered expenditures are offset by corresponding reductions in Federal and State revenue.

Strong real estate markets: The real estate markets in San Diego County have been robust for several years due to low interest rates and high demand for residential and commercial real estate. This segment of the economy contributed to a positive variance of \$24.6 million in property taxes.



Delayed expenditures: Many County projects such as maintenance and information technology take place over more than one fiscal year; however, at inception they are budgeted at full expected cost, resulting in favorable expenditure variances that are re-budgeted into the new fiscal year. For example, \$17.0 million has been re-budgeted in the Department of Public Works for the Hazardous Fuels Reduction Program and \$2.4 million has been re-budgeted in the Department of Parks and Recreation for parks repair and other fire-related projects. In public protection, \$5.0 million in unexpended appropriations for the Regional Communications System, the Jail Information Management System, the North County Regional Gang Task Force, the Cal-ID mugshot replacement system and U.S. Department of Justice Grants involving DNA analysis were re-budgeted the next fiscal year. Additionally, \$1.3 million was re-budgeted in the Multi-Species Conservation and Watershed programs and another \$.5 million was re-budgeted for document management technology costs.

Reserves: The County annually appropriates management and contingency reserves based on both ongoing general purpose revenues and prior years' fund balance for a variety of one-time capital and operating expenditures as well as potential emergencies. Unexpended reserves resulted in a positive variance of \$43.5 million. In addition, in FY 2004-05, the County set aside \$17.4 million for economic uncertainty with the intent that it not be spent unless unusual needs arose; of that amount, \$14.8 million was unexpended at year end.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2005, the County's capital assets for both the governmental and business-type activities was \$2.76 billion net of accumulated depreciation. Investment in capital assets includes land, construction in progress, structures and improvements, equipment, and

infrastructure (including roads, bridges, flood channels, and traffic signals). The significant capital asset activity in fiscal year 2004-2005 was as follows:

Governmental Activities:

- \$23 million towards the construction and improvement of County maintained roads, bridges, and other road related infrastructure. An additional \$23 million was donated by developers.
- \$8.21 million towards the construction of the Edgemoor Skilled Nursing Facility in Santee. Total project costs are estimated at \$83.79 million.
- \$4.37 million towards the construction of the North County Animal Shelter. Total project costs are estimated at \$6.69 million.
- \$3.09 million for the acquisition of real property in the Otay River Valley area for open space habitat restoration and passive recreation.
- \$2.34 million towards the construction of the Bonita Library. Total project costs are estimated at \$4.49 million.
- \$1.53 million towards the construction of a control panel system at the Vista Detention Facility. Total project costs are estimated at \$2.65 million.
- \$1.34 million towards the construction of a nursery at Polinsky Children's Center. Total project costs are estimated at \$2.42 million.
- \$1.25 million towards the construction of the East Mesa Juvenile Detention Facility. Total project costs are estimated at \$52.95 million.
- \$12.96 million towards the construction of numerous other capital outlay projects.

During fiscal year 2004-2005, capital assets valued at \$18.81 million, representing the four transit centers, was removed from inventory as a result of the divestiture of the County Transit System to the Metropolitan Transit Development Board.



Business-Type Activities:

- \$2.21 million towards the replacement of the Galloway Pump Station Force Main in Alpine Sanitation District. Total project costs are estimated at \$4.28 million.
- \$1.88 million towards runway rehabilitation at Gillespie Field Airport in El Cajon. Total project costs are estimated at \$4.97 million.
- \$1.01 million was donated by developers for sewer lines in the East Otay Mesa area.

For government-wide financial statement presentation, governmental fund depreciable capital assets were depreciated from the acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

More detailed capital assets information, including depreciation as of June 30, 2005, can be found in Note IV-D of the notes to the basic financial statements.

Capital Commitments

As of June 30, 2005, capital commitments included the following:

- \$72 million for the Integrated Voting System, Integrated Property Tax System, RCS Equipment, SMART system, Revenue Plus Collection System, Medics Health Information System, and the Automated Records Management and Field Reporting Software Installation.
- \$80 million for the construction of the Edgemoor Skilled Nursing Facility, the Air Pollution Control Facility in Scripps Ranch, Valley Center Road, Spring Valley Gym/Teen Center, Mission Road, and Forester Creek Drainage system.
- \$4.4 million for the Jamacha Boulevard Sewer and the Gillespie Field Runway.

More detailed capital commitments information, including depreciation as of June 30, 2005, can be found in Note IV-D.2 of the notes to the basic financial statements.

Long-Term Obligations

At June 30, 2005, the County had outstanding governmental activity long-term obligations of \$2.3 billion. Of this amount, \$393 million pertains to outstanding certificates of participation, \$35 million pertains to capital leases, and \$1.9 billion pertains to other long-term obligations that include \$1.25 billion of taxable pension obligation bonds, \$430 million of San Diego County Tobacco Asset Securitization Corporation Bonds, \$104 million for claims and judgments, \$48 million for landfill closure and postclosure costs, \$77 million for compensated absences, \$7.3 million for other loans, \$4 million for the 1995 Redevelopment Agency revenue bonds.

Long-term obligations for business-type activities totaled \$3.2 million and consisted of \$2.9 million for capital loans and \$324 thousand for compensated absences.

During fiscal year 2004-2005, the County's total principal amount of bonds and notes payable for governmental activities increased by \$24 million, before giving affect to the unamortized issuance premiums, discounts and unamortized deferred amount on refunding. The increase is due primarily to the County of San Diego's issuance of \$112 million in certificates of participation for the Edgemoor/Regional Communication System refunding. Offsets were \$60 million in principal debt service payments and \$30 million reduction of principal due to the refunding of the 1996 Regional Communication System. The long-term obligations for the business-type activities decreased by \$93 thousand due to a debt service payments on capital loans.

More detailed long-term obligation activity, including interest rates and maturity dates, can be found in Note IV-I through IV-I-6 of the notes to the basic financial statements.

The County's credit ratings on its bonded program are as follows:



Credit Ratings	Moody's	Standard & Poor's	Fitch Ratings
Certificates of Participation	A1	AA-	AA-
Pension Obligation Bonds:			
1994 Series A	Aa3	AA-	Not Rated
2002 Series A, B & C	Aa3	AA-	AA-
2004 Series A, B & C	Aa3	AA-	AA-

In addition, the County has an Issuer Credit Rating of Aa2 from Moody's and AA from Standard & Poor's. These ratings reflect the County's favorable general credit characteristics, which include a strong local economy, a sound financial position and a moderate debt profile. There were no changes in the credit ratings from the previous year.

Economic Factors and Next Year's Budget and Rates

The budget for FY 2005-06 resources to support County services contains an increase of \$98.7 million, 2.4% over FY 2004-2005.

The San Diego economy continues to show positive growth (i.e., gross regional product at 4.9% for 2002, 4.5% for 2003, 4.4% for 2004, and forecasted at 4.5% for 2005).

The 2005-06 Budget Act is consistent with the two-year budget agreement reached between the State and local governments in July 2004 and the passage of Proposition 1A on the November 2004 ballot with respect to general purpose revenues. For the second year in a row the County will transfer \$27.5 million of its property taxes to the Educational Revenue Augmentation Fund (ERAF) to assist the State to meet its funding obligations to local schools. This revenue loss was anticipated and factored into the County's 2005-06 Adopted Budget.

Since 1995-96 the State Property Tax Administration Grant program has assisted counties maintain timely property assessments. The 2005-06 Budget Act suspends for two years the entire \$60 million that has historically been budgeted for the program. For the County, the revenue loss is \$5.4 million and was not anticipated in the County's 2005-06 Adopted Budget. The County will be reviewing its options including identifying where costs can be

reduced and whether any other funding source is available to cover all or a portion of this revenue loss.

Salaries and benefits are increasing by a net \$63.8 million or 4.5%. This reflects negotiated increases in base pay and health insurance along with required payments to the retirement fund offset by the reduction of 65 staff years.

The County's *general purpose revenues* continue to perform well. Specifically:

- The largest source of general purpose revenues is property taxes (\$400.5 million), representing 55% of the total. The demand for housing, boosted by low interest rates, has remained strong as attested to by significant increases in property values. For the last five years, local secured growth has been high (8.2% average annual growth excluding the State's 2004-05 property tax shift to schools) due to the County's strong overall economy and healthy real estate market. At present, real estate activity is still strong due to stable, historically low mortgage rates, the limited supply of housing for sale, and the area's population growth. As noted above, per the two-year agreement with the State, the County will relinquish \$27.5 million in property tax revenues to ERAF. Current secured property tax revenues budgeted in the Fiscal Year 2005-06 Adopted Budget were based on the assumption that assessed value growth through June 30, 2005 would be 10%. Actual assessed value growth exceeded



13%, which is projected to raise current secured property tax revenue collections by \$12.9 million.

- *Property Taxes in Lieu of Vehicle License Fees (VLF)* comprises 27.8% (an estimated \$200.5 million) of General Purpose Revenues in Fiscal Year 2005-06. This revenue source replaces the previous distribution of vehicle license fees to local governments. In Fiscal Year 2004-05, the State established initial allocations from the VLF Property Tax Compensation Fund to cities and counties. The allocations for Fiscal Year 2005-06 are to be calculated based on a formula that takes into account adjusted actual allocations for Fiscal Year 2004-05 and growth in gross taxable assessed value in each county. Information on the adjusted actuals was released on October 14, 2005 and the County will be receiving a \$17.7 million true-up adjustment for Fiscal Year 2004-05. In addition, the published assessed value growth factor for 2005-06 is 13.3% which establishes the County's 2005-06 property tax in lieu of vehicle license fee base at \$247.3 million.

At June 30, 2005, *unreserved General Fund balance* was \$376 million. Of this amount, the County appropriated to the General Fund \$56.5 million of unreserved, undesignated fund balance and \$3.7 million in reserved fund balance for Fiscal Year 2005-2006 expenditures of one-time items. The County's *Adopted Operational Plan* for Fiscal Years 2005-2006 (the Adopted Budget) and for Fiscal Year 2006-2007 (for planning purposes) and the County's *Capital Program* can be found on the internet at <http://www.sdcounty.ca.gov/auditor/budinfo.html>

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's *accountability* for the money it receives. If you have questions about this report or need additional financial information, please contact the Auditor and Controller's Office, County of San Diego, located at 1600 Pacific Highway, San Diego, California 92101.





Basic Financial Statements

Basic Financial Statements

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



STATEMENT OF NET ASSETS
June 30, 2005
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission Fund
ASSETS				
Current assets:				
Equity in pooled cash and investments	\$ 925,568	68,937	994,505	172,983
Cash with fiscal agent	118,139		118,139	
Collections in transit	6,716	9	6,725	
Imprest cash	313	2	315	
Investments	69,894		69,894	
Receivables, net	366,567	880	367,447	8,774
Taxes receivable, net	105,784		105,784	
Internal balances	(9,263)	9,263		
Inventory of materials and supplies	11,170		11,170	
Deposits with others	2,370		2,370	
Deferred charges	2,552		2,552	
Prepaid items	1,009		1,009	2
Restricted assets:				
Cash with fiscal agent	97,877		97,877	
Investments	395,773		395,773	
Total current assets	2,094,469	79,091	2,173,560	181,759
Noncurrent assets:				
Restricted assets:				
Investments	335,905		335,905	
Deferred charges	26,045		26,045	
Capital assets:				
Land and construction in progress	407,581	27,489	435,070	
Other capital assets, net of depreciation	2,266,812	60,092	2,326,904	
Total noncurrent assets	3,036,343	87,581	3,123,924	
Total assets	5,130,812	166,672	5,297,484	181,759
LIABILITIES				
Current liabilities:				
Accounts payable	142,965	2,161	145,126	5,813
Accrued payroll	60,374	271	60,645	
Amount due for tax and revenue anticipation notes	369,280		369,280	
Accrued interest	28,743		28,743	
Amount due for commercial paper notes	74,990		74,990	
Unearned revenue	95,625	264	95,889	
Current portion of long-term obligations	117,125	213	117,338	
Total current liabilities	889,102	2,909	892,011	5,813
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	2,218,067	3,037	2,221,104	
Total noncurrent liabilities	2,218,067	3,037	2,221,104	
Total liabilities	3,107,169	5,946	3,113,115	5,813
NET ASSETS				
Invested in capital assets, net of related debt	2,341,126	84,416	2,425,542	
Restricted for:				
Capital projects	20,949		20,949	
Debt service	128,046		128,046	
Inactive landfill maintenance	25,720		25,720	
Other purposes	48,850		48,850	175,946
Unrestricted	(541,048)	76,310	(464,738)	
Total net assets	\$ 2,023,643	160,726	2,184,369	175,946

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



STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005
(In Thousands)

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets			Component Unit First 5 Commission Fund
	Expenses	Charges for Services	Operating Grants and Contri- butions	Capital Grants and Contri- butions	Primary Government		Total	
					Governmental Activities	Business- type Activities		
Functions/Programs:								
Governmental Activities								
General government	\$ 232,826	84,769	14,812	453	(132,792)		(132,792)	
Public protection	960,227	229,150	403,613		(327,464)		(327,464)	
Public ways and facilities	122,797	13,874	3,645	23,236	(82,042)		(82,042)	
Health and sanitation	545,805	75,034	376,623	8	(94,140)		(94,140)	
Public assistance	972,592	3,296	969,887		591		591	
Education	27,394	1,359	993	558	(24,484)		(24,484)	
Recreation and cultural	21,405	6,902	232	8,048	(6,223)		(6,223)	
Interest expense	106,612				(106,612)		(106,612)	
Total governmental activities	2,989,658	414,384	1,769,805	32,303	(773,166)		(773,166)	
Business-type Activities								
Airport	8,117	8,345	3,653			3,881	3,881	
Wastewater Management	5,076	5,357	21			302	302	
Sanitation Districts	20,564	16,949	26	1,036		(2,553)	(2,553)	
Total business-type activities	33,757	30,651	3,700	1,036		1,630	1,630	
Total primary government	3,023,415	445,035	1,773,505	33,339	(773,166)	1,630	(771,536)	
Component Unit								
First 5 Commission	40,137		42,652					2,515
Total component unit	\$ 40,137		42,652					2,515

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



STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005
(In Thousands)

	Net (Expenses) Revenue and Changes in Net Assets			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission Fund
Revenues:				
General revenues:				
Taxes:				
Property taxes	\$ 441,716		441,716	
Other taxes	96,927		96,927	
Property taxes in lieu of vehicle license fees	203,788		203,788	
Unrestricted contributions from State				
State allocation of sales tax	106,548		106,548	
Total general tax revenues	848,979		848,979	
Interest	38,066	1,730	39,796	2,576
Other	83,079	287	83,366	
Total general revenues	970,124	2,017	972,141	2,576
Transfers	764	(764)		
Total general revenues and transfers	970,888	1,253	972,141	2,576
Change in net assets	197,722	2,883	200,605	5,091
Net assets at beginning of year (Component Unit restated)	1,825,921	157,843	1,983,764	170,855
Net assets at end of year	\$ 2,023,643	160,726	2,184,369	175,946

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



BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005
(In Thousands)

	General Fund	Tobacco Securitization Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity in pooled cash and investments	\$ 496,759	9,878	255,658	762,295
Cash with fiscal agent	43,902		74,237	118,139
Collections in transit	5,362		351	5,713
Imprest cash	298		13	311
Investments	2		69,892	69,894
Receivables, net	224,527	1,229	135,767	361,523
Taxes receivable, net	105,009		775	105,784
Due from other funds	172,209		7,491	179,700
Advances to other funds	928		102	1,030
Inventory of materials and supplies	8,795		1,777	10,572
Deposits with others			2,370	2,370
Prepaid items	5		1,004	1,009
Restricted assets:				
Cash with fiscal agent		3	97,874	97,877
Investments	360,000	323,928	47,750	731,678
Total assets	1,417,796	335,038	695,061	2,447,895
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	101,766		25,158	126,924
Accrued payroll	55,366		3,443	58,809
Amount due for tax and revenue anticipation notes	369,280			369,280
Due to other funds	21,342	2,779	119,614	143,735
Advances from other funds			10,699	10,699
Deferred credits and other liabilities	44,624		5,254	49,878
Amount due for commercial paper notes	74,990			74,990
Unearned revenue	82,970		12,655	95,625
Total liabilities	750,338	2,779	176,823	929,940
Fund balances:				
Reserved Fund Balance				
Reserved for encumbrances	131,356		46,003	177,359
Reserved for notes receivable and advances	7,295		35,875	43,170
Reserved for deposits with others			58	58
Reserved for inactive landfill maintenance	16,170		9,550	25,720
Reserved for inventory of materials and supplies	8,795		1,777	10,572
Reserved for debt service			147,996	147,996
Reserved for other purposes	128,216		43,057	171,273
Unreserved:				
Designated for subsequent years' expenditures	111,448			111,448
Undesignated	264,178	332,259		596,437
Unreserved, reported in nonmajor:				
Special Revenue Funds				
Designated for landfill postclosure and inactive landfill maintenance			66,902	66,902
Undesignated			82,631	82,631
Capital Projects Funds				
Undesignated			84,389	84,389
Total fund balances	667,458	332,259	518,238	1,517,955
Total liabilities and fund balances	\$ 1,417,796	335,038	695,061	2,447,895

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



RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS	
June 30, 2005	
(In Thousands)	
Total fund balances-governmental funds	\$ 1,517,955
Costs of issuances are reported as expenditures in governmental funds and thus have the effect of reducing fund balance because current financial resources have been used. In the government-wide statements however, bond issuance costs are reported as a deferred charge and amortized over the life of the bond issue.	28,597
When capital assets (land, buildings, equipment, infrastructure) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the County as a whole.	2,578,776
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(28,743)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.	49,878
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, current and long-term, are recorded in the statement of net assets.	(2,225,724)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	102,904
Net assets of governmental activities	\$ 2,023,643

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



**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005
(In Thousands)**

	General Fund	Tobacco Securitization Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 671,850		45,324	717,174
Licenses, permits and franchise fees	32,015		10,939	42,954
Fines, forfeitures and penalties	51,000		4,538	55,538
Revenue from use of money and property	29,308	8,810	12,693	50,811
Aid from other governmental agencies:				
State	511,830		568,833	1,080,663
Federal	620,477		109,248	729,725
Other	60,415		13,857	74,272
Charges for current services	254,585		32,046	286,631
Other revenue	38,057		46,353	84,410
Total revenues	2,269,537	8,810	843,831	3,122,178
Expenditures:				
Current:				
General	204,566		6,955	211,521
Public protection	928,375		10,695	939,070
Public ways and facilities	4,348		80,212	84,560
Health and sanitation	499,471		42,450	541,921
Public assistance	858,487		111,721	970,208
Education	597		26,522	27,119
Recreation and cultural	18,300		1,314	19,614
Capital outlay	17,928		36,229	54,157
Debt service:				
Principal			60,849	60,849
Interest and other fiscal charges	12,310		82,246	94,556
Bond issuance costs			1,915	1,915
Total expenditures	2,544,382		461,108	3,005,490
Excess (deficiency) of revenues over (under) expenditures	(274,845)	8,810	382,723	116,688
Other financing sources (uses):				
Sale of capital assets			18,400	18,400
Issuance of bonds and loans				
Face value of bonds issued			83,510	83,510
Face value of loans issued			160	160
Bond premiums			5,960	5,960
Refunding bonds issued			28,885	28,885
Payment to refunded bond escrow agent			(31,633)	(31,633)
Transfers in	568,677		250,813	819,490
Transfers out	(179,228)	(23,278)	(617,121)	(819,627)
Total other financing sources (uses)	389,449	(23,278)	(261,026)	105,145
Net change in fund balances	114,604	(14,468)	121,697	221,833
Fund balances at beginning of year	551,000	346,727	396,436	1,294,163
Increase in:				
Reserve for inventory of materials and supplies	1,854		105	1,959
Fund balances at end of year	\$ 667,458	332,259	518,238	1,517,955

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



RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	
For the Year Ended June 30, 2005	
(In Thousands)	
Net change in fund balances-total governmental funds	\$ 221,833
Governmental funds accrue property tax revenue, which is deemed collectible within sixty days. However, in the statement of activities the total amount estimated to ultimately be collected is accrued.	25,257
Adjustment for reserve for inventory of materials and supplies.	1,959
Long-term receivables are not available as current resources, and therefore are not reported as revenue in the governmental funds.	(4,274)
The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds.	(18,400)
The book value of the sale of such assets is removed from the capital assets account in the statement of net assets and offset against the sales proceeds resulting in a "loss on sale of capital assets" recorded as an expense in the statement of activities. Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which asset acquisition and donations exceeded depreciation in the current period.	15,178
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service fund's costs for the year.	(9,357)
Repayment of bond principal and other long term obligations are reported as expenditures in governmental funds and thus has the effect of reducing fund balance because current financial resources have been used. For the County as a whole however, the principal and other payments for liabilities reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The County's long term obligations include bonds, loans and notes payable, capital leases, accumulated unpaid employee leave balances, arbitrage rebate, and closure and postclosure costs for the San Marcos landfill. The County's long term debt was reduced by these payments, principal payments to bondholders, and the adjustment to the San Marcos landfill closure and postclosure liability.	96,168
Bond issuance costs are expended in the governmental funds when paid, and are capitalized and amortized in the statement of activities. This is the amount by which current year amortization expense exceeded bond issuance costs.	(194)
Interest expense in the statement of activities differs from the amount reported in governmental funds because additional interest was calculated for bonds and notes payable and amortization of capitalized bond premiums, discounts and deferred amount of refunded debt that are expended in the governmental funds in the year paid.	(17,893)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements however, issuing debt increases long-term liabilities in the statement of net assets and does not effect the statement of activities.	(112,555)
Change in net assets of governmental activities	\$ 197,722

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



**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005
(In thousands)**

	Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Funds
ASSETS		
Current assets:		
Equity in pooled cash and investments	\$ 68,937	163,273
Collections in transit	9	1,003
Imprest cash	2	2
Receivables, net	880	5,044
Due from other funds	936	16,315
Advances to other funds	9,312	596
Inventory of materials and supplies		598
Total current assets	80,076	186,831
Noncurrent assets:		
Capital assets:		
Land	10,677	
Construction and contracts in progress	16,812	
Buildings and equipment	43,938	149,528
Infrastructure	64,921	
Accumulated depreciation	(48,767)	(53,911)
Total noncurrent assets	87,581	95,617
Total assets	167,657	282,448
LIABILITIES		
Current liabilities:		
Accounts payable	2,161	16,041
Accrued payroll	271	1,565
Due to other funds	1,247	51,969
Advances from other funds	239	
Unearned revenue	264	
Bonds, loans and notes payable	181	176
Compensated absences	32	224
Claims and judgments		43,251
Total current liabilities	4,395	113,226
Noncurrent liabilities:		
Bonds, loans and notes payable	2,745	3,483
Compensated absences	292	2,016
Claims and judgments		60,318
Total noncurrent liabilities	3,037	65,817
Total liabilities	7,432	179,043
NET ASSETS		
Invested in capital assets, net of related debt	84,416	95,606
Unrestricted net assets	75,809	7,799
Total net assets	\$ 160,225	103,405
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	501	
Net assets of business-type activities	\$ 160,726	

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



**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005
(In Thousands)**

	Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Charges for services	\$ 30,948	255,435
Miscellaneous	22	1,017
Total operating revenues	30,970	256,452
OPERATING EXPENSES		
Salaries	5,746	29,587
Repairs and maintenance	5,405	24,532
Equipment rental	538	1,227
Sewage processing	13,617	
Contracted services	2,992	117,293
Depreciation	2,269	10,316
Utilities	142	22,237
Cost of material		4,272
Claims and judgments		42,968
Fuel		7,441
Other operating expenses	2,362	7,629
Total operating expenses	33,071	267,502
Operating (loss)	(2,101)	(11,050)
NONOPERATING REVENUES (EXPENSES)		
Interest and dividends	1,729	726
Grants	3,668	243
Interest expense	(184)	(125)
Loss on disposal of capital assets		(590)
Other nonoperating revenues		55
Other nonoperating expenses	(1)	(17)
Total nonoperating revenues (expenses)	5,212	292
Income (loss) before contributions and transfers	3,111	(10,758)
Capital contributions	1,036	
Transfers in		4,448
Transfers out	(764)	(3,547)
Change in net assets	3,383	(9,857)
Net assets at beginning of year		113,262
Net assets at end of year	\$	103,405
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(500)	
Change in net assets of business-type activities	\$ 2,883	

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



STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005
(In Thousands)

	Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Funds
Cash flows from operating activities:		
Cash received from customers	\$ 32,100	117,660
Cash received from other funds	459	139,847
Cash payments to suppliers	(19,646)	(200,687)
Cash payments to employees	(5,766)	(29,500)
Cash payments to other funds	(7,775)	(23,503)
Net cash provided (used) by operating activities	(628)	3,817
Cash flows from non-capital financing activities:		
Operating grants	3,666	243
Transfers from other funds		4,448
Transfers to other funds	(764)	(3,547)
Advances from other funds	(20)	161
Advances to other funds	235	
Net cash provided by non-capital financing activities	3,117	885
Cash flows from capital and related financing activities:		
Capital grants revenue	1,035	
Acquisition of capital assets	(6,197)	(7,529)
Proceeds from sale of assets		1,065
Retirement of capital leases, bonds and loans	(368)	(159)
Bond sale proceeds and loans received	100	1,785
Interest paid on long-term debt	(184)	(139)
Net cash used for capital and related financing activities	(5,614)	(4,977)
Cash flows from investing activities:		
Interest	1,535	615
Net increase (decrease) in cash and cash equivalents	(1,590)	760
Cash and cash equivalents at beginning of year	70,538	163,518
Cash and cash equivalents at end of year	68,948	164,278
Reconciliation of operating loss:		
Operating loss	(2,101)	(11,050)
Adjustments to reconcile:		
Increase (decrease) in compensated absences	(20)	87
Increase (decrease) in accrued payroll	1	41
Increase (decrease) in due to other funds	(1,747)	(1,747)
Increase (decrease) in accounts payable	(617)	(2,426)
Increase (decrease) in claims and judgments		7,259
Increase (decrease) in deferred credits and other liabilities	(15)	(43)
Decrease (increase) in accounts and notes receivable	696	(1,853)
Decrease (increase) in due from other funds	906	2,969
Decrease (increase) in Inventory of materials and supplies		264
Depreciation	2,269	10,316
Net cash provided (used) by operating activities	(628)	3,817
Non-cash investing and capital financing activities:		
Accrued interest	200	220
Adjustment to capital leases		11
Capital acquisitions included in accounts payable	1,715	956
Total non-cash investing and capital financing activities	1,915	1,187

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



STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2005
(In Thousands)

	Pension Trust Fund	Investment Trust Fund	Agency Funds
ASSETS			
Equity in pooled cash and investments	\$ 418	2,557,644	405,835
Cash with fiscal agent	175,335		11,409
Collections in transit		216	9,860
Imprest cash		31	4
Investments:			
Domestic equity securities	882,662		
Cash, cash equivalents, and securities domestic equity swaps and futures	1,368,556		
International equity securities	1,489,825		
Securities lending collateral	503,102		
United States government obligations	628,206		
Domestic corporate bonds	557,566		
International bonds	794,671		
Cash and securities for overlay futures	58,557		
Alternative equity and real estate	548,694		
Receivables:			
Accounts receivable		23,390	29,039
Trade receivable	47,146		
Interest receivable	23,509		
Due from other governments	8,738		
Capital assets, net	2,894		
Total assets	7,089,879	2,581,281	456,147
LIABILITIES			
Accounts payable	228,303	9,709	45,678
Due to other governments			410,469
Obligations under securities lending	503,102		
Total liabilities	731,405	9,709	456,147
NET ASSETS			
Held in trust for pension benefits and other purposes	\$ 6,358,474	2,571,572	

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



**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2005
(In Thousands)**

	Pension Trust Fund	Investment Trust Fund
ADDITIONS		
Contributions:		
Employer	\$ 316,075	
Plan members	40,766	
Contributions on pooled investments		15,396,428
Total contributions	356,841	15,396,428
Investment earnings:		
Net increase (decrease) in fair value of investments	658,060	(16,996)
Interest income	99,175	53,333
Securities lending income	11,196	
Other income	84,675	
Total investment earnings	853,106	36,337
Expenses deducted from investment earnings:		
Investment expenses	(48,451)	
Securities lending expenses	(9,896)	
Total additions	1,151,600	15,432,765
DEDUCTIONS		
Benefits	292,089	
Refunds of contributions	2,185	
Administrative expenses	7,491	
Distribution from pooled investments		15,268,436
Total deductions	301,765	15,268,436
Changes in net assets	849,835	164,329
Net assets at beginning of year	5,508,639	2,407,243
Net assets at end of year	\$ 6,358,474	2,571,572

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





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Notes to the Financial Statements

(Amounts Expressed in Thousands Unless Otherwise Noted)

I. Summary of Significant Accounting Policies

A. The Reporting Entity

The County of San Diego (the "County"), is a political subdivision of the State of California (the "State") charged with general governmental powers and governed by an elected five-member Board of Supervisors (the "Board"). The County provides a full range of general government services including police protection, detention and correction, public assistance, health and sanitation, recreation, library, flood control, public ways and facilities, inactive waste management, airport management and general financial and administrative support.

As required by generally accepted accounting principles in the United States of America (GAAP), these financial statements present the County (the primary government) and its component units, entities for which the County is considered to be financially accountable. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County. Management applied the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," and Statement No. 39, "Determining Whether Certain Organizations are Component Units - an amendment of GASB Statement No. 14," to determine whether the following component units should be reported as blended or discretely presented component units. Blended component units, although legally separate entities are, in substance, part of the County's operations. Data from these component units are combined with the data from the primary government. The discretely presented component unit is reported in a

separate column in the government-wide financial statements to emphasize that it is legally separate from the County.

I. Blended Component Units

Blended component units governed by the Board of Supervisors include the County of San Diego In-Home Support Services Public Authority (IHSS), the San Diego County Housing Authority, the San Diego County Redevelopment Agency, as well as various service areas and districts which provide specific services County-wide or to distinct geographic areas within the County. While each of these component units is legally separate from the County, the County is financially accountable for these entities. Financial accountability is demonstrated by the County Board of Supervisors acting as the governing board for each of these component units. Descriptions of these component units are as follows:

County of San Diego In-Home Supportive Services Public Authority (IHSS) - This authority was established to serve as the employer of record for the IHSS program which provides in-home assistance to low-income aged, blind, and disabled individuals enabling them to remain safely in their own homes and avoid institutionalization. The IHSS program is a state-mandated. This fund is included as a *special revenue fund*.

San Diego County Housing Authority - This authority accounts for revenues and expenditures related to providing decent housing in a suitable environment for individuals who cannot afford standard private housing. Contracts with the U.S. Department of Housing and Urban Development provide the major funding sources. This fund is included as a *special revenue fund*.

San Diego County Redevelopment Agency - This agency was established to provide a method of eliminating slums and blighted areas, improving housing, expanding employment



opportunities, and providing an environment for the social, economic and psychological growth, and well-being of all citizens of the County. This agency is included in the *debt service and capital projects funds*.

Air Pollution Control District - This district was established to provide for control of air pollution from motor vehicles and other sources in order to attain health-based air quality standards. Revenue sources include license and permit fees, fines, state and federal funds, charges to property owners and vehicle registration fees. This fund is included as a *special revenue fund*.

County Service Districts - These special districts were established to provide authorized services such as road, park, lighting maintenance, fire protection or ambulance service to specific areas in the county. They are financed by ad valorem property taxes in the area benefited or by special assessments levied on specific properties. These funds are included as *special revenue funds*.

Flood Control District - This district was established to account for revenues and expenditures related to providing flood control in the County. It is financed primarily by ad valorem property taxes and federal grants. This fund is included as a *special revenue fund*.

Lighting Maintenance District - This district was established to provide street and road lighting services to specified areas of the County. Revenue sources include ad valorem taxes, benefit fees, state funding and charges to property owners. This fund is included as a *special revenue fund*.

Sanitation Districts - These districts are used to account for the activities of all individual sanitation districts governed by the County Board of Supervisors. They are included as *enterprise funds*.

Blended component units governed by Boards other than the Board of Supervisors include the San Diego County Capital Asset Leasing Corporation, the San Diego County Tobacco

Asset Securitization Corporation, the Tobacco Securitization Joint Powers Authority of Southern California and the San Diego County Employee Retirement Association (SDCERA). Because of their relationship with the County and the nature of their operations, the first three of these component units are, in substance, part of the County's operations and, accordingly, the activities of these component units are combined (blended) with the activities of the County for purposes of reporting in the accompanying basic financial statements. The basis for blending these component units is that the governing bodies are substantially the same as the County Board of Supervisors. Although SDCERA is legally separate from the County, it is reported as if it were part of the primary government because it benefits the County almost exclusively by providing services to the County's employees.

Descriptions of these component units are as follows:

San Diego County Capital Asset Leasing Corporation (SANCAL) - This corporation was established to finance the acquisition of County buildings and equipment. It is a nonprofit corporation governed by a five-member Board of Directors, which is appointed by the County Board of Supervisors. This corporation is included in the *special revenue, debt service and capital projects funds*.

The San Diego County Tobacco Asset Securitization Corporation (Corporation) - This is a separate legal nonprofit public benefit corporation created under the California Nonprofit Public Benefit Corporation Law. It was established to purchase tobacco settlement payments allocated to the County from the State of California, pursuant to the Master Settlement Agreement concluded on November 23, 1998 between the major tobacco companies and 46 states (including California), the District of Columbia and four U.S. Territories. The Corporation is governed by the Board of Directors consisting of three members, two of which are employees of the County of



Notes to the Financial Statements (Amounts Expressed in Thousands Unless Otherwise Noted)

San Diego and one independent director who is not an employee of the County. This fund is included as a *special revenue fund*.

The Tobacco Securitization Joint Powers Authority of Southern California (TSJPA) - This is a separate legal public entity created by a Joint Exercise of Powers Agreement by and between the County of San Diego and the County of Sacramento pursuant to the Government Code of the State of California. The authority's purpose is to finance a loan via the sale of bonds to the San Diego County Tobacco Asset Securitization Corporation which in turn uses the loan proceeds to purchase the County's future tobacco settlement revenues under the Purchase and Sale Agreement. The Authority is administered by the Board of Directors consisting of three members, two members who are appointed by the County of San Diego Board of Supervisors and the third member is appointed by the Sacramento County Board of Supervisors. This fund is included as a *special revenue fund*.

The San Diego County Employee Retirement Association - SDCERA is a multiple-employer public retirement system organized under the 1937 Retirement Act and provides retirement, disability and death benefits for plan members and beneficiaries. The County is the major participant and contributes 93.4 percent of total employer contributions. SDCERA is governed by a nine-member board which includes the County Treasurer-Tax Collector, four members appointed by the Board of Supervisors and four members elected by the SDCERA membership. The activity of SDCERA is reported within the *pension trust fund* and included in the *fiduciary funds*.

2. Discretely Presented Component Unit

The following component unit is discretely presented because its Board is not substantively the same as the County's Board and it does not provide services entirely or almost entirely to the County.

First 5 Commission of San Diego (Commission) - The Commission was established by the County as a separate legal entity to administer the County's share of tobacco taxes levied by the State pursuant to Proposition 10. Its purpose is to develop, adopt, promote and implement early childhood development programs in the County. The Commission is a separate legal entity, and the County appoints a voting majority of the Commission's board. The County is able to impose its will on the Commission, due to its ability to change the appointees. The two boards (County and Commission) are not substantively the same and the Commission does not provide services entirely or almost entirely to the County, but to the citizens instead.

3. Additional Detailed Financial Information and/or Financial Reports

Additional detailed information and/or separately issued financial reports of the County's component units may be obtained from the County Auditor and Controller's Office located at 1600 Pacific Highway, Room 166, San Diego, California 92101. Also, complete financial statements for SDCERA may be obtained from the San Diego County Employees Retirement Association, 401 West A Street, San Diego, California 92101.

B. Government-Wide and Fund Financial Statements

1. Government-Wide Financial Statements

The government-wide financial statements consist of the statement of net assets and the statement of activities and report information on all of the nonfiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated, with the exception of those



representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. The statement of activities presents function revenue and expenses of governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of activities, internal service funds' revenue and expenses related to interfund services have been eliminated. Revenue and expenses related to services provided to external customers have not been eliminated and are presented within governmental activities.

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 a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government and support services, public protection, public ways and facilities, public assistance, health and sanitation, recreational and cultural, and education activities. The business type activities of the County include sanitation, wastewater and airport.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a

particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

2. Fund Financial Statements

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The focus of governmental and proprietary fund financial statements is on major funds. The financial information of each major fund is shown in a separate column in the fund financial statements, with the data for all nonmajor governmental funds aggregated into one single column on the Governmental Funds Balance Sheet, and with data for all nonmajor enterprise funds aggregated into one single column on the Statement of Net Assets Proprietary Funds.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the County except those required to be accounted for in another fund. Revenues are primarily derived from taxes; licenses, permits and franchises; fines, forfeitures and penalties; use of money and property; intergovernmental revenues; charges for services; and other revenues. Expenditures are expended for functions of general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreational and cultural. They also include capital outlay, and debt service.

The *Tobacco Securitization Special Revenue Fund* accounts for tobacco settlement payments allocated to the County from the State of California, pursuant to the Master Settlement



Notes to the Financial Statements (Amounts Expressed in Thousands Unless Otherwise Noted)

Agreement concluded on November 23, 1998 between the major tobacco companies and 46 states (including California), the District of Columbia and four U.S. Territories.

The County reports the following additional funds and fund types:

Enterprise Funds account for airport, sanitation district and wastewater management activities, including operations and maintenance, sewage collection and treatment services.

Internal Service Funds account for the financing of public works and communications equipment; the financing of materials and supplies (purchasing); for start up services for new and existing county service districts; for the County's uninsured risk management activities; the financing of fleet services; for facilities management activities; for the financing of information technology services; and for the financing of clothing and personal sundry items for persons institutionalized at various county facilities. Additionally, mail services are included within the facilities function, and printing and record storage services are included in the purchasing function. The goods or services provided by one County department to other County departments are on a cost reimbursement basis.

The following *fiduciary funds* account for resources that are held by the County as a trustee or agent for outside parties and cannot be used to support the County's programs.

The *Pension Trust Fund* accounts for the activities of SDCERA. This fund is under the control of the Board of Retirement and is governed by the rules and regulations of the 1937 Retirement Act. The fund accumulates employer and employee contributions and earnings from the fund's investments. Disbursements are made from the fund for retirements, disability and death benefits and refunds and administrative costs. This fund includes all assets of the retirement system.

The *Investment Trust Fund* accounts for the external portion of the County Treasurer's investment pool. This fund consists of school districts, special districts and funds held for other governments.

Agency Funds are custodial in nature and do not involve measurement of results of operations and account for assets held by the County as an agent for various local governments, organizations and individuals. Included are funds for child support payments; payroll taxes; public administrator and public guardian accounts; and apportioned taxes for other local governments.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide, proprietary, pension and investment trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency Funds are reported using the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes and sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized when the underlying transactions take place. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Sales taxes, interest, state and federal grants, and charges



for services are accrued when their receipt occurs within 180 days following the end of the fiscal year. Property taxes are accrued if they are collectible within 60 days after the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due. General capital assets acquisitions and general principal payments are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds and internal service funds are charges to customers for services. 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 non-operating revenues and expenses.

For *business-type activities*, the County has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The County has elected to not apply the FASB standards issued subsequent to November 30, 1989. The GASB periodically updates its codification of the existing Governmental Accounting and

Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental users.

When both *restricted and unrestricted resources* are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary Funds include all *Trust and Agency Funds*, which account for assets held by the County as a trustee or as an agent for individuals or other government units.

D. Assets, Liabilities, and Net assets or Fund Balance

1. Deposits and Investments

The County follows the practice of pooling cash and investments of all funds with the County Treasurer-Tax Collector's *Investment Pool (Pool)*, except for certain restricted funds which are generally held by outside custodians and classified as "cash with fiscal agent" or investments on the accompanying financial statements. The individual funds' portions of the Pool's fair value are presented as "equity in pooled cash and investments." For purposes of reporting cash flows, equity in pooled cash and investments, (which includes cash in banks and investments with original maturities of 90 days or less), collections in transit and imprest cash are considered cash equivalents. Pooled cash and investment carrying amounts are similar to demand deposits i.e. funds may be deposited and withdrawn any time without prior notice or penalty. Earnings on pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund. A separately issued comprehensive annual financial report of the San Diego County Investment Pool can be accessed at http://www.sdtreastax.com/mcf_afreports.html.



Notes to the Financial Statements (Amounts Expressed in Thousands Unless Otherwise Noted)

The *Pool's* investments are reported at fair value at June 30, 2005 based on market prices. Securities that are traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The County Employees Retirement Law of 1937 (Law) grants exclusive control to the Board of Retirement over the investment of SDCERA's investment portfolio. The Law allows for the Board to invest, or delegate the authority to invest, the investment portfolio through the purchase, holding, or sale of any form or type of investment, financial instrument or financial transaction when prudent in the informed opinion of the Board.

The *Pension Trust Fund's* cash and short-term investments consist of cash and securities with fiscal agents and deposits held in a pooled account with the County of San Diego. All participants in the pool proportionately share earnings and losses. Short-term investments consist of cash held in money market accounts and securities readily convertible to cash. Cash equivalents and securities for swaps and futures consist of money market securities and collective short-term investments with original maturities of three months or less.

Investments are reported at fair value at June 30, 2005 in the Pension Trust Fund based upon closing sale prices reported on recognized securities exchanges on the last business day of the period. For listed securities having no sales reported and for unlisted securities, fair value is based upon last reported bid prices. All purchases and sales of investments are accounted for on a trade-date basis, and dividends declared but not received are accrued on the ex-dividend date. Realized and unrealized gains or losses of securities are determined on the basis of average cost. Real estate investments are reported at estimated fair value, which has been determined by appraisals performed by independent real estate advisors approximately every three years.

2. Receivables and Payables

Activity between funds that are representative of lending and borrowing arrangements outstanding at the end of the fiscal year 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 non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All property taxes and accounts receivable are shown net of an allowance for uncollectibles. Property taxes are levied on July 1 each fiscal year on taxable real and personal property, which is situated in the County as of the preceding January 1 lien date. However, upon a change in ownership of property or completion of new construction, State law requires an accelerated recognition and taxation of changes in real property assessed valuation. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing locally assessed and State assessed property secured by a lien, which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are payable in two installments, due November 1 and February 1. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a ten percent penalty attaches. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00 p.m. on June 30th. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, a ten dollar cost,



a fifteen dollar per parcel redemption fee (from which the State receives five dollars), and a redemption penalty of one and one-half percent per month starting July 1 and continuing until the end of redemption collectively, the "Redemption Amount". If taxes remain unpaid after five years on the default roll, the property becomes subject to tax sale by the County Treasurer-Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1.

As established by the *Teeter Plan*, the Auditor and Controller allocates to the County and other agencies 100% of the secured property taxes billed but not yet collected by the County; in return, as the delinquent property taxes and associated penalties and interest are collected, the County retains such amounts in a separate fund. To the extent that fund's tax loss reserves are higher than required, transfers may be made to benefit the County's General Fund. The tax loss reserve requirement for fiscal year 2004-2005 was \$7.5 million. The fund balance of the tax loss reserve fund as of June 30, 2005 was \$8.2 million, which is included in the General Fund for reporting purposes.

3. County Leased Property

The County leases real property to the private sector and other governmental agencies. In the government-wide and proprietary funds financial statements, non-cancelable and cancelable leases are reported in the applicable governmental activities or proprietary funds statement of net assets.

4. Inventories and Prepaid Items

Inventories, which consist of expendable supplies, are stated at average cost. They are accounted for as expenditures at the time of

purchase and reported in the balance sheet of the General Fund and the Other Governmental Funds as an asset with an offsetting reserve. Proprietary fund types are carried at average cost and are expended when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The inventories and prepaid items recorded in the governmental funds do not reflect current appropriable resources and thus, an equivalent portion of fund balance is reserved.

5. Deferred Charges

Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method. In the government-wide financial statements, deferred charges are reported as assets in the governmental activities.

6. Restricted Cash and Investments

Debt covenants require resources to be set aside to repay principal and interest thereon for tax and revenue anticipation notes, pension obligation bonds and SANCAL certificates of participation as restricted assets. Additionally, Tobacco Securitization Special Revenue Fund resources have been restricted and set aside to fund new and existing programs.

7. Capital Assets

Capital assets are defined as assets of a long-term character that are intended to be held or used in operations, such as land, buildings and improvements, equipment, and infrastructure. Infrastructure assets include roads, bridges, flood channels, street lights, signals, and sewers.

Capital assets are recorded at *historical cost* if purchase or constructed. Donated capital assets are recorded at *estimated fair market value* at the date of donation. Capital assets with an original unit cost equal to or greater



Notes to the Financial Statements

(Amounts Expressed in Thousands Unless Otherwise Noted)

than the County's *capitalization threshold* shown in **Table 1** below are reported in the applicable *governmental* or *business-type activities* columns in the government-wide financial statements.

Table 1 (Note I - D-7)

Structures and improvements	\$	50
Infrastructure (permanent road divisions, county service areas, sanitation and special districts)	\$	25
Infrastructure (all others)	\$	50
Equipment	\$	5

Depreciation is charged over the capital assets' estimated useful lives using the *straight-line method* for proprietary and governmental fund types. Governmental fund type depreciation is only shown in the statement of activities. Proprietary fund type depreciation is shown both in the fund statements and the statement of activities. The estimated useful lives are shown in **Table 2** below:

Table 2 (Note I - D -7)

Structures and improvements	50 years
Infrastructure	10-50 years
Equipment	5-20 years

8. Deferred and Unearned Revenue

Under both the accrual and modified accrual basis of accounting revenue may be recognized only when earned. Therefore, the government-wide statement of net assets as well as governmental and enterprise funds defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned. In the government-wide statement of net assets deferred revenue represents unearned revenue. Assets recognized in connection with a transaction before the earnings process is complete are offset by a corresponding liability for both deferred and unearned revenue. Under the modified accrual basis it is not enough that revenue has been earned if it is to be recognized in the current period. Revenue must

also be susceptible to accrual (i.e. measurable and available to finance expenditures of the current period). Governmental funds report deferred revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period.

9. Lease Obligations

The County leases various assets under both *operating* and *capital* lease agreements. In the government-wide and proprietary funds financial statements, capital lease and operating lease obligations are reported as liabilities in the applicable governmental activities or proprietary funds statement of net assets.

10. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs discussed above, are *deferred* and *amortized* over the life of the bonds using the *straight-line method*. Bonds payable are reported net of the applicable bond premium, discount, or deferred amount on refunding. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.



11. Employee Compensated Absences

The County's policy is to permit employees to accumulate *earned* but *unused* vacation, compensatory time, holiday and sick pay benefits. All vacation pay and a certain portion of compensatory and sick pay for specified employee classes is accrued when incurred in the government-wide and proprietary funds financial statements. In the governmental funds, only those amounts that are due and payable at year-end are accrued. Except for specified employee classes, there is no liability for *unpaid accumulated* sick leave since the County does not pay any amounts when employees separate from service with the County. However, employees eligible for retirement benefits that meet minimum balance requirements may apply unused sick leave toward determining their length of service for purposes of determining their retirement benefits.

Amounts recorded as accumulated leave benefits include an amount representing salary-related payments such as the employer's share of Social Security and Medicare taxes associated with payments made for such compensated absences. Accumulated leave benefits including vacation, sick leave, and compensatory time worked in the amount of approximately \$76.7 million for the governmental activities as of June 30, 2005, is recorded in the statement of net assets. These amounts would not be expected to be liquidated from expendable available financial resources but would be expected to be liquidated in future years as employees elect to use these benefits as prescribed by Civil Service rules and regulations.

12. Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of fund balance represent tentative management plans that are subject to change.

13. Net Assets Invested in Capital Assets, Net of Related Debt

This amount is derived by subtracting the outstanding debts incurred by the County to buy or construct capital assets shown in the statement of net assets. Capital assets cannot readily be sold and converted to cash.

14. Restricted Net Assets

Restricted net assets arise when restrictions on the use of net assets are externally imposed by a creditor, (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

15. Unrestricted Net Assets

These assets are resources of the County that can be used for any purpose, though they may not necessarily be liquid. In addition, assets in a restricted fund that exceed the amounts required to be restricted by external parties or enabling legislation are reported as unrestricted net assets.

16. Indirect Costs

Expenditures and expenses for functional activities include County indirect costs that are allocated to benefiting departments under the County's Fiscal Year 2004-2005 *Countywide Cost Allocation Plan* which was prepared in accordance with the Federal Office of Management and Budget Circular A-87.

17. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and



Notes to the Financial Statements (Amounts Expressed in Thousands Unless Otherwise Noted)

accompanying notes. Actual results could differ from those estimates. Where significant estimates have been made in preparing these financial statements, they are described in the applicable footnotes.





II. Reconciliation of Government-Wide and Fund Financial Statements

A. Funds Balance Sheets/Statement of Net Assets

Explanations of certain differences between the governmental funds balance sheet and the government-wide statement of net assets are detailed in **Table 3** below:

Total fund balance of the County governmental funds, \$1,517,955, differs from net assets of governmental activities, \$2,023,643 reported in the statement of net assets. The difference primarily results from the *long-term economic resources measurement focus* and the accrual basis of accounting in the statement of net assets versus the *current financial resources measurement focus* and modified accrual basis of accounting in the governmental fund balance sheets.

Table 3 (Note II-A)
Balance Sheet/Statement of Net Assets- Reconciliation
 PRIMARY GOVERNMENT

	Total Governmental Funds	Long-term Assets and Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations (3)	Statement of Net Assets Totals
ASSETS					
Cash and cash equivalents	\$ 768,319		164,278		932,597
Cash with fiscal agent	216,016				216,016
Investments	801,572				801,572
Taxes receivables, net	105,784				105,784
Internal balances				(9,263)	(9,263)
Accounts and notes receivables, net	361,523		5,044		366,567
Due from other funds	179,700		16,315	(196,015)	
Advances to other funds	1,030		596	(1,626)	
Inventory of materials and supplies	10,572		598		11,170
Deferred charges and other assets	3,379	28,597			31,976
Capital assets		2,578,776	95,617		2,674,393
Total assets	2,447,895	2,607,373	282,448	(206,904)	5,130,812
LIABILITIES					
Accounts payable	126,924		16,041		142,965
Accrued payroll	58,809		1,565		60,374
Amount due for tax and revenue anticipation notes	369,280				369,280
Accrued interest		28,743			28,743
Due to other funds	143,735		52,470	(196,205)	
Advances from other funds	10,699			(10,699)	
Deferred credits and other liabilities	124,868	(49,878)			74,990
Unearned revenue	95,625				95,625
Long-term liabilities		2,225,724	109,468		2,335,192
Total liabilities	929,940	2,204,589	179,544	(206,904)	3,107,169
FUND BALANCE/NET ASSETS					
Total fund balances/net assets	1,517,955	402,784	102,904		2,023,643
Total liabilities and fund net assets	\$ 2,447,895	2,607,373	282,448	(206,904)	5,130,812

(1) Costs of issuances are reported as expenditures in governmental funds and thus have the effect of reducing fund balance because current financial resources have been

used. In the government-wide statements however, bond issuance costs are reported as a deferred charge and amortized over the life of the bond issue.



Notes to the Financial Statements

(Amounts Expressed in Thousands Unless Otherwise Noted)

Net cost of issuance	\$	28,597
Total deferred charges and other assets	\$	28,597

When capital assets (land, buildings, equipment, and infrastructure) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the County as a whole.

Cost of capital assets	\$	3,611,933
Accumulated depreciation		(1,033,157)
Net capital assets	\$	2,578,776

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Total accrued interest	\$	(28,743)
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Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Adjustment of deferred revenue	\$	49,878
Total deferred credits and other liabilities	\$	49,878

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities; including bond premiums, discounts, and the cost of refunded debt that are recognized as revenue (premiums) and expenditures in governmental funds in the year of sale. However, all liabilities, current and long-term, are reported in the statement of net assets. Bond premiums,

discounts and deferred costs on refunded debt are recorded as additions (premiums) and reductions of a liability respectively and amortized over the life of the corresponding bonds. Balances at June 30, 2005 were:

Bonds, notes and loans payable	\$	(2,083,916)
Unamortized issuance Premium		(6,031)
Unamortized issuance Discount		9,054
Unamortized deferred amount on refunding		12,103
Capital leases		(34,614)
Compensated absences		(74,429)
Landfill closure and postclosure - San Marcos Landfill		(47,891)
Total long-term liabilities	\$	(2,225,724)

(2) Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Costs	\$	102,904
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(3) The government-wide financial statements are designed to minimize the duplicative effects of transactions between funds for internal activities. Therefore, due to/from and advances to/from balances have been eliminated on the government-wide financial statements. The net amount due between governmental and business-type activities after eliminations, are reported as internal balances in the government-wide statement of net assets. Due to/from and advances to/from transactions between governmental funds and fiduciary funds are reclassified as receivables and payables in the government-wide statement of net assets.

Notes to the Financial Statements
(Amounts Expressed in Thousands Unless Otherwise Noted)



B. Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities

The net change in fund balances for governmental funds \$221,833 differs from the change in net assets for governmental activities \$197,722 reported in the statement of activities. The differences arise primarily from the long-

term economic resources measurement focus and the accrual basis of accounting in the statement of activities versus the current financial resources measurement focus and modified accrual basis of accounting in the governmental funds. The effect of the differences is illustrated in **Table 4** below.

Table 4 (Note II-B)
Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities-Reconciliation
 PRIMARY GOVERNMENT

	Total Governmental Funds	Long-term Revenues/ Expenses (4)	Capital Related Items (5)	Internal Service Funds (6)	Long-term Debt Transactions (7)	Statement of Activities Totals
Revenues:						
Taxes	\$ 717,174	25,257				742,431
Licenses, permits and franchise fees	42,954					42,954
Fines, forfeitures and penalties	55,538					55,538
Revenue from use of money and property	50,811			726		51,537
Aid from other governmental agencies:						
State	1,080,663					1,080,663
Federal	729,725					729,725
Other	74,272					74,272
Charges for current services	286,631			19,493		306,124
Other revenue	84,410	(4,274)	23,236			103,372
Total revenues	3,122,178	20,983	23,236	20,219		3,186,616
Expenditures:						
Current:						
General	211,521	(1,855)	3,756	21,312	(1,908)	232,826
Public protection	939,070	(16)	15,469	5,373	331	960,227
Public ways and facilities	84,560	(67)	37,974	330		122,797
Health and sanitation	541,921	(26)	2,643	1,267		545,805
Public assistance	970,208		693	1,691		972,592
Education	27,119	5	78	192		27,394
Recreation and cultural	19,614		1,602	189		21,405
Capital outlay	54,157		(54,157)			
Debt service:						
Principal	60,849				(60,849)	
Interest and other fiscal charges	94,556			123	11,933	106,612
Bond issuance costs	1,915				(1,915)	
Total expenditures	\$ 3,005,490	(1,959)	8,058	30,477	(52,408)	2,989,658



Notes to the Financial Statements (Amounts Expressed in Thousands Unless Otherwise Noted)

Table 4 (Note II-B)(Continued)

**Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities-Reconciliation
PRIMARY GOVERNMENT**

	Total Governmental Funds	Long-term Revenues/ Expenses (4)	Capital Related Items (5)	Internal Service Funds (6)	Long-term Debt Transactions (7)	Statement of Activities Totals
Other financing sources (uses):						
Sale of capital assets	\$ 18,400		(18,400)			
Issuance of bonds and loans						
Face value of bonds issued	83,510				(83,510)	
Face value of loans issued	160				(160)	
Bond premiums	5,960				(5,960)	
Refunding bonds issued	28,885				(28,885)	
Payment to refunded bond escrow agent	(31,633)				31,633	
Transfers (net)	(137)			901		764
Total other financing sources (uses)	105,145		(18,400)	901	(86,882)	764
Net change for the year	\$ 221,833	22,942	(3,222)	(9,357)	(34,474)	197,722

Explanations of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are detailed below.

(4) Governmental funds accrue property tax revenue, which is deemed collectible within sixty days. However, in the statement of activities the total amount estimated to ultimately be collected is accrued.

Property taxes	\$ 25,257
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Adjustment for reserve for inventory of materials and supplies.

Adjustment	\$ 1,959
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Long-term receivables are not available as current resources, and therefore are not reported as revenue in the governmental funds.

Adjustment of deferred revenue	\$ (4,274)
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(5) The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds.

Proceeds from sale of capital assets	\$ (18,400)
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The book value of the sale of capital assets is removed from the capital assets account in the statement of net assets and offset against the sales proceeds resulting in a "loss on sale of capital assets" recorded as an expense in the statement of activities. Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which asset acquisition and donations exceeded depreciation in the current period.

Loss on disposal of assets	\$ (1,100)
Capital outlay	77,182
Depreciation expense	(84,140)
Subtotal	(8,058)
Donated infrastructure - roads	23,236
Difference	\$ 15,178

(6) Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to

Notes to the Financial Statements

(Amounts Expressed in Thousands Unless Otherwise Noted)



participating governmental activities to completely cover the internal service fund's costs for the year.

Adjustments	\$ (9,357)
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(7) Repayment of bond principal as well as refunding of bonds which are considered a repayment of principal and other costs of refunding, and other long-term obligations are reported as expenditures in governmental funds and thus has the effect of reducing fund balance because current financial resources have been used. For the County as a whole however, the principal and other payments for liabilities reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The County's long-term obligations include bonds, loans and notes payable, capital leases, accumulated unpaid employee leave balances, arbitrage rebate, and closure and postclosure costs for the San Marcos landfill. The County's long-term debt was reduced by these payments, principal payments to bondholders, and the adjustment to the San Marcos Landfill closure and postclosure liability.

Other miscellaneous debt reductions - general function	\$ 4,017
Other miscellaneous debt reductions - public protection function	650
Change in accounting estimate for closure and postclosure costs public Protection function - San Marcos Landfill	(981)
Principal payments made	60,849
Payment to refunded bond escrow agent - SANCAL	31,633
Total repayment of long-term obligations	\$ 96,168

Bond issuance costs are expensed in governmental funds when paid, and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of activities.

Bond issuance costs	\$ 1,915
Amortization of bond issuance costs - general function	(2,109)
Difference	\$ (194)

Interest expense in the statement of activities differs from the amount reported in governmental funds because additional interest was calculated for bonds and notes payable and amortization of capitalized bond premiums, discounts and deferred amount of refunded debt that are expended in the governmental funds in the year paid.

Accrued interest	\$ (7,814)
Premium	(5,960)
Amortization of bond premium	484
Amortization of bond discounts	(511)
Amortization of deferred amount on refunding	(4,092)
Total reduction in interest	\$ (17,893)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. Bond proceeds were received from:

Proceeds of refunding bonds	\$ (28,885)
Face Value of bonds issued	(83,510)
Face Value of loans issued	(160)
Total long-term debt proceeds	\$ (112,555)





III. Stewardship, Compliance and Accountability

A. Fund Deficits

The following funds in **Table 5** below have an accumulated deficit at June 30, 2005. The deficit within the Redevelopment Agency Capital Projects fund is due to the construction of various capital projects including streets, utilities, sidewalks, traffic signals and other improvements. This deficit will be reduced in future years upon the receipt of the incremental tax revenues. The deficit in the Risk Financing Internal Service fund resulted from accrual of known and projected Workers' Compensation claim liabilities based on actuarial studies. The deficit has increased from the previous fiscal year due to mandated indemnity benefits and a trend of rising medical costs. The County intends to reduce the deficit by focusing resources on injury prevention and safety training programs, and by increasing charges to County departments to provide sufficient cash flow to the Risk Financing fund. The deficit within the Facilities Management Internal Service fund is due to the use of loan proceeds for expenses incurred for maintenance cost for energy conservation equipment. This deficit will be reduced as fees are collected in future years.



Table 5 (Note III-A)

Fund Deficits - Various Funds	
Capital Projects Fund:	
San Diego County Redevelopment Agency (SDCRA)	\$ 4,964
Internal Service Funds:	
Risk Financing	\$ 23,079
Facilities Management	\$ 4,561



IV. Detailed Notes on all Funds

A. Deposits and Investments

1. San Diego County Investment Pool

The *San Diego County Investment Pool (the pool)* is a local government investment pool with approximately \$4.1 billion in assets as of June 30, 2005, (consisting of the primary government, pension trust and other fiduciary funds and the First 5 Commission Component Unit). It is headed by the Treasurer-Tax Collector, an elective office that is responsible for tax collection, banking, investment, disbursement and accountability of public funds. The San Diego County Investment Pool is managed by the County Treasurer's Office on behalf of the Pool participants, which include the County, local school districts, local community colleges and other districts and agencies. The local school districts are required by State statutes to deposit their funds with the County of San Diego. "Mandatory" participants in the Pool comprise the majority of the Pool's assets, approximately 98%. All participants comply with the same requirements per the Pool Investment Policy.

The San Diego County Investment Pool operates under the prudent person standard. Specifically, California Government Code Sections 27000.1-27000.5, 27130-27137, and 53600-53686, authorize the Treasurer to invest funds in permissible types of investment or financial instruments. These include government obligation securities, commercial paper, medium-term notes, asset-backed securities, negotiable certificates of deposit, repurchase and reverse repurchase agreements, money market mutual funds, and collateralized certificates of deposit. The Pool's *investment objectives* are to safeguard principal, meet the liquidity needs of the participants, and achieve an investment return on the funds within the parameters of prudent risk management.

Pursuant to Sections 27130-27137 of the California Government Code, the Board of Supervisors has established the Treasurer's Oversight Committee (TOC) that monitors and reviews the Pool's investment policy. The TOC consists of members appointed from the districts or offices that they represent, and up to five members of the public, having expertise in, or an academic background in public finance. This Committee requires a financial audit to be conducted annually on a fiscal year basis, which includes limited tests of compliance with laws and regulations. The San Diego County Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. The Pool does not have any legally binding guarantees of share values.

Each fund type's portion of the pool is displayed on the balance sheet as "Equity in pooled cash and investments." Interest earned on the pooled deposits is accrued in a pooled interest apportionment agency fund and is allocated based on the average daily cash balances of the participating funds. All participating funds share *earnings and losses proportionately*. State law permits interest income related to certain funds to be considered as income of the General Fund of the County. Such interest has been recorded as revenue in the General Fund.

2. Investments Outside of the Pool

a. Cash and Investments with Fiscal Agents

Cash with Fiscal Agents totaled \$402.8 million on deposit with trustees for the General Fund, Tobacco Securitization Joint Special Revenue Fund, Air Pollution Special Revenue Fund, SANCAL Special Revenue Fund, Housing Authority Special Revenue Fund, Pension Obligation Bond Debt Service Fund, SANCAL Debt Service Fund, Redevelopment Agency Debt Service Fund, SANCAL Capital Projects Fund, and Other Agency Funds.



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(Amounts Expressed in Thousands Unless Otherwise Noted)

Investments with Fiscal Agents totaled approximately \$801.6 million with Trustees. These amounts are accounted for in the General Fund, Tobacco Securitization Special Revenue Fund, Inactive Wastesites Fund, Pension Obligation Bonds Debt Service Fund and SANCAL Debt Service Fund.

b. Pension Trust Fund

SDCERA had *investments* of approximately \$6.8 billion as of June 30, 2005. Investments are reported at fair value upon closing sale prices reported on recognized securities exchanges on the last business day of the period. For listed securities having no sales reported or for unlisted securities, fair value is based upon last reported bid prices. All purchases and sales of investments are accounted for on a trade-date basis, and dividends declared but not received are accrued on the ex-dividend date. Realized and unrealized gains or losses of securities are determined on the basis of average costs. Real estate investments consist of real estate equities primarily in office, industrial, retail and residential properties with 98% in the United States and 2% International.

In addition to the above, SDCERA utilizes derivative financial instruments, such as equity swap agreements and stock and bond futures contracts that allow SDCERA to build portfolios with performance characteristics very similar to benchmarks and to manage allocation of risk. As of June 30, 2005 SDCERA had two types of derivative financial instruments; equity swaps and financial futures.

Equity swaps allow SDCERA to exchange a money market return for the rights to the return on a specific index of equity securities. As of June 30, 2005 SDCERA entered into S&P 500 Swap contracts with a notional value of \$1.185 billion and a fair value of \$1.173 billion. Futures represent commitments to purchase or sell securities at a future date and at a specified price. Future contracts are traded on organized exchanges (exchange traded) thereby minimizing credit risk. The net change

in the futures contracts value is settled daily in cash with the exchanges. As shown in **Table 6** below, as of June 30, 2005 SDCERA had the following futures balances:

Table 6 (Note IV-A-2-b)

Notional Amount	Long/(Short)
International Equity	\$ 253,720
Domestic Equity	(169,527)
International Fixed Income	36,550
Domestic Fixed Income	249,907
Commodities	225,000
Total	\$ 532,650

These financial instruments are intended to be equivalent to the asset they are designed to emulate. SDCERA's use of swaps and futures is structured such that market exposure is fundamentally equivalent to the direct cash investments. SDCERA will only execute a swap agreement with counterparties rated A or higher. The use of swap agreements exposes SDCERA to the risk of dealing with financial counterparties and their ability to meet the terms of the contracts. However, all swaps are fully collateralized by cash at least equal to the notional value of the most recent cash reset. Allowing insufficient collateral is strictly prohibited as a trading strategy by SDCERA's investment policies.

3. Deposits

(For Notes IV-A-3., Deposits through IV-A-11., Securities Lending Transactions, please refer to **Tables 7 through 18** on **pages 81 through 86**).

County Investment Pool - At year-end the carrying amount of the County's demand deposits was \$48.698 million. Of this balance \$494 thousand was covered by federal deposit insurance and \$48.204 million was considered a collateralized custodial credit risk.

Cash and Investments with Fiscal Agents - At year-end the carrying amount of the County's demand deposits was \$227.425 million. Of this balance \$1.666 million was covered by federal deposit insurance; \$61.991 million was collateralized with securities held by the



pledging agent but not in the County's name and the remaining \$163.768 million was uncollateralized.

SDCERA Investment Portfolio - At year-end the carrying amount of SDCERA's demand deposits was \$175.335 million. A deposits and investments reconciliation as reported in the basic financial statements is summarized on **Table 7** on page **81**.

4. Investments

As of June 30, 2005, investments in *the County Pool*, with *Fiscal Agents* and in the *Pension Trust Fund*, (SDCERA) are shown on **Tables 8 through 10** on pages **82** and **83**.

5. Deposit and Investment Risk

In accordance with GASB Statement 40, Deposit and Investment Risk Disclosures, investment risk disclosure is required for; interest rate risk, credit risk (including custodial credit risk and concentrations of credit risk) and foreign currency risk.

As of June 30, 2005, the Pool had the following investments and maturities shown on **Table 8** on page **82**.

6. Interest Rate Risk

County's Investment Pool - The Pool does not have a general policy to manage interest rate risk, however it is banned from purchasing Inverse Floaters, Range Notes, Interest only strips derived from a pool of mortgages, and any security that could result in zero interest accrual. It is limited on maturity levels, which in turn, allows the Pool to manage its exposure to fair value losses arising from increased rates.

Investments with Fiscal Agents - No general policies have been established to manage interest rate risk, however, moneys held by trustees on behalf of the County may generally only be invested in permitted investments specified in trustee or indenture agreements. As

of June 30, 2005, the following investments and maturities with fiscal agents were as shown on **Table 11** on page **83**.

SDCERA Investment Portfolio - SDCERA does not have a general policy to manage interest rate risk, but requires investment managers to diversify by issue, maturity, sector, coupon and geography. As of June 30, 2005, SDCERA had the following investments and maturities as shown on **Table 12** on page **83**.

7. Credit Risk

County's Investment Pool - As of June 30, 2005, the Investment Pool's Security Ratings are shown on **Table 8** on page **82**.

Investments with Fiscal Agents - No general policies have been established for credit risk, however, moneys held by trustees on behalf of the County may generally only be invested in permitted investments specified in trustee or indenture agreements. The security ratings for these investments are shown on **Table 13** on page **84**.

SDCERA Investment Portfolio - SDCERA's Investment guidelines address fixed income quality requirements by investment category. The minimum investment grade held in domestic fixed income portfolios shall be no lower than "BBB" (as rated by Moody, Standard & Poor's, or Fitch's equivalent). Domestic high yield fixed income portfolios must have a weighted average quality of B/B+ or higher (Moody or Standard & Poor's equivalent). Not rated issues must be evaluated by the manager and determined that if rated they would not lower the weighted average below B/B+. SDCERA has no policy for Global and Emerging Market Fixed Income.

Tables 14 and 15 on pages **84** and **85** illustrate SDCERA's Fixed Income securities ratings as of June 30, 2005, shown as a percentage of the total portfolio.



Domestic Fixed Income Portfolio

SDCERA's Domestic Fixed Income portfolio of government securities, collateralized mortgage obligations, corporate bonds, private placements, and other bonds include \$456.296 million or 99.5% that are rated BBB or higher and \$2.283 million or 0.5% currently rated BB.

Global Fixed Income Portfolio

SDCERA's Global Fixed Income portfolio includes corporate bonds and sovereign debt. The weighted average rating for Global Fixed Income portfolio was AA/AAA, excluding \$652 thousand or 0.1% of unrated securities.

High Yield Fixed Income Portfolio

The weighted average quality of the High Yield Fixed Income Portfolio as of June 30, 2005 was B/BB, excluding \$40.107 million or 10.3% of unrated securities in the portfolio.

Emerging Market Debt

SDCERA's Emerging Market Debt portfolio invests in sovereign debt of emerging countries. As of June 30, 2005, the weighted average rating for Emerging Market Debt portfolio was rated BB, excluding \$74 million or 23.3% of unrated securities in the portfolio.

8. Concentration of Credit Risk

County's Investment Pool - The Pool Investment Policy limits the amount of exposure to any one single issuer. The Investment Policy is limited to 5% per issuer and cannot exceed this limit. An exclusion to this limit is dependent upon the weighted average days to maturity for commercial paper. If the weighted average days is 5 days or less the issuer limit can increase to 10% of total portfolio. The County of San Diego adheres to both State law and the County's Investment Policy for limits on investments.

Cash and Investments with Fiscal Agents - No general policies have been established to limit the amount of exposure to any one single issuer, however, moneys held by trustees on behalf of

the County may generally only be invested in permitted investments specified in trustee or indenture agreements.

SDCERA Investment Portfolio - Fixed income managers are expected to adhere to the following guidelines as a means of limiting credit risk. Domestic Fixed Income managers are limited within their portfolios to no more than 5% exposure in any single security, with the exception of United States Treasury and government agencies. High Yield and International Fixed Income managers limit is 10% exposure in any single security, with the exception of United States Treasury and government agencies. As of June 30, 2005, SDCERA has no single issuer that exceeds 5% of total fixed income investments.

9. Custodial Credit Risk

County's Investment Pool - The County of San Diego does not invest in Category 3 type investments. The Investment policy does not permit investments in uninsured and unregistered securities not held by the County. However, the Policy does permit for securities lending transactions. The portfolio has not been exposed to these types of investments during the fiscal year.

Cash and Investments with Fiscal Agents - There are no general policies addressing custodial credit risk, however, moneys held by trustees on behalf of the County may generally only be invested in permitted investments specified in trustee or indenture agreements.

SDCERA Investment Portfolio - SDCERA does not have a general policy addressing custodial credit risk, but it is the practice of the Fund that all investments are insured, registered, or held by the plan or its agent in the Plan's name. Deposits are to be insured, registered or collateralized with securities held at fiscal agents in the Plan's name. SDCERA also retains investment managers that specialize in the use of a particular asset class. Investment managers are subject to the guidelines and



controls established in the SDCERA Investment Policy and contracts executed with the Board. SDCERA utilizes a third party as custodian over the plan assets.

In March 2005 the Board of Retirement completed a comprehensive asset/liability study that resulted in a new asset allocation strategy. This strategy specified an asset allocation target of 24% Domestic Equity, 25% International Equity, 31% Fixed Income, 10% Real Estate, 5% Commodities and 5% Alternative Equity.

10. Foreign Currency Risk

County's Investment Pool - There are no general policies addressing foreign currency based securities, however the County does not invest in foreign currency based securities.

Cash and Investments with Fiscal Agents - There are no general policies addressing foreign currency based securities, however, moneys held by trustees on behalf of the County may generally only be invested in permitted investments specified in trustee or indenture agreements.

SDCERA Investment Portfolio - SDCERA's investment policy allows international managers to enter into foreign exchange contracts provided that the contracts have a maturity of one year or less and are limited to hedging currency exposure existing in the portfolio. SDCERA's exposure to foreign currency risk derives from its positions in foreign currency denominated international equity and fixed income investments.

SDCERA's net exposure to foreign currency risk is shown on **Table 16** on **page 85**.

11. Securities Lending Transactions

County's Investment Pool - Although the Pool's Policy permits securities lending transactions, the portfolio has not been exposed to these types of investments during the fiscal year.

Cash and Investments with Fiscal Agents - There are no general policies addressing securities lending transactions, however, moneys held by trustees on behalf of the County may generally only be invested in permitted investments specified in trustee or indenture agreements.

SDCERA Investment Portfolio - SDCERA lends U.S. government obligations, domestic and international bonds, and equities to various brokers with a simultaneous agreement to return collateral for the same securities plus a fee in the future. The securities lending agent manages the securities lending program and receives securities and cash as collateral. Collateral cash is pledged at 102% and 105% of the fair value of domestic securities and non-domestic securities lent, respectively. There are no restrictions on the amount of securities that can be lent at one time. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the cash collateral.

SDCERA's securities lending transactions as of June 30, 2005, are summarized on **Table 17** on **page 86**. The Fund lent \$612.033 million in securities and received collateral of \$123.832 million and \$503.190 million in securities and cash, respectively from borrowers.

SDCERA receives a premium on all securities it holds as collateral. As of June 30, 2005, the cash collateral that was received from the borrowers was then invested in the investment types as shown on **Table 18** on **page 86**.

SDCERA's investment guidelines require that certificates of deposit, commercial paper, notes, bonds, and other debt obligations that are maturing within one year shall be no lower than A-1 as rated by Standard & Poor's, or P-1 by Moody's. Obligations may have fixed, floating, or variable rate interest payment provisions. Obligations maturing beyond one year shall be rated at least A/A2 (as rated by Standard & Poor's or Moody's equivalent). As of June 30, 2005, all of SDCERA's securities lending investment's maturing in less than one year



Notes to the Financial Statements (Amounts Expressed in Thousands Unless Otherwise Noted)

were rated A-1/P-1 for US corporate and certificate of deposit floating rate, and AAA/Aaa for asset backed securities and bank notes as rated by Standard & Poor's and Moody's. For obligations maturing beyond one year, eleven percent of the investment in asset backed securities was rated AAA/Aaa by Standard & Poor's and Moody's. The remaining 89 percent of US corporate floating rate, bank notes, and certificates of deposit floating rate were rated AA/Aa3.

SDCERA does not have the ability to pledge or sell collateral securities without a borrower default. At the end of the fiscal year, SDCERA has no credit risk exposure to borrowers because the amounts the system owes them exceed the amounts they owe the system. As with other extensions of credit, SDCERA may bear the risk of delay in recovery or of rights in the collateral should the borrower of the securities fail financially. In addition, the Bank of New York indemnifies SDCERA against all borrower default.

Table 7 (Note IV-A-3)

Deposits and Investments Reconciliation					
	Primary Government	Fiduciary Funds	Sub-Total	Component Unit	Total
Equity in pooled cash and investments	\$ 994,505	2,963,897	3,958,402	172,983	4,131,385
Cash with fiscal agent	118,139	186,744	304,883		304,883
Restricted cash with fiscal agent	97,877		97,877		97,877
Collections in transit	6,725	10,076	16,801		16,801
Imprest cash	315	35	350		350
Investments	69,894	6,831,839	6,901,733		6,901,733
Restricted investments	731,678		731,678		731,678
Total	2,019,133	9,992,591	12,011,724	172,983	12,184,707
Less:					
Cash with fiscal agent					(304,883)
Restricted cash with fiscal agent					(97,877)
Collections in transit					(16,801)
Imprest cash					(350)
Deposits					(48,698)
Total investments	\$				11,716,098
Investments in County Pool	\$		4,082,687		
Deposits			48,698		
Equity in pooled cash and investments	\$		4,131,385		
Investments in County Pool	\$		4,082,687		
Investments with Fiscal Agent			801,572		
Investments in SDCERA			6,831,839		
Total Investment	\$		11,716,098		

Notes to the Financial Statements

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Table 8 (Note IV-A-4)

Investments - County Pool										
Investment Type	Moody's Rating	S&P Rating	Rate Range%	Maturity Date Range	Par value	Amortized Cost	Fair Value	Yield To Maturity	Weighted Average Maturity	Percent of Total
U.S. Government Agencies:										
Federal Home Mortgage Corporation	Aaa	AAA	2.25 - 4.00	06/06 - 08/07	\$ 100,000	100,000	98,646	2.89%	541	2%
Federal Home Loan Bank	Aaa	AAA	1.8 - 4.15	10/05 - 07/07	721,295	720,305	711,538	2.73%	412	17%
Federal National Mortgage Association	Aaa	AAA	2.00 - 4.00	12/05 - 09/07	500,691	500,604	494,429	2.55%	439	12%
Federal Farm Credit Bank	Aaa	AAA	1.85 - 3.50	10/05 - 05/08	496,040	495,719	488,681	2.41%	414	12%
U.S Treasury Notes	Aaa	AAA	1.50	3/06	100,000	99,588	98,555	2.06%	274	2%
Short Term Notes:										
Commercial Paper	P-1	A-1+	2.67 - 3.40	7/05 - 10/05	1,138,714	1,135,359	1,135,940	3.14%	34	28%
Medium - Term Notes	Aa2	AA+	2.00 - 5.35	12/05 - 11/06	293,987	296,807	294,883	2.92%	298	7%
Repurchase Agreements	P-1	A-1	3.51	07/05	50,000	50,000	50,000	3.51%	1	1%
Negotiable Certificates of Deposit	Aaa	AAA	2.15 - 3.75	07/05 - 04/06	625,000	624,937	623,287	2.80%	146	17%
Open - End Institutional Money Market Funds	Aaa	AAA	2.97 - 3.00	07/05	27,600	27,600	27,600	2.99%	1	1%
Asset-Backed Notes	Aaa	AAA	2.50 - 2.55	04/06 - 01/07	60,000	59,699	59,128	2.90%	449	1%
Total Investments					\$ 4,113,327	4,110,618	4,082,687	2.81%	259	100%

Table 9 (Note IV-A-4)

Investments - With Fiscal Agents									
Investment Type	Moody's Rating	S&P Rating	Maturity Under 1 Month	Maturity 1 to 6 months	Maturity 6 to 12 Months	Maturity Greater than 12 Months	Market Value	Coupon Rate	Maturity Date
Tax and Revenue Anticipation Notes-Investment Agreement	Unrated	Unrated	\$ 360,000				360,000	NA	7/22/2005
Fixed Income Tax Exempt Bonds	Various	Various		25,557		298,371	323,928	1.79%-5.625%	11/15/2006-02/01/2042
Commercial Paper	P-1	A-1	44,995				44,995	NA	7/7/2005
Federal Farm Credit Bank Notes	NA	AAA	24,897				24,897	NA	10/28/2005
AIG Investment Agreement	Unrated	Unrated		39,277			39,277	NA	7/3/2007
Bayerische Investment Agreements	Unrated	Unrated			8,473		8,473	NA	4/26/2006
Common Stock	Aa2	AA-				2	2	NA	NA
Total Investments			\$ 429,892	64,834	8,473	298,373	801,572		



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Table 10 (Note IV-A-4)

Investments - Pension Trust Fund (SDCERA)	Fair Value
Domestic equity securities	\$ 882,662
Cash, cash equivalents, and securities domestic equity swaps and futures	1,368,556
International equity securities	1,489,825
Securities lending collateral	503,102
United States government obligations	628,206
Domestic corporate bonds	557,566
International bonds	794,671
Cash and securities for overlay futures	58,557
Alternative equity and real estate	548,694
Total investments	\$ 6,831,839

Table 11 (Note IV-A-6)

Investments and Maturities - With Fiscal Agents					
Investment Type	Market Value	Maturity Under 1 month	Maturity 1 to 6 Months	Maturity 6 to 12 Months	Maturity Greater than 12 Months
Tax and Revenue Anticipation Notes- Investment Agreement	\$ 360,000	360,000			
Fixed Income Tax Exempt Bonds	323,928		25,557		298,371
Commercial Paper	44,995	44,995			
Federal Farm Credit Bank Notes	24,897	24,897			
AIG Investment Agreement	39,277		39,277		
Bayerische Investment Agreements	8,473			8,473	
Common Stock	2				2
Total Investments	\$ 801,572	429,892	64,834	8,473	298,373

Table 12 (Note IV-A-6)

Investments and Maturities - SDCERA Investment Portfolio					
Investment Type	Fair Value	Maturity Less than 1 year	Maturity 1 to 5 years	Maturity 6 to 10 years	Maturity More than 10 years
Asset and mortgage backed securities	\$ 169,055	4,182	6,005	2,065	156,803
Collateralized mortgage obligations	99,016		525		98,491
Convertible Bonds	191,442	7,133	101,021	5,530	77,758
Corporate bonds	281,555	9,300	89,217	126,633	56,405
Emerging market debt securities	317,911	1,975	33,993	39,256	242,687
International bonds	2,189			2,189	
International Governments	491,457	12,510	240,857	138,470	99,620
Managed Futures *	53,994	NA	NA	NA	NA
Municipals	7,922		219	3,533	4,170
Private placements	43,927		2,303	33,561	8,063
Treasury inflation protected securities	210,304		42,761	98,217	69,326
US Treasuries	111,671	28,438	33,496	21,753	27,984
Total Investments	\$ 1,980,443	63,538	550,397	471,207	841,307

* Investment maturities for Managed Futures are not available and are therefore not included in the subtotals by maturity.

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Table 13 (Note IV-A-7)

Securities Ratings - Investments With Fiscal Agents				
Fixed Income Tax Exempt Bonds:	S&P Rating		Market Value	Percent of Total
ALASKA ST HSG FIN CORP	AAA/A-1+	\$	18,596	6%
ATLANTA GA ARPT PASSENGER FAC	AAA		15,225	5%
BARTON CNTY GA DEV AUTH POLLU	A		10,000	3%
BAY AREA TOLL AUTH CA TOLL BRG	AAA		9,975	3%
CALIFORNIA ST DEPT WTR RES PWR	AAA		5,628	2%
CALIFORNIA ST DEPT WTR RES PWR	AAA		1,124	0%
CALIFORNIA STATEWIDE CMNTYS	AAA		25,464	8%
CALIFORNIA STATEWIDE CMNTYS	A+/A-1		6,396	2%
CALIFORNIA STATEWIDE CMNTYS	A+/A-1		4,950	2%
DELAWARE VALLEY PA REGL FIN	AAA		10,000	3%
GRAND TRAVERSE CNTY MI HOSP	NR		19,700	6%
INDIANA HLTH FAC HOSP REV	AAA		8,500	3%
JEA FL ELEC SYS REV	AAA		15,000	5%
JEFFERSON CNTY AL SWR REV	AAA		20,000	6%
MEDFORD OR HOSP FACS AUTH REV	AAA		20,000	6%
METROPOLITAN TRANSN AUTH NY	AAA		20,000	6%
NEW YORK N Y	AAA		11,320	3%
PUTNAM CNTY GA DEV AUTH POLLUT	A/A-1		19,025	6%
SEATTLE WA NUM LT + PWR REV	AA+/A-1+		16,900	5%
SOUTH CAROLINA ST	AA+		9,849	3%
UNIVERSITY AL UNIV REVS	AAA		7,650	2%
WAKE CNTY NC INDL FACS + PLLTN	AAA		5,000	2%
WAKE CNTY NC INDL FACS + PLLTN	AAA		10,000	3%
WAKE CNTY NC INDL FACS + PLLTN	AAA		12,000	4%
WAYNE CNTY ARPT AUTH REV	AAA		16,000	5%
DAPHNE AL SPL CARE FACS	AAA		5,626	1%
Total		\$	323,928	100%

Table 14 (Note IV-A-7)

Fixed Income Securities Ratings - SDCERA Investment Portfolio					
Credit Risk	Domestic Fixed Income	Global Fixed Income	High Yield Fixed Income	Emerging Market Debt Fixed Income	Total
AAA	\$ 29,329	448,692	1,669		479,690
AA	222	28,944	1,691		30,857
A	304	70,323	11,679	7,248	89,554
BBB	2,997	77,920	34,731	87,076	202,724
BB	2,283	11,657	92,538	24,797	131,275
B		67	159,207	120,170	279,444
CCC			42,947	4,610	47,557
CC			3,184		3,184
D			2,984		2,984
NR		652	40,107	74,010	114,769
Govt	423,445	174,960			598,405
Total	\$ 458,580	813,215	390,737	317,911	1,980,443



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Table 15 (Note IV-A-7)

Credit Risk	SDCERA Investment Portfolio			
	Domestic Fixed Income	Global Fixed Income	High Yield Fixed Income	Emerging Market Debt Fixed Income
AAA	6.4%	55.2%	0.4%	0.0%
AA	0.1%	3.6%	0.4%	0.0%
A	0.1%	8.6%	3.0%	2.3%
BBB	0.6%	9.6%	8.9%	27.4%
BB	0.5%	1.4%	23.7%	7.8%
B	0.0%	0.0%	40.7%	37.8%
CCC	0.0%	0.0%	11.0%	1.4%
CC	0.0%	0.0%	0.8%	0.0%
D	0.0%	0.0%	0.8%	0.0%
NR	0.0%	0.1%	10.3%	23.3%
Govt	92.3%	21.5%	0.0%	0.0%
	100%	100%	100%	100%

Table 16 (Note IV-A-10)

Foreign Currency Exposure - SDCERA Investment Portfolio	
Currency	Fair Value
JAPANESE YEN	\$ 410,945
EURO CURRENCY	249,013
BRITISH PND STERLING	218,812
AUSTRALIAN DOLLAR	195,174
SOUTH KOREAN WON	112,655
SWISS FRANC	110,169
SINGAPORE DOLLAR	67,378
MEXICAN NUEVO PESO	56,228
HONG KONG DOLLAR	53,570
SOUTH AFRICAN RAND	47,802
SWEDISH KRONA	41,642
BRAZILIAN REAL	34,878
TAIWAN DOLLAR	31,161
THAI BAHT	21,718
INDIAN RUPEE	21,648
INDONESIAN RUPIAH	17,724
MALAYSIAN RINGGIT	14,567
TURKISH LIRA	14,444
EGYPTIAN POUND	12,741
NORWEGIAN KRONE	11,468
RUSSIAN NEW RUBLE	8,983
CHILEAN PESO	8,905
NEW ZEALAND DOLLAR	8,188
DANISH KRONE	8,082
HUNGARIAN FORINT	8,044
RENMINBI YUAN	7,986
POLISH ZLOTY	5,386
CANADIAN DOLLAR	(41,928)
Other (Less than \$2 million holdings)	9,292
Total	\$ 1,766,675

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Table 17 (Note IV-A-11)

Securities Lending Transactions - SDCERA Investment Portfolio				
Investment Type	Fair Value	Maturity Less than 1 year	Maturity 1 to 5 years	
U.S. Corporate Floating Rate	\$ 194,015	25,014	169,001	
Asset Back Securities	52,918	8,506	44,412	
Bank Notes	108,536	8,502	100,034	
Certificates of Deposit Floating Rate	85,985	9,996	75,989	
Repurchase Agreements	61,722	61,722		
Other (cash)	114	114		
Total	\$ 503,291	113,854	389,437	

Table 18 (Note IV-A-11)

Securities Lent - SDCERA Investment Portfolio			
Investment Type	SDCERA Securities Lent	Securities Received Value	Cash Received Value
Lent for cash collateral:			
U.S. government and agency securities	\$ 123,384		124,251
International governments securities	21,980		22,989
Domestic corporate fixed income securities	125,762		128,479
Domestic equities	178,859		184,285
International equities	41,314		43,187
Lent for securities collateral:			
Domestic Equity	2,808	2,905	
Domestic Government Securities	104,150	106,186	
International equities	6,311	6,874	
International governments securities	7,465	7,866	
Total	\$ 612,033	123,832	503,190

B. Receivables

Receivable balances not expected to be collected within the next fiscal year are as follows:

1. Community Development Block Grant - \$14.176 million, Home Investment Partnership Program - \$13.294 million, Mobile Home Opportunity Assistance Program - \$5.178 million and various REHAB programs - \$7.406 million. These are included in the General and Housing Special Revenue Funds and represent loans for the provision low-income housing development activities under these programs.
2. Metropolitan Transit Development Board (MTDB) - General Fund. The County leases the Metropolitan Transit System (MTS) Towers

building from the San Diego Regional Building Authority. The County subleases a 27.61% share of the building to the Metropolitan Transit Development Board (MTDB). At June 30, 2005 the MTDB receivable balance was \$12.684 million. Of this amount, \$11.838 million will not be received in the next fiscal year.

3. Sale and Use of Surplus Land - Road Fund, Airport Enterprise Fund \$842 thousand.

Table 19 below presents receivables at June 30, 2005 for the County's individual major funds, nonmajor internal service, governmental and business type activities' funds and the discrete component unit including the applicable allowances for uncollectible accounts.



Notes to the Financial Statements (Amounts Expressed in Thousands Unless Otherwise Noted)

Table 19 (Note IV-B)

Primary Government and Discretely Presented Component Unit									
Receivables									
	Accounts	Interest	Due From Other Gov't Agencies	Notes	Loans	Other	Total Receiv- ables	Allowance For Doubtful Accounts	Receivables Net
Governmental activities:									
General Fund	\$ 1,033	4,819	197,314		19,052	13,008	235,226	(10,699)	224,527
Tobacco Securitization Special Revenue Fund	1,187	42					1,229		1,229
Other governmental funds	7,451	1,979	91,061	1,590	33,686		135,767		135,767
Internal service funds	257	219	4,568				5,044		5,044
Total governmental activities	9,928	7,059	292,943	1,590	52,738	13,008	377,266	(10,699)	366,567
Business-type activities:									
Enterprise Funds	253	464	163				880		880
Total business-type activities	253	464	163				880		880
Component Unit:									
First 5 Commission		544	8,230				8,774		8,774
Total component unit	\$	544	8,230				8,774		8,774

C. County Property on Lease to Others

The County has *noncancelable* operating leases for certain properties which are not material to the County's governmental operations, except for the aforementioned sublease of a share of the Metropolitan Transit System (MTS) Towers. In this regard, the share of the County's property under this lease is an estimated \$12.74 million in land and structures and improvements with accumulated depreciation of \$4.3 million at June 30, 2005.

Additionally, the Airport Enterprise Fund derives a substantial portion of its revenues from noncancelable operating leases with air carriers and concessionaires. The Airport Enterprise Fund's property under operating leases includes an estimated \$2.4 million in land at June 30, 2005,

Lease revenues for both non-cancelable and cancelable leases for the year ended June 30, 2005 were approximately \$22.81 million.

Future minimum *revenue* to be received under these noncancelable operating leases as of June 30, 2005 are noted below in **Table 20**. (One lease extends through 2091 for a two acre parcel leased to a non-profit public benefit corporation.)

Table 20 (Note IV-C)

Lease Revenue County Property Leased To Others	
Fiscal Year	Minimum Lease Revenue
2006	\$ 12,252
2007	11,608
2008	11,070
2009	10,818
2010	10,363
2011-2091	161,764
Total	\$ 217,875

D. Capital Assets

1. Primary Government

Capital asset activity for the year ended June 30, 2005 was as follows:

Notes to the Financial Statements (Amounts Expressed in Thousands Unless Otherwise Noted)



Governmental Activities:

On **Table 21** below, building and infrastructure projects are recorded as construction in progress until completion. Intangible projects such as software acquisition and implementation are recorded as contracts in progress until implementation is completed.

Table 21 (Note IV-D)

Capital Assets Governmental Activities				
	Beginning Balance at July 1, 2004	Increases	Decreases	Ending Balance at June 30, 2005
Capital assets, not being depreciated:				
Land	\$ 262,110	5,323	(473)	266,960
Construction in progress	175,086	30,330	(64,795)	140,621
Total capital assets, not being depreciated	437,196	35,653	(65,268)	407,581
Capital assets, being depreciated:				
Buildings and improvements	969,977	17,751	(25,098)	962,630
Equipment	167,976	74,590	(11,117)	231,449
Road network	2,074,421	45,427		2,119,848
Bridge network	39,193	760		39,953
Total capital assets, being depreciated	3,251,567	138,528	(36,215)	3,353,880
Less accumulated depreciation for:				
Buildings and improvements	(280,611)	(18,625)	6,286	(292,950)
Equipment	(88,800)	(15,882)	9,295	(95,387)
Road network	(627,137)	(59,202)		(686,339)
Bridge network	(11,645)	(747)		(12,392)
Total accumulated depreciation	(1,008,193)	(94,456)	15,581	(1,087,068)
Total capital assets, being depreciated, net	2,243,374	44,072	(20,634)	2,266,812
Governmental activities capital assets, net	\$ 2,680,570	79,725	(85,902)	2,674,393

Depreciation expense was charged to functions of the primary government as shown in **Table 22** below:

Table 22 (Note IV-D)

Depreciation Expense - Governmental Activities	
General Government	\$ 3,708
Public Protection	15,269
Public Ways and Facilities	60,212
Health and Sanitation	2,609
Public Assistance	684
Education	77
Recreational and Cultural	1,581
Internal Service Funds	10,316
Total Depreciation Expense - Governmental Activities	\$ 94,456



Notes to the Financial Statements (Amounts Expressed in Thousands Unless Otherwise Noted)

Business Type Activities:

On **Table 23** below, building and infrastructure projects are recorded as construction in progress until completion.

Table 23 (Note IV-D)

Capital Assets - Business Type Activities				
	Beginning Balance at July 1, 2004	Increases	Decreases	Ending Balance at June30, 2005
Capital assets, not being depreciated:				
Land	\$ 10,677			10,677
Construction in progress	15,516	4,480	(3,184)	16,812
Total capital assets, not being depreciated	26,193	4,480	(3,184)	27,489
Capital assets, being depreciated:				
Buildings and improvements	37,291	5,441		42,732
Equipment	1,214		(8)	1,206
Infrastructure		139		139
Sewer network	63,746	1,036		64,782
Total capital assets, being depreciated	102,251	6,616	(8)	108,859
Less accumulated depreciation for:				
Buildings and improvements	(19,627)	(907)		(20,534)
Equipment	(848)	(55)	8	(895)
Sewer network	(26,031)	(1,307)		(27,338)
Total accumulated depreciation	(46,506)	(2,269)	8	(48,767)
Total capital assets, being depreciated, net	55,745	4,347		60,092
Enterprise fund capital assets, net	\$ 81,938	8,827	(3,184)	87,581

Depreciation expense was charged to *business type activities* as shown on **Table 24** below:

Table 24 (Note IV-D)

Depreciation Expense - Business Type Activities	
Airport	\$ 911
Wastewater	23
Sanitation	1,335
Total Depreciation Expense	\$ 2,269

Notes to the Financial Statements (Amounts Expressed in Thousands Unless Otherwise Noted)



2. Capital Commitments

At June 30, 2005, major contracts entered into for software development, construction in progress, buildings, equipment and infrastructure were as follow, listed by fund within *governmental and business-type activities* are shown below in **Table 25**:

Table 25 (Note IV-D)

Capital Commitments		Remaining Commitments
	Project Title	
Governmental Activities:		
General Fund	Registrar of Voters-Integrated Voting System and Optional Items	\$ 29,779
	Integrated Property Tax System (PTS)	31,287
	Revenue Plus Collection System	1,379
	Automated Records MGMT & Field Reporting Cots Software Installation	1,705
	Regional Communications System Motorola Services and Equipment	3,739
	Service MGMT Access and Resource System (Smart)	2,416
	Creative Socio-Medics Corpublic Health Information System Acquisition	1,743
	Sub Total	72,048
Other Governmental Funds	Construction of Forester Creek Drainage	3,000
	Construction of Mission Road	3,008
	Construction of Valley Center Road South, Phase I	2,800
	Spring Valley Gym and Teen Center	1,744
	Construction of Edgemoor Skill Nursing Facility	61,891
	Construction of APCD Bldg in Scripps Ranch	7,508
	Sub Total	79,951
Business-type Activities:		
Enterprise Funds	Jamacha Blvd Sewer	2,000
	Construction of Gillespie Field Runway	2,424
	Sub Total	4,424
	Total	\$ 156,423

E. Payables

The County's payables at June 30, 2005 are shown on **Table 26** for the General Fund, nonmajor internal service funds, governmental funds, business type activities' funds and the discrete component unit:

Table 26 (Note IV-E)

Payables				
	Vendors	Due to Other Gov't Agencies	Other	Total Payables
Governmental Activities:				
General Fund	\$ 46,862	48,431	6,473	101,766
Other governmental funds	15,917	9,166	75	25,158
Internal service funds	15,797	244		16,041
Total governmental activities	78,576	57,841	6,548	142,965
Business-type activities:				
Enterprise Funds	2,122	39		2,161
Total business-type activities	2,122	39		2,161
Component Unit:				
First 5 Commission	5,813			5,813
Total component unit	\$ 5,813			5,813



Notes to the Financial Statements

(Amounts Expressed in Thousands Unless Otherwise Noted)

F. Interfund Transactions

The composition of interfund balances as of June 30, 2005, is as follows:

1. Due To/Due From Other Funds

Due to/due from other funds shown in **Table 27** below arise due to the exchange of goods or services between funds that were pending the transfer of cash as of June 30, 2005. These due to/from other funds have been eliminated in the government-wide financial statements, except for "internal balances" that are reflected between the governmental and business-type statements as of June 30, 2005.

Table 27 (Note IV-F-1)

Due To/From Other Funds		
Receivable Fund	Payable Fund	Amount
General Fund	Tobacco Securitization Special Revenue Fund	\$ 2,779
	Nonmajor Governmental Funds	117,745
	Nonmajor Enterprise Funds	75
	Internal Service Funds	51,610
Total General Fund		172,209
Nonmajor Governmental Funds	General Fund	6,496
	Nonmajor Governmental Funds	745
	Nonmajor Enterprise Funds	171
	Internal Service Funds	79
Total Nonmajor Governmental Funds		7,491
Nonmajor Enterprise Funds	General Fund	28
	Nonmajor Governmental Funds	1
	Nonmajor Enterprise Funds	906
	Internal Service Funds	1
Total Nonmajor Enterprise Funds		936
Internal Service Funds	General Fund	14,818
	Nonmajor Governmental Funds	1,123
	Nonmajor Enterprise Funds	95
	Internal Service Funds	279
Total Internal Service Funds		16,315
Total		\$ 196,951

2. Advances

Advances to/from at June 30, 2005 are noted on **Table 28** below. The purpose of these advances was primarily for the establishment of loans that are not due within one year. These loans are for the planning, undertaking, construction or operation of redevelopment projects within the County. These advances to/from other funds have been eliminated in the government-wide financial statements, except for "internal balances" that are reflected between the governmental and business-type statements as of June 30, 2005.

Table 28 (Note IV-F-2)

Advances		
Funds	Advances To Other Funds	Advances From Other Funds
General Fund	\$ 928	
Nonmajor Governmental Funds	102	10,699
Nonmajor Enterprise Funds	9,312	239
Internal Service Funds	596	
Total	\$ 10,938	10,938

3. Prior-Year Advance

Prior to the issuance of Revenue Bonds in 1995 by the San Diego County Redevelopment Agency, the County Airport Enterprise Fund funded the initial expenditures of the Agency's two airport projects. The Redevelopment Agency is required to reimburse the Airport Enterprise Fund, which spent approximately \$9.6 million on the projects consisting of \$3.7 million for initial expenditures and \$5.9 million for 2001. The Agency pays interest on advances, but is not responsible for payment until funds are available for this purpose. As of June 30, 2005, interest of approximately \$4.3 million has accrued on these advances; however such amounts have not been recorded because the ultimate collection has not been determined.



4. Transfers In/Transfers Out

The purposes of these transfers were primarily for reimbursement of project costs, lease payments, initiation fees and replacement costs. Transfers in/transfers out at June 30, 2005 were as follows on **Table 29** below:

Table 29 (Note IV-F-4)

Transfers In/Transfers Out		
From	To	Amount
General Fund	Nonmajor Governmental Funds	\$ 175,599
	Internal Service Funds	3,629
Total General Fund		179,228
Tobacco Securitization Special Revenue Fund	General Fund	23,278
Nonmajor Governmental Funds	General Fund	544,668
	Nonmajor Governmental Funds	71,963
	Internal Service Funds	490
Total Nonmajor Governmental Funds		617,121
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	588
	Internal Service Funds	176
Total Nonmajor Enterprise Funds		764
Internal Service Funds	General Fund	731
	Nonmajor Governmental Funds	2,663
	Internal Service Funds	153
Total Internal Service Funds		3,547
Total		\$ 823,938

G. Short-Term Obligations

The County's short-term borrowing program consists of its annual Tax and Revenue Anticipation Notes (Notes), which fund the County's annual operating cash flow needs, and the issuance of Teeter Commercial Paper, which fund payments to public agencies their full share of property taxes levied. The County bears the risk of loss on delinquent property taxes that go unpaid; however, it also benefits from the penalties associated with these delinquent property taxes when they are paid.

On July 1, 2004, the County of San Diego issued \$360 million of Notes with an interest and principal maturity date of July 25, 2005. The Notes carry an interest rate of 3.25% and a yield of 1.59%. The amount outstanding at June 30, 2005 is \$369.28 million, including accrued interest payable of \$9.28 million.

In 1995 the County of San Diego Board of Supervisors approved the Master Teeter Resolution providing the terms and conditions of its teeter plan obligations. Pursuant to this resolution, the County is able to issue additional Series B Teeter Commercial Paper each fiscal year. On May 17, 2005, the Board of Supervisors adopted a resolution for the issuance of additional Series B borrowings to finance the uncollected property taxes and assessments attributable to the fiscal year ended June 30, 2005. The Teeter commercial paper shall mature not more than 270 days after date of issuance and is not subject to redemption prior to maturity. The payment of principal and interest on each series is supported by an irrevocable direct pay letter of credit that will expire on December 31, 2015.



Notes to the Financial Statements

(Amounts Expressed in Thousands Unless Otherwise Noted)

Short-term obligation activity (Table 30 below) for the year ended June 30, 2005 was as follow

Table 30 (Note IV-G)

Short-Term Obligations				
	Beginning Balance at July 1, 2004	Issued	Redeemed	Ending Balance at June 30, 2005
Tax and Revenue Anticipation Notes	\$	369,280		369,280
Teeter B-1 Tax - Exempt Principal	49,100	46,000	32,110	62,990
Teeter B-2 Taxable Principal	12,001	12,000	12,001	12,000
Total Teeter	\$ 61,101	427,280	44,111	444,270

H. Lease Obligations

I. Lease Commitments- Real Property

The County has commitments under long-term property operating lease agreements for facilities used for operations through fiscal year 2012 (Table 31 below). These leases do not meet the criteria for capitalization under FASB Statement 13. The County is the lessee under the terms of several non-cancelable operating leases for real property used to house certain County facilities. Total rental expense for all real property operating leases, including short-term cancelable leases for the year ended June 30, 2005, was approximately \$26 million.

The combined rental cost for which the County is obligated under these leases is as follows:

Table 31 (Note IV-H-1)

Lease Commitments - Real Property	
Fiscal Year	Minimum Lease Payments
2006	\$ 7,645
2007	7,172
2008	3,666
2009	3,094
2010	2,499
2011-2012	3,311
Total	\$ 27,387

2. Lease Commitments- Personal Property

The County has also entered into long-term operating leases for personal property, a large portion of which represents data processing and duplicating equipment. Many of these leases are subject to annual adjustment based upon negotiations. Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases. Total rental expense for these operating leases for the year ended June 30, 2005, was \$7.7million.

3. Capital Leases

a. Minimum Lease Payments

Certain buildings and equipment are being leased under capital leases as defined in FASB Statement 13. The present value of the minimum lease obligation has been capitalized in the statement of net assets and is reflected as a liability in that statement. The County assumes responsibility for all maintenance, repair, and structural modifications under the terms of the lease agreements. Future minimum lease payments (Table 32 below) under capital leases at June 30, 2005 were as follows:

Table 32 (Note IV-H-3-a)

Capital Leases-Future Payments	Minimum Lease Amount
Fiscal Year	Amount
2006	\$ 4,359
2007	3,785
2008	3,454
2009	3,068
2010	3,053
2011-2015	13,535
2016-2020	15,290
2021-2023	3,057
Total minimum lease payments	49,601
Less: amount representing interest	(14,976)
Net lease payments	\$ 34,625



b. Book Value

The book value of capital lease property (**Table 33**) at June 30, 2005 consisted of the following:

Table 33 (Note IV-H-3-b)

Capital Leases - Book Value			
Capital Lease Property	Original Cost	Accumulated Depreciation	Net Book Value June 30, 2005
Land	\$ 2,221		2,221
Buildings and Improvements	52,314	16,195	36,119
Total	\$ 54,535	16,195	38,340

I. General Long-Term Obligations

Outstanding general long-term obligations at June 30, 2005 consist of certificates of participation, capital lease obligations, third party financing leases, and other long-term obligations. All obligations listed, carry a fixed interest rate with the exception of \$505.125 million of the 2002 taxable pension obligation bonds and \$147.8 million of the 2004 taxable pension obligation bonds which are variable rate and are subject to market fluctuations. The range listed in **Table 34** below represents the range of interest rates on the serial, term bonds or in the case of third party financing leases; it is the range of rates for the various leases. The variable interest rate used for the 2002 taxable pension obligation bonds Series B1 and for the 2004 taxable pension obligation bonds Series B1 - B2 is 3.34%, which represents the one-month London Interbank Offered Rate (LIBOR) at June

30, 2005. The variable rate used for the 2002 taxable pension obligation bonds Series B2 - B4 is 3.153%, which represents the average auction rate bond coupon for June 2005. The maximum interest rate on these bonds shall not exceed 17% per annum.

I. Outstanding long-term obligations

Outstanding long-term obligations at June 30, 2005 were as follows:

Governmental Activities:

The certificates of participation (COPs) of the SANCAL, a non-profit corporation, are secured by annual base rental lease payments payable primarily by the County General Fund for use of the facilities constructed or equipment purchased from the proceeds. There are also encumbrances on the facilities constructed or purchased with the proceeds of the SANCAL. The capital leases between the County and SANCAL have been eliminated for financial reporting purposes and the related assets and long-term obligation (e.g. certificates of participation of SANCAL) are reported as San Diego County's assets and debt, respectively.

Also, the County, in compliance with the Tax Reform Act of 1986 and subsequent U.S. Treasury Regulations, has performed arbitrage rebate calculations to determine probable amounts due to the Federal government. At June 30, 2005, the probable arbitrage rebate is zero.



Notes to the Financial Statements (Amounts Expressed in Thousands Unless Otherwise Noted)

Long-term obligations (Table 34) for *governmental activities* at June 30, 2005 were as follows:

Table 34 (Note IV-I-1)

Long-Term Obligations - Governmental Activities				
	Interest Rate	Final Maturity Date	Original Amount	Amount Outstanding
San Diego County Capital Asset Leasing Corporation (SANCAL):				
1993 Master Refunding issued May, 1993	2.50 - 5.625%	2012	\$ 203,400	72,545
1996 North & East County Courthouse issued December, 1996	4.00 - 6.00%	2019	37,690	30,595
1997 Central Jail Refunding issued July, 1997	4.00 - 5.42%	2025	80,675	67,635
1998 Downtown Courthouse Refunding issued January, 1999	4.00 - 4.94%	2023	73,115	54,875
1999 East Mesa Refunding issued September, 1999	3.60 - 4.75%	2009	15,010	8,295
2000 Information Technology issued May, 2000	4.50 - 5.125%	2010	51,620	28,970
2002 Motorola issued March 2002	2.00 - 5.00%	2011	26,060	18,085
2005 Edgemoor & RCS Refunding issued February, 2005	3.00 - 5.00%	2030	112,395	112,395
Total certificates of participation			599,965	393,395
Capitalized Leases:				
San Diego Regional Building Authority				
Lease beginning September 2001	2.15 - 5.25%	2019	36,960	32,380
Third party financing leases with various beginning dates from August, 1997 to the present	4.24 - 8.00%	2007-2008	8,705	2,245
Total capitalized leases			45,665	34,625
Other long-term obligations:				
Capital loans:				
1997 United States Department of Agriculture	1.00%	2028	4,486	3,351
2002-2004 California Bank & Trust	7.75 - 8.75%	2007-2009	663	317
2003-2004 California Energy Commission	3.95 - 4%	2014-2015	3,648	3,648
Total Capital Loans			8,797	7,316
Taxable Pension Obligation Bonds:				
1994 Series A	4.7 - 6.6%	2007	430,430	60,790
2002 Series A, B & C	3.88 - 6.125%	2032	737,340	737,340
2004 Series A, B & C	3.28 - 5.86%	2024	454,113	454,113
Total Taxable Pension Obligation Bonds			1,621,883	1,252,243
1995 Redevelopment Agency Revenue Bonds	4.75 - 6.75%	2020	5,100	4,260
2001 San Diego County Tobacco Asset Securitization Corporation	4.00 - 6.00%	2043	466,840	430,350
Unamortized issuance premium			6,725	6,031
Unamortized issuance discount			(11,244)	(9,054)
Unamortized deferred amount on refunding			(23,231)	(12,103)
Compensated absences				76,669
Claims and judgments				103,569
Landfill closure and postclosure				47,891
Total other long-term obligations			2,074,870	1,907,172
Total governmental activities			\$ 2,720,500	2,335,192

Notes to the Financial Statements

(Amounts Expressed in Thousands Unless Otherwise Noted)



Business-Type Activities:

Long-term obligations (Table 35) for business-type activities at June 30, 2005 were as follows:

Table 35 (Note IV-I-1)

Long-Term Obligations - Business-Type Activities				
	Interest Rate	Final Maturity Date	Original Amount	Amount Outstanding
Enterprise funds				
Capital loans:				
Department of Transportation				
Beginning March 2001	5.63%	2019	\$ 3,584	2,832
US Department of Agriculture				
Beginning December 2003	4.63%	2040	100	94
Compensated absences				324
Total business-type activities			\$ 3,684	3,250

2. Debt Service Requirements to Maturity

Governmental Activities:

The following (Table 36) is a schedule of debt service requirements to maturity for *governmental activities'* long-term bond and note obligations outstanding at June 30, 2005. (The above table does not reflect the County's exposure to the interest rate swap on the 2002 Taxable Pension Obligation Bonds. See Interest Rate Swap disclosure below for further information.)

Table 36 (Note IV-I-2)

Governmental Activities - Debt Service Requirements To Maturity			
Fiscal year Ending June 30	Principal	Interest	Total
2006	\$ 59,342	100,892	160,234
2007	72,543	89,134	161,677
2008	59,654	85,821	145,475
2009	57,926	83,085	141,011
2010	58,492	83,166	141,658
2011-2015	244,716	396,629	641,345
2016-2020	319,344	327,191	646,535
2021-2025	460,473	230,100	690,573
2026-2030	278,232	160,239	438,471
2031-2035	227,415	97,220	324,635
2036-2040	101,505	60,642	162,147
2041-2043	147,922	21,461	169,383
Subtotal	2,087,564	1,735,580	3,823,144
Add:			
Unamortized issuance premium	6,031		
Less:			
Unamortized issuance discount	(9,054)		
Unamortized deferred amount on refunding	(12,103)		
Total	\$ 2,072,438		



Notes to the Financial Statements

(Amounts Expressed in Thousands Unless Otherwise Noted)

Business-Type Activities:

Debt service requirements to maturity for *business-type activities'* capital loans obligations outstanding at June 30, 2005 (**Table 37**) were the following:

Table 37 (Note IV-I-2)

Business-Type Activities -			
Debt Service Requirements to Maturity			
Fiscal Year Ending June 30	Principal	Interest	Total
2006	\$ 181	163	344
2007	193	153	346
2008	206	142	348
2009	218	131	349
2010	231	119	350
2011-2015	1,342	385	1,727
2016-2020	487	53	540
2021-2025	13	14	27
2026-2030	17	11	28
2031-2035	21	7	28
2036-2040	17	2	19
Total	\$ 2,926	1,180	4,106

3. Special Assessment Debt

In July of 1991, the County issued \$28.804 million of bonds to finance the acquisition and construction of various public improvements required for the development of land located in north San Diego County west of Interstate 15 and the community of Rancho Bernardo. In July of 1997 the bonds were refunded. The County Treasurer-Tax Collector acts as an agent for property owners and bondholders in collecting and forwarding special assessment monies. The County is not obligated to pay for any special assessment bonds. Special assessment debt is solely the obligation of various separate governmental agencies. The amount of the 4-S Ranch special assessment debt outstanding for which the County is a fiduciary is \$16.9 million at June 30, 2005.

4. Prior Year Defeasance of Long-Term Debt

In prior years, the County defeased certain certificates of participation (COPs) and taxable pension obligation bonds by placing the proceeds of the original issue plus additional

County contributions in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the liability for the defeased obligations are not included in the County's financial statements. At June 30, 2005, \$86.4 million of bonds and COPs were legally defeased and remain outstanding.

5. Advance Refunding of Long-Term Debt Including New Long-Term Debt

In February 2005, the San Diego County Capital Asset Leasing Corporation issued \$112.395 million of fixed rate serial Certificates of Participation titled, 2005 Edgemoor Project and 1996 Regional Communications System Refunding (the "Certificates"). These certificates have maturity dates beginning in February 2006 with a final maturity of February 2030. Each maturity date carries a different fixed interest rate beginning in February 2006 at a fixed rate of 3 percent with fixed rates ranging to 5 percent. The face value of the new certificates attributed to refunding debt is \$28.885 million.

These certificates were issued with a premium of \$5.960 million. The \$118.355 million in proceeds of the Certificates along with approximately \$5.36 million of funds held by the 1996 Regional Communication System trustee were distributed as follows: 1) approximately \$77.486 million will be used to finance the construction of a skilled nursing facility to replace the existing County of San Diego skilled nursing facility located in the City of Santee; 2) approximately \$31.633 million was transferred to the refunded bond escrow agent to advance refund the entire \$29.51 million outstanding 1996 Regional Communications System Financing Certificates of Participation; 3) to fund a Reserve Fund in the amount of approximately \$3.181 million; 4) to fund capitalized interest in the amount of approximately \$9.5 million to fund a portion of the Certificates through July 1, 2007; and, 5) and to pay for certain costs of issuance of \$1.915 million incurred in connection with the

Notes to the Financial Statements

(Amounts Expressed in Thousands Unless Otherwise Noted)



Series 2005 Certificates. The \$31.633 million was used to purchase Treasuries and have been placed in an irrevocable trust with an escrow agent to provide for all future remaining debt service payments on the 1996 Regional Communications System Financing. As a result, the 1996 COPs are considered to be defeased and the liability for those bonds has been removed from the Government-wide Statement of Net Assets Governmental Activities Current and Non-Current. The advance refunding will result in reducing the County's debt service payments by \$2.4 million over the next 14 years to obtain an economic

gain (difference between the present values of the debt service payments on the refunded debt and refunding debt) of \$1.2 million.

6. Changes in Long-Term Obligations

Long-term obligation activity (Governmental Activities) for the year ended June 30, 2005 was as follows in **Table 38** below:

Table 38 (Note IV-I-6)

Long-Term Obligations - Governmental Activities					
	Beginning Balance at July 1, 2004	Additions	Reductions	Ending Balance at June 30, 2005	Amounts Due within One Year
Bonds and notes payable:					
Certificates of participation	\$ 344,365	112,395	(63,365)	393,395	35,710
Redevelopment Agency	4,400		(140)	4,260	150
San Diego County Tobacco					
Securitization Corporation	440,305		(9,955)	430,350	2,015
Taxable pension obligation bonds	1,268,878		(16,635)	1,252,243	20,960
Capital and retrofit loans	5,750	1,945 *	(379)	7,316	428
Total Bonds and notes payable, before issuance discount and premiums and deferred amount on refunding	2,063,698	114,340	(90,474)	2,087,564	59,263
Unamortized issuance premium, discount and deferred amount on refunding:					
Unamortized issuance premium	555	5,960	(484)	6,031	1,052
Unamortized issuance discount	(9,565)		511	(9,054)	666
Unamortized deferred amount on refunding	(14,072)	(2,123)	4,092	(12,103)	(4,895)
Total bonds and notes payable	2,040,616	118,177	(86,355)	2,072,438	56,086
Other liabilities:					
Capitalized leases	37,346	11 *	(2,732)	34,625	2,732
Arbitrage rebate	979	17	(996)		
Claims and judgments	97,789	48,748	(42,968)	103,569	43,251
Compensated absences	77,537	58,036	(58,904)	76,669	7,666
Landfill closure and postclosure	46,910	2,550	(1,569)	47,891	7,390
Total other liabilities	260,561	109,362	(107,169)	262,754	61,039
Total governmental activities	\$ 2,301,177	227,539	(193,524)	2,335,192	117,125

* This includes loan additions recorded in Internal Service Funds.



Notes to the Financial Statements (Amounts Expressed in Thousands Unless Otherwise Noted)

The following funds presented in **Table 39** below have typically been used to liquidate other long-term liabilities in prior years:

Table 39 (Note IV-I-6)

Liquidated Liabilities	
Liability	Fund(s) Used to Liquidate in Prior Years
Arbitrage Rebate	Debt Service Fund- SANCAL
Claims and Judgments	Internal Service Fund - Risk Financing
Compensated Absences	General Fund; Special Revenue Funds - County Library, Road, Cable TV and Air Pollution; Internal Service Funds - Facilities Management, Fleet Services and Purchasing
Landfill Closure and Postclosure	General Fund and Inactive Wastesites Fund

Long-term obligation activity (Business Activities) for the year ended June 30, 2005 was as follows in **Table 40** below:

Table 40 (Note IV-I-6)

Long-Term Obligations - Business-Type Activities					
	Beginning Balance at July 1, 2004	Additions	Reductions	Ending Balance at June 30, 2005	Amounts Due within One Year
Enterprise Funds					
Capital loans	\$ 2,998	100	(172)	2,926	181
Compensated absences	345	258	(279)	324	32
Total business-type activities	\$ 3,343	358	(451)	3,250	213

J. Interest Rate Swap

To manage interest rate risk and lower the County's borrowing cost in its 2002 Taxable Pension Obligation Bonds, the County entered into an interest rate swap on September 17, 2002 with two counterparties. The swap converts the variable interest rates on several subseries of the 2002 Taxable Pension Obligation Bonds to a single long-term fixed rate that was lower than the "natural" fixed rate available at the time of the swap. The interest rate swap with Citibank N.A. (Citibank) and Morgan Stanley Capital Services (Morgan Stanley), (together the "counterparties") is governed by the International Swaps and Derivatives Association, Inc. Master Agreement (the Agreement) and a Confirmation. In fiscal year 2002-2003, the County issued \$737.340 million of Pension Obligation Bonds of which \$505.125 million of the Series B Bonds are Auction Rate Securities. Within the Series B Auction Rate Securities there are the following subseries: \$100 million of Series B-1, \$135.025 million of Series B-2, \$135.05 million Series of B-3

and \$135.05 million of Series B-4 bonds. The County swapped Series B-2, B-3 and B-4 totaling \$405.125 million of the Auction Rate Securities for a contractually agreed fixed interest rate of 5.30%. Of the \$405.125 million our exposure with Citibank is \$263.325 million and our exposure with Morgan Stanley is \$141.8 million notional.

Further details concerning this interest rate swap are the discussed below:

I. Terms

County payments are due to bondholders semi-annually on August 15 and February 15, beginning February 15, 2003. The effective date of the swap was September 17, 2002 and the initial six-month calculation period began February 15, 2003. The Agreement and the Confirmation terminate on February 15, 2031 and the series B-2, B-3 and B-4 bonds mature on August 15, 2030. The County did not receive any upfront payments but pursuant to the terms of the Agreement, each August 15 and February 15 the County will receive an amount from each of the counterparties based on the



notional amount of principal outstanding for the past six months at an interest rate of one month London Interbank Offered Rate (LIBOR) and each February 15 the County will pay the counterparties the scheduled 5.30% of the notional amount outstanding. The February 15 payment due from the counterparties will be netted against the 5.30% County payment. The notional amount of the swap will begin to decline in fiscal year 2016-2017 in direct proportion to the repayment of the bonds.

The obligations of the County to make payments to the counterparties under this Agreement constitute general obligations of the County, payable from taxes, income, revenue cash receipts and other moneys of the County legally available therefore in the General Fund. The payments due to the counterparties and the obligations of the County under this Agreement do not constitute any kind of indebtedness of the County as defined under and/or proscribed by any constitution, charter, law, rule, regulation, government code, constituent or governing instrument, resolution, guideline, ordinance, order, writ, judgment decree, or ruling.

As of June 30, 2005, the swap created a synthetic fixed rate for the bonds as noted in **Table 41** below:

Table 41 (Note IV-J-1)

Interest Rate Swap - Synthetic Fixed Rate		
	Terms	Rates
Fixed Rate to Counterparty	Fixed	5.30%
Variable Rate from Counterparty	1 month LIBOR	(3.340)%
Net Interest Rate Swap Payments		1.960%
Average Auction Rate Bond Coupon Payments		3.153%
Synthetic Interest Rate on Bonds		5.113%

2. Fair Value

As of June 30, 2005 the swaps had a mark to market fair value of \$(39.3) million. The mid-market or indicative unwind valuation was

derived from a proprietary model using the zero coupon method. This model takes into consideration estimates about relevant present and future market consideration as well as the size and liquidity of the position and any related actual or potential hedging transaction.

The primary risks associated with this transaction are: Credit Risk, Termination Risk, and Basis Risk.

3. Credit Risk

As of June 30, 2005 the County was not exposed to credit risk because the swap had a negative mark to market fair value of \$39.3 million. However, should interest rates change and the fair value of the swap becomes positive the County would be exposed to credit risk in the amount of the swap's fair value. Citibank is rated Aa1/AA/AA+ by Moody's, Standard & Poors and Fitch, respectively and Morgan Stanley is rated Aa3/A+/AA- by Moody's, Standard & Poor's and Fitch, respectively. Pursuant to the Agreement if the rating issued by Standard & Poors or Moody's of the senior unsecured debt obligations of the counterparties is suspended or withdrawn or falls below "A-" in the case of Standard & Poors or below "A3" in the case of Moody's, collateral is to be delivered to a third party.

4. Termination Risk

The Agreement includes standard termination events such as failure to pay, bankruptcy and early termination. For this transaction, the swap and bond maturities match and carries an Interest Rate Swap Insurance Policy by MBIA Insurance Corporation (MBIA). If the Agreement is terminated for any of the conditions in the agreement, and at the time of the termination the swap has a negative fair value, the County would be liable to the counterparties for a payment equal to the swap's fair value. The swap can be terminated by the County for market value at any time. As of June 30, 2005 the fair value of the swap is a



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\$(39.3) million. Value is predominantly tied to changes in the market for the fixed swap rate for the remaining swap term.

5. Basis Risk

The County's exposure to basis risk arises when the one-month LIBOR rate index received from the counterparties may be less than the applicable auction rate that is being paid to the bondholders, that is the cash flow being received by the counterparty is not equal to the cash flow being paid to the variable rate bondholder. By using one month LIBOR, the County's objective is to mitigate the effect of the differential between the swap index and the bondholder variable rate. For fiscal year 2004-2005, the differential was \$(68) thousand.

6. Swap Payments and Associated Debt

As of June 30, 2005, debt service requirements of the variable-rate debt and net swap payments, *assuming current interest rates remain the same*, for their term are presented in **Table 42**. As rates vary, variable rate bond interest payments and net swap payments will vary.

Table 42 (Note IV-J-5)

Swap Payments Associated with Debt				
Fiscal Year Ending June 30	Principal	Interest (3.153%)	Interest Rates Swaps, Net (1.96%)	Total
2006		12,774	7,940	20,714
2007		12,774	7,940	20,714
2008		12,774	7,940	20,714
2009		12,774	7,940	20,714
2010		12,774	7,940	20,714
2011-2015		63,870	39,700	103,570
2016-2020	\$ 79,625	59,021	36,688	175,334
2021-2025	128,100	41,671	25,904	195,675
2026-2030	169,500	18,359	11,412	199,271
2031-2033	27,900	440	273	28,613
Total	\$ 405,125	247,231	153,677	806,033

K. Landfill Site Closure and Postclosure Care Costs

State laws and regulations require the placement of final covers on all landfill sites that stopped accepting solid waste after October 9, 1991 and the performance of certain maintenance and monitoring functions at these sites for a minimum of 30 years after closure. Closure and postclosure care costs are paid near or after the date a landfill stops accepting waste. The San Marcos Landfill is the sole waste disposal site owned by the County that is subject to these regulations. It was operational and accepted solid waste from 1979 until March 11, 1997. The formal closure of this landfill is expected to span from July 2004 through February 2006. Once closure is complete, post closure maintenance will begin.

The County is required by GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", to report the projected closure and postclosure care costs as of each balance sheet date. The projected landfill closure and postclosure care liability at June 30, 2005 for the San Marcos Landfill was \$47.891 million. This estimated amount is based on what it would cost to perform all closure and postclosure care in calendar year 2005 dollars and is subject to change as a result of such factors including but not limited to: inflation; deflation; advancements in technology; and amendments to laws and regulations.

In addition to the above, state regulations require that landfill closure and postclosure maintenance costs be fully funded at the time of closure, unless a landfill owner/operator can demonstrate financial responsibility towards these activities by using other approved financial assurance alternatives. A pledge of revenue is one of various alternatives allowed to fund estimated postclosure costs. Under this alternative, the Board of Supervisors, on February 3, 1998, approved Minute Order No. 5 "Postclosure Maintenance Funding for the San



Marcos Landfill", wherein the County entered into a pledge of revenue agreement with the California Integrated Waste Management Board (CIWMB). Pursuant to Resolution No. 98-24, adopted under Minute Order No. 5, the Board exacted that the amount of pledged revenue shall be equal to \$790 thousand per year for the 30 year period of postclosure maintenance commencing upon completion of the final closure of the San Marcos Landfill. The pledged amount is a promise of existing funds rather than future revenues and may increase or decrease to match any adjustment to identified cost estimates that are mutually agreed to by the County and the CIWMB.

As of June 30, 2005, \$25.72 million of the Net Assets of the Government-Wide Statement of Net Assets has been restricted for closure costs of the San Marcos Landfill.

Regulations governing solid waste management are promulgated by government agencies on the federal and state levels. These regulations address the design, construction, operation, maintenance, closure and postclosure maintenance of various types of facilities; acceptable and prohibited waste types; and inspection, permitting, environmental monitoring and solid waste recycling requirements. Regulations at both the state and federal levels could impose retroactive liability, particularly with respect to cleanup activities relating to any landfill site ever operated by the County, whether or not owned by the County. Thus, the County has potential liability with respect to every landfill ever owned, operated, contracted to be operated, or into which the County disposed waste. Compliance with these regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs could increase.

L. Fund Balances Reserved For Other Purposes

At June 30, 2005, the fund balances reserved for other purposes (**Table 43**) were as follows:

Table 43 (Note IV-L)

Fund Balances Reserved For Other Purposes	
General Fund	
General Government	\$ 70,259
Public Protection	31,880
Health and Sanitation	19,415
Public Assistance	4,491
Education	1,138
Recreational and Cultural	1,033
Total General Fund	\$ 128,216
Special Revenue Funds	
Road-Future Road Improvements	\$ 22,862
Lighting Maintenance	16
County Library	86
County Service Districts-Advances	1,365
Flood Control-Future Drainage Improvements	17,220
Housing Authority-Escrow payment	25
Tobacco Securitization	231
Total Special Revenue Funds	\$ 41,805
Capital Projects Funds	
Edgemoor capital projects	\$ 250
Redevelopment Agency-Advances	1,002
Total Capital Projects	\$ 1,252





V. Other Information

A. Risk Management

The County operates a Risk Management Program, whereby it is self-insured for premises liability at medical facilities, medical malpractice, errors and omissions, false arrest, forgery, general liability and workers' compensation. The County purchases insurance for property damage, certain casualty claims, public officials bond, employee dishonesty, faithful performance, volunteers, airport comprehensive, and loss of money and securities based upon site locations. Settlements in the areas covered have not exceeded insurance coverage for each of the past three fiscal years. The County's Internal Service Fund (ISF) is used to report all of its uninsured risk management activities. Risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Actuarial evaluations were obtained which determine estimates of known and projected public liability and workers compensation claim liabilities. At June 30, 2005, the amount of these liabilities, including an estimate for claims incurred but not reported and allocated and unallocated loss adjustment expenses was estimated at \$103.6 million, including \$17.5 million in public liability and \$86.1 million in workers' compensation. The County began allocating the cost of providing claims service to all its operating funds as a "premium" charge expressed as a percentage of payroll beginning fiscal year 1996-1997. Changes in the balances of claim liabilities for fiscal year 2003-2004 and 2004-2005 are shown in **Table 44** below:

Table 44 (Note V-A)

Risk Management - Changes in Claim Liabilities				
Fiscal Year	Beginning Balance at June 30	Current- Year Claims and Changes in Estimates	Claim Payments	Ending Balance at June 30
2003-2004	\$ 100,588	29,096	(31,895)	97,789
2004-2005	97,789	42,968	(37,188)	103,569

B. Subsequent Events

1. Tax and Revenue Anticipation Notes

In July 2005, the County issued tax and revenue anticipation notes (TRANS) totaling \$250 million due July 14, 2006 at a coupon rate of 4.00% and net interest cost of 2.58%. Proceeds from the notes will be used to meet fiscal year 2005-2006 cash flow requirements. Fiscal year 2005-2006 unrestricted revenues collateralize the notes.

2. San Diego County Capital Asset Leasing Corporation

In August 2005, the San Diego County Capital Asset Leasing Corporation (SANCAL) issued \$28.21 million of fixed rate serial Certificates of Participation titled, "North and East County Justice Facility Refunding (the "Certificates")." These certificates have maturity dates beginning in November 2006 with a final maturity of November 2019. Each maturity date carries a different fixed interest rate beginning in November 2006 at a fixed rate of 3.25 percent with fixed rates ranging to 5 percent. These certificates were issued with a premium of \$1.3 million. The proceeds were applied to 1) advance refund all of the outstanding certificates of participation for the 1996 North County Regional Center Expansion and East County Courthouse Detention Facility Conversion, 2) fund a reserve fund; and, 3) pay certain costs of issuance incurred in connection with the refunding.



C. Contingencies

1. Litigation

In addition to the accrued liability for litigation and workers compensation claims described in Note V-A, the County has a potential liability of \$34.9 million that could result if unfavorable final decisions were rendered in numerous lawsuits to which the County is a named defendant. Appropriations are budgeted annually for those portions of obligations coming due that fiscal year. Estimates of potential liabilities described above include estimates of claims incurred but not reported at June 30, 2005.

2. Unrecorded Leave Benefits

County employees have unrecorded accumulated benefits of approximately \$129.5 million in sick leave and compensatory time. These benefits are not payable to employees upon termination and are normally liquidated in future years as employees elect to use their benefits as prescribed by Civil Service rules and regulations. Accumulated vacation, sick leave, and compensatory time-off for which employees are eligible for payment upon separation have been recorded as current or long-term liabilities in the appropriate proprietary funds and the statement of net assets.

3. Federal and State Programs

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

D. Jointly Governed Organizations

The County Board of Supervisors jointly governs the Service Authority for Freeway Emergencies (S.A.F.E.). San Diego S.A.F.E. is governed by a seven-member board, whose members are appointed by the County Board of Supervisors and the eighteen cities within the county. The purpose of the authority is to provide for freeway emergency call boxes on major freeways within the County. Funding for the authority is provided by a \$1 dollar yearly fee on vehicle registrations in San Diego County, which are collected by the State and deposited into the County Treasury. The County provides minimal administrative staff support for the S.A.F.E. authority.

The County Board of Supervisors and the San Diego City Council jointly govern the San Diego Workforce Partnership (Partnership). The Partnership's Board of Directors consists of two members of the County Board of Supervisors, two members from the San Diego City Council and one member of a charitable organization. The purpose of the Partnership is to provide employment training to area residents. Funding for such training is provided by State and Federal grants.

The County also jointly governs the San Dieguito River Valley Authority, the Serra Cooperative Library System, Southern California Regional Training and Development Center, and the Van Horn Regional Treatment Facility. The governing boards of these entities consist of representatives from the County and/or other regional governments and other counties. The County does not appoint a voting majority to the above boards. Services provided by these entities include park land acquisition, coordination of library services, regional governmental training, and treatment of emotionally disturbed youth.



E. Joint Venture

The County is a participant with eighteen incorporated cities in a joint venture to operate an emergency services organization for the purpose of providing regional planning and mutual assistance in the event of an emergency or disaster in the region including accidents involving hazardous waste. The organization is governed by the Unified Disaster Council composed of one voting member from each represented jurisdiction. A contractual agreement requires that the cities provide one-half of the total required funding each year. The County, by agreement, also provides one-half of the required yearly funding. Any participant may terminate participation in the agreement by giving 120 days notice prior to the beginning of the next fiscal year. Total participant contributions for fiscal year 2004-2005 were \$1.3 million. The organization had a cumulative surplus of \$32 thousand at June 30, 2005. Separate financial statements for the joint venture may be obtained from the office of the Auditor and Controller.

F. San Diego County Employees Retirement System

I. Plan Description

The SDCERA administers a cost-sharing, multi-employer defined benefit plan, with County members representing 93.4% of covered employees, which provides retirement, disability, and death benefits for plan members and beneficiaries pursuant to the County Retirement Law of 1937, as enacted and amended by the State legislature. The plan is integrated with the Federal Social Security System. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the SDCERA Board of Retirement. SDCERA issues a publicly available financial report that includes financial statements and required supplementary information for the pension plan. The financial report may be obtained by writing

to the San Diego County Employees Retirement Association, 401 West A Street, Suite 1300, San Diego, California 92101 or by calling (619) 515-0130.

2. Basis of Accounting, Estimates and Fair Value of Investments

a. Measurement Focus and Basis of Accounting

SDCERA's operations are accounted for on an economic resources measurement focus and the accrual basis of accounting. Employer and member contributions are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation/(depreciation) in fair value of investments held by SDCERA is recorded as an increase/(decrease) to investment income based on the valuation of investments.

b. Estimates

A number of estimates and assumptions have been made relating to the reporting of assets and liabilities, the disclosure of reserves and designation of plan assets to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

c. Fair Value of Investments

Please refer to details contained in Note IV. A. 2. b. (IV Detailed Notes on all Funds; A. Deposits and Investments; 2. Investments Outside the Pool; b. Pension Trust Fund.)

3. Funding Policy

State statutes require member contributions to be actuarially determined to provide a specific statutory level of benefit. Member contribution



rates, as a percentage of salary, vary according to age at entry, benefit tier level, and certain negotiated contracts which provide for the County to pay a portion of the employees' contribution. Member contribution rates (weighted average), in effect at June 30, 2005, expressed as a percentage of salary are 8.92%-9.49% for general members and 11.31% for safety members. The County is also required by State statutes to contribute at an actuarially determined rate, expressed as a percentage of annual covered payroll. The fiscal year 2004-2005 rates, expressed as a percentage of covered payroll, are 25.59% for general members and 34.99% for safety members. Additionally, in accordance with various agreements with employee bargaining units, the County has contributed \$20.3 million on behalf of employees.

In March 2002, the County implemented a new enhanced retirement package. In October 2002, the County issued taxable Pension Obligation Bonds to fund a portion of its statutory obligations arising from enhanced benefits. In June 2004, the County issued Pension Obligation Bonds and transferred \$450 million of the issuance to the retirement fund. The retirement plan's funding status (the ratio of system assets to system liabilities) was 80.3% at June 30, 2005.

4. Annual Pension Cost

For the fiscal year ended June 30, 2005, the County's annual pension cost was \$264.8 million. The County's actual contribution during the fiscal year ended June 30, 2005 totaled \$264.8 million, resulting in a net pension obligation of zero as of June 30, 2005, compared to zero at the end of the prior year. Additionally, in Fiscal Year 2004-05, the County contributed \$24.866 million to SDCERA to pay down the Unfunded Actuarial Accrued Liability, increase the funded ratio and reduce the County's future contributions. The required contribution rates, as adopted by the SDCERA Board, were determined as part of the June 30, 2003 interim

actuarial valuation based on entry-age actuarial cost method. The actuarial assumptions included (a) an 8.25% investment rate-of-return, (b) projected salary increases of 5.0% per year, and (c) cost-of-living increases for retirees of 3%.

5. Three-Year Trend Information

The following trend information concerning annual pension costs and the percentage of annual pension costs contributed for the last three fiscal years is included in **Table 45** below:

Table 45 (Note V-F-5)

Three-Year Trend Information			
Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	\$ 6,538	100.00%	\$ 0
2004	194,580	100.00%	0
2005	264,816	100.00%	0

6. Retiree Health Benefits

Retiree health benefits may be available to eligible retirees to the extent that the Board of Retirement annually approves the payment of such benefits. SDCERA recognizes the cost of providing those benefits by expending annual insurance premiums, which approximated \$32.6 million for fiscal year 2004-2005.

The Board of Supervisors and the Board of Retirement adopted a funding mechanism under Section 401(h) of the Internal Revenue Code, which calls for a portion of the County's contributions to be deposited to a separate health benefits 401(h) account each year. Any investment income earned on the account balance increases the balance and any losses reduce it.

The reserve for health benefits, established by the SDCERA Board of Directors, designates funds that may be used for future payments under the retiree health benefits program and related administrative expenses. The reserve for health benefits was approximately \$193.8 million at June 30, 2005, a \$36.7 million decrease from the previous fiscal year.



G. Restatement of Beginning Net Assets Balance

I. First 5 Commission

The beginning net asset balance of the First 5 Commission was restated as shown in **Table 46** below in the amount of \$1.333 million resulting from 1.) An adjustment of prior year mark to market unrealized loss of \$1.281 million and 2.) Unrecognized compensated absences of \$52 thousand in the prior year.

Table 46 (Note V-G)

Restatement	
Net Asset balance as of June 30, 2004	\$ 169,522
Adjustment for restatement	1,333
Net Asset balance, restated June 30, 2004	\$ 170,855

H. Commitments

I. Third Party Debt

The tax code allows for certain types of nongovernmental borrowers to take advantage of tax-exempt financing through a governmental agency. The County of San Diego as a governmental agency, has issued tax-exempt debt on behalf of qualified borrowers. The County of San Diego is not responsible for the repayment of the debt. Accordingly, no liability for these bonds has been recorded in the statement of net assets.

a. Mortgage Revenue Bonds

Mortgage Revenue Bonds are issued to provide construction and permanent financing to developers of multi-family residential rental projects located in the County to be partially occupied by persons of low or moderate income. Between 1995 and 2002, the County issued \$14 million of Mortgage Revenue Bonds of which \$12.2 million were still outstanding as of June 30, 2005.

b. Certificates of Participation

The County has implemented a conduit program whereby the County is the issuer of tax-exempt bonds and loans, where the proceeds are provided to a qualifying for profit or nonprofit organization. The County has no obligation to pay for the bonds and loans. The original amounts of Certificates of Participation issued as well as the amounts outstanding per issue at June 30, 2005 are as follows in **Table 47**:

Table 47 (Note V-H-5)

Certificates of Participation - Conduit Program			
	Date Issued	Original Amount Issued	Amount Outstanding at June 30, 2005
Sharp Hospital	April 1998	\$ 112,020	101,575
San Diego Natural History Museum	December 1998	15,000	13,800
Burnham Institute	September 1999	51,500	42,500
San Diego Museum of Art (principal due at maturity)	March 2000	6,000	6,000
Salk Institute	April 2000	15,000	14,305
University of San Diego	May 2001	36,870	34,500
San Diego-Imperial Counties Developmental Services	September 2002	10,750	10,250
Chabad Jewish Academy (principal due at maturity)	January 2003	11,700	11,410
San Diego Jewish Academy (principal due at maturity)	December 2003	13,325	13,325
Bishop School	June 2004	25,000	25,000
Museum of Contemporary Art	December 2004	13,000	13,000
Total		\$ 310,165	285,665

c. Reassessment District Improvement Bonds

Reassessment District Improvement Bonds were issued to provide refunding an earlier issuance of improvement bonds for the 4-S Ranch assessment district. The District originally issued \$28.8 million of Improvement Bonds in July 1991 to finance the acquisition of certain infrastructure improvements specially benefiting properties within an assessment district. In July 1997, the District issued \$21.8 million of



Reassessment Bonds to refund the original issuance, of which \$16.9 million were still outstanding as of June 30, 2005.

2. Deposits for Other Agencies

The Treasurer is a named paying agent for various bonds issued by other agencies, e.g., school districts, pursuant to the bond covenants. The proceeds from these issues are deposited in the County pool or as specified in the bond resolution. The amounts deposited belong to the specific agency which issued the bonds and are not assets of the County. The County has no liability with respect to these issues, the repayment of these bonds are from ad valorem taxes levied on the properties in the school district.

1. New Governmental Accounting Standards

1. Implemented

In March 2003, GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3*. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risk identified in this statement also should be disclosed. In Fiscal Year 2004-2005, the County implemented these new reporting requirements.

2. Under Analysis

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

In November 2003, GASB issued 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. This statement is effective for the County's fiscal year ending June 30, 2006.

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.

In May 2004, GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section-an amendment of NCGA Statement 1*. This statement amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles* that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. This statement adds new information that financial statement users have identified as important



Notes to the Financial Statements (Amounts Expressed in Thousands Unless Otherwise Noted)

and eliminates certain previous requirements. This statement is effective for the County's fiscal year ending June 30, 2006.

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.

In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation - an amendment of GASB Statement No. 34*. This Statement requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. A legally enforceable enabling legislation restriction is one that a party external to the County - such as citizens, public interest groups, or the judiciary - can compel a government to honor. This Statement is effective for the County's fiscal year ending June 30, 2006.

In June 2005, GASB issued Statement 47, *Accounting for Termination Benefits*. This Statement establishes accounting standards for termination benefits. This Statement requires employers to disclose a description of the termination benefit arrangement, the cost of the termination benefits (required in the period in which the employer becomes obligated if that information is not otherwise identifiable from information displayed on the face of the financial statements), and significant methods and assumptions used to determine termination benefit liabilities. The requirements of this Statement are effective in two parts. For termination benefits other than those provided through an existing defined OPEB plan, this Statement is effective for the County's fiscal year ending June 30, 2006. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement 45, and are therefore effective for the County's fiscal year ended June 30, 2008.





Required Supplementary Information

Required Supplementary Information



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
General Fund
For the Year Ended June 30, 2005
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Taxes	\$ 617,776	617,776	671,850
Licenses, permits and franchise fees	31,876	31,876	32,015
Fines, forfeitures and penalties	68,608	70,699	51,000
Revenue from use of money and property	20,256	26,528	29,308
Aid from other governmental agencies:			
State	679,480	711,555	511,769
Federal	525,730	526,124	620,477
Other	64,491	72,710	60,415
Charges for current services	244,438	252,339	254,585
Other revenue	42,618	39,915	38,057
Total revenues	2,295,273	2,349,522	2,269,476
Expenditures:			
Current:			
General:			
Board of supervisors district #1	983	1,180	973
Board of supervisors district #2	1,010	1,139	966
Board of supervisors district #3	971	1,102	1,027
Board of supervisors district #4	986	1,151	920
Board of supervisors district #5	1,071	1,404	1,035
Board of supervisors general office	935	935	808
Clerk of the board of supervisors - legislative and administrative	2,423	2,501	1,955
Chief Administrative office - legislative and administrative	4,037	4,068	3,778
Community services	5,596	8,738	2,166
Public safety - legislative and administrative	6,732	16,870	8,987
Land use and environment - legislative and administrative	5,630	4,899	2,697
Financing and general government - Legislative and administrative	17,870	21,346	16,091
Auditor and controller	25,778	27,260	24,636
Countywide general expense	20,455	43,052	27,627
Assessor/recorder/county clerk - finance	31,821	31,834	29,148
Treasurer/tax collector	15,559	14,306	13,625
County counsel	18,278	18,431	17,919
Civil service commission	397	495	457
Human resources - personnel	15,369	14,291	12,993
Registrar of voters	9,483	12,350	12,220
Clerk of the board of supervisors - property management	3,065	2,990	2,827
CAC major maintenance	1,122	904	904
Contributions to capital outlay	4,826	6,989	3,117
Community enhancement	3,013	3,007	3,007
Community projects	11,513	5,207	5,207
Human resources - other general government	3,597	3,497	3,370
County technology office	6,908	6,658	6,120
Contingency reserve	15,600	15,600	
Total general	235,028	272,204	204,580
Public protection:			
Grand jury	509	507	468
Defense attorney/contract administration	8,098	11,022	10,026
Contributions for trial courts	68,266	76,083	75,674
District attorney-judicial	102,562	103,501	99,770
Public defender	42,887	43,615	42,230
Alternate public defender	12,975	13,216	11,915
Judicial - other budgetary entity	22,458	23,353	
Citizens law enforcement review board	513	525	442
Sheriff - police protection	261,147	273,456	263,189
Probation - police protection		2,399	2,399
Sheriff - detention and correction	23	14	1
Probation - detention and correction	98,351	96,350	92,357

See notes to required supplementary information



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**
General Fund
For the Year Ended June 30, 2005
(In Thousands)

(Continued)	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Public works, flood control, soil and water, general	1,965	945	945
Agriculture weights and measures	11,924	13,148	12,295
Land use and environment - other protection	1,071	652	558
LAFCO administration	226	226	226
Office of emergency services	17,891	21,797	5,852
Assessor/recorder/county clerk - other protection	13,290	15,331	15,331
Health and human services agency - other protection	3,035	3,034	2,961
Medical examiner	6,486	6,491	6,277
Department of animal services	10,622	10,699	10,494
Planning and land use	41,586	33,515	25,129
Public works, general - other protection	23,125	4,391	4,391
Child support	53,851	53,850	51,047
Sheriff - adult detention	173,538	168,439	163,410
Probation - adult detention	593	814	814
Probation - juvenile detention	31,508	30,551	30,160
Total public protection	1,008,500	1,007,924	928,361
Public ways and facilities:			
Public works, general - public ways	5,800	4,348	4,348
Total public ways and facilities	5,800	4,348	4,348
Health and sanitation:			
Health and human services agency - mental health	181,112	180,301	166,949
Environmental health	30,120	31,090	27,679
Health and human services agency - health	119,712	120,191	107,530
Public works, general - sanitation	4,417	13,633	13,374
Health and human services agency - medical care	132,187	130,004	126,732
Health and human services agency - California children services	15,368	15,370	14,515
Health and human services agency - health administration	47,897	47,376	42,692
Total health and sanitation	530,813	537,965	499,471
Public assistance:			
Health and human services agency - social administration	670,292	663,632	607,457
Probation - care of court wards	11,493	10,055	7,522
Health and human services agency - other assistance	192,784	200,740	198,919
Housing Authority	11,554	11,441	9,029
Health and human services agency - aid programs	53,496	53,496	35,560
Total public assistance	939,619	939,364	858,487
Education:			
Farm and home advisor	989	1,086	597
Total education	989	1,086	597
Recreation and cultural:			
Parks and recreation	25,203	22,758	18,300
Total recreational and cultural	25,203	22,758	18,300
Capital outlay	62,345	21,087	17,928
Debt service:			
Interest and other fiscal charges	7,085	13,353	12,310
Total expenditures	2,815,382	2,820,089	2,544,382
Excess of revenues over (under) expenditures	(520,109)	(470,567)	(274,906)
Other financing sources (uses):			
Long-term debt proceeds	25	25	
Transfers in	511,493	521,330	568,677
Transfers out	(208,474)	(182,848)	(179,228)
Total other financing sources (uses)	303,044	338,507	389,449
Net change in fund balance	(217,065)	(132,060)	114,543
Fund balances at beginning of year	217,065	551,000	551,000
Increase (decrease) in:			
Reserve for inventory of materials and supplies		1,854	1,854
Fund balances at end of year	\$	420,794	667,397

See notes to required supplementary information



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Tobacco Securitization Special Revenue Fund
For the Year Ended June 30, 2005
(In Thousands)**

(Continued)	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Revenue from use of money and property	\$		8,810
Total revenues			8,810
Expenditures:			
Current:			
General:			
Tobacco Settlement	3,634	3,205	
Total general	3,634	3,205	
Total expenditures	3,634	3,205	
Excess of revenues over (under) expenditures	(3,634)	(3,205)	8,810
Other financing sources (uses):			
Transfers out	(23,666)	(24,095)	(23,278)
Total other financing sources (uses)	(23,666)	(24,095)	(23,278)
Net change in fund balance	(27,300)	(27,300)	(14,468)
Fund balances at beginning of year	27,300	346,727	346,727
Fund balances at end of year	\$	319,427	332,259

See notes to required supplementary information



Budgetary Information

General Budget Policies

An operating budget is adopted each fiscal year by the Board of Supervisors for the governmental funds. The annual resolution adopts the budget at the object level of expenditures within departments. Annual budgets are not required to be adopted for: the Tobacco Securitization Joint Special Revenue Fund; SANCAL, a non-profit corporation, and the Debt Service and Capital Projects Funds (other governmental funds). Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year with the approval of the Board of Supervisors.

Appropriations may also be adjusted during the year with the approval of the Board of Supervisors. Additionally, the Chief Financial Officer is authorized to approve certain transfers and revisions of appropriations within a department. Such adjustments are reflected in the final budgetary data. Accordingly, the legal level of budgetary control by the Board of Supervisors is the department level.

The reduction in appropriations during the year ended June 30, 2005, amounted to \$20.919 million in the General Fund.

The Schedule of Revenues, Expenditures, And Changes In Fund Balance - Budget and Actual for the General Fund and the Tobacco Securitization Special Revenue Fund presented as Required Supplementary Information were prepared using the Generally Accepted Accounting Principles (GAAP) basis.

The Original Budget column consists of the Fiscal Year 2004-05 adopted budget plus the budget carried forward from Fiscal Year 2003-04. As such, the County has included encumbrances that are subject to automatic re-appropriation as part of the original budget. Also, the original budget is adjusted to reflect reserves, transfers, allocations, and supplemental appropriations that occur prior to the start of the fiscal year. The County adopts its budget subsequent to the start of the each new fiscal year (August 17, 2004). Therefore, under the circumstances, the complete budget that is adopted by the County Board of Supervisors constitutes the adopted budget, plus the approved carry forward for purposes of budgetary comparison presentation.

The Final Budget column consists of the Original Budget column plus amended budget changes occurring during Fiscal Year 2004-05 plus technical amendments that occur after the close of the fiscal year less the amount of budget carried forward to Fiscal Year 2005-06.

The Actual column represents the actual amounts of revenue and expenditures reported on a GAAP basis which is the same basis that is used to present the aforementioned Original and Final Budget.



Schedule of Funding Progress

San Diego County Employees Retirement Association
 Schedule of Funding Progress (In millions) (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2003	\$ 4,417.7	\$ 5,853.1	\$ 1,435.4	75.5%	\$ 906.1	158.4 %
6/30/2004	5,166.8	6,369.5	1,202.7	81.1	917.1	131.1
6/30/2005	5,612.3	6,990.7	1,378.4	80.3	921.8	149.5



Combining Financials Governmental Funds

Combining Financial Statements/Schedules and Supplemental Information



NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

ROAD FUND

This fund was established to provide for maintenance and construction of roadways and for specialized engineering services to other governmental units and the public. Revenues consist primarily of the County's share of state highway user taxes and are supplemented by federal funds, vehicle code fines, and fees and reimbursements for engineering services provided.

HCD FUND

The Housing and Community Development Fund was established to receive federal community development block grants as well as state grants. Expenditures are for special projects related to various housing programs within the County.

AIR POLLUTION FUND

This fund was established to provide for control of air pollution from motor vehicles and other sources in order to attain health based air quality standards. Revenue sources include license and permit fees, fines, state and federal funds, charges to property owners and vehicle registration fees.

LIGHTING MAINTENANCE DISTRICT FUND

This fund was established to provide street and road lighting services to specified areas of the County. Revenue sources include ad valorem taxes, benefit fees, state funding and charges to property owners.

COUNTY LIBRARY FUND

This fund was established to provide library services for the unincorporated area as well as 11 of the incorporated cities within the county. The County Library now operates a headquarters, 32 branches and 2 bookmobiles. Property taxes provide most of the fund's revenues; federal aid, state aid and fines provide the remaining revenues.

ASSET FORFEITURE PROGRAM FUND

This fund was established to account for assets which have been seized by law enforcement agencies during the investigation of criminal activities. These monies and the interest derived therefrom are used for the prevention, investigation, apprehension and prosecution of drug and other criminal law violators.

INMATE WELFARE PROGRAM FUND

This fund was established to receive telephone and other vending commissions and profits from stores operated in connection with the county jail and probation facilities. Fund expenditures, by law, must be solely for the benefit, education and welfare of confined inmates.

INACTIVE WASTESITES FUND

This fund was established to receive one-time homeowner association deposits and residual funds from the sale of the County's Solid Waste System. Expenditures include repairs, maintenance and care for the County's inactive landfill sites in accordance with all applicable governmental regulations, laws and guidelines.

CABLE TV FUND

This fund was established to account for revenue earned and expenditures made for cable television related projects appropriated for the benefit of the cable subscribers who have paid the user fees for this fund.

PARKLAND DEDICATION FUND

This fund was established to receive and expend special park land dedication fees to developers of land as a condition for approval of any development. The fees are then used for the purchase of land and the development of land for park or recreational facilities. These facilities serve the future residents of such developments. In lieu of the payment of these fees, the developer may dedicate land for park or recreational facilities.



SANCAL FUND

The SANCAL fund, San Diego County Capital Asset Leasing Corporation, was established as a cost-effective means of financing the purchase of necessary equipment and the acquisition and construction of permanent buildings on behalf of the County through the sale of tax exempt certificates of participation.

COUNTY SERVICE DISTRICTS FUNDS

These special district funds were established to provide authorized services such as road, park, lighting maintenance, fire protection or ambulance service to specific areas in the County. They are financed by ad valorem property taxes in the area benefited or by special assessments levied on specific properties.

FLOOD CONTROL DISTRICT FUND

This fund was established to account for revenues and expenditures related to providing flood control in the county. It is financed primarily by ad valorem property taxes and federal grants.

HOUSING AUTHORITY FUND

This fund was established to account for revenues and expenditures related to providing decent housing in a suitable environment for individuals who cannot afford standard private housing. Contracts with the U.S. Department of Housing and Urban Development provide the major funding sources.

REALIGNMENT FUND

This fund was established to account for revenues and expenditures related to providing health, mental health and public assistance programs to qualifying individuals. It is based upon the state health and welfare realignment act of 1991. The financing is provided by a one-half cent sales tax as provided in the State's Revenue and Taxation Code.

PUBLIC SAFETY FUND

This fund was established to account for revenues and expenditures related to providing public safety services such as sheriffs, fire protection, county district attorneys and county corrections. It does not include courts, but provides for an

allocation to cities. It is financed by a one-half sales and use tax passed through a voter approved state proposition.

IHSS FUND

This authority was established for the administration of the IHSS registry, investigation of the qualifications and background of potential registry personnel, referral of registry personnel to IHSS recipients and the provision for training of providers and recipients. Financing is provided by the Social Services realignment fund, federal and state programs.

OTHER SPECIAL DISTRICTS FUNDS

These funds were established to receive user fees, and land lease revenues, fines and state funding. Expenditures include retracement or remonument surveys, improvements for grazing lands, wildlife propagation and aviation purpose capital improvements and repairs.

TOBACCO SECURITIZATION JOINT SPECIAL FUND

The Tobacco Securitization Joint Special Revenue Fund accounts for the transactions of the San Diego County Tobacco Asset Securitization Corporation and Tobacco Securitization Joint Powers Authority, two component units, that are blended into the County's financial statements.

DEBT SERVICE FUNDS

PENSION OBLIGATION BONDS FUND

This fund receives payments from the County and other agencies for payment of principal and interest due on taxable pension obligation bonds. The debt issue was used to satisfy the County's requirement to amortize the unfunded actuarial accrued liability with respect to retirement benefits accruing to members of the association.

SANCAL FUND

This fund receives rental payments based on lease purchase agreements from the capital outlay fund and the general fund for payment of principal and interest due on certificates of participation. These debt issuances are legal obligations of a nonprofit corporation and were issued to finance the purchasing of necessary



equipment and the acquisition and construction of permanent buildings by the County. Debt is secured by the lease purchase payments from the County.

REDEVELOPMENT AGENCY FUND

This fund receives proceeds of redevelopment area incremental taxes and interest revenues based on a trust agreement between the agency and a trustee bank for payment of principal and interest due on revenue bonds. Pledged installments from the county airport system are deposited with a trustee and are available if taxes and interest are insufficient to pay debt service payments. In addition to the pledged amounts, a bond reserve was funded with bond proceeds.

purchase of various types of equipment and the acquisition and construction of permanent buildings by the County.

REDEVELOPMENT AGENCY FUND

This fund is used to account for the proceeds of redevelopment area incremental taxes, interest revenues and temporary loans. Redevelopment project expenditures, in accordance with California community redevelopment law, include redevelopment planning, design, improvement cost, professional services and administrative costs.

CAPITAL PROJECTS FUNDS

CAPITAL OUTLAY FUND

This fund is used exclusively to finance the acquisition, construction and completion of permanent public improvements including public buildings and for the costs of acquiring land and permanent improvements. The fund may also be used to make annual payments on bond indebtedness for the construction of public facilities and to acquire public facilities through lease purchases. Revenues are obtained from the sale of fixed assets, from lease or rental of county-owned facilities, and from other funds such as grants and contributions when allocated by the Board of Supervisors to the fund.

EDGEMOOR DEVELOPMENT FUND

This fund is exclusively for assisting in the development of the Edgemoor property. The Edgemoor property represents approximately 375 acres of county owned land and 50 acres owned by the Grossmont Union High School District in the Santee area. Future development may include parks, a library, housing, a fire station, post office and others. Revenues are derived from the sale or lease of land within the Edgemoor property.

SANCAL FUND

This fund is used to account for the expenditures of the proceeds from the sale of nonprofit corporation certificates of participation for the



Combining Financials Governmental Funds

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005
(In Thousands)**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Equity in pooled cash and investments	\$ 220,921	1,565	33,172	255,658
Cash with fiscal agent	854	452	72,931	74,237
Collections in transit	212		139	351
Imprest cash	13			13
Investments	69,892			69,892
Receivables, net	128,966	384	6,417	135,767
Taxes receivable, net	652	46	77	775
Due from other funds	1,559	2,382	3,550	7,491
Advances to other funds		102		102
Inventory of materials and supplies	1,777			1,777
Deposits with others	2,370			2,370
Prepaid items	2		1,002	1,004
Restricted assets:				
Cash with fiscal agent	50,849	47,025		97,874
Investments		47,750		47,750
Total assets	478,067	99,706	117,288	695,061
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	17,531	83	7,544	25,158
Accrued payroll	3,443			3,443
Due to other funds	110,483	2,078	7,053	119,614
Advances from other funds	402	287	10,010	10,699
Deferred credits and other liabilities	5,165	31	58	5,254
Unearned revenue	11,555	21	1,079	12,655
Total liabilities	148,579	2,500	25,744	176,823
Fund balances:				
Reserved Fund Balance				
Reserved for encumbrances	41,100		4,903	46,003
Reserved for notes receivable and advances	34,875		1,000	35,875
Reserved for deposits with others	58			58
Reserved for inactive landfill maintenance	9,550			9,550
Reserved for inventory of materials and supplies	1,777			1,777
Reserved for debt service	50,790	97,206		147,996
Reserved for other purposes	41,805		1,252	43,057
Unreserved:				
Designated for landfill postclosure and inactive landfill maintenance	66,902			66,902
Undesignated	82,631		84,389	167,020
Total fund balances	329,488	97,206	91,544	518,238
Total liabilities and fund balances	\$ 478,067	99,706	117,288	695,061

Combining Financials Governmental Funds



**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds
June 30, 2005
(In Thousands)**

	Road Fund	Housing and Community Development Fund	Air Pollution Fund	Lighting Maintenance District Fund
ASSETS				
Equity in pooled cash and investments	\$ 45,769	4,079	27,194	542
Cash with fiscal agent			1	
Collections in transit	18		160	
Imprest cash	3		1	
Investments				
Receivables, net	5,531	27,852	2,564	23
Taxes receivable, net				18
Due from other funds	1,013	58	2	1
Inventory of materials and supplies	1,492		101	
Deposits with others	2,339			
Prepaid items				
Restricted assets:				
Cash with fiscal agent				
Total assets	56,165	31,989	30,023	584
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	3,681	1,062	463	132
Accrued payroll	1,813		627	
Due to other funds	746	4,506	248	5
Advances from other funds				
Deferred credits and other liabilities	590			13
Unearned revenue	2,308		877	13
Total liabilities	9,138	5,568	2,215	163
Fund balances:				
Reserved Fund Balance				
Reserved for encumbrances	17,801		18,482	5
Reserved for notes receivable and advances		26,421		
Reserved for deposits with others	58			
Reserved for inactive landfill maintenance				
Reserved for inventory of materials and supplies	1,492		101	
Reserved for debt service				
Reserved for other purposes	22,862			16
Unreserved:				
Designated for landfill postclosure and inactive landfill maintenance				
Undesignated	4,814		9,225	400
Total fund balances	47,027	26,421	27,808	421
Total liabilities and fund balances	\$ 56,165	31,989	30,023	584



Combining Financials Governmental Funds

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds
June 30, 2005
(In Thousands)**

(Continued)	County Library Fund	Asset Forfeiture Program Fund	Inmate Welfare Program Fund	Inactive Wastesites Fund
ASSETS				
Equity in pooled cash and investments	\$ 10,698	5,071	8,033	8,992
Cash with fiscal agent				
Collections in transit	16		1	
Imprest cash	5		4	
Investments				69,892
Receivables, net	75	33	74	680
Taxes receivable, net	510			
Due from other funds	141		13	9
Inventory of materials and supplies	82	13	87	
Deposits with others				
Prepaid items				
Restricted assets:				
Cash with fiscal agent				
Total assets	11,527	5,117	8,212	79,573
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	798	5	138	1,792
Accrued payroll	817			88
Due to other funds	583	26	151	104
Advances from other funds				
Deferred credits and other liabilities	395			
Unearned revenue	347		1,816	1,126
Total liabilities	2,940	31	2,105	3,110
Fund balances:				
Reserved Fund Balance				
Reserved for encumbrances	2,024	292	395	11
Reserved for notes receivable and advances				
Reserved for deposits with others				
Reserved for inactive landfill maintenance				9,550
Reserved for inventory of materials and supplies	82	13	87	
Reserved for debt service				
Reserved for other purposes	86			
Unreserved:				
Designated for landfill postclosure and inactive landfill maintenance				66,902
Undesignated	6,395	4,781	5,625	
Total fund balances	8,587	5,086	6,107	76,463
Total liabilities and fund balances	\$ 11,527	5,117	8,212	79,573

Combining Financials Governmental Funds



**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds
June 30, 2005
(In Thousands)**

(Continued)	Cable TV Fund	Park Land Dedication Fund	SANCAL Fund	County Service Districts Fund
ASSETS				
Equity in pooled cash and investments	\$ 2,170	9,178	751	16,049
Cash with fiscal agent			199	
Collections in transit		4		
Imprest cash				
Investments				
Receivables, net	15	60		209
Taxes receivable, net				62
Due from other funds				26
Inventory of materials and supplies	2			
Deposits with others				
Prepaid items				
Restricted assets:				
Cash with fiscal agent				
Total assets	2,187	9,242	950	16,346
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	25		79	1,015
Accrued payroll	92			6
Due to other funds	13	691		86
Advances from other funds				402
Deferred credits and other liabilities				49
Unearned revenue				616
Total liabilities	130	691	79	2,174
Fund balances:				
Reserved Fund Balance				
Reserved for encumbrances	57	871		606
Reserved for notes receivable and advances				
Reserved for deposits with others				
Reserved for inactive landfill maintenance				
Reserved for inventory of materials and supplies	2			
Reserved for debt service				
Reserved for other purposes				1,365
Unreserved:				
Designated for landfill postclosure and inactive landfill maintenance				
Undesignated	1,998	7,680	871	12,201
Total fund balances	2,057	8,551	871	14,172
Total liabilities and fund balances	\$ 2,187	9,242	950	16,346



Combining Financials Governmental Funds

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds
June 30, 2005
(In Thousands)

(Continued)	Flood Control District Fund	Housing Authority Fund	Realignment Fund	Public Safety Fund
ASSETS				
Equity in pooled cash and investments	\$ 19,833	15,859	22,280	23,522
Cash with fiscal agent		654		
Collections in transit	13			
Imprest cash				
Investments				
Receivables, net	447	13,596	38,335	39,290
Taxes receivable, net	62			
Due from other funds	8	13	212	63
Inventory of materials and supplies				
Deposits with others		31		
Prepaid items		2		
Restricted assets:				
Cash with fiscal agent				
Total assets	20,363	30,155	60,827	62,875
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	563	7,778		
Accrued payroll				
Due to other funds	141	905	60,827	41,026
Advances from other funds				
Deferred credits and other liabilities	49	4,069		
Unearned revenue	49	4,403		
Total liabilities	802	17,155	60,827	41,026
Fund balances:				
Reserved Fund Balance				
Reserved for encumbrances	529			
Reserved for notes receivable and advances		8,454		
Reserved for deposits with others				
Reserved for inactive landfill maintenance				
Reserved for inventory of materials and supplies				
Reserved for debt service				
Reserved for other purposes	17,220	25		
Unreserved:				
Designated for landfill postclosure and inactive landfill maintenance				
Undesignated	1,812	4,521		21,849
Total fund balances	19,561	13,000		21,849
Total liabilities and fund balances	\$ 20,363	30,155	60,827	62,875

Combining Financials Governmental Funds



**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds
June 30, 2005
(In Thousands)**

(Continued)	IHSS Fund	Other Special Districts Fund	Tobacco Securitization Joint Special Revenue Fund	Total Special Revenue Funds
ASSETS				
Equity in pooled cash and investments	\$ 462	439		220,921
Cash with fiscal agent				854
Collections in transit				212
Imprest cash				13
Investments				69,892
Receivables, net	6	4	172	128,966
Taxes receivable, net				652
Due from other funds				1,559
Inventory of materials and supplies				1,777
Deposits with others				2,370
Prepaid items				2
Restricted assets:				
Cash with fiscal agent			50,849	50,849
Total assets	468	443	51,021	478,067
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable				17,531
Accrued payroll				3,443
Due to other funds	425			110,483
Advances from other funds				402
Deferred credits and other liabilities				5,165
Unearned revenue				11,555
Total liabilities	425			148,579
Fund balances:				
Reserved Fund Balance				
Reserved for encumbrances		27		41,100
Reserved for notes receivable and advances				34,875
Reserved for deposits with others				58
Reserved for inactive landfill maintenance				9,550
Reserved for inventory of materials and supplies				1,777
Reserved for debt service			50,790	50,790
Reserved for other purposes			231	41,805
Unreserved:				
Designated for landfill postclosure and inactive landfill maintenance				66,902
Undesignated	43	416		82,631
Total fund balances	43	443	51,021	329,488
Total liabilities and fund balances	\$ 468	443	51,021	478,067



Combining Financials Governmental Funds

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Debt Service Funds
June 30, 2005
(In Thousands)**

	Pension Obligation Bonds Fund	SANCAL Fund	Redevelopment Agency Fund	Total Debt Service Funds
ASSETS				
Equity in pooled cash and investments	\$ 28	11	1,526	1,565
Cash with fiscal agent			452	452
Receivables, net	221	151	12	384
Taxes receivable, net			46	46
Due from other funds	2,283		99	2,382
Advances to other funds		102		102
Restricted assets:				
Cash with fiscal agent	26,677	20,348		47,025
Investments	39,277	8,473		47,750
Total assets	68,486	29,085	2,135	99,706
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable			83	83
Due to other funds	1,936		142	2,078
Advances from other funds			287	287
Deferred credits and other liabilities			31	31
Unearned revenue			21	21
Total liabilities	1,936		564	2,500
Fund balances:				
Reserved Fund Balance				
Reserved for debt service	66,550	29,085	1,571	97,206
Total fund balances	66,550	29,085	1,571	97,206
Total liabilities and fund balances	\$ 68,486	29,085	2,135	99,706

Combining Financials Governmental Funds



**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Capital Projects Fund
June 30, 2005
(In Thousands)**

	Capital Outlay Fund	Edgemoor Development Fund	SANCAL Fund	Redevelopment Agency Fund	Total Capital Projects Funds
ASSETS					
Equity in pooled cash and investments	\$ 10,365	18,218	118	4,471	33,172
Cash with fiscal agent			72,931		72,931
Collections in transit	139				139
Receivables, net	5,196	125	44	1,052	6,417
Taxes receivable, net				77	77
Due from other funds	3,441			109	3,550
Prepaid items				1,002	1,002
Total assets	19,141	18,343	73,093	6,711	117,288
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	3,754	9	2,497	1,284	7,544
Due to other funds	6,785		1	267	7,053
Advances from other funds				10,010	10,010
Deferred credits and other liabilities				58	58
Unearned revenue	1,023			56	1,079
Total liabilities	11,562	9	2,498	11,675	25,744
Fund balances:					
Reserved Fund Balance					
Reserved for encumbrances		4,893		10	4,903
Reserved for notes receivable and advances				1,000	1,000
Reserved for other purposes		250		1,002	1,252
Unreserved:					
Undesignated	7,579	13,191	70,595	(6,976)	84,389
Total fund balances	7,579	18,334	70,595	(4,964)	91,544
Total liabilities and fund balances	\$ 19,141	18,343	73,093	6,711	117,288



Combining Financials Governmental Funds

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005
(In Thousands)**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 43,189	269	1,866	45,324
Licenses, permits and franchise fees	10,939			10,939
Fines, forfeitures and penalties	4,538			4,538
Revenue from use of money and property	9,782	1,348	1,563	12,693
Aid from other governmental agencies:				
State	561,670		7,163	568,833
Federal	107,836		1,412	109,248
Other	7,899	5,565	393	13,857
Charges for current services	31,950		96	32,046
Other revenue	45,857	496		46,353
Total revenues	823,660	7,678	12,493	843,831
Expenditures:				
Current:				
General	2,784	2,587	1,584	6,955
Public protection	10,173		522	10,695
Public ways and facilities	80,212			80,212
Health and sanitation	42,450			42,450
Public assistance	111,721			111,721
Education	26,522			26,522
Recreation and cultural	1,314			1,314
Capital outlay	579		35,650	36,229
Debt service:				
Principal	10,219	50,630		60,849
Interest and other fiscal charges	24,539	57,707		82,246
Bond issuance costs		1,915		1,915
Total expenditures	310,513	112,839	37,756	461,108
Excess (deficiency) of revenues over (under) expenditures	513,147	(105,161)	(25,263)	382,723
Other financing sources (uses):				
Sale of capital assets	1,250		17,150	18,400
Issuance of bonds and loans				
Face value of bonds issued		6,024	77,486	83,510
Face value of loans issued	160			160
Bond premiums		5,960		5,960
Refunding bonds issued		28,885		28,885
Payment to refunded bond escrow agent	(1,121)	(30,512)		(31,633)
Transfers in	70,901	155,510	24,402	250,813
Transfers out	(599,963)	(1,554)	(15,604)	(617,121)
Total other financing sources (uses)	(528,773)	164,313	103,434	(261,026)
Net change in fund balances	(15,626)	59,152	78,171	121,697
Fund balances at beginning of year	345,009	38,054	13,373	396,436
Increase (decrease) in:				
Reserve for inventory of materials and supplies	105			105
Fund balances at end of year	\$ 329,488	97,206	91,544	518,238



**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2005
(In Thousands)**

	Road Fund	Housing and Community Development Fund	Air Pollution Fund	Lighting Maintenance District Fund
Revenues:				
Taxes	\$ 13,439			793
Licenses, permits and franchise fees	124		7,235	
Fines, forfeitures and penalties	53		2,547	
Revenue from use of money and property	1,626		617	10
Aid from other governmental agencies:				
State	45,209	510	1,753	11
Federal	1,793	12,288	2,514	
Other	73	650	4,957	
Charges for current services	18,842		2,254	536
Other revenue	2,212	258		298
Total revenues	83,371	13,706	21,877	1,648
Expenditures:				
Current:				
General				
Public protection				
Public ways and facilities	77,710			1,509
Health and sanitation			19,992	
Public assistance		7,535		
Education				
Recreation and cultural				
Capital outlay	50		235	1
Debt service:				
Principal				
Interest and other fiscal charges				
Total expenditures	77,760	7,535	20,227	1,510
Excess (deficiency) of revenues over (under) expenditures	5,611	6,171	1,650	138
Other financing sources (uses):				
Sale of capital assets	1,250			
Issuance of bonds and loans				
Face value of loans issued				
Payment to refunded bond escrow agent				
Transfers in	54		4,190	
Transfers out	(1,640)	(2,855)	(4,819)	
Total other financing sources (uses)	(336)	(2,855)	(629)	
Net change in fund balances	5,275	3,316	1,021	138
Fund balances at beginning of year	41,685	23,105	26,761	283
Increase (decrease) in:				
Reserve for inventory of materials and supplies	67		26	
Fund balances at end of year	\$ 47,027	26,421	27,808	421



Combining Financials Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2005
(In Thousands)

(Continued)	County Library Fund	Asset Forfeiture Program Fund	Inmate Welfare Program Fund	Inactive Wastesites Fund
Revenues:				
Taxes	\$ 23,162			
Licenses, permits and franchise fees				
Fines, forfeitures and penalties		1,903		1
Revenue from use of money and property	194	92	3,755	546
Aid from other governmental agencies:				
State	988			142
Federal	5			10
Other				
Charges for current services	1,345		29	1,415
Other revenue	423	26	496	8,769
Total revenues	26,117	2,021	4,280	10,883
Expenditures:				
Current:				
General				
Public protection		355	2,504	
Public ways and facilities				
Health and sanitation				17,828
Public assistance				
Education	26,522			
Recreation and cultural				
Capital outlay	23	158		
Debt service:				
Principal				
Interest and other fiscal charges				
Total expenditures	26,545	513	2,504	17,828
Excess (deficiency) of revenues over (under) expenditures	(428)	1,508	1,776	(6,945)
Other financing sources (uses):				
Sale of capital assets				
Issuance of bonds and loans				
Face value of loans issued				
Payment to refunded bond escrow agent				
Transfers in	3,511		1,500	336
Transfers out	(1,190)	(230)	(2,392)	(191)
Total other financing sources (uses)	2,321	(230)	(892)	145
Net change in fund balances	1,893	1,278	884	(6,800)
Fund balances at beginning of year	6,699	3,810	5,205	83,263
Increase (decrease) in:				
Reserve for inventory of materials and supplies	(5)	(2)	18	
Fund balances at end of year	\$ 8,587	5,086	6,107	76,463

Combining Financials Governmental Funds



COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
For the Year Ended June 30,2005
(In Thousands)

(Continued)	Cable TV Fund	Park Land Dedication Fund	SANCAL Fund	County Service Districts Fund
Revenues:				
Taxes	\$			2,885
Licenses, permits and franchise fees	2,216	1,364		
Fines, forfeitures and penalties		5		
Revenue from use of money and property	52	192	180	352
Aid from other governmental agencies:				
State				35
Federal				
Other			13	25
Charges for current services	223	126		6,463
Other revenue	3		70	172
Total revenues	2,494	1,687	263	9,932
Expenditures:				
Current:				
General	2,344		30	238
Public protection				644
Public ways and facilities				947
Health and sanitation				4,630
Public assistance				
Education				
Recreation and cultural		128		1,186
Capital outlay	112			
Debt service:				
Principal				133
Interest and other fiscal charges				58
Total expenditures	2,456	128	30	7,836
Excess (deficiency) of revenues over (under) expenditures	38	1,559	233	2,096
Other financing sources (uses):				
Sale of capital assets				
Issuance of bonds and loans				
Face value of loans issued				160
Payment to refunded bond escrow agent			(1,121)	
Transfers in			50,588	17
Transfers out	(88)	(889)	(49,708)	(1,180)
Total other financing sources (uses)	(88)	(889)	(241)	(1,003)
Net change in fund balances	(50)	670	(8)	1,093
Fund balances at beginning of year	2,106	7,881	879	13,079
Increase (decrease) in:				
Reserve for inventory of materials and supplies	1			
Fund balances at end of year	\$ 2,057	8,551	871	14,172



Combining Financials Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2005
(In Thousands)

(Continued)	Flood Control Districts Fund	Housing Authority Fund	Realignment Fund	Public Safety Fund
Revenues:				
Taxes	\$ 2,910			
Licenses, permits and franchise fees				
Fines, forfeitures and penalties				
Revenue from use of money and property	104	318		
Aid from other governmental agencies:				
State	349		290,409	222,218
Federal	1	91,225		
Other		2,181		
Charges for current services	33	517		
Other revenue	2,370	345		
Total revenues	5,767	94,586	290,409	222,218
Expenditures:				
Current:				
General				
Public protection	6,609			
Public ways and facilities				
Health and sanitation				
Public assistance		96,003		
Education				
Recreation and cultural				
Capital outlay				
Debt service:				
Principal		131		
Interest and other fiscal charges		35		
Total expenditures	6,609	96,169		
Excess (deficiency) of revenues over (under) expenditures	(842)	(1,583)	290,409	222,218
Other financing sources (uses):				
Sale of capital assets				
Issuance of bonds and loans				
Face value of loans issued				
Payment to refunded bond escrow agent				
Transfers in		2,855		
Transfers out		(2,152)	(322,212)	(210,347)
Total other financing sources (uses)		703	(322,212)	(210,347)
Net change in fund balances	(842)	(880)	(31,803)	11,871
Fund balances at beginning of year	20,403	13,880	31,803	9,978
Increase (decrease) in:				
Reserve for inventory of materials and supplies				
Fund balances at end of year	\$ 19,561	13,000		21,849



**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2005
(In Thousands)**

(Continued)	IHSS Fund	Other Special District Fund	Tobacco Securitization Joint Special Revenue Fund	Total Special Revenue Funds
Revenues:				
Taxes	\$			43,189
Licenses, permits and franchise fees				10,939
Fines, forfeitures and penalties		29		4,538
Revenue from use of money and property	41	15	1,688	9,782
Aid from other governmental agencies:				
State		46		561,670
Federal				107,836
Other				7,899
Charges for current services		167		31,950
Other revenue			30,415	45,857
Total revenues	41	257	32,103	823,660
Expenditures:				
Current:				
General			172	2,784
Public protection		61		10,173
Public ways and facilities		46		80,212
Health and sanitation				42,450
Public assistance	8,183			111,721
Education				26,522
Recreation and cultural				1,314
Capital outlay				579
Debt service:				
Principal			9,955	10,219
Interest and other fiscal charges			24,446	24,539
Total expenditures	8,183	107	34,573	310,513
Excess (deficiency) of revenues over (under) expenditures	(8,142)	150	(2,470)	513,147
Other financing sources (uses):				
Sale of capital assets				1,250
Issuance of bonds and loans				
Face value of loans issued				160
Payment to refunded bond escrow agent				(1,121)
Transfers in	7,850			70,901
Transfers out		(70)		(599,963)
Total other financing sources (uses)	7,850	(70)		(528,773)
Net change in fund balances	(292)	80	(2,470)	(15,626)
Fund balances at beginning of year	335	363	53,491	345,009
Increase (decrease) in:				
Reserve for inventory of materials and supplies				105
Fund balances at end of year	\$ 43	443	51,021	329,488



Combining Financials Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
For the Year Ended June 30,2005
(In Thousands)

	Pension Obligation Bonds Fund	SANCAL Fund	Redevelopment Agency Fund	Total Debt Service Funds
Revenues:				
Taxes	\$		269	269
Revenue from use of money and property	288	1,020	40	1,348
Aid from other governmental agencies:				
Other	5,565			5,565
Other revenue			496	496
Total revenues	5,853	1,020	805	7,678
Expenditures:				
Current:				
General	1,792	795		2,587
Debt service:				
Principal	16,635	33,855	140	50,630
Interest and other fiscal charges	41,651	15,772	284	57,707
Bond issuance costs		1,915		1,915
Total expenditures	60,078	52,337	424	112,839
Excess (deficiency) of revenues over (under) expenditures	(54,225)	(51,317)	381	(105,161)
Other financing sources (uses):				
Issuance of bonds and loans				
Face value of bonds issued		6,024		6,024
Bond premiums		5,960		5,960
Refunding bonds issued		28,885		28,885
Payment to refunded bond escrow agent		(30,512)		(30,512)
Transfers in	105,809	49,701		155,510
Transfers out		(1,454)	(100)	(1,554)
Total other financing sources (uses)	105,809	58,604	(100)	164,313
Net change in fund balances	51,584	7,287	281	59,152
Fund balances at beginning of year	14,966	21,798	1,290	38,054
Fund balances at end of year	\$ 66,550	29,085	1,571	97,206



**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2005
(In Thousands)**

	Capital Outlay Fund	Edgemoor Development Fund	SANCAL Fund	Redevelopment Agency Fund	Total Capital Projects Funds
Revenues:					
Taxes	\$			1,866	1,866
Revenue from use of money and property	207	561	731	64	1,563
Aid from other governmental agencies:					
State	7,163				7,163
Federal	1,412				1,412
Other	393				393
Charges for current services	96				96
Total revenues	9,271	561	731	1,930	12,493
Expenditures:					
Current:					
General		322		1,262	1,584
Public protection				522	522
Capital outlay	35,650				35,650
Total expenditures	35,650	322		1,784	37,756
Excess (deficiency) of revenues over (under) expenditures	(26,379)	239	731	146	(25,263)
Other financing sources (uses):					
Sale of capital assets	1,250	15,900			17,150
Issuance of bonds and loans					
Face value of bonds issued			77,486		77,486
Transfers in	24,302			100	24,402
Transfers out	(858)		(14,746)		(15,604)
Total other financing sources (uses)	24,694	15,900	62,740	100	103,434
Net change in fund balances	(1,685)	16,139	63,471	246	78,171
Fund balances at beginning of year	9,264	2,195	7,124	(5,210)	13,373
Fund balances at end of year	\$ 7,579	18,334	70,595	(4,964)	91,544



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Road Fund
For the Year Ended June 30, 2005
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Taxes	\$ 48,016	20,229	13,439
Licenses, permits and franchise fees	128	128	124
Fines, forfeitures and penalties	36	36	53
Revenue from use of money and property	571	571	1,626
Aid from other governmental agencies:			
State	42,815	42,917	45,209
Federal	3,630	3,564	1,793
Other	25	25	73
Charges for current services	22,385	29,227	18,842
Other revenue	452	9,323	2,212
Total revenues	118,058	106,020	83,371
Expenditures:			
Current:			
Public ways and facilities:			
Public works, road	124,780	101,593	77,710
Total public ways and facilities	124,780	101,593	77,710
Capital outlay	144	65	50
Total expenditures	124,924	101,658	77,760
Excess (deficiency) of revenues over (under) expenditures	(6,866)	4,362	5,611
Other financing sources (uses):			
Sale of capital assets			1,250
Transfers in	125	125	54
Transfers out	(1,640)	(1,640)	(1,640)
Total other financing sources (uses)	(1,515)	(1,515)	(336)
Net change in fund balance	(8,381)	2,847	5,275
Fund balances at beginning of year	8,381	41,685	41,685
Increase in:			
Reserve for inventory of materials and supplies		67	67
Fund balances at end of year	\$	44,599	47,027



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Housing and Community Development Fund
For the Year Ended June 30, 2005
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Aid from other governmental agencies:			
State	\$ 1,000	1,000	510
Federal	35,943	30,025	12,288
Other	195	158	650
Other revenue			258
Total revenues	37,138	31,183	13,706
Expenditures:			
Current:			
Public assistance:			
Housing and community development	31,141	23,794	7,535
Total public assistance	31,141	23,794	7,535
Total expenditures	31,141	23,794	7,535
Excess of revenues over expenditures	5,997	7,389	6,171
Other financing sources (uses):			
Transfers out	(5,997)	(5,190)	(2,855)
Total other financing sources (uses)	(5,997)	(5,190)	(2,855)
Net change in fund balance		2,199	3,316
Fund balances at beginning of year	5,997	23,105	23,105
Fund balances at end of year	\$	25,304	26,421



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Air Pollution Fund
For the Year Ended June 30, 2005
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Licenses, permits and franchise fees	\$ 7,508	7,508	7,235
Fines, forfeitures and penalties	665	947	2,547
Revenue from use of money and property	200	200	617
Aid from other governmental agencies:			
State	1,534	1,750	1,753
Federal	2,371	3,172	2,514
Other	4,190	4,190	4,957
Charges for current services	1,057	1,057	2,254
Other revenue	119	119	
Total revenues	17,644	18,943	21,877
Expenditures:			
Current:			
Health and sanitation:			
Air pollution control	18,433	18,957	15,811
Air pollution control, improvement trust	10,249	5,483	2,778
Air pollution control, moyer program	2,146	1,334	854
Air pollution control, power general mitigation	3,759	627	395
Air pollution control, school bus program	325	405	154
Total health and sanitation	34,912	26,806	19,992
Capital outlay	247	417	235
Total expenditures	35,159	27,223	20,227
Excess (deficiency) of revenues over (under) expenditures	(17,515)	(8,280)	1,650
Other financing sources (uses):			
Transfers in	4,190	4,190	4,190
Transfers out	(4,190)	(4,248)	(4,819)
Total other financing sources (uses)		(58)	(629)
Net change in fund balance	(17,515)	(8,338)	1,021
Fund balances at beginning of year	17,515	26,761	26,761
Increase (decrease) in:			
Reserve for inventory of materials and supplies		26	26
Fund balances at end of year	\$	18,449	27,808



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Lighting Maintenance District Fund
For the Year Ended June 30, 2005
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Taxes	\$ 890	890	793
Revenue from use of money and property	20	20	10
Aid from other governmental agencies:			
State	12	12	11
Charges for current services	384	384	536
Other revenue			298
Total revenues	1,306	1,306	1,648
Expenditures:			
Current:			
Public ways and facilities:			
San Diego Lighting Maintenance	1,803	1,798	1,509
Total public ways and facilities	1,803	1,798	1,509
Capital outlay	7	7	1
Total expenditures	1,810	1,805	1,510
Net change in fund balance	(504)	(499)	138
Fund balances at beginning of year	504	283	283
Fund balances at end of year	\$	(216)	421



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
County Library Fund
For the Year Ended June 30, 2005
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Taxes	\$ 21,367	21,367	23,162
Revenue from use of money and property	188	188	194
Aid from other governmental agencies:			
State	1,000	1,026	988
Federal	2	2	5
Charges for current services	1,613	1,613	1,345
Other revenue	594	685	423
Total revenues	24,764	24,881	26,117
Expenditures:			
Current:			
Education:			
County library	30,684	32,147	26,522
Total education	30,684	32,147	26,522
Capital outlay		23	23
Total expenditures	30,684	32,170	26,545
Deficiency of revenues under expenditures	(5,920)	(7,289)	(428)
Other financing sources (uses):			
Transfers in	3,550	3,670	3,511
Transfers out	(201)	(1,190)	(1,190)
Total other financing sources (uses)	3,349	2,480	2,321
Net change in fund balance	(2,571)	(4,809)	1,893
Fund balances at beginning of year	2,571	6,699	6,699
Decrease in:			
Reserve for inventory of materials and supplies		(5)	(5)
Fund balances at end of year	\$	1,885	8,587



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Asset Forfeiture Program Fund
For the Year Ended June 30, 2005
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Fines, forfeitures and penalties	\$ 600	603	1,903
Revenue from use of money and property			92
Other revenue			26
Total revenues	600	603	2,021
Expenditures:			
Current:			
Public protection:			
District attorney asset forfeiture program - federal	203	229	208
District attorney asset forfeiture program - state		19	15
Sheriff's asset forfeiture program	903	725	94
Probation asset forfeiture program	35	59	38
Total public protection	1,141	1,032	355
Capital outlay	387	283	158
Total expenditures	1,528	1,315	513
Excess (deficiency) of revenues over (under) expenditures	(928)	(712)	1,508
Other financing sources (uses):			
Transfers out	(225)	(231)	(230)
Total other financing sources (uses)	(225)	(231)	(230)
Net change in fund balance	(1,153)	(943)	1,278
Fund balances at beginning of year	1,153	3,810	3,810
Decrease in:			
Reserve for inventory of materials and supplies		(2)	(2)
Fund balances at end of year	\$	2,865	5,086



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Inmate Welfare Program Fund
For the Year Ended June 30, 2005
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Revenue from use of money and property	\$ 3,545	3,545	3,755
Charges for current services			29
Other revenue	300	300	496
Total revenues	3,845	3,845	4,280
Expenditures:			
Current:			
Public protection:			
Sheriff's inmate welfare	3,189	2,796	2,314
Probation inmate welfare	225	223	190
Total public protection	3,414	3,019	2,504
Total expenditures	3,414	3,019	2,504
Excess of revenues over expenditures	431	826	1,776
Other financing sources (uses):			
Transfers in	1,500	1,500	1,500
Transfers out	(3,224)	(2,464)	(2,392)
Total other financing sources (uses)	(1,724)	(964)	(892)
Net change in fund balance	(1,293)	(138)	884
Fund balances at beginning of year	1,293	5,205	5,205
Increase in:			
Reserve for inventory of materials and supplies		18	18
Fund balances at end of year	\$	5,085	6,107



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Inactive Wastesites Fund
For the Year Ended June 30, 2005
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Fines, forfeitures and penalties	\$		1
Revenue from use of money and property	640	640	546
Aid from other governmental agencies:			
State	474	494	142
Federal			10
Charges for current services	1,119	1,119	1,415
Other revenue	11,824	14,103	8,769
Total revenues	14,057	16,356	10,883
Expenditures:			
Current:			
Health and sanitation:			
Inactive waste site management	14,145	17,571	17,666
Hillsborough maintenance	421	409	141
Duck pond landfill cleanup	61	61	21
Total health and sanitation	14,627	18,041	17,828
Capital outlay	10	10	
Total expenditures	14,637	18,051	17,828
Deficiency of revenues under expenditures	(580)	(1,695)	(6,945)
Other financing sources (uses):			
Transfers in	334	343	336
Transfers out	(355)	(160)	(191)
Total other financing sources (uses)	(21)	183	145
Net change in fund balance	(601)	(1,512)	(6,800)
Fund balances at beginning of year	601	83,263	83,263
Fund balances at end of year	\$	81,751	76,463



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Cable TV Fund
For the Year Ended June 30, 2005
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Licenses, permits and franchise fees	\$ 2,323	2,323	2,216
Revenue from use of money and property			52
Charges for current services	47	47	223
Other revenue			3
Total revenues	2,370	2,370	2,494
Expenditures:			
Current:			
General:			
Media and public relation	2,412	2,476	2,344
Total general	2,412	2,476	2,344
Capital outlay	107	267	112
Total expenditures	2,519	2,743	2,456
Excess of revenues over (under) expenditures	(149)	(373)	38
Other financing sources (uses):			
Transfers in		50	
Transfers out		(138)	(88)
Total other financing sources (uses)		(88)	(88)
Net change in fund balance	(149)	(461)	(50)
Fund balances at beginning of year	149	2,106	2,106
Increase (decrease) in:			
Reserve for inventory of materials and supplies		1	1
Fund balances at end of year	\$	1,646	2,057



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Parkland Dedication Fund
For the Year Ended June 30, 2005
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Licenses, permits and franchise fees	\$ 57	57	1,364
Fines, forfeitures and penalties			5
Revenue from use of money and property	15	15	192
Charges for current services			126
Total revenues	72	72	1,687
Expenditures:			
Current:			
Recreation and cultural:			
Local Park Planning Area 4 Lincoln Acres	1	1	1
Local Park Planning Area 15 Sweetwater	3	3	3
Local Park Planning Area 19 Jamul	1	1	
Local Park Planning Area 20 Spring Valley	5	5	4
Local Park Planning Area 25 Lakeside	2	4	4
Local Park Planning Area 26 Crest	1	1	1
Local Park Planning Area 27 Alpine	2	3	3
Local Park Planning Area 28 Ramona	233	339	87
Local Park Planning Area 29 Escondido	1	1	1
Local Park Planning Area 30 San Marcos	2	2	
Local Park Planning Area 31 San Dieguito	2	2	2
Local Park Planning Area 32 Carlsbad	2	2	
Local Park Planning Area 35 Fallbrook	6	8	3
Local Park Planning Area 36 Bonsall	3	3	2
Local Park Planning Area 37 Vista	3	3	
Local Park Planning Area 38 Valley Center	8	4	3
Local Park Planning Area 39 Pauma	3	3	
Local Park Planning Area 40 Palomar-Julian	6	9	9
Local Park Planning Area 41 Mount Empire	3	3	2
Local Park Planning Area 42 Anza-Borrego	2	2	1
Local Park Planning Central Mountain	3	3	
Local Park Planning Oceanside	2	2	
Local Park Planning Valle de Oro	4	4	2
Local Park Planning Interest	15	15	
Total recreation and cultural	313	423	128
Total expenditures	313	423	128
Excess (deficiency) of revenues over (under) expenditures	(241)	(351)	1,559
Other financing sources (uses):			
Transfers out	(1,073)	(898)	(889)
Total other financing sources (uses)	(1,073)	(898)	(889)
Net change in fund balance	(1,314)	(1,249)	670
Fund balances at beginning of year	1,314	7,881	7,881
Fund balances at end of year	\$	6,632	8,551



Combining Financials Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
County Service Districts Fund
For the Year Ended June 30, 2005
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Taxes	\$ 2,541	2,541	2,885
Revenue from use of money and property	241	241	352
Aid from other governmental agencies:			
State	23	23	35
Other	53	53	25
Charges for current services	6,884	6,834	6,463
Other revenue	38	38	172
Total revenues	9,780	9,730	9,932
Expenditures:			
Current:			
General:			
Regional Communication System CSA 135	(1)	2	1
Regional Communication System CSA 135 Zone B Del Mar	57	57	55
Regional Communication System CSA 135 Zone F Poway	130	144	144
Regional Communications System CSA 135 Zone H Solana Beach	38	38	38
Total general	224	241	238
Public protection:			
PRD 107 Elfin Fores	250	198	191
PRD 109 MT Laguna F	50	49	48
PRD 110 MT Palomar F	113	36	34
PRD 111 Boulevard F	47	47	38
PRD 112 Campo Fire	31	31	31
PRD 113 San Pasqual	131	105	84
Fire protection, PRD 113 SN PSQL FIR			5
PRD 115 Pepper Drive	213	213	213
Total public protection	835	679	644
Public ways and facilities:			
PRD 6 Pauma Valley	178	178	11
PRD 8 Magee RD-PAL	210	210	112
PRD 9 B Santa Fe	77	77	12
PRD 10 Davis Dr	17	17	2
PRD 11 A Bernardo RD	25	25	7
PRD 11 A Bernardo RD	39	39	2
PRD 11 D Bernardo RD	19	19	2
PRD 12 Lomair	159	159	5
PRD 13 A Pala Mesa	209	209	46
PRD 13 B Stewart Canyon	60	60	9
PRD 14 Rancho Diego	9	9	1
PRD 16 Wynola	87	83	6
PRD 18 Harrison Park	224	224	6
PRD 20 Daily Road	367	367	68
PRD 21 Pauma Heights	831	783	369
PRD 22 W Dougherty St	19	19	2
PRD 23 Rock Terrce RD	8	8	2
PRD 24 MT Whitney RD	39	25	2
PRD 30 Royal Oaks-CAR	\$ 35	35	2

Combining Financials Governmental Funds



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
County Service Districts Fund
For the Year Ended June 30, 2005
(In Thousands)**

(Continued)	Budgeted Amounts		Actual
	Original Budget	Final Budget	
PRD 38 Gay Rio Terrace	\$ 38	38	6
PRD 39 Sunbeam Lane	10	10	1
PRD 45 Rincon Springs	116	116	2
PRD 46 Rocoso Road	31	31	11
PRD 49 Sunset Knls RD	30	30	5
PRD 50 Knoll Park LN	82	82	2
PRD 53 Knoll Park LN EX	158	126	4
PRD 54 MT Helix	36	36	7
PRD 55 Rainbow Crest	261	261	3
PRD 60 River Drive	43	43	6
PRD 61 GRN Meadow Way	156	156	6
PRD 63 Hillview Road	348	348	5
PRD 64 Lila Lane	6	6	3
PRD 70 El Camino Cort	39	39	5
PRD 75 A Gay Rio Drive	150	150	5
PRD 75 B Gay Rio Drive	199	199	6
PRD 76 Kingford CT	20	20	3
PRD 77 Montiel TRK TR	115	115	5
PRD 78 Gardena Ay	104	104	4
PRD 80 Harris TRK TRL	146	146	3
PRD 86 Watson Place	7	7	5
PRD 88 East Fifth St	44	44	2
PRD 90 South Cordov	46	46	3
PRD 94 Roble Grnde	327	327	5
PRD 95 Valle Del Sol	153	153	3
PRD 99 Via Allndra	46	46	6
PRD 100 Viejas View	21	21	4
PRD 101 Johnson LK	99	99	4
PRD 101 A Hi-Ridge R	30	30	4
PRD 102 MTN Meadow	66	66	21
PRD 103 Alto Drive	122	122	8
PRD 104 Artesian RO	77	77	7
PRD 105 Alta Loma D	36	36	5
PRD 105 A Alta Loma D	43	43	5
PRD 106 Garrison Ay	46	46	5
PRD 117 Legend Rock	303	303	4
PRD 123 Mizpah Lane	15	15	4
PRD 125 Wrightwood	37	37	2
PRD 126 Sandhurst W	25	25	2
PRD 127 Singing Trails	\$ 27	27	3



Combining Financials Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
County Service Districts Fund
For the Year Ended June 30, 2005
(In Thousands)**

(Continued)	Budgeted Amounts		Actual
	Original Budget	Final Budget	
PRD 129 Birch Street	\$ 5	6	6
PRD 130 Wilkes Road	74	74	6
PRD 133 Rnch Creek Rd	37	37	3
PRD 134 Kenora Lane	41	41	5
PRD 1001 Capra Way	6	6	5
PRD 1002 Sunny Acres	6	6	3
PRD 1003 Alamo Way	10	10	3
PRD 1004 Butterfly	7	7	2
PRD 1005 Eden Valley	12	12	2
PRD 1007 Tumbler Creek	92	92	3
PRD 1009 Golf Drive	5	5	2
PRD 1008 Canter	21	21	2
PRD 1011 La Cuesta ZN	35	35	31
PRD 1012 8112 Millar	63	63	5
PRD 1010 Alpine Highlands ZN	150	150	6
PRD 1013 Singing Trails	3	58	3
Total public ways and facilities	6,837	6,795	947
Health and sanitation:			
PRD 136 Sundance Detention Basin	87	87	22
PRD 122 OTAY MESA E	94	82	12
CSA 17 San Dieguito Ambulance	1,874	1,966	1,709
CSA 69 Heartland Paramedics	3,126	3,059	2,887
Total health and sanitation	5,181	5,194	4,630
Recreation and cultural:			
CSA 26 Rancho San Diego	172	176	170
CSA 81 Fallbrook Park	103	93	46
CSA 83 San Dieguito	444	484	376
CSA 128 San Miguel Park	458	431	342
CSA 83A 45 Ranch Park	111	108	49
PRD 26 A Cottonwood Village	181	181	90
PRD 26 B Monte Vista	412	412	113
Total recreation and cultural	1,881	1,885	1,186
Capital outlay	164	114	
Debt service:			
Principal	392	429	133
Interest and other fiscal charges	87	96	58
Total expenditures	15,601	15,433	7,836
Excess (deficiency) of revenues over (under) expenditures	(5,821)	(5,703)	2,096
Other financing sources (uses):			
Face value of loans issued	481	478	160
Transfers in	45	45	17
Transfers out	(1,338)	(1,277)	(1,180)
Total other financing sources (uses)	(812)	(754)	(1,003)
Net change in fund balance	(6,633)	(6,457)	933
Fund balances at beginning of year	6,633	13,079	13,079
Fund balances at end of year	\$	6,622	14,172



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Flood Control District Fund
For the Year Ended June 30, 2005
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Taxes	\$ 2,225	2,225	2,910
Revenue from use of money and property	100	100	104
Aid from other governmental agencies:			
State		300	349
Federal			1
Charges for current services	58	58	33
Other revenue	2,751	2,210	2,370
Total revenues	5,134	4,893	5,767
Expenditures:			
Current:			
Public protection:			
Flood control district	6,170	7,377	6,609
Total public protection	6,170	7,377	6,609
Total expenditures	6,170	7,377	6,609
Deficiency of revenues under expenditures	(1,036)	(2,484)	(842)
Net change in fund balance	(1,036)	(2,484)	(842)
Fund balances at beginning of year	1,036	20,403	20,403
Fund balances at end of year	\$	17,919	19,561



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Housing Authority Fund
For the Year Ended June 30, 2005
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Revenue from use of money and property	\$		318
Aid from other governmental agencies:			
State	647	648	
Federal	93,417	95,812	91,225
Other	753	2,462	2,181
Charges for current services	1,548	1,548	517
Other revenue	2,091	1,328	345
Total revenues	98,456	101,798	94,586
Expenditures:			
Current:			
Public assistance:			
Other assistance - other budgetary entity	100,968	103,280	96,003
Total public assistance	100,968	103,280	96,003
Debt service:			
Principal	131	131	131
Interest and other fiscal charges	35	35	35
Total expenditures	101,134	103,446	96,169
Deficiency of revenues under expenditures	(2,678)	(1,648)	(1,583)
Other financing sources (uses):			
Transfers in	3,090	3,090	2,855
Transfers out	(411)	(2,152)	(2,152)
Total other financing sources (uses)	2,679	938	703
Net change in fund balance	1	(710)	(880)
Fund balances at beginning of year	(1)	13,880	13,880
Fund balances at end of year	\$	13,170	13,000



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Realignment Fund
For the Year Ended June 30, 2005
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Aid from other governmental agencies:			
State	\$ 269,385	269,385	290,470
Total revenues	269,385	269,385	290,470
Expenditures:			
Current:			
Health and sanitation:			
Mental health realignment	1,892	1,892	
Health realignment	2,405	2,405	
Total health and sanitation	4,297	4,297	
Public assistance:			
Social services realignment	1,231	1,231	
Total public assistance	1,231	1,231	
Total expenditures	5,528	5,528	
Excess of revenues over expenditures	263,857	263,857	290,470
Other financing sources (uses):			
Transfers out	(280,951)	(280,951)	(322,212)
Total other financing sources (uses)	(280,951)	(280,951)	(322,212)
Net change in fund balance	(17,094)	(17,094)	(31,742)
Fund balances at beginning of year	17,094	31,803	31,803
Fund balances at end of year	\$	14,709	61



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Public Safety Fund
For the Year Ended June 30, 2005
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Aid from other governmental agencies:			
State	\$ 201,967	201,967	222,218
Total revenues	201,967	201,967	222,218
Excess of revenues over expenditures	201,967	201,967	222,218
Other financing sources (uses):			
Transfers out	(202,135)	(210,347)	(210,347)
Total other financing sources (uses)	(202,135)	(210,347)	(210,347)
Net change in fund balance	(168)	(8,380)	11,871
Fund balances at beginning of year	168	9,978	9,978
Fund balances at end of year	\$	1,598	21,849



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
IHSS Fund
For the Year Ended June 30, 2005
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Revenue from use of money and property	\$		41
Total revenues			41
Expenditures:			
Current:			
Public assistance:			
IHSS Public authority	10,236	10,758	8,183
Total public assistance	10,236	10,758	8,183
Total expenditures	10,236	10,758	8,183
Deficiency of revenues under expenditures	(10,236)	(10,758)	(8,142)
Other financing sources:			
Transfers in	9,983	11,221	7,850
Total other financing sources	9,983	11,221	7,850
Net change in fund balance	(253)	463	(292)
Fund balances at beginning of year	253	335	335
Fund balances at end of year	\$	798	43



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Other Special Districts Fund
For the Year Ended June 30, 2005
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Fines, forfeitures and penalties	\$ 16	16	29
Revenue from use of money and property	4	4	15
Aid from other governmental agencies:			
State	67	87	46
Charges for current services	125	125	167
Total revenues	212	232	257
Expenditures:			
Current:			
Public protection:			
Agriculture weights and Measure - Fish and Game	39	85	61
Total public protection	39	85	61
Public ways and facilities:			
Special Aviation	72	92	46
Total public ways and facilities	72	92	46
Total expenditures	111	177	107
Excess of revenues over expenditures	101	55	150
Other financing sources (uses):			
Transfers out	(125)	(141)	(70)
Total other financing sources (uses)	(125)	(141)	(70)
Net change in fund balance	(24)	(86)	80
Fund balances at beginning of year	24	363	363
Fund balances at end of year	\$	277	443





Combining Financials Enterprise Funds

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

AIRPORT FUND

This fund is used to account for the maintenance, operations and development of County airports. A major objective of the airport program is to purchase and develop airport property in order to create tax revenues and create jobs in the private sector.

WASTEWATER MANAGEMENT FUND

This fund is used to account for operational services and support provided to sanitation districts governed by the Board of Supervisors.

SANITATION DISTRICTS FUND

This fund is used to account for the activities of all individual sanitation districts governed by the County Board of Supervisors.



**COMBINING STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
June 30, 2005
(In Thousands)**

	Airport Fund	Wastewater Management Fund	Sanitation Districts Fund	Total Enterprise Funds
ASSETS				
Current assets:				
Equity in pooled cash and investments	\$ 6,436	2,677	59,824	68,937
Collections in transit	4		5	9
Imprest cash	1	1		2
Receivables, net	301	19	560	880
Due from other funds	1	935		936
Advances to other funds	9,312			9,312
Total current assets	16,055	3,632	60,389	80,076
Noncurrent assets:				
Capital assets:				
Land	9,588	20	1,069	10,677
Construction and contracts in progress	8,053		8,759	16,812
Buildings and equipment	40,841	915	2,182	43,938
Infrastructure	139		64,782	64,921
Accumulated depreciation	(19,864)	(514)	(28,389)	(48,767)
Total noncurrent assets	38,757	421	48,403	87,581
Total assets	54,812	4,053	108,792	167,657
LIABILITIES				
Current liabilities:				
Accounts payable	982	36	1,143	2,161
Accrued payroll	118	153		271
Due to other funds	174	96	977	1,247
Advances from other funds			239	239
Unearned revenue	264			264
Bonds, loans and notes payable	180		1	181
Compensated absences	14	18		32
Total current liabilities	1,732	303	2,360	4,395
Noncurrent liabilities:				
Bonds, loans and notes payable	2,652		93	2,745
Compensated absences	126	166		292
Total noncurrent liabilities	2,778	166	93	3,037
Total liabilities	4,510	469	2,453	7,432
NET ASSETS				
Invested in capital assets, net of related debt	35,925	421	48,070	84,416
Unrestricted net assets	14,377	3,163	58,269	75,809
Total net assets	\$ 50,302	3,584	106,339	160,225



**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - ENTERPRISE FUNDS
For the Year Ended June 30, 2005
(In Thousands)**

	Airport Fund	Wastewater Management Fund	Sanitation Districts Fund	Total Enterprise Funds
OPERATING REVENUES				
Charges for services	\$ 8,411	5,356	17,181	30,948
Miscellaneous		22		22
Total operating revenues	8,411	5,378	17,181	30,970
OPERATING EXPENSES				
Salaries	2,501	3,245		5,746
Repairs and maintenance	1,666	55	3,684	5,405
Equipment rental	216	322		538
Sewage processing			13,617	13,617
Contracted services	2,094	898		2,992
Depreciation	911	23	1,335	2,269
Utilities	132	10		142
Other operating expenses	343	106	1,913	2,362
Total operating expenses	7,863	4,659	20,549	33,071
Operating income (loss)	548	719	(3,368)	(2,101)
NONOPERATING REVENUES (EXPENSES)				
Interest and dividends	146	47	1,536	1,729
Grants	3,649		19	3,668
Interest expense	(169)		(15)	(184)
Other non-operating expenses	(1)			(1)
Total non-operating revenues (expenses)	3,625	47	1,540	5,212
Income before contributions and transfers	4,173	766	(1,828)	3,111
Capital contributions			1,036	1,036
Transfers out	(617)	(147)		(764)
Change in net assets	3,556	619	(792)	3,383
Net assets at beginning of year	46,746	2,965	107,131	156,842
Net assets at end of year	\$ 50,302	3,584	106,339	160,225



**COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended June 30, 2005
(In Thousands)**

	Airport Fund	Wastewater Management Fund	Sanitation Districts Fund	Total Enterprise Funds
Cash flows from operating activities:				
Cash received from customers	\$ 9,232	5,822	17,046	32,100
Cash received from other funds	133		326	459
Cash payments to suppliers	(3,231)	(318)	(16,097)	(19,646)
Cash payments to employees	(2,502)	(3,264)		(5,766)
Cash payments to other funds	(2,220)	(1,110)	(4,445)	(7,775)
Net cash provided (used) by operating activities	1,412	1,130	(3,170)	(628)
Cash flows from non-capital financing activities:				
Operating grants	3,647		19	3,666
Transfers to other funds	(617)	(147)		(764)
Advances from other funds			(20)	(20)
Advances to other funds	100		135	235
Net cash provided (used) by non-capital financing activities	3,130	(147)	134	3,117
Cash flows from capital and related financing activities:				
Capital grants revenue			1,035	1,035
Acquisition of capital assets	(2,461)		(3,736)	(6,197)
Retirement of capital leases, bonds and loans	(167)		(201)	(368)
Bond sale proceeds and loans received			100	100
Interest paid on long-term debt	(169)		(15)	(184)
Net cash used for capital and related financing activities	(2,797)		(2,817)	(5,614)
Cash flows from investing activities:				
Interest	120	39	1,376	1,535
Net increase (decrease) in cash and cash equivalents	1,865	1,022	(4,477)	(1,590)
Cash and cash equivalents at beginning of year	4,576	1,656	64,306	70,538
Cash and cash equivalents at end of year	6,441	2,678	59,829	68,948
Reconciliation of operating income (loss):				
Operating income (loss)	548	719	(3,368)	(2,101)
Adjustments to reconcile:				
Increase (decrease) in compensated absences	(3)	(17)		(20)
Increase (decrease) in accrued payroll	2	(1)		1
Increase (decrease) in due to other funds	(936)	(35)	(776)	(1,747)
Increase (decrease) in accounts payable	(64)	(2)	(551)	(617)
Increase (decrease) in deferred credits and other liabilities	(15)			(15)
Decrease (Increase) in accounts and notes receivable	836	(2)	(138)	696
Decrease (Increase) in due from other funds	133	445	328	906
Depreciation	911	23	1,335	2,269
Net cash provided (used) by operating activities	1,412	1,130	(3,170)	(628)
Non-cash investing and capital financing activities:				
Accrued Interest	40		160	200
Capital acquisitions included in accounts payable	719		996	1,715
Total non-cash investing and capital financing activities	\$ 759		1,156	1,915



Combining Financials Internal Service Funds

INTERNAL SERVICE FUNDS

Internal service funds are established to account for services furnished to other county departments and are financed primarily by these service charges. Because they are exempt from budgetary control, they are free to employ commercial accounting techniques, and are often used in situations where a more accurate determination of operating results is desired.

ROAD AND COMMUNICATION EQUIPMENT FUND

This fund was established to account for the financing of public works and communications equipment provided to other county departments on a cost reimbursement basis.

PURCHASING FUND

This fund accounts for the financing of materials and supplies provided to county departments and provides printing and record storage services; all on a cost reimbursement basis.

SPECIAL DISTRICT LOANS FUND

This fund was established to provide financing for start up services for new and existing county service districts on a cost reimbursement basis.

RISK FINANCING FUND

This fund was established to account for all of the county's uninsured risk management activities.

FLEET SERVICES FUND

This fund was established to account for the financing of General Services' Fleet vehicles provided to other County departments on a cost reimbursement basis.

FACILITIES MANAGEMENT FUND

This fund was established to account for the financing of public service utilities, property management, architectural and engineering services and mail services provided to other county departments on a cost reimbursement basis.

INFORMATION TECHNOLOGY FUND

This fund was established to account for the financing of software applications for human resources, payroll, and financial systems as well as telecommunications services provided to other county departments on a cost reimbursement basis.

OTHER MISCELLANEOUS FUND

This fund was established to provide for the financing of clothing and personal sundry items for persons institutionalized at various County facilities.

Combining Financials Internal Service Funds



**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2005
(In Thousands)**

	Road and Communication Equipment Fund	Purchasing Fund	Special District Loans Fund	Risk Financing Fund
ASSETS				
Current assets:				
Equity in pooled cash and investments	\$ 12,312	3,057	601	81,920
Collections in transit	46			
Imprest cash				
Receivables, net	168	30		1,265
Due from other funds	41	542	5	881
Advances to other funds			300	296
Inventory of materials and supplies		103		
Total current assets	12,567	3,732	906	84,362
Noncurrent assets:				
Capital assets:				
Buildings and equipment	24,682	1,028		
Accumulated depreciation	(13,207)	(750)		
Total noncurrent assets	11,475	278		
Total assets	24,042	4,010	906	84,362
LIABILITIES				
Current liabilities:				
Accounts payable	148	179		2,300
Accrued payroll		369		
Due to other funds	28	64		1,572
Bonds, loans and notes payable		11		
Compensated absences		44		
Claims and judgments				43,251
Total current liabilities	176	667		47,123
Noncurrent liabilities:				
Bonds, loans and notes payable				
Compensated absences		399		
Claims and judgments				60,318
Total noncurrent liabilities		399		60,318
Total liabilities	176	1,066		107,441
NET ASSETS				
Invested in capital assets, net of related debt	11,475	267		
Unrestricted net assets	12,391	2,677	906	(23,079)
Total net assets	\$ 23,866	2,944	906	(23,079)



Combining Financials Internal Service Funds

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2005
(In Thousands)**

(Continued)	Fleet Services Fund	Facilities Management Fund	Information Technology Fund	Other Miscellaneous Fund	Total Internal Service Funds
ASSETS					
Current assets:					
Equity in pooled cash and investments \$	19,336	4,152	40,574	1,321	163,273
Collections in transit	37	1	847	72	1,003
Imprest cash		2			2
Receivables, net	244	1,515	1,822		5,044
Due from other funds	731	5,056	9,059		16,315
Advances to other funds					596
Inventory of materials and supplies	373	34		88	598
Total current assets	20,721	10,760	52,302	1,481	186,831
Noncurrent assets:					
Capital assets:					
Buildings and equipment	74,688	1,153	47,696	281	149,528
Accumulated depreciation	(38,904)	(823)		(227)	(53,911)
Total noncurrent assets	35,784	330	47,696	54	95,617
Total assets	56,505	11,090	99,998	1,535	282,448
LIABILITIES					
Current liabilities:					
Accounts payable	1,604	3,238	8,325	247	16,041
Accrued payroll	208	988			1,565
Due to other funds	139	6,249	43,866	51	51,969
Bonds, loans and notes payable		165			176
Compensated absences	27	153			224
Claims and judgments					43,251
Total current liabilities	1,978	10,793	52,191	298	113,226
Noncurrent liabilities:					
Bonds, loans and notes payable		3,483			3,483
Compensated absences	242	1,375			2,016
Claims and judgments					60,318
Total noncurrent liabilities	242	4,858			65,817
Total liabilities	2,220	15,651	52,191	298	179,043
NET ASSETS					
Invested in capital assets, net of related debt	35,784	330	47,696	54	95,606
Unrestricted net assets	18,501	(4,891)	111	1,183	7,799
Total net assets	\$ 54,285	(4,561)	47,807	1,237	103,405

Combining Financials Internal Service Funds



**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS-INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2005
(In Thousands)**

	Road and Communication Equipment Fund	Purchasing Fund	Special District Loans Fund	Risk Financing Fund	Fleet Services Fund
OPERATING REVENUES					
Charges for services	\$ 4,950	7,972		36,999	26,089
Miscellaneous		105			
Total operating revenues	4,950	8,077		36,999	26,089
OPERATING EXPENSES					
Salaries		5,414			4,131
Repairs and maintenance	2,154	183			4,173
Equipment rental		21			30
Contracted services		1,422			1,577
Depreciation	1,750	87			8,371
Utilities		173			305
Cost of material		683			2,211
Claims and judgments				42,968	
Fuel	811	2			6,431
Other operating expenses	260	109			282
Total operating expenses	4,975	8,094		42,968	27,511
Operating income (loss)	(25)	(17)		(5,969)	(1,422)
NONOPERATING REVENUES (EXPENSES)					
Interest and dividends	278	55			393
Grants		(2)			
Interest expense		(2)			
Loss on disposal of capital assets	(165)				(425)
Other non-operating revenues	10				45
Other non-operating expenses		(17)			
Total non-operating revenues (expenses)	123	36			13
Income before transfers	98	19		(5,969)	(1,409)
Transfers in	176			420	499
Transfers out		(248)			(177)
Change in net assets	274	(229)		(5,549)	(1,087)
Net assets at beginning of year	23,592	3,173	906	(17,530)	55,372
Net assets at end of year	\$ 23,866	2,944	906	(23,079)	54,285



Combining Financials Internal Service Funds

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS-INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2005
(In Thousands)**

(Continued)	Facilities Management Fund	Information Technology Fund	Other Miscellaneous Fund	Total Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ 73,626	101,878	3,921	255,435
Miscellaneous	912			1,017
Total operating revenues	74,538	101,878	3,921	256,452
OPERATING EXPENSES				
Salaries	20,042			29,587
Repairs and maintenance	18,000		22	24,532
Equipment rental	1,115		61	1,227
Contracted services	9,817	103,492	985	117,293
Depreciation	72		36	10,316
Utilities	21,759			22,237
Cost of material			1,378	4,272
Claims and judgments				42,968
Fuel	196		1	7,441
Other operating expenses	6,935		43	7,629
Total operating expenses	77,936	103,492	2,526	267,502
Operating income (loss)	(3,398)	(1,614)	1,395	(11,050)
NONOPERATING REVENUES (EXPENSES)				
Interest and dividends				726
Grants	243			243
Interest expense	(123)			(125)
Loss on disposal of capital assets				(590)
Other non-operating revenues				55
Other non-operating expenses				(17)
Total non-operating revenues (expenses)	120			292
Income before transfers	(3,278)	(1,614)	1,395	(10,758)
Transfers in	1,096	2,257		4,448
Transfers out	(891)		(2,231)	(3,547)
Change in net assets	(3,073)	643	(836)	(9,857)
Net assets at beginning of year	(1,488)	47,164	2,073	113,262
Net assets at end of year	\$ (4,561)	47,807	1,237	103,405

Combining Financials Internal Service Funds



COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS For the Year Ended June 30, 2005 (In Thousands)

	Road and Communication Equipment Fund	Purchasing Fund	Special District Loans Fund	Risk Financing Fund	Fleet Services Fund
Cash flows from operating activities:					
Cash received from customers	\$ 4,992	8,052			26,299
Cash received from other funds		201		38,218	
Cash payments to suppliers	(257)	(954)		(31,059)	(12,559)
Cash payments to employees		(5,338)			(4,127)
Cash payments to other funds	(3,836)	(1,398)	(1)	(6,911)	(3,826)
Net cash provided (used) by operating activities	899	563	(1)	248	5,787
Cash flows from non-capital financing activities:					
Operating grants					
Transfers from other funds	176			420	499
Transfers to other funds		(248)			(177)
Advances to other funds			161		
Net cash provided (used) by non-capital financing activities	176	(248)	161	420	322
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(1,888)	(11)			(4,896)
Proceeds from sale of assets	220				845
Retirement of capital leases, bonds and loans		(44)			
Bond sale proceeds and loans received					
Interest paid on long-term debt		(2)			(14)
Net cash provided (used) by capital and related financing activities	(1,668)	(57)			(4,065)
Cash flows from investing activities:					
Interest	249	38			328
Net increase (decrease) in cash and cash equivalents	(344)	296	160	668	2,372
Cash and cash equivalents at beginning of year	12,702	2,761	441	81,252	17,001
Cash and cash equivalents at end of year	12,358	3,057	601	81,920	19,373
Reconciliation of operating income (loss):					
Operating income (loss)	(25)	(17)		(5,969)	(1,422)
Adjustments to reconcile:					
Increase (decrease) in compensated absences		46			2
Increase (decrease) in accrued payroll		38			1
Increase (decrease) in due to other funds	(634)	(41)		(1,842)	(95)
Increase (decrease) in accounts payable	(234)	144		(481)	(1,436)
Increase (decrease) in claims and judgments				7,259	
Increase (decrease) in deferred credits and other liabilities					
Decrease (increase) in accounts and notes receivable	(90)	(25)		(1,265)	74
Decrease (increase) in due from other funds	132	200	(1)	2,546	137
Decrease (increase) in Inventory of materials and supplies		131			155
Depreciation	1,750	87			8,371
Net cash provided (used) by operating activities	899	563	(1)	248	5,787
Non-cash investing and capital financing activities:					
Accrued Interest	79	17			124
Adjustment to capital leases		11			
Capital acquisitions included in accounts payable	142				814
Total non-cash investing and capital financing activities	\$ 221	28			938



Combining Financials Internal Service Funds

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2005
(In Thousands)**

(Continued)	Facilities Management Fund	Information Technology Fund	Other Miscellaneous Fund	Total Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	\$ 73,716	680	3,921	117,660
Cash received from other funds		101,420	8	139,847
Cash payments to suppliers	(48,597)	(104,738)	(2,523)	(200,687)
Cash payments to employees	(20,035)			(29,500)
Cash payments to other funds	(7,131)	(217)	(183)	(23,503)
Net cash provided (used) by operating activities	(2,047)	(2,855)	1,223	3,817
Cash flows from non-capital financing activities:				
Operating grants	243			243
Transfers from other funds	1096	2,257		4,448
Transfers to other funds	(891)		(2,231)	(3,547)
Advances to other funds				161
Net cash provided (used) by non-capital financing activities	448	2,257	(2,231)	885
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(91)	(643)		(7,529)
Proceeds from sale of assets				1,065
Retirement of capital leases, bonds and loans	(115)			(159)
Bond sale proceeds and loans received	1,785			1,785
Interest paid on long-term debt	(123)			(139)
Net cash provided (used) by capital and related financing activities	1,456	(643)		(4,977)
Cash flows from investing activities:				
Interest				615
Net increase (decrease) in cash and cash equivalents	(143)	(1,241)	(1,008)	760
Cash and cash equivalents at beginning of year	4,298	42,662	2,401	163,518
Cash and cash equivalents at end of year	4,155	41,421	1,393	164,278
Reconciliation of operating income (loss):				
Operating income (loss)	(3,398)	(1,614)	1,395	(11,050)
Adjustments to reconcile:				
Increase (decrease) in compensated absences	39			87
Increase (decrease) in accrued payroll	2			41
Increase (decrease) in due to other funds	1,265	(217)	(183)	(1,747)
Increase (decrease) in accounts payable	839	(1,245)	(13)	(2,426)
Increase (decrease) in claims and judgments				7,259
Increase (decrease) in deferred credits and other liabilities	(43)			(43)
Decrease (Increase) in accounts and notes receivable	(1,222)	675		(1,853)
Decrease (Increase) in due from other funds	401	(454)	8	2,969
Decrease (Increase) in Inventory of materials and supplies	(2)		(20)	264
Depreciation	72		36	10,316
Net cash provided (used) by operating activities	(2,047)	(2,855)	1,223	3,817
Non-cash investing and capital financing activities:				
Accrued interest				220
Adjustment to capital leases				11
Capital acquisitions included in accounts payable				956
Total non-cash investing and capital financing activities \$				1,187





Combining Financials Agency Funds

PROPERTY TAX COLLECTIONS FUNDS

These funds are used for recording the collection and distribution of property taxes.

OTHER AGENCY FUNDS

These funds maintain assets held in an agent capacity for other governments, organizations and individuals. These assets do not support the county's programs or services. Any portion of agency fund assets held at fiscal year end for other funds are reported in those funds rather than in the agency funds.

Combining Financials Agency Funds



COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Funds
For the Year Ended June 30,2005
(In Thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
PROPERTY TAX COLLECTION FUNDS				
ASSETS				
Equity in pooled cash and investments	\$ 67,965	11,565,718	11,580,009	53,674
Cash with fiscal agent	91		91	
Collections in transit	10,506	5,029	10,505	5,030
Receivables, net	917	715,514	713,837	2,594
Taxes receivable, net	201,044	4,020,954	4,221,998	
Total assets	280,523	16,307,215	16,526,440	61,298
LIABILITIES				
Accounts payable	15,933	1,379,501	1,390,762	4,672
Due to other governments	264,590	16,149,538	16,357,502	56,626
Total liabilities	280,523	17,529,039	17,748,264	61,298
OTHER AGENCY FUNDS				
ASSETS				
Equity in pooled cash and investments	359,774	21,320,366	21,327,980	352,161
Cash with fiscal agent	13,258	12,493	14,342	11,409
Collections in transit	4,308	5,820	5,298	4,830
Imprest cash	4			4
Receivables, net	19,441	50,450	43,446	26,445
Taxes receivable, net	61,101		61,101	
Total assets	457,886	21,389,130	21,452,166	394,849
LIABILITIES				
Accounts payable	45,897	1,539,877	1,544,768	41,006
Due to other governments	350,888	2,901,466	2,898,511	353,843
Amount due for commercial paper notes	61,101		61,101	
Total liabilities	457,886	4,441,343	4,504,380	394,849
TOTAL AGENCY FUNDS				
ASSETS				
Equity in pooled cash and investments	427,739	32,886,084	32,907,988	405,835
Cash with fiscal agent	13,349	12,493	14,433	11,409
Collections in transit	14,814	10,849	15,803	9,860
Imprest cash	4			4
Receivables, net	20,358	765,964	757,283	29,039
Taxes receivable, net	262,145	4,020,954	4,283,099	
Total assets	738,409	37,696,344	37,978,606	456,147
LIABILITIES				
Accounts payable	61,830	2,919,378	2,935,530	45,678
Due to other governments	615,478	19,051,004	19,256,013	410,469
Amount due for commercial paper notes	61,101		61,101	
Total liabilities	\$ 738,409	21,970,382	22,252,644	456,147



Statistical Section



Statistical Section

TABLE 1

COMPARISON OF EXPENDITURES COUNTY GOVERNMENTAL FUNDS Fiscal Years 1995-96 Through 2004-2005 (In Thousands)					
	1995-96	1996-97	1997-98	1998-99	1999-00
General government	\$ 172,916	186,861	184,465	185,426	150,879
Public protection	481,691	509,142	544,585	575,825	667,565
Public ways & facilities	69,617	64,180	66,509	80,127	72,721
Health & sanitation	265,396	268,400	294,867	319,505	370,379
Public assistance	992,263	915,302	816,620	703,132	737,284
Education	8,973	9,375	10,097	11,325	14,263
Recreation & cultural	7,109	7,210	9,309	11,203	12,393
Capital outlay	115,170	74,368	91,119	47,098	55,239
Debt service	77,705	91,914	98,150	103,448	110,221
Total	\$ 2,190,840	2,126,752	2,115,721	2,037,089	2,190,944
	2000-01	2001-02	2002-03	2003-04	2004-05
General government	\$ 136,714	156,517	209,874	216,183	211,521
Public protection	728,212	809,185	1,145,171	1,216,276	939,070
Public ways & facilities	83,932	95,936	123,202	115,426	84,560
Health & sanitation	454,628	548,627	600,525	562,657	541,921
Public assistance	747,430	827,229	1,037,467	1,053,545	970,208
Education	18,621	24,005	31,013	31,308	27,119
Recreation & cultural	13,102	16,514	20,805	24,702	19,614
Capital outlay	57,723	72,341	83,748	54,958	54,157
Debt service	140,000	169,311	162,593	166,437	157,320
Total	\$ 2,380,362	2,719,665	3,414,398	3,441,492	3,005,490
Governmental funds include the General Fund, Tobacco Securitization Special Revenue Fund and Non Major Governmental Funds including Special Revenue, Debt Service and Capital Projects funds.					



TABLE 2

COMPARISON OF REVENUES BY SOURCE COUNTY GOVERNMENTAL FUNDS Fiscal Years 1995-96 through 2004-2005 (In Thousands)					
	1995-96	1996-97	1997-98	1998-99	1999-00
Taxes	\$ 299,383	297,314	306,203	338,487	344,393
Licenses, permits and franchises	26,587	28,118	28,312	31,095	31,796
Fines, forfeitures and penalties	23,787	22,972	29,396	27,015	36,235
Use of money and property	25,319	31,089	48,968	40,939	48,519
Aid from other governmental agencies	1,587,410	1,536,529	1,481,185	1,418,073	1,575,013
Charges for current services	171,079	173,489	196,435	211,290	209,400
Other revenue	17,725	27,327	18,822	31,130	28,782
Total	\$ 2,151,290	2,116,838	2,109,321	2,098,029	2,274,138
	2000-01	2001-02	2002-03	2003-04	2004-05
Taxes	\$ 432,468	409,969	446,835	497,178	717,174
Licenses, permits and franchises	34,796	37,808	39,335	42,252	42,954
Fines, forfeitures and penalties	40,139	39,691	41,236	46,495	55,538
Use of money and property	74,244	45,567	40,733	25,867	50,811
Aid from other governmental agencies	1,739,153	1,771,123	1,930,261	1,972,195	1,884,660
Charges for current services	223,296	251,018	266,574	277,637	286,631
Other revenue	37,214	70,203	70,065	65,913	84,410
Total	\$ 2,581,310	2,625,379	2,835,039	2,927,537	3,122,178
Governmental funds include the General Fund, Tobacco Securitization Special Revenue Fund and Non Major Governmental Funds including Special Revenue, Debt Service and Capital Projects funds.					



TABLE 3

COMPARISON OF COUNTY ASSESSED VALUE TAXES LEVIED AND TAX COLLECTIONS COUNTY GENERAL AND LIBRARY FUNDS Fiscal Years 1995-96 through 2004-2005 (In Thousands)					
Assessed valuations and tax rates	1995-96	1996-97	1997-98	1998-99	1999-00
Secured	\$ 142,068,531	142,356,634	145,607,295	155,847,593	171,710,387
Tax rate (county wide)	1.000	1.000	1.000	1.000	1.000
Unsecured	6,695,765	6,755,173	7,295,084	7,880,996	8,838,343
Tax rate (county wide)	1.000	1.000	1.000	1.000	1.000
Tax levied (current and prior)	221,960	223,706	231,220	247,288	270,611
Current tax collections	220,205	221,724	228,984	244,803	267,987
Delinquent tax collections	209	165	179	223	217
Total tax collections	220,414	221,889	229,163	245,026	268,204
Ratio of total collections to levy	99.3%	99.2%	99.1%	99.1%	99.1%
Outstanding delinquent taxes	\$ 1,546	1,817	2,057	2,262	2,407
Assessed valuations and tax rates	2000-01	2001-02	2002-03	2003-04	2004-05
Secured	\$ 186,548,635	204,408,552	222,255,305	244,109,399	270,147,099
Tax rate (county wide)	1.000	1.000	1.000	1.000	1.000
Unsecured	9,168,845	10,075,117	10,607,072	10,890,253	10,670,661
Tax rate (county wide)	1.000	1.000	1.000	1.000	1.000
Tax levied (current and prior)	292,042	318,380	343,190	373,055	408,289
Current tax collections	289,406	315,736	340,071	368,177	404,871
Delinquent tax collections	164	148	283	2,230	327
Total tax collections	289,570	315,884	340,354	370,407	405,198
Ratio of total collections to levy	99.2%	99.2%	99.2%	99.3%	99.2%
Outstanding delinquent taxes	\$ 2,472	2,496	2,836	2,648	3,091



TABLE 5

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO
ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
Fiscal Years 1995-96 through 2004-2005
(In Thousands)**

FISCAL YEAR	POPULATION (1)	ASSESSED VALUE (2)	GROSS BONDED DEBT (3)	LESS DEBT SERVICE FUND (4)	NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
1995-96	2,690	\$ 148,764,295	799,533	51,652	747,881	0.50%	278
1996-97	2,724	149,111,807	834,773	30,275	804,498	0.54%	295
1997-98	2,795	152,902,378	819,813	28,394	791,419	0.52%	283
1998-99	2,853	163,728,589	847,038	28,300	818,738	0.50%	287
1999-00	2,911	180,548,730	863,285	31,377	831,908	0.46%	286
2000-01	2,884	195,717,480	783,795	37,145	746,650	0.38%	259
2001-02	2,918	214,483,669	716,690	26,382	690,308	0.32%	237
2002-03	2,961	232,862,377	1,220,080	28,326	1,191,754	0.51%	402
2003-04	3,017	254,999,651	1,613,243	36,764	1,576,479	0.62%	523
2004-05	3,051	\$ 280,817,762	1,645,638	95,635	1,550,003	0.55%	508
(1)From Table 10							
(2)From Table 8							
(3)Includes Lease Revenue Bonds and Certificates of Participation of various Joint Power Authorities and the San Diego County Capital Asset Leasing Corporation and Taxable Pension Obligation Bonds.							
(4)Amount available for repayment of bonded debt (Redevelopment Agency excluded)							



TABLE 6

COMPARISON OF SECURED PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS (PER \$100 OF ASSESSED VALUE) Fiscal Years 1995-96 through 2004-2005					
GOVERNMENTAL ENTITY					
FISCAL YEAR	COUNTY-WIDE*	SCHOOLS	CITIES	SPECIAL DISTRICTS	TOTAL
1996	1.000	0.044	0.005	0.016	1.065
1997	1.000	0.044	0.004	0.015	1.063
1998	1.000	0.045	0.004	0.013	1.062
1999	1.000	0.044	0.004	0.012	1.060
2000	1.000	0.046	0.004	0.011	1.061
2001	1.000	0.047	0.004	0.011	1.062
2002	1.000	0.048	0.004	0.009	1.061
2003	1.000	0.054	0.004	0.008	1.066
2004	1.000	0.062	0.003	0.007	1.072
2005	1.000	0.062	0.004	0.006	1.072

*The \$1.00 per \$100 of Assessed Value (Proposition 13) tax rate beginning in fiscal year 1978-1979 is distributed according to State Law on a percentage basis to each of the eligible taxing agencies in the County.



TABLE 7

**COMPARISON OF RATIO OF ANNUAL DEBT SERVICE FOR
GENERAL BONDED DEBT TO
TOTAL GENERAL GOVERNMENTAL EXPENDITURES
Fiscal Years 1995-96 through 2004-2005
(In Thousands)**

	PRINCIPAL (1)	INTEREST (1)	TOTAL DEBT SERVICE	TOTAL GENERAL GOVERNMENTAL EXPENDITURES (2)	RATIO OF DEBT SERVICE TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
1995-1996	\$ 15,653	44,907	60,560	2,190,840	2.76%
1996-1997	56,589	19,722	76,311	2,126,752	3.59%
1997-1998	37,365	46,528	83,893	2,115,721	3.97%
1998-1999	45,844	47,118	92,962	2,037,089	4.56%
1999-2000	53,847	46,061	99,908	2,190,944	4.56%
2000-2001	77,432	49,642	127,074	2,380,362	5.34%
2001-2002	101,395	62,084	163,479	2,719,665	6.01%
2002-2003	88,590	60,767	149,357	3,414,398	4.37%
2003-2004	69,610	86,622	156,232	3,441,492	4.54%
2004-2005	60,585	82,153	142,738	3,005,490	4.75%

(1)Includes principal and interest payments on debt that is supported by taxes, and therefore excludes debt reported in proprietary funds, as well as capital and retrofit loans, Teeter notes and Tax and Revenue Anticipation Notes.

(2)Includes General, Special Revenue, Debt Service and Capital Projects funds. The debt service expenditures for Lease Revenue Bonds and Certificates of Participation of various Joint Powers Authorities and the San Diego County Capital Asset Leasing Corporation are incorporated into the County's Comprehensive Annual Financial Report in accordance with criteria adopted by the Governmental Accounting Standards Board. These debt instruments function as general obligation debt of the County. The general revenues of the County, including taxes, are the source of payment for the debt service expenditures made by these agencies.



TABLE 8

COMPARISON OF COMPUTATION OF LEGAL DEBT MARGIN Fiscal Years 1995-96 through 2004-2005 (In Thousands)				
	POPULATION PER OFFICIAL U.S. CENSUS (1)	TOTAL ASSESSED VALUATION	LEGAL DEBT LIMIT (2)	LEGAL DEBT MARGIN (3)
1995-1996	2,690	\$ 148,764,295	1,859,554	1,859,554
1996-1997	2,724	149,111,807	1,863,898	1,863,898
1997-1998	2,795	152,902,378	1,911,280	1,911,280
1998-1999	2,853	163,728,589	2,046,607	2,046,607
1999-2000	2,911	180,548,730	2,256,859	2,256,859
2000-2001	2,884	195,717,480	2,446,469	2,446,469
2001-2002	2,918	214,483,669	2,681,046	2,681,046
2002-2003	2,961	232,862,377	2,910,780	2,910,780
2003-2004	3,017	254,999,651	3,187,496	3,187,496
2004-2005	3,051	280,817,762	3,510,222	3,510,222
(1) Estimated				
(2) The Legal Debt Limit is 1.25% of Assessed Valuation				
(3) Legal Debt Margin is computed by subtracting the County legal general obligation bonded debt from the Legal Debt Limit. Beginning in 1980-81 and subsequent fiscal years the County, as a legally defined entity, had no tax supported general obligation bonded debt outstanding.				



TABLE 9

COMPARISON OF CONSTRUCTION, BANK DEPOSITS AND PROPERTY VALUES					
Fiscal Years 1995-96 through 2004-05					
Calendar Years 1995 through 2004					
(In Thousands)					
	1995	1996	1997	1998	1999
CONSTRUCTION (1)					
Residential units	6,608	6,868	11,402	12,173	16,427
Non-residential units	254	293	452	641	619
Residential/non-residential valuation	\$ 1,383,828	1,637,479	2,502,736	2,970,179	3,605,497
Alterations/additions valuation	431,422	459,471	488,264	555,152	717,092
Total valuation	1,815,250	2,096,950	2,991,000	3,525,331	4,322,589
Fiscal year					
	1995-96	1996-97	1997-98	1998-99	1999-00
Bank deposits (2)	\$ 15,053,416	15,105,204	17,365,228	18,838,052	20,103,119
PROPERTY VALUE (3)					
Commercial (4)	\$ 26,526,398	26,426,880	27,214,630	30,381,796	34,406,623
Residential (4)	103,576,070	104,163,069	106,742,185	113,347,767	124,792,674
Non-taxable (4)	3,613,279	3,643,995	4,004,395	4,254,794	4,403,504
Fiscal year					
	2000	2001	2002	2003	2004
CONSTRUCTION (1)					
Residential units	15,927	15,638	15,738	18,314	17,306
Non-residential units	573	475	486	446	527
non-residential valuation	\$ 3,685,819	3,665,609	3,950,241	4,120,957	4,311,320
Alterations/additions valuation	713,887	696,177	693,733	732,247	852,169
Total valuation	4,399,706	4,361,786	4,643,974	4,853,204	5,163,489
Fiscal year					
	2000-01	2001-02	2002-03	2003-04	2004-05
Bank deposits (2)	\$ 22,040,351	24,132,798	27,213,605	32,143,450	34,082,947
PROPERTY VALUE (3)					
Commercial (4)	\$ 38,108,162	41,522,846	44,763,100	47,471,036	51,606,057
Residential (4)	136,721,138	150,918,286	165,975,371	185,242,078	207,557,056
Non-taxable (4)	4,646,121	4,872,712	5,121,115	5,961,964	6,504,638
Sources:					
(1) Greater San Diego Chamber of Commerce					
(2) Federal Reserve Bank - FDIC Banks and Branches Data Book					
(3) San Diego County Property Tax Services and Assessor					
(4) Excludes farm land, institutional, recreational, miscellaneous fixtures and personal property					



TABLE 10

COMPARISON OF DEMOGRAPHIC STATISTICS Calendar Years 1996 through 2005			
YEAR	POPULATION (1)	CIVILIAN LABOR FORCE (2)	UNEMPLOYMENT PERCENTAGE RATE
1996	2,690,255	1,232,400	5.5%
1997	2,724,457	1,249,700	4.5%
1998	2,794,800	1,281,600	4.2%
1999	2,853,258	1,347,800	3.3%
2000	2,911,468	1,401,900	3.7%
2001	2,883,600	1,362,900	3.0%
2002	2,918,254	1,475,300	4.2%
2003	2,961,600	1,494,600	4.5%
2004	3,017,200	1,521,100	4.2%
2005	3,051,280	1,523,300	4.4%
DATA SOURCES:			
(1) State Department of Finance (As of January 1)			
(2) State Employment Development Department			



TABLE 11

COMPARISON OF REVENUE BOND COVERAGE WATER AND SEWER BONDS Fiscal Years 1995-96 through 2004-2005 (In Thousands)							
				DEBT SERVICE REQUIREMENTS			
FISCAL YEAR	GROSS REVENUE	DIRECT OPERATING EXPENSES(1)	NET REVENUE AVAILABLE FOR DEBT SERVICE	PRINCIPAL(2)	INTEREST	TOTAL	COVERAGE
1995-96	19,031	17,657	1,374	15	9	24	57.25
1996-97	19,056	11,050	8,006	15	8	23	348.09
1997-98	22,177	16,004	6,173	20	6	26	237.42
1998-99	20,917	15,494	5,423	20	5	25	216.92
1999-00	21,672	12,527	9,145	20	4	24	381.04
2000-01	16,103	11,667	4,436	20	4	24	184.83
2001-02	17,949	13,995	3,954	25	2	27	146.44
(1) Total Operating Expenses exclusive of depreciation							
(2) At the end of Fiscal Year 2001-02 the County no longer had water and sewer bond debt							



TABLE 12

ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT			
2004-05 Assessed Valuation:	\$	280,817,761,295	(Includes unitary utility valuation)
Redevelopment Incremental Valuation:		21,997,719,796	
Adjusted Assessed Valuation:	\$	258,820,041,499	
OVERLAPPING TAX AND ASSESSMENT DEBT:		% Applicable	Debt 6/30/05
Metropolitan Water District of Southern California		18.388	\$ 77,117,433
Grossmont-Cuyamaca Community College District		100	149,599,623
San Diego Community College District		100	77,960,000
Other Community College Districts		100	89,928,974
Poway Unified School District School Facilities Improvement District No.2002-1		100	68,600,000
San Diego Unified School District		100	1,289,036,191
Vista Unified School District		100	113,119,882
Other Unified School Districts		100	136,688,158
Sweetwater Union High School District		100	84,040,000
Other Union High School Districts		100	125,246,314
Chula Vista City School District		100	91,715,000
Other School Districts		100	313,310,303
Otay Municipal Water District Improvement Districts		100	10,295,000
Cities		100	39,945,000
San Diego Open Space Park Facilities District		100	25,880,000
Special Districts		100	865,000
Community Facilities Districts		100	1,317,234,995
1915 Act Bonds (Estimated)		100	235,506,690
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT			4,246,088,563
Less: San Diego Open Space Park Facilities District (100% self-supporting)			25,880,000
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT			4,220,208,563
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
San Diego County General Fund Obligations		100	463,876,622 (1)
San Diego County Pension Obligations		100	1,252,242,916
San Diego County Superintendent of Schools Obligations		100	12,822,500
Community College District Certificates of Participation		100	18,745,000
Poway Unified School District Certificates of Participation		100	100,000,000
Other Unified School Districts Certificates of Participation		100	97,674,000
High School District Certificates of Participation		100	20,217,500
School District Certificates of Participation		100	186,480,000
Municipal Water District Certificates of Participation		100	27,580,000
City of Chula Vista General Fund and Pension Obligations		100	139,840,036
City of Escondido General Fund Obligations		100	79,344,937
City of San Diego General Fund Obligations		100	516,475,000
Other City General Fund Obligations		100	243,168,377
San Miguel Consolidated Fire Protection District Certificates of Participation		100	9,615,000
Fallbrook Sanitary District Certificates of Participation		100	8,830,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			3,176,911,888



(Continued) TABLE 12

ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT			
Less: Otay municipal water district certificates of participation (100% self-supporting)			2,567,000
City of Oceanside Certificates of Participation			1,475,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			3,149,766,888
GROSS COMBINED TOTAL DEBT			7,423,000,451 (1)
NET COMBINED TOTAL DEBT			\$ 7,369,975,451
(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.			
Ratios to 2004-05 assessed valuation:			
Total Gross Overlapping Tax and Assessment Debt		0.02%	
Total Net Overlapping Tax and Assessment Debt		1.50%	
Ratios to Adjusted Assessed Valuation:			
Combined Direct Debt (\$1,716,119,538)		0.66%	
Gross Combined Total Debt		2.87%	
Net Combined Total Debt		2.85%	
STATE SCHOOL BUILDING AID REPAYABLE AS OF JUNE 30, 2005	\$	12,058	
Source: California Municipal Statistics, Inc. (As of June 30, 2005)			



TABLE 13

PRINCIPAL TAXPAYERS June 30, 2005 (In Thousands)			
TAXPAYERS	TYPE OF BUSINESS	ASSESSED VALUATION	PERCENTAGE OF TOTAL ASSESSED VALUATION
San Diego Gas & Electric Company	Gas & Electric Utility	\$ 3,115,007	1.08%
Southern California Edison Co.	Electric Utility	1,479,493	0.51%
San Diego Family Housing LLC	Real Estate	1,054,005	0.37%
Pacific Bell Telephone Company	Telephone Company	803,538	0.28%
Kilroy Realty	Real Estate	598,910	0.21%
Qualcomm Inc.	Telecommunications	512,482	0.18%
Manchester Resorts LP	Real Estate	443,514	0.15%
Fashion Valley Mall	Real Estate	419,625	0.15%
Sea World Inc.	Marine Oriented Theme Park	349,403	0.12%
CNL Hotel Del Partners LP	Real Estate	379,567	0.13%
		\$ 9,155,544	3.18%



TABLE 14

General Information June 30, 2005	
FORM OF GOVERNMENT:	Chartered County, governed by five-member Board of Supervisors
COUNTY SEAT:	San Diego, California
COUNTY CHARTER ADOPTED:	July 1, 1933
FISCAL YEAR BEGINS:	July 1
AREA OF COUNTY:	Approximately 4,200 square miles
GEOGRAPHICAL LOCATION:	The Southwestern most county in California and the continental United States. Bounded by Mexico on the South, Riverside and Orange counties on the North, Imperial County on the East and the Pacific Ocean on the West. Extends North to South.
ALTITUDE:	Sea Level to 6,500 feet
INCORPORATED CITIES:	Carlsbad
	Chula Vista
	Coronado
	Del Mar
	El Cajon
	Encinitas
	Escondido
	Imperial Beach
	La Mesa
	Lemon Grove
	National City
	Oceanside
	Poway
	San Diego
	San Marcos
	Santee
	Solana Beach
	Vista



TABLE 15

Special Districts June 30, 2005	
Air Pollution Control	1
Cemetery	4
Community Facilities	199
Community Services	12
County Service Areas	18
Education:	
Schools	47
Dept. of Education	1
Fire	16
Flood Control	1
Geological Hazard	1
Hospital	4
Infrastructure	1
Irrigation	6
Library	1
Lighting	6
Maintenance:	
Lighting	1
Sewer	2
Street	1
Permanent Road Divisions	65
Public Utility	1
Recreation and Parks	1
Redevelopment Agencies	18
Resource Conservation	3
Sanitation	9
Sewer	1
Small Craft Harbor	1
Unified Port	1
Vector Control	1
Water:	
California	3
County	5
Miscellaneous	2
Municipal	14
	447

TABLE 16

MAINTAINED ROADS June 30, 2005	
MILES OF COUNTY-MAINTAINED ROADS (Unincorporated Areas Only):	1,905.79



TABLE 17

SEWERS MAINTAINED BY WASTEWATER MANAGEMENT June 30, 2005	
Districts Connected to Metropolitan System	4
Water Pollution Control Facilities	3
Sewer Lines, Miles	383
Equivalent Dwelling Units Sewer Connections	51,541

TABLE 18

REGISTERED VOTERS June 30, 2005	
Primary Election:	November 2, 2004
Number Voted:	1,145,035
Percent Voted:	75.66
Registered Voters:	1,513,300

TABLE 19

TOTAL COUNTY EMPLOYEES AT JUNE 30 June 30, 2005			
Year	Number of Employees	Percent of Increase over Previous Year	Number of Employees Per Thousands Population
1995	17,470	1.2	6.57
1996	17,626	0.9	6.55
1997	17,623	(0.0)	6.47
1998	17,790	0.9	6.36
1999	16,390	(7.9)	5.74
2000	16,617	1.4	5.71
2001	17,057	2.6	5.91
2002	18,208	6.7	6.24
2003	17,835	(2.0)	6.02
2004	16,949	(5.0)	5.62
2005	16,418	(3.1)	5.38



TABLE 20

**MAJOR INDUSTRY GROUP OF EMPLOYED
PERSONS FOR SAN DIEGO COUNTY
(In Thousands)
June 30, 2005**

Agriculture and Fishing	11.2
Mining	0.4
Contract Construction	93.1
Manufacturing:	
Machinery Manufacturing	8.1
Computer & Electronic	24.8
Aircraft & Transportation Equipment	14.0
Other Manufacturing	30.9
Paper, Printing and Publishing	26.2
Transportation and Public Utilities	28.6
Wholesale and Retail Trade	186.9
Finance, Real Estate and Insurance	82.5
Service Industries	568.4
Government	220.9
Subtotal:	1,296.0
Not Elsewhere Classified	159.7
TOTAL EMPLOYED	1,455.7
UNEMPLOYED	67.6
TOTAL CIVILIAN LABOR FORCE	1,523.3